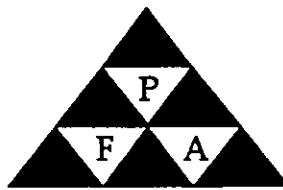


The Metropolitan Collection – **BRISBANE**
DIRECT PROPERTY INVESTMENT
1999 ANNUAL REPORT

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**PROPERTY FUNDS
AUSTRALIA LIMITED**

A.C.N. 078 199 569



PROPERTY FUND MANAGERS



The Metropolitan Collection - BRISBANE MANAGER'S REPORT

It is with much pleasure that I present the first Annual Report for The Metropolitan Collection – Brisbane Direct Property Investment (encompassing both the Syndicate and the Trust) being for the period ended June 30, 1999.

Although the Portfolio had been held for only three months (at the end of that financial year) there has been significant activity. The board of Property Funds Australia Limited (PFA) was pleased with the state of delivery of all properties at settlement. Two of the properties were either under construction or refurbishment at the time the Prospectus was issued. We believe the Portfolio will provide sound investment performance during the term of the Investment and as Manager are committed to maximising the performance of your investment.

Review of Acquisition

The purchase of the properties was completed within the prospectus timetable. All settlements were effected in April, 1999. Settlement of the Coorparoo property was 41 days ahead of schedule.

It was pleasing that total acquisition costs were over \$600,000 less than estimated in the prospectus. However, some post-settlement purchase price adjustments are expected as a consequence of the Queensland Department of Natural Resources issuing new unimproved valuations for the Coorparoo and Anzac Square properties. These adjustments are a consequence of the value of the relevant properties being increased due to an increase in net property income as a result of a reduction in rates and land tax related to unimproved valuations being less than anticipated.

Finance Facilities

Details of the finance facilities finalised were outlined in the May Investor Update. As stated in that Update, a saving of \$125,841 was generated for the Syndicate (as compared with Prospectus estimates) over the initial five year term of the loan facility. The average rate of interest on the initial acquisition loans is 6.66%.

Investment and Borrowing Policies of the Joint Investment

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

Anzac Square Property

This property is essentially running to plan. We have been successful in an application to the Brisbane City Council to establish in an area that was originally dedicated for storage by the vendor to be now used for a retail purpose such as a coffee shop. With this approval in place we are now seeking tenants at a considerably higher rent than its value as storage thereby enhancing the value of the asset.

Coorparoo Property

The office component of this property is meeting the needs of the National Australia Bank well. The Vendor's marketing of the retail component of the property is also proceeding in accordance with the anticipated lease-up program. A distinct restaurant precinct is being established within this development with such uses as wood-fired pizza and Italian, European style café, wine bar and Asian restaurant coming about as tenancies.

Proposals have been announced for significant residential unit/apartment and office developments in the immediate proximity of this property. These will further enhance the viability of the businesses in the Syndicate's property and continue the urban renewal of this Coorparoo inner-city district.



MacGregor Property

The construction of Building 1 is nearing completion. A leasing/marketing campaign is underway with discussions occurring with prospective tenants.

The Changing Environment

In the last 12 months there have been significant issues to be dealt with by the managed property investment sector. These have included Year 2000 compliance programs, the introduction of a goods and services tax (GST) and mooted changes to the manner in which income distributed by certain trusts are taxed. We continue to actively monitor and deal with each of these issues.

Year 2000

On certain changes of date, including from 1999 to 2000, there is a risk of disruption to, or failure of the computer systems affecting properties of the nature of those owned by the Syndicate. Various warranties and indemnities were obtained from the vendors of the Syndicate's properties in respect of Year 2000 compliance. The Year 2000 issue, however, is unique. There can be no assurance that the steps taken by any entity will successfully remove all of the risks associated with the transition to the Year 2000.

Managed Investments Act

This Act has had the effect outlined in Section 18.5 of the Prospectus. As required by this Act, Trust Company of Australia Limited gave notice on 30 June, 1999 of its intention to retire as Trustee. It is our current intention for Trust Company of Australia to have an ongoing role as the Custodian and that it will continue to hold title to the properties on behalf of Investors. The Manager now has been issued with a variation of its securities dealers licence by the Australian Securities and Investments Commission to enable it to be a responsible entity for fixed term property syndicates and trusts.

Before the end of the current financial year, it is proposed that (as required by the Act) the Syndicate Deed and the Trust Deed will be amended to become Constitutions and that the Manager will become the single responsible entity for the Syndicate and the Trust with Trust Company of Australia continuing as Custodian.

Whilst the above changes will require a certain amount of re-documentation, we do not believe that it will in any way change the commercial aspects of your Investment.

GST

Royal assent to the GST legislation was granted 8 July, 1999. The announcement of the regulations that will enable us to have a full understanding of the effect of the GST legislation are not expected to be made until mid-November, 1999. The Manager is currently reviewing the impact of the introduction of a GST on the Portfolio. We expect an interim report from the Syndicate's taxation and legal advisers to be available by the next Investor Update although absolute certainty will not be possible until the regulations for that tax are known.

Tax Reform Proposals

At the time of the issue of this Report, the Federal Government had just released the final Ralph Committee report. This report is not law but a recommendation. The Government's initial and general attitude to that report has been made public by "press release". We expect any changes in the business tax regime will be more certain by the end of this year. The implications of that report are being considered by us and we expect to be able to report more fully to investors in the next Investor Update.

Financial Results

After accounting depreciation of \$800,809 and Division 10(D) deductions of \$35,054 the Syndicate recorded an accounting loss of \$342,647 and a tax loss of \$339,650.



In the case of the Trust, an accounting loss of \$158,283 and a tax loss of \$87,585 was recorded for the period.

Distributions – for the period ended June 30, 1999

The distribution for the period equated to a yield of 9.5% per annum on the capital subscribed by Investors. Distributions are made from the Investment'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). They are not related to the tax position.

Distribution Policies – for the year ending June 30, 2000

The board of Property Funds Australia has determined that distributions will continue at the prospectus forecast rate of 9.5% per annum.

State of Affairs

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

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 any real property located in the state of Queensland would be 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 regards 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 in no way indemnified out of the assets of the Syndicate/Trust.

Conclusion

We trust that you are satisfied with the service you receive. Our investor relations staff regularly receive positive feedback about the quality of our investor communication service as recognised by the Public Relations Institute of Australia 1998 National Gold Award for excellence in investor relations and communication.

On behalf of Property Funds Australia Limited, I would like to thank each of you for your support of The Metropolitan Collection – Brisbane.

Rodney M Keown
Chairman



The Metropolitan Collection - BRISBANE
PROPERTY TRUST

FINANCIAL ACCOUNTS

FOR THE PERIOD ENDED
JUNE 30, 1999

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PROPERTY FUNDS
AUSTRALIA LIMITED

A.C.N. 078 199 569

▲ PROPERTY FUND MANAGERS ▲

The Metropolitan Collection - BRISBANE PROPERTY TRUST
PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 1999

	Note	1999 \$
Operating profit (loss) before income tax	2	(158,283)
Income tax expense attributable to operating profit	3	-
		<hr/>
Operating loss after income tax		(158,283)
Accumulated losses at the beginning of the period		-
		<hr/>
Profit Distribution to unitholders		-
		<hr/>
Accumulated losses at the end of the period		<u>(158,283)</u>

BALANCE SHEET
AS AT JUNE 30, 1999

	Note	1999 \$
TRUST CAPITAL		
Unit Capital		7,570,000
Distributions to Unitholders		(119,858)
Accumulated Losses		(158,283)
TOTAL SYNDICATE MEMBERS' FUNDS		<u>7,291,859</u>
CURRENT ASSETS		
Cash	4	2,586
TOTAL CURRENT ASSETS		<u>2,586</u>
NON-CURRENT ASSETS		
Investments	5	7,293,887
Other Assets	6	1,425
TOTAL NON-CURRENT ASSETS		<u>7,295,312</u>
TOTAL ASSETS		<u>7,297,898</u>
CURRENT LIABILITIES		
Accounts Payable	7	6,039
TOTAL CURRENT LIABILITIES		<u>6,039</u>
TOTAL LIABILITIES		<u>6,039</u>
NET ASSETS/(DEFICIT)		<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 PERIOD ENDED JUNE 30, 1999

	Note	1999 \$
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions Received		119,858
Interest Received		92
Payments to Suppliers		(295)
Purchase of Investment		(7,570,000)
		<u>(7,450,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units		7,570,000
Expenses paid by related entity		3,260
Registry Establishment Costs		(1,500)
Distributions to Unitholders		(118,829)
Net cash provided by financing activities		<u>7,452,931</u>
Net increase in cash held		<u>2,586</u>
Cash at beginning		-
Cash at June 30, 1999	1	<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 PERIOD ENDED JUNE 30, 1999

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

These financial accounts are a general purpose financial report that have been prepared in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The financial accounts have also been prepared on the basis of 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 provisional tax as it is unlikely that any taxable income will be retained by the trust in 2000.

(d) **Cash**

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

1999
\$

NOTE 2: OPERATING REVENUE

Share of Loss from the Metropolitan Collection – Brisbane Syndicate	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	-



The Metropolitan Collection - BRISBANE PROPERTY TRUST
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 1999

1999
\$

NOTE 4: CASH

Cash at Bank – National Australia Bank Account	2,586
	<u>2,586</u>

NOTE 5: INVESTMENTS

Interest in the Metropolitan Collection - Brisbane Syndicate	7,293,887
	<u>7,293,887</u>

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

Initial investment	7,570,000
Distributions from the Metropolitan Collection - Brisbane Syndicate	(119,858)
Share of Syndicate loss	(156,255)
	<u>7,293,887</u>

NOTE 6: OTHER ASSETS

Registry Establishment Costs	1,500
Less Accumulated Amortisation	75
	<u>1,425</u>

NOTE 7: ACCOUNTS PAYABLE

Current	
Trade Creditors & Accruals	1,750
Other Creditor – Metropolitan Collection – Brisbane Syndicate	3,260
EFT Distributions Rejected	1,029
	<u>6,039</u>

NOTE 8: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the trust has received a Distribution from the Metropolitan Collection - Brisbane Syndicate of \$59,929 in relation to the period ended June 30, 1999.



The Metropolitan Collection - BRISBANE PROPERTY TRUST
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 1999

NOTE 9: 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) No commissions were paid or are payable by the Trustee in relation to the issue or purchase of equity in the Trust. The Manager did pay commissions to authorised persons out of its own funds.
- (e) There were no disposals of property in the period to which these financial statements relate.
- (f) As at June 30, 1999 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, 1999 is \$7,291,859. 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 10: 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

Trustee/Nominee

Trust Company of Australia Limited ACN 004 027 749

Directors who held Office during the year were:-

John P Sweeney (Chairman), J Gordon M Moffatt (Vice Chairman),

John G Macarthur Stanham, Warren J McLeland, Robert D Jeremy,

Jonathan W Sweeney, Bruce G Barker.

- (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).



The Metropolitan Collection - BRISBANE PROPERTY TRUST
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED JUNE 30, 1999

NOTE 11: 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:

(b) **Net Fair Values**

The net fair values of all financial assets and liabilities approximates their carrying values.

	Weighted Average Effective Interest Rate 30/6/99	Floating Interest Rate 30/6/99	Within 1 Year 30/6/99	1 to 5 Years 30/6/99	Non- Interest Bearing 30/6/99	Total 30/6/99
Cash		-	-	-	2,586	2,586
Investments		-	-	-	7,293,887	7,293,887
Total Financial Assets		-	-	-	7,296,473	7,296,473
Financial Liabilities						
Trade & Sundry Creditors		-	-	-	6,039	6,039
Total Financial Liabilities		-	-	-	6,039	6,039

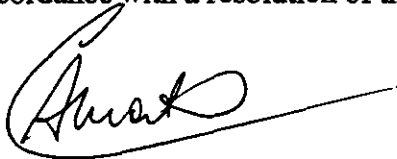


STATEMENT BY THE DIRECTORS OF THE MANAGER

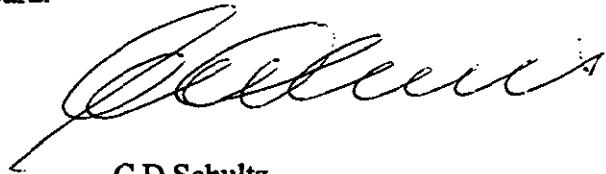
In the opinion of the Directors of Property Funds Australia Limited as Manager of The Metropolitan Collection - Brisbane Property Trust:

- a) The accompanying financial statements and notes are drawn up so as to give a true and fair view of the results and cash flows of The Metropolitan Collection - Brisbane Property Trust for the financial year ended 30 June 1999.
- b) The accompanying financial statements and notes of The Metropolitan Collection - Brisbane Property Trust have been made 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.
- c) There are reasonable grounds 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



C D Schultz
Director

Brisbane
30 September, 1999



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 ACN 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 ACN 004 027 749 ("the Trustee") in respect of The Metropolitan Collection – Brisbane Property Trust ("the Trust") reports as follows for the period ended 30 June, 1999:-

- d) A review of the Trust's operations during the twelve months 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 Trust Company of Australia Limited ACN 004 027 749.



GEOFF FUNNELL
Authorised Representative

Dated: 30 September, 1999 at Brisbane



**INDEPENDENT AUDIT REPORT
TO THE UNITHOLDERS OF
The Metropolitan Collection - BRISBANE PROPERTY TRUST**

SCOPE

We have audited the Financial Statements of The Metropolitan Collection - Brisbane Property Trust for the financial year ended 30 June 1999 as set out on pages (T1) to (T6). 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 View), 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.

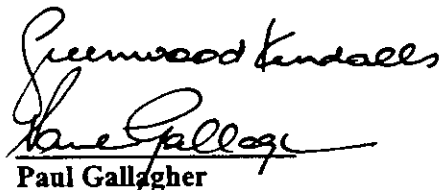
AUDIT OPINION -

In our opinion, the Financial Statements of The Metropolitan Collection - Brisbane Property Trust are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs of The Metropolitan Collection - Brisbane Property Trust as at 30 June 1999 and their results and cash flows for the period ended on that date; and
 - (ii) the other matters required by the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law;
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements; and
- (d) in accordance with the terms of the Trust Deed.

30 September, 1999
Brisbane

GREENWOOD KENDALLS
Chartered Accountants


Paul Gallagher



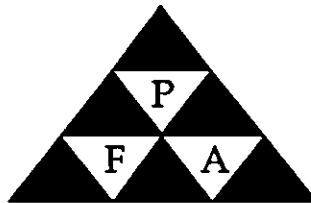
The Metropolitan Collection - **BRISBANE**
SYNDICATE

FINANCIAL ACCOUNTS

**FOR THE PERIOD ENDED
JUNE 30, 1999**

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**PROPERTY FUNDS
AUSTRALIA LIMITED**

A.C.N. 078 199 569

▲ PROPERTY FUND MANAGERS ▲

The Metropolitan Collection - BRISBANE SYNDICATE
PROPERTY PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 1999

	Note	1999 \$
PROPERTY INCOME		
Rent & Licence Fees Received		811,010
Outgoings Recovered		17,810
		<u>828,820</u>
DIRECT PROPERTY EXPENSES		
Body Corporate Fees		16,453
Cleaning		3,093
Consultants Fees		2,015
Electricity & Gas		532
Fire Protection Costs		2,467
Garden Maintenance		95
Insurance		6,605
Land Tax		9,750
Licences & Fees		(321)
Property Managers Fees & Petties		7,663
Rates		15,363
Repairs & Maintenance		4,384
Telephone		475
TOTAL DIRECT PROPERTY EXPENSES		<u>68,574</u>
NET PROPERTY INCOME		<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 PERIOD ENDED JUNE 30, 1999

	Note	1999 \$
INCOME		
Net Property Income		760,246
Interest Received		18,187
TOTAL INCOME		<u>778,433</u>
EXPENSES		
Accountancy		8,350
Amortisation - Prospectus Costs		3,904
Amortisation - Syndicate Formation & Prospectus Legal Costs		3,392
Auditors Fees		11,000
Bank Charges		866
Borrowing Expenses		-16,611
Depreciation - Plant & Equipment		800,809
Interest on Borrowings		235,454
Legal Fees		1,702
Postage		1,300
Printing & Stationery		543
Reporting Expenses		2,924
Syndicate Managers Fees		24,006
Trustees Fees		10,219
TOTAL EXPENSES		<u>1,121,080</u>
 NET OPERATING LOSS		 <u>342,647</u>

To be read in conjunction with the attached notes



The Metropolitan Collection - BRISBANE SYNDICATE
BALANCE SHEET
AS AT JUNE 30, 1999

	Note	1999 \$
CURRENT ASSETS		
Cash	2	777,724
Receivables	3	154,557
TOTAL CURRENT ASSETS		<u>932,281</u>
NON-CURRENT ASSETS		
Property, Plant and Equipment	4	35,953,985
Other Assets	5	454,220
TOTAL NON-CURRENT ASSETS		<u>36,408,205</u>
TOTAL ASSETS		<u>37,340,486</u>
CURRENT LIABILITIES		
Accounts Payable	6	85,967
TOTAL CURRENT LIABILITIES		<u>85,967</u>
NON-CURRENT LIABILITIES		
Borrowings	7	21,260,000
TOTAL NON-CURRENT LIABILITIES		<u>21,260,000</u>
TOTAL LIABILITIES		<u>21,345,967</u>
NET ASSETS/(DEFICIT)		<u>15,994,519</u>
TOTAL SYNDICATE MEMBERS' FUNDS	8	<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 PERIOD ENDED JUNE 30, 1999

	Note	1999 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Rental received		698,480
Payments to suppliers		(341,358)
Security Deposit - Energex		(50)
Interest Received		18,187
Net cash provided by operating activities		<u>375,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non current assets		(36,729,349)
Net cash provided by investing activities		<u>(36,729,349)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Syndicate members		16,600,000
Proceeds from borrowings		21,260,000
Prospectus and Syndicate Costs		(135,311)
Borrowing Costs		(328,019)
Distributions to Syndicate Members		(261,646)
Expenses to be reimbursed by related entity		(3,260)
Net cash provided by financing activities		<u>37,131,764</u>
Net increase in cash held		<u>777,674</u>
Cash at beginning		-
Cash at June 30, 1999	1	<u><u>777,674</u></u>

To be read in conjunction with the attached notes



The Metropolitan Collection - BRISBANE SYNDICATE
**NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED JUNE 30, 1999**

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

These financial accounts are a general purpose financial report that have been prepared in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The financial accounts have also been prepared on the basis of 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.

(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 PERIOD ENDED JUNE 30, 1999

	1999 \$
NOTE 2: CASH	
Cash at Bank – National Australia Bank Account	777,674
Deposits Refundable - Energex	50
	<u>777,724</u>
NOTE 3: RECEIVABLES	
Current	
Debtors - Rental/Outgoings	130,340
Other Debtor - The Metropolitan Collection - Brisbane Property Trust	3,260
Prepaid Expenses	20,957
	<u>154,557</u>
NOTE 4: PROPERTY, PLANT & EQUIPMENT	
Property described as Bretts MacGregor, 544 Kessels Road MacGregor, Brisbane, Queensland	
Land at Cost	2,211,253
Buildings at Cost	6,221,373
Total Land & Buildings	<u>8,432,626</u>
Plant & Equipment at Cost	965,201
Less Provision for Depreciation	(114,902)
	<u>850,299</u>
Total Property, Plant & Equipment - Bretts MacGregor	<u>9,282,925</u>
Property described as Anzac Square Offices, Cnr Edward & Adelaide Streets Brisbane, Queensland	
Land at Cost	1,482,089
Buildings at Cost	11,195,291
Total Land & Buildings	<u>12,677,380</u>
Plant & Equipment at Cost	5,155,922
Less Provision for Depreciation	(440,106)
	<u>4,715,816</u>
Total Property, Plant & Equipment – Anzac Square Offices	<u>17,393,196</u>

The Metropolitan Collection - BRISBANE SYNDICATE
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED JUNE 30, 1999

	1999 \$
NOTE 4: PROPERTY, PLANT & EQUIPMENT (CONT)	
Property described as The Precinct, Cnr Harries Road & Holdsworth Street Coorparoo, Brisbane, Queensland	
Land at Cost	1,204,945
Buildings at Cost	5,798,284
Total Land & Buildings	<u>7,003,229</u>
Plant & Equipment at Cost	2,520,436
Less Provision for Depreciation	(245,801)
	<u>2,274,635</u>
Total Property, Plant & Equipment – The Precinct	<u>9,277,864</u>
Total Property, Plant & Equipment	<u><u>35,953,985</u></u>
NOTE 5: OTHER ASSETS	
Prospectus Issue & Promotion Costs	78,073
Less Accumulated Amortisation	(3,904)
	<u>74,169</u>
Borrowing Costs	332,219
Less Accumulated Amortisation	(16,611)
	<u>315,608</u>
Syndicate & Prospectus Legal Costs	67,835
Less Accumulated Amortisation	(3,392)
	<u>64,443</u>
	<u><u>454,220</u></u>
NOTE 6: ACCOUNTS PAYABLE	
Current	
Trade Creditors - Audit & Accountancy Fees	12,000
EFT Distributions Rejected	1,188
Accrued Expenses	72,779
	<u>85,967</u>



The Metropolitan Collection - BRISBANE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 1999

1999
 \$

NOTE 7: BORROWINGS

**Non-Current
 Mortgage Loans**

21,260,000

- (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 \$10,060,000 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 \$11,200,000 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 has been 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.
- (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, 1999 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	-
Funds Contributed	16,600,000
Distributions to Syndicate Members	(262,834)
Accumulated Losses	(342,647)
Closing Balance	<u>15,994,519</u>



The Metropolitan Collection - BRISBANE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 1999

1999
 \$

NOTE 9: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Syndicate has paid the Distribution to Syndicate Members for the month of June 1999 totalling \$131,417.

NOTE 10: 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 11: INCOME TAX

Net Operating Loss	(342,647)
Non deductible accrued expenses	9,000
Non deductible syndicate legal & prospectus costs	7,295
Non Deductible Accounting	
Depreciation - Plant & Equipment	42,713
Allowable Taxation Allowance – Buildings	(35,054)
Deductible Prepaid Expenses	(20,957)
Net Tax Loss for the Period	<u>(339,650)</u>

NOTE 12: 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.



The Metropolitan Collection - BRISBANE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 1999

NOTE 13: 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.
- (d) No commissions were paid or are payable by the Syndicate in relation to the issue or purchase of equity in the Syndicate. The Manager did pay commissions to authorised persons out of its own funds.
- (e) Details of the acquisition of the Syndicate property are as follows:

Bretts MacGregor

Valuation: Effective Date September 1, 1999

By Knight Frank 10,050,000

Acquisition Details (Settlement April 1, 1999)

Purchase Price 8,550,000

Acquisition Costs 847,827

Total Costs of Acquisition 9,397,827

Reconciliation to book value at June 30, 1999:

Total Costs of Acquisition 9,397,827

Accumulated Depreciation - Plant & Equipment 114,902

Total Property, Plant & Equipment - Bretts MacGregor 9,282,925

Anzac Square Offices

Valuation: Effective Date April 1, 1999

By Knight Frank 16,300,000

Acquisition Details (Settlement April 9, 1999)

Purchase Price 16,289,424

Acquisition Costs 1,543,878

Total Costs of Acquisition 17,833,302

Reconciliation to book value at June 30, 1999:

Total Costs of Acquisition 17,833,302

Accumulated Depreciation - Plant & Equipment 440,106

Total Property, Plant & Equipment - Anzac Square Offices 17,393,196



The Metropolitan Collection - BRISBANE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 1999

NOTE 13: OTHER STATUTORY INFORMATION (CONT)

The Precinct

Valuation: Effective Date June 1, 1999
 By Knight Frank 8,920,000

Acquisition Details (Settlement April 30, 1999)	-
Purchase Price	8,694,198
Acquisition Costs	829,467
Total Costs of Acquisition	<u>9,523,665</u>

Reconciliation to book value at June 30, 1999:	
Total Costs of Acquisition	9,523,665
Accumulated Depreciation - Plant & Equipment	245,801
Total Property, Plant & Equipment - The Precinct	<u>9,277,864</u>

Total Property, Plant & Equipment (Note 4)	<u><u>35,953,985</u></u>
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- (f) There were no disposals of property in the period to which these financial statements relate
- (g) As at June 30, 1999 the Manager and associates held 1.20% of total investors capital in the Syndicate and 0.03% 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.
- (h) Book value of the net tangible assets of the Syndicate at June 30, 1999 is \$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.
- (i) 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.

NOTE 14: CAPITAL COMMITMENTS

Construction Bretts MacGregor Property - Building 1

The Syndicate is under contractual arrangements with Ross Nielson Properties Pty Ltd to construct an additional building on the MacGregor site for the contract amount of \$1,500,000 (subject to area variations).

This is more comprehensively outlined in Section 5.2 and 21.8 of the Prospectus.



The Metropolitan Collection - BRISBANE SYNDICATE
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED JUNE 30, 1999

1999
 \$

NOTE 15: 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

Trustee/Nominee

Trust Company of Australia Limited ACN 004 027 749
 Directors who held Office during the year were:-
 John P Sweeney (Chairman), J Gordon M Moffatt (Vice
 Chairman), John G Macarthur Stanham, Warren J McLeland,
 Robert D Jeremy, Jonathan W Sweeney, Bruce G Barker.

- (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	24,006
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PRD Realty for property management services for the period.	4,663
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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
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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.	10,219
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The Metropolitan Collection - BRISBANE SYNDICATE
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED JUNE 30, 1999

NOTE 16: 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 30/6/99	Floating Interest Rate 30/6/99	Within 1 Year 30/6/99	1 to 5 Years 30/6/99	Non- Interest Bearing 30/6/99	Total 30/6/99
Cash		-	-	-	777,724	777,724
Receivables		-	-	-	154,557	154,557
Total Financial Assets		-	-	-	932,281	932,281
Financial Liabilities						
Mortgage Loan	6.6	-	-	21,260,000	-	21,260,000
Trade & Sundry Creditors		-	-		85,967	85,967
Total Financial Liabilities		-	-	21,260,000	85,967	21,345,967



STATEMENT 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 are drawn up so as to give a true and fair view of the results and cash flows of The Metropolitan Collection - Brisbane Syndicate for the financial year ended 30 June 1999.
- b) The accompanying financial statements and notes of The Metropolitan Collection - Brisbane Syndicate have been made 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.
- c) There are reasonable grounds 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



C D Schultz
Director

Brisbane
30 September, 1999



TRUST COMPANY OF AUSTRALIA LIMITED TRUSTEE'S STATEMENT AND REPORT

TRUSTEE'S STATEMENT

In accordance with the Corporations Law and the Syndicate Deed, Trust Company of Australia Limited ACN 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 ACN 004 027 749 ("the Trustee") in respect of The Metropolitan Collection – Brisbane Syndicate ("the Syndicate") reports as follows for the period ended 30 June, 1999:-

- d) A review of the Syndicate's operations during the twelve months 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 Trust Company of Australia Limited ACN 004 027 749.



GEOFF FUNNELL
Authorised Representative

Dated: 30 September, 1999 at Brisbane



**INDEPENDENT AUDIT REPORT
TO THE OWNERS OF
The Metropolitan Collection - BRISBANE SYNDICATE**

SCOPE

We have audited the Financial Statements of The Metropolitan Collection - Brisbane Syndicate for the financial year ended 30 June 1999 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 View), 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.

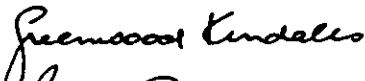

AUDIT OPINION

In our opinion, the Financial Statements of The Metropolitan Collection - Brisbane Syndicate are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs of The Metropolitan Collection - Brisbane Syndicate as at 30 June 1999 and their results and cash flows for the period ended on that date; and
 - (ii) the other matters required by the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law;
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements; and
- (d) in accordance with the terms of the Syndicate Deed.

30 September, 1999
Brisbane

GREENWOOD KENDALLS
Chartered Accountants



Paul Gallagher



DIRECTORY

MANAGER

Property Funds Australia Limited
ACN 078 199 569

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TRUSTEE

Trust Company of Australia Limited
ACN 004 027 749

213 St Paul's Terrace
BRISBANE Q 4000

TAXATION ADVISER

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)

REGISTRY

Greenwood Kendalls
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BRISBANE Q 4000

AUDITOR

Greenwood Kendalls
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BRISBANE Q 4000

SOLICITORS FOR MANAGER

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