



The
Metropolitan Collection – **BRISBANE**

DIRECT PROPERTY INVESTMENT

2000 annual report

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I am pleased to present the Annual Report for The Metropolitan Collection – Brisbane Direct Property Investment (the Fund) for the year ended June 30, 2000.

Review of Operations

Property Funds Australia Limited (PFA, the Manager) is pleased with the ongoing operation of the properties owned by the Fund and reports to investors on current operational issues as follows:-

Anzac Square Property

The Anzac Square complex recently won the prestigious Property Council of Australia's Rider Hunt Award for Queensland. The conversion of this heritage complex was recognised by the award judges for its cultural and effective property solution considerations. The existing tenancies in the Fund's component of the complex (the offices) are performing well with the tenants appearing to be well satisfied with their new premises.

Both the Heritage Council and the Brisbane City Council have given their approval for the use of the Fund's ground floor heritage corridor in the complex as a coffee shop. A number of prospective operators have been introduced to the site with negotiations well advanced with one operator.

In last years annual report the possibility of a post-settlement purchase price adjustment was noted. A sum of approximately \$230,000 was ultimately paid due to a lower than expected unimproved valuation being ascribed to the land thus reducing statutory costs incurred by the Fund in the future.

Coorparoo Property (the Precinct)

The well established Brisbane inner-city suburb of Coorparoo is continuing to undergo a renaissance. Just to the north of The Precinct a major residential development has recently been completed consisting of ninety-two (92) two and three bedroom townhouses and units. The ongoing growth of Coorparoo and its surrounds will be an excellent benefit to the already popular eateries located at The Precinct.

There is still some vacancy on the Harries Road side of the retail component of the property. We are confident of concluding negotiations with a suitable operator which will see the retail component of the property fully occupied by the end of this year. In the meantime, any vacancy in the retail component remains subject to a rental guarantee from the vendor who has the primary responsibility for the initial letting up of the property.

MacGregor Property

In October, 1999, the construction of Stage 1 of the extension to this property was completed. To facilitate the letting up process the vendor's rental guarantee was "cashed in" (refer detail in the prospectus). We have either leased or are close to finalising leases relating to four out of the seven units in this part of the development.

We are currently examining an overall strategy for the entire site including the establishment of financial models for the opportunities that exist for the vacant land for which a development approval has already been obtained.

On 31st March, 2000 the substantial NSW based listed public company, Hudson Timber and Hardware Limited, acquired three businesses from Bretts Timber and Hardware including the business located at the Macgregor property. Consequently, the Bretts building has now been repainted and re-badged as a Hudson Timber operation. Consent to the assignment of the Bretts leases has been granted. Bretts Limited has not been released from their contractual liability under the lease and, as such, their "guarantee" will continue alongside Hudson's covenant.

Financial Results

After accounting for depreciation of \$2,006,863 and Division 10(D) deductions of \$199,982 the Syndicate recorded an accounting loss of \$117,783 and a tax loss of \$155,202.

In the case of the Trust, an accounting loss of \$58,549 and a tax loss of \$75,613 was recorded for the year.



Distributions – for the year ended June 30, 2000

The distribution for the year equated to a yield of 9.5% per annum on the capital subscribed by investors. Distributions are made from the Fund's surplus cash flows (i.e. net profit after adding back depreciation for plant, equipment and buildings, and the amortisation of intangibles and other non-cash items).

Distributions – for the year ending June 30, 2001

The board of Property Funds Australia Limited has determined that distributions will continue to be made in the line with prospectus forecasts and therefore the Fund's monthly distributions have increased to give a yield on subscribed capital of 9.7% for the year ended 30 June, 2001. The board will continue to monitor the ongoing appropriateness of this distribution rate throughout the year taking into consideration such factors as tenancy performance and the letting up of vacant space.

Investment and Borrowing Policies of the Joint Investment

There have been no changes to the investment and borrowing policies outlined in the prospectus

Managed Investments Act

The conversion of The Metropolitan Collection – Brisbane Property Investment (Syndicate and Trust), to Managed Investment Schemes under the Managed Investments Act 1998 (as described in the original prospectus) was successfully completed and formalised by the Australian Securities and Investments Commission (ASIC) on 27 June, 2000.

As part of this process the existing syndicate and trust deeds were replaced by new constitutions. Negotiations were completed with the original trustee, Trust Company of Australia Limited, to continue as custodian of the Fund's assets on behalf of the Manager under a custody agreement. PFA is now the single responsible entity of the Fund.

GST

The Manager has reviewed the impact of the introduction of a GST on the Fund's portfolio and is pleased to advise that based on currently available legislation, no immediate material affect on distributions is expected to result from the introduction of this tax. Considerable 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 is the National Australia Bank lease in the Coorparoo property which, due to it being a long term, fixed review lease continuing beyond 2005, may be subject to non-recoverable GST from that time. No conclusion can be formed on the post – 2005 GST treatment of this lease until firm legislative proposals in respect of long term leases are available.

Tax Reform Proposals

Since our last annual report the Federal Government has released The Ralph Committee report on business taxation reform and the Government's response to that report. Certain aspects of the Ralph Committee Report and the Government's response (such as aspects relating to capital gains tax and accelerated depreciation changes) have been given effect to by the passing of legislation. The accelerated depreciation changes do not affect original investors in the Fund due to the timing of the acquisition of their interest. Other aspects such as entity tax reform and wasted assets regime proposals are still outstanding and have not been tabled in Federal Parliament. The controversial definition of "Collective Investment Vehicle" is currently being discussed between representatives of the managed funds industry and government.

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 operation of The Metropolitan Collection – Brisbane and the expected results of those operations in future financial years are in line with those disclosed in the Prospectus.

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.

State of Affairs

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

Conclusion

The greatest challenge for the Fund over the forthcoming twelve months is the development of a long term strategy for the MacGregor property which does justice to its potential and meets the needs of the Fund's investors. You can be assured that the management team of PFA are focussed on this aspect of their role.

We trust that you are satisfied with the service you receive from our operatives. Our investor relations staff regularly receive positive feedback about the quality of their communications with investors.

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

Rodney M Keown
Chairman



The
Metropolitan Collection – **BRISBANE**

PROPERTY TRUST

**financial accounts for the
year ended June 30, 2000**

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THE METROPOLITAN COLLECTION - BRISBANE PROPERTY TRUST
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000



	Note	2000	1999 \$
Operating profit (loss) before income tax	2	(58,549)	(158,283)
Income tax expense attributable to operating profit	3	-	-
Operating loss after income tax		(58,549)	(158,283)
Accumulated losses at the beginning of the period		(158,283)	-
Profit Distribution to unitholders		(216,832)	-
Accumulated income (losses) at the end of the period		(216,832)	(158,283)

BALANCE SHEET
AS AT JUNE 30, 2000

	Note	2000	1999 \$
TRUST CAPITAL			
Unit Capital		7,570,000	7,570,000
Distributions to Unitholders		(839,008)	(119,858)
Accumulated Losses		(216,832)	(158,283)
TOTAL TRUST FUNDS		<u>6,514,160</u>	<u>7,291,859</u>
CURRENT ASSETS			
Cash	4	55	2,586
TOTAL CURRENT ASSETS		<u>55</u>	<u>2,586</u>
NON-CURRENT ASSETS			
Investments	5	6,520,835	7,293,887
Other Assets	6	1,125	1,425
TOTAL NON-CURRENT ASSETS		<u>6,521,960</u>	<u>7,295,312</u>
TOTAL ASSETS		<u>6,522,015</u>	<u>7,297,898</u>
CURRENT LIABILITIES			
Accounts Payable	7	7,855	6,039
TOTAL CURRENT LIABILITIES		<u>7,855</u>	<u>6,039</u>
TOTAL LIABILITIES		<u>7,855</u>	<u>6,039</u>
NET ASSETS/(DEFICIT)		<u>6,514,160</u>	<u>7,291,859</u>

To be read in conjunction with the attached notes

THE METROPOLITAN COLLECTION - BRISBANE PROPERTY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000



	Note	2000 \$	1999 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Distributions Received		719,340	119,858
Interest Received		8	92
Payments to Suppliers		<u>(4,295)</u>	<u>(295)</u>
		<u>715,053</u>	<u>119,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investment		<u>-</u>	<u>(7,570,000)</u>
		<u>-</u>	<u>(7,570,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		-	7,570,000
Expenses paid by related entity		2,595	3,260
Registry Establishment Costs		-	(1,500)
Distributions to Unitholders		<u>(720,179)</u>	<u>(118,829)</u>
Net cash provided by financing activities		<u>(717,584)</u>	<u>7,452,931</u>
Net increase (decrease) in cash held		<u>(2,531)</u>	<u>2,586</u>
Cash at beginning		<u>2,586</u>	<u>-</u>
Cash at June 30, 2000	8	<u>55</u>	<u>2,586</u>

To be read in conjunction with the attached notes

THE METROPOLITAN COLLECTION - BRISBANE PROPERTY TRUST
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000



NOTE 1: STATEMENT OF ACCOUNTING POLICIES

These 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 do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

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

(a) Income & Expenditure

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

(b) Investments

Investments are brought to account at cost or at Trustee's valuation. 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 expenses shown in the profit and loss account is based on the operating profit before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for 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.

	2000 \$	1999 \$
NOTE 2: OPERATING REVENUE		
Share of Profit(Loss) from the Metropolitan Collection – Brisbane Syndicate	(53,712)	(156,255)

NOTE 3: INCOME TAX EXPENSE

The prima facia tax on operating profit is reconciled to the income tax provided in the accounts as follows:

Prima facia tax payable on operating profit before		
Income tax at 48.5%	-	-
Tax effect of:		
Income distributed to beneficiaries	-	-
Income tax expense	<u>-</u>	<u>-</u>

THE METROPOLITAN COLLECTION - BRISBANE PROPERTY TRUST
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000



	2000 \$	1999 \$
NOTE 4: CASH		
Cash at Bank – National Australia Bank Account	<u>55</u>	<u>2,586</u>
	<u>55</u>	<u>2,586</u>
NOTE 5: INVESTMENTS		
Interest in the Metropolitan Collection – Brisbane Syndicate	<u>6,520,835</u>	<u>7,293,887</u>
	<u>6,520,835</u>	<u>7,293,887</u>
<p>The value of the trust's investment in the Metropolitan Collection - Brisbane Syndicate includes reductions to recognise the Trust's share of the Syndicate loss for the period and the distributions received from the Syndicate for the period which represent a return on capital</p>		
Initial investment	7,570,000	7,570,000
Distributions from the Metropolitan Collection - Brisbane Syndicate	(839,198)	(119,858)
Share of Syndicate profit (loss)	<u>(209,967)</u>	<u>(156,255)</u>
	<u>6,520,835</u>	<u>7,293,887</u>
NOTE 6: OTHER ASSETS		
Registry Establishment Costs	1,500	1,500
Less Accumulated Amortisation	<u>375</u>	<u>75</u>
	<u>1,125</u>	<u>1,425</u>
NOTE 7: ACCOUNTS PAYABLE		
Current		
Trade Creditors & Accruals	2,000	1,750
Other Creditor – Metropolitan Collection – Brisbane Syndicate	5,855	3,260
EFT Distributions Rejected	<u>-</u>	<u>1,029</u>
	<u>7,855</u>	<u>6,039</u>



	2000 \$	1999 \$
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 balance sheet as follows:		
Cash at Bank	<u>55</u> <u>55</u>	<u>2,586</u> <u>2,586</u>
Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax		
Operating Profit (Loss) after Income Tax	(58,549)	(158,283)
Non Cash Flows in Operating Profit:		
Amortisation – Registry Establishment Cost	300	75
Diminution in Investments	774,081	275,084
Changes in Assets and Liabilities:		
Increase (Decrease) in Accrued Expenses	<u>(779)</u>	<u>2,779</u>
Net Cash Provided by Operating Activities	<u>715,053</u>	<u>119,655</u>

NOTE 9: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Trust has received Distributions from the Metropolitan Collection – Brisbane Syndicate for the months of June and July 2000 totalling \$59,959 and \$61,191 respectively.

NOTE 10: 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 Trust.
- (e) There were no disposals of property in the period to which these financial statements relate



NOTE 10: OTHER STATUTORY INFORMATION CON'T

- (f) As at June 30, 2000 the Manager and associates held 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, 2000 is \$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 11: 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 -
John P Sweeney (Chairman), James G M Moffat (Vice Chairman),
Hon. Anthony A Street, John M Stanham, Warren J McLeland,
Bruce G Barker, Jonathan W Sweeney

- (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 (see the Metropolitan Collection - Brisbane Syndicate Financial Statements).

NOTE 12: 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:



NOTE 12: 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	
	30/06/2000	30/06/1999	30/06/2000	30/06/1999	30/06/2000	30/06/1999	30/06/2000	30/06/1999
Cash	5.5		55			2,586	55	2,586
Investments					6,520,835	7,293,887	6,520,835	7,293,887
Total Financial Assets			55		6,520,835	7,296,473	6,520,890	7,296,473
Financial Liabilities								
Trade & Sundry Creditors					7,855	6,039	7,855	6,039
Total Financial Liabilities					7,855	6,039	7,855	6,039

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 Property Trust:

- (a) The accompanying financial statements and notes give a true and fair view of the Trust's financial position as at 30 June 2000 and its performance for the year ended on that date in accordance with the Corporations Law (including Sections 296 and 297 thereof), applicable Accounting Standards and the Trust Deed dated 23 June, 1998 as amended by the supplementary deed dated 24 December, 1998;
- (b) In the director's opinion there are reasonable ground to believe that The Metropolitan Collection – Brisbane Property Trust will be able to pay its debts as and when they become due and payable.

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

C A Morton
Managing Director

D J Conquest
Director

Brisbane
20 September 2000

TRUST COMPANY OF AUSTRALIA LIMITED
TRUSTEE'S STATEMENT AND REPORT



TRUSTEE'S STATEMENT

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

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

TRUSTEE'S REPORT

In accordance with the Corporations Law, Trust Company of Australia Limited A.C.N 004 027 749 ("the Trustee") in respect of The Metropolitan Collection – Brisbane Property Trust ("the Trust") reports as follows for the period ended June 27, 2000

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

For and on behalf of the Trust Company of Australia Limited A.C.N 004 027 749.


GEOFF FUNNELL
Authorised Representative

Dated: 

THE METROPOLITAN COLLECTION - BRISBANE PROPERTY TRUST

INDEPENDENT AUDIT REPORT TO UNITHOLDERS

Scope

We have audited the Financial Report of The Metropolitan Collection – Brisbane Property Trust being the Declaration by the Directors of the Manager, Trustees Statement and Report, Profit and Loss Statement, Balance Sheet and Notes to the Accounts for the financial year ended June 30, 2000. 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 Property Trust's financial position, the results of their operations and their cash flows.

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

Audit Opinion

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

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2000 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: September 20, 2000

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The
Metropolitan Collection – **BRISBANE**
SYNDICATE

**financial accounts for the
year ended June 30, 2000**

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**THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
PROPERTY PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**



	Note	2000 \$	1999 \$
PROPERTY INCOME			
Rent & Licence Fees Received		4,178,777	811,010
Outgoings Recovered		145,480	17,810
		<u>4,324,257</u>	<u>828,820</u>
DIRECT PROPERTY EXPENSES			
Body Corporate Fees		123,178	16,453
Cleaning		31,027	3,093
Consultants Fees		15,305	2,015
Electricity & Gas		75,742	532
Fire Protection Costs		12,609	2,467
Garden Maintenance		3,457	95
Insurance		29,680	6,605
Land Tax		58,943	9,750
Licences & Fees		-	(321)
Property Managers Fees & Petties		51,134	7,663
Rates		171,013	15,363
Repairs & Maintenance		80,323	4,384
Security		436	-
Telephone		1,116	475
TOTAL DIRECT PROPERTY EXPENSES		<u>653,963</u>	<u>68,574</u>
NET PROPERTY INCOME		<u>3,670,294</u>	<u>760,246</u>

To be read in conjunction with the attached notes

**THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
SYNDICATE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**



	Note	2000 \$	1999 \$
INCOME			
Net Property Income		3,670,294	760,246
Interest Received		29,803	18,187
TOTAL INCOME		<u>3,700,097</u>	<u>778,433</u>
EXPENSES			
Accountancy		19,683	8,350
Advertising		3,047	-
Amortisation - Prospectus Costs		15,614	3,904
Amortisation - Syndicate Formation & Prospectus Legal Costs		13,567	3,392
Auditors Fees		10,250	11,000
Bank Charges		1,041	866
Borrowing Expenses		68,267	16,611
Consultancy Fees		3,450	-
Depreciation - Plant & Equipment		2,006,863	800,809
Interest on Borrowings		1,490,478	235,454
Legal Fees		17,689	1,702
Postage		1,939	1,300
Printing & Stationery		703	543
Reporting Expenses		4,412	2,924
Syndicate Managers Fees		140,877	24,006
Trustees Fees		20,000	10,219
TOTAL EXPENSES		<u>3,817,880</u>	<u>1,121,080</u>
NET OPERATING LOSS		<u>117,783</u>	<u>342,647</u>

To be read in conjunction with the attached notes

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
BALANCE SHEET
AS AT JUNE 30, 2000



	Note	2000 \$	1999 \$
CURRENT ASSETS			
Cash	2	668,562	777,724
Receivables	3	271,197	154,557
Other	3	67,249	-
TOTAL CURRENT ASSETS		<u>1,007,008</u>	<u>932,281</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	35,785,865	35,953,985
Other Assets	5	370,445	454,220
TOTAL NON-CURRENT ASSETS		<u>36,156,310</u>	<u>36,408,205</u>
TOTAL ASSETS		<u>37,163,318</u>	<u>37,340,486</u>
CURRENT LIABILITIES			
Accounts Payable	6	88,773	85,967
TOTAL CURRENT LIABILITIES		<u>88,773</u>	<u>85,967</u>
NON-CURRENT LIABILITIES			
Borrowings	7	22,775,000	21,260,000
TOTAL NON-CURRENT LIABILITIES		<u>22,775,000</u>	<u>21,260,000</u>
TOTAL LIABILITIES		<u>22,863,773</u>	<u>21,345,967</u>
NET ASSETS/(DEFICIT)		<u>14,299,545</u>	<u>15,994,519</u>
TOTAL SYNDICATE MEMBERS' FUNDS	8	<u>14,299,545</u>	<u>15,994,519</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, 2000



	Note	2000 \$	1999 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Rental received		4,145,040	698,480
Payments to suppliers		(2,365,615)	(341,358)
Security Deposit – Energex		(600)	(50)
Interest Received		29,803	18,187
Net cash provided by operating activities		<u>1,808,628</u>	<u>375,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non current assets		(1,838,743)	(36,729,349)
Net cash provided by investing activities		<u>(1,838,743)</u>	<u>(36,729,349)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Syndicate members		-	16,600,000
Proceeds from borrowings		1,515,000	21,260,000
Prospectus and Syndicate Costs		-	(135,311)
Borrowing Costs		(13,673)	(328,019)
Distributions to Syndicate Members		(1,578,379)	(261,646)
Expenses to be reimbursed by related entity		(2,595)	(3,260)
Net cash provided by financing activities		<u>(79,647)</u>	<u>37,131,764</u>
Net increase (decrease) in cash held		<u>(109,762)</u>	<u>777,674</u>
Cash at beginning		777,674	-
Cash at June 30, 2000	9	<u>667,912</u>	<u>777,674</u>

To be read in conjunction with the attached notes



NOTE 1: STATEMENT OF ACCOUNTING POLICIES

These 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 do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

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

(a) Income & Expenditure

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

(b) Property, Plant and Equipment

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

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

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

Plant and equipment are depreciated on the diminishing value basis using the rates determined by Napier & Blakely Pty Ltd Depreciation Consultants in their report for income tax purposes. Plant and Equipment depreciated at 10% to 40%.

(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.

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000



	2000 \$	1999 \$
NOTE 2: CASH		
Cash at Bank – National Australia Bank Account	667,912	777,674
Deposits Refundable – Energex	650	50
	<u>668,562</u>	<u>777,724</u>
NOTE 3: RECEIVABLES		
Current		
Debtors - Rental/Outgoings	242,249	130,340
Other Debtor - The Metropolitan Collection - Brisbane Property Trust	5,855	3,260
Prepaid Expenses	23,034	20,957
GST Recoverable	59	-
Reimbursable Expenses	67,249	-
	<u>338,446</u>	<u>154,557</u>
NOTE 4: PROPERTY, PLANT & EQUIPMENT		
Property described as Bretts MacGregor, 544 Kessels Road MacGregor, Brisbane, Queensland		
Land at Cost	2,507,765	2,211,253
Buildings at Cost	7,257,653	6,221,373
Total Land & Buildings	<u>9,765,418</u>	<u>8,432,626</u>
Plant & Equipment at Cost	1,192,150	965,201
Less Provision for Depreciation	(340,442)	(114,902)
	<u>851,708</u>	<u>850,299</u>
Total Property, Plant & Equipment - Bretts MacGregor	<u>10,617,126</u>	<u>9,282,925</u>
Property described as Anzac Square Offices, Cnr Edward & Adelaide Streets Brisbane, Queensland		
Land at Cost	1,480,781	1,482,089
Buildings at Cost	10,807,974	11,195,291
Total Land & Buildings	<u>12,288,755</u>	<u>12,677,380</u>
Plant & Equipment at Cost	5,564,027	5,155,922
Less Provision for Depreciation	(1,642,161)	(440,106)
	<u>3,921,866</u>	<u>4,715,816</u>
Total Property, Plant & Equipment – Anzac Square Offices	<u>16,210,621</u>	<u>17,393,196</u>

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000



	2000 \$	1999 \$
NOTE 4: PROPERTY, PLANT & EQUIPMENT (CONT)		
Property described as The Precinct, Cnr Harries Road & Holdsworth Street Coorparoo, Brisbane, Queensland		
Land at Cost	1,000,034	1,204,945
Buildings at Cost	6,019,319	5,798,284
Total Land & Buildings	<u>7,019,353</u>	<u>7,003,229</u>
Plant & Equipment at Cost	2,763,834	2,520,436
Less Provision for Depreciation	(825,069)	(245,801)
	<u>1,938,765</u>	<u>2,274,635</u>
Total Property, Plant & Equipment – The Precinct	<u>8,958,118</u>	<u>9,277,864</u>
Total Property, Plant & Equipment	<u><u>35,785,865</u></u>	<u><u>35,953,985</u></u>
NOTE 5: OTHER ASSETS		
Prospectus Issue & Promotion Costs	78,073	78,073
Less Accumulated Amortisation	(19,518)	(3,904)
	<u>58,555</u>	<u>74,169</u>
Borrowing Costs	345,892	332,219
Less Accumulated Amortisation	(84,878)	(16,611)
	<u>261,014</u>	<u>315,608</u>
Syndicate & Prospectus Legal Costs	67,835	67,835
Less Accumulated Amortisation	(16,959)	(3,392)
	<u>50,876</u>	<u>64,443</u>
	<u>370,445</u>	<u>454,220</u>
NOTE 6: ACCOUNTS PAYABLE		
Current		
Trade Creditors - Audit & Accountancy Fees	13,000	12,000
EFT Distributions Rejected	-	1,188
Accrued Expenses	75,773	72,779
	<u>88,773</u>	<u>85,967</u>



	2000 \$	1999 \$
NOTE 7: BORROWINGS		
Non-Current Mortgage Loans	<u>22,775,000</u>	<u>21,260,000</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) A Bank Guarantee was provided by the State Bank of New South Wales pending the completion of the Bretts MacGregor Property - Building 1, secured by a Second Registered Mortgage over the land and buildings and plant and equipment of each of the three syndicate properties. This bank guarantee was released upon completion of building 1 on 1 November 1999.

(c) 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 Third Registered Mortgage over the land and buildings and plant and equipment of each of the three syndicate properties. As at June 30, 2000 the credit facility was undrawn.

(d) The borrowings were undertaken by Property Funds Australia Limited as Manager of the Syndicate and on behalf of the Owners and Trust Company of Australia Limited as Nominee for the owners has given mortgages over each of the Properties. Neither the Investors, Manager or Trustee are personally liable beyond the value of the equity subscribed.

NOTE 8: SYNDICATE MEMBERS' FUNDS

Opening Balance	15,994,519	-
Funds Contributed	-	16,600,000
Distributions to Syndicate Members	(1,577,191)	(262,834)
Accumulated Losses	(117,783)	(342,647)
Closing Balance	<u>14,299,545</u>	<u>15,994,519</u>



	2000 \$	1999 \$
NOTE 9: 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 balance sheet as follows:		
Cash at Bank	<u>667,912</u> 667,912	<u>777,674</u> 777,674
Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax		
Operating Profit (Loss) after Income Tax	(117,783)	(342,647)
Non Cash Flows in Operating Profit:		
Amortisation – Prospectus Costs	15,614	3,904
Amortisation – Syndicate Formation and Prospectus Legal Costs	13,567	3,392
Borrowing Costs	68,267	16,611
Depreciation	2,006,863	800,809
Changes in Assets and Liabilities:		
Decrease (Increase) in Trade Debtors	(111,909)	(130,340)
Decrease (Increase) in Deposits	(600)	(50)
Decrease (Increase) in Reimbursable Expenses	(67,249)	-
Decrease (Increase) in Sundry Debtors	(59)	-
Decrease (Increase) in Prepayments	(2,077)	(20,957)
Increase (Decrease) in Accrued Expenses	<u>3,994</u>	<u>44,537</u>
Net Cash Provided by Operating Activities	<u>1,808,628</u>	<u>375,259</u>

NOTE 10: 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	3,414,234
- later than 1 year but not later than 5 years	10,669,748
- later than 5 years	<u>3,125,346</u>
	<u>17,209,328</u>

NOTE 11: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Syndicate has paid Distributions to Syndicate Members for the months of June and July 2000 totalling \$131,445 and \$134,183 respectively.



NOTE 12: 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 13: INCOME TAX

	2000	1999
	\$	\$
Net Operating Loss	(117,783)	(342,647)
Non deductible accrued expenses movement	-	9,000
Non deductible syndicate legal & prospectus costs	29,181	7,295
Non Deductible Accounting		
Depreciation - Plant & Equipment	130,970	42,713
Allowable Taxation Allowance – Buildings	(199,982)	(35,054)
Deductible Prepaid Expenses movement	2,412	(20,957)
Net Tax Loss for the Period	<u>(155,202)</u>	<u>(339,650)</u>

NOTE 14: 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 15: 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 Trustee 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.



NOTE 15: OTHER STATUTORY INFORMATION (CON'T)

(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) Details of the acquisition of the Syndicate property are as follows:

	2000 \$	1999 \$
Bretts MacGregor		
Market Valuation: Effective Date September 1, 1999 By Knight Frank	10,050,000	10,050,000
Acquisition Details (Settlement April 1, 1999)		
Purchase Price	10,050,024	8,550,000
Acquisition Costs	<u>907,544</u>	<u>847,827</u>
Total Costs of Acquisition	<u>10,957,568</u>	<u>9,397,827</u>
Reconciliation to book value at June 30, 2000:		
Total Costs of Acquisition	10,957,568	9,397,827
Accumulated Depreciation - Plant & Equipment	<u>340,442</u>	<u>114,902</u>
Total Property, Plant & Equipment – Bretts MacGregor	<u>10,617,126</u>	<u>9,282,925</u>
Anzac Square Offices		
Market Valuation: Effective Date April 1, 1999 By Knight Frank	16,300,000	16,300,000
Acquisition Details (Settlement April 9, 1999)		
Purchase Price	16,289,424	16,289,424
Acquisition Costs	<u>1,563,358</u>	<u>1,543,878</u>
Total Costs of Acquisition	<u>17,852,782</u>	<u>17,833,302</u>
Reconciliation to book value at June 30, 2000:		
Total Costs of Acquisition	17,852,782	17,833,302
Accumulated Depreciation - Plant & Equipment	<u>1,642,161</u>	<u>440,106</u>
Total Property, Plant & Equipment – Anzac Square Offices	<u>16,210,621</u>	<u>17,393,196</u>
The Precinct		
Market Valuation: Effective Date June 1, 1999 By Knight Frank	8,920,000	8,920,000
Acquisition Details (Settlement April 30, 1999)		
Purchase Price	8,927,974	8,694,198
Acquisition Costs	<u>855,213</u>	<u>829,467</u>
Total Costs of Acquisition	<u>9,783,187</u>	<u>9,523,665</u>
Reconciliation to book value at June 30, 2000:		
Total Costs of Acquisition	9,783,187	9,523,665
Accumulated Depreciation - Plant & Equipment	<u>825,069</u>	<u>245,801</u>
Total Property, Plant & Equipment – The Precinct	<u>8,958,118</u>	<u>9,277,864</u>
Total Property, Plant & Equipment (Note 4)	<u>35,785,865</u>	<u>35,953,985</u>



NOTE 15: OTHER STATUTORY INFORMATION (CON'T)

- (f) There were no disposals of property in the period to which these financial statements relate
- (g) An additional building at the MacGregor site has been constructed at a cost of \$1,504,483. This was in accordance with the prospectus outlined in Section 5.2 and 21.8.
- (h) As at June 30, 2000 the Manager and associates held 0.9% of total investors capital in the Syndicate and 0.66% of the Metropolitan Collection - Brisbane Property Trust which owns 45.60% of the Metropolitan Collection - Brisbane Syndicate. All of the above interests were fully paid for.
- (i) Book value of the net tangible assets of the Syndicate at June 30, 2000 is \$14,299,546 (1999 \$15,944,519). 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.
- (j) The land title to the property is registered in the name of Trust Company of Australia Limited who is appointed under the Syndicate Deed to act as nominee for the owners.

2000	1999
\$	\$

NOTE 16: 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 -
 John P Sweeney (Chairman), James G M Moffat (Vice Chairman),
 Hon. Anthony A Street, John M Stanham, Warren J McLeland,
 Bruce G Barker, Jonathan W Sweeney

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

The Manager

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

140,877	24,006
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PRD Realty for property management services for the period.

21,905	4,663
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	2000 \$	1999 \$
NOTE 16: RELATED PARTY TRANSACTIONS (CON'T)		
Joint Acquisition Fee paid to the Manager as provided for in the prospectus and the Syndicate Deed from which the Manager pays commissions to authorised persons and some other expenses.	-	1,762,450
The Trustee		
Trustee fee for the period was paid to Trust Company of Australia Limited as provided for in the prospectus in accordance with the Syndicate Deed.	20,000	10,219

NOTE 17: 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	
	30/06/2000	30/06/1999	30/06/2000	30/06/1999	30/06/2000	30/06/1999	30/06/2000	30/06/1999
Cash	5.5	5.5	667,912		650	777,724	668,562	777,724
Receivables					271,197	154,557	271,197	154,557
Total Financial Assets			667,912		271,847	932,281	939,759	932,281
Mortgage Loan	6.6	6.6	22,775,000	21,260,000			22,775,000	21,260,000
Trade & Sundry Creditors					88,773	85,967	88,773	85,967
Total Financial Liabilities			22,775,000	21,260,000	88,773	85,967	22,863,773	21,345,967

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 2000 and its performance for the year ended on that date in accordance with the Corporations Law (including Sections 296 and 297 thereof), applicable Accounting Standards and the Syndicate Deed dated 23 June, 1998 as amended by the supplementary deed dated 24 December, 1998;
- (b) In the director's opinion 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.

C A Morton
Managing Director

D J Conquest
Director

Brisbane
20 September 2000

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TRUSTEE'S STATEMENT

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

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

TRUSTEE'S REPORT

In accordance with the Corporations Law, Trust Company of Australia Limited A.C.N 004 027 749 ("the Trustee") in respect of The Metropolitan Collection – Brisbane Syndicate ("the Syndicate") reports as follows for the period ended June 27, 2000

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

For and on behalf of the Trust Company of Australia Limited A.C.N 004 027 749.


GEOFF FUNNELL
Authorised Representative

Dated:

29/9/00

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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, Trustees Statement and Report, Profit and Loss Statement, Balance Sheet and Notes to the Accounts for the financial year ended June 30, 2000 as set out on pages (1) to (13). 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 Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2000 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

BDO Kendall

P.A. Gallagher
P.A. Gallagher
Partner

Brisbane: September 20, 2000

DIRECTORY



MANAGER

Property Funds Australia Limited
ACN 078 199 569

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TRUSTEE/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

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

REGISTRY

BDO Kendalls
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BRISBANE Q 4000

AUDITOR

BDO Kendalls
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