



*The*  
*Metropolitan Collection* – Brisbane  
**Direct Property Investment**

**interim financial report  
December 31, 2002**

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The Directors of Property Funds Australia Limited (the Manager) as responsible entity submit the following Interim Report of The Metropolitan Collection – Brisbane Syndicate and The Metropolitan Collection – Brisbane Property Trust ("collectively referred to as the Fund") for the six months ending 31 December, 2002 ("the Period").

### **Directors**

The name of each person who has been a director of the Manager during the period and to the date of this report are:

Christopher Arthur Morton (Managing Director)  
Archibald Norman Douglas  
Elizabeth Ann Pidgeon  
David John Conquest  
Matthew Bradley Madsen

### **Review of Operations**

The Fund's current operational issues are as follows:-

#### **Anzac Square**

- ▲ **Leasing:** We are in the final stages of negotiations with MacGillivrays Solicitors (an existing tenant) to lease the remaining 577m<sup>2</sup> on Level 3 that is currently unlet. We are confident that this transaction will be resolved to the benefit of the Fund by the end of March.
- ▲ **Rental Increase:** Energex rent was increased by 4.0% in December, 2002.

#### **The Precinct, Coorparoo**

- ▲ **Valuation:** This asset will be revalued by the end of March.
- ▲ **Leasing:** An active leasing campaign has seen commencement of positive negotiations with a significant tenant over the vacant two shops. No guarantee of a successful conclusion of this negotiation can be given. The rental guarantee from the vendor remains in place and is providing a revenue stream.
- ▲ **Rental Increase:** The rent being charged to National Australia Bank will be increased by 5.0% in April.

#### **Kessells Road, MacGregor**

- ▲ **Valuation:** This asset will also be revalued by the end of March.
- ▲ **Leasing:** There remains two vacant units in this property totalling 477m<sup>2</sup>. A heads of agreement has been recently reached in respect of one of these units. Raine & Horne have been appointed as leasing agents.
- ▲ **Hudsons:** As noted in our September Newsletter, Hudsons did not renew their occupancy of the storage yard component of their tenancy. During the reporting period, Hudsons advised of their intention not to continue to trade from their tenancy, which is subject to a lease until March '04. After considerable discussions it has been resolved that they would not be forced into trading from the tenancy, with compensation to be paid by them, over and above their ongoing rental obligation. The relevant settlement agreement is awaiting execution by Hudsons.
- ▲ **Furniture Direct:** Recently, an assignment of lease from Furniture Direct to Hi-Fi Stereo Systems was approved and completed. This results in a stronger covenant for the fund and is a positive result.



### **General Fund Matters**

- ▲ **Revenue:** Revenue improved slightly during the period.
- ▲ **Expenses:** Property expenses were held relatively constant during the period, whilst a focus on controlling fund expenses produced pleasing results.
- ▲ **Debt:** The fund has taken on an additional \$1.0m in long term debt, secured against all three properties. This advance was used to reduce the overdraft facility, which is a more expensive source of funding.
- ▲ **Members' Equity:** During the period net assets (Syndicate) declined by \$408,448, as expected, due substantially due to non-cash adjustments such as the amortisation of establishment costs and borrowing costs.

### **Distributions for the period ended 31 December, 2002**

Distributions for the period equated to 9.7%p.a. on the capital subscribed by investors.

Signed in accordance with a resolution of the Board of Directors of the Manager.

A handwritten signature in black ink, appearing to read 'Amata', written over a light grey rectangular background.

.....  
**Christopher A. Morton**  
Managing Director



# *The* *Metropolitan Collection* – Brisbane

**Syndicate**

ARSN 093 295 544

**interim financial report  
December 31, 2002**

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**THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE**  
**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE**  
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



	Note	31 December 2002 \$	31 December 2001 \$
Revenue from ordinary activities		2,107,423	1,990,166
Expenses from ordinary activities			
Property expenses		(409,687)	(393,118)
Fund expenses			
Direct expenses		(158,085)	(427,661)
Amortisation / depreciation		(313,817)	(571,549)
		(471,902)	(999,210)
Borrowing costs			
Interest		(793,888)	(829,178)
Amortisation		(35,295)	(34,589)
		(829,183)	(863,767)
<b>Profit / (loss) from ordinary activities before income tax expense</b>		<b>396,651</b>	<b>(265,929)</b>
Income tax expense relating to ordinary activities	1(a)	-	-
<b>Profit / (loss) after income tax expense attributable to Syndicate members</b>		<b>396,651</b>	<b>(265,929)</b>
<b>Total changes in Syndicate equity other than those resulting from transactions with Syndicate members as Syndicate members</b>		<b>396,651</b>	<b>(265,929)</b>

*The above condensed statement of financial performance should be read in conjunction with the notes to the financial statements.*

**THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2002



	Note	31 December 2002 \$	30 June 2002 \$
<b>CURRENT ASSETS</b>			
Cash assets		13	118,112
Receivables		195,809	77,700
Other		57,034	27,791
<b>TOTAL CURRENT ASSETS</b>		252,856	223,603
<b>NON-CURRENT ASSETS</b>			
Investment – Property		37,432,936	37,353,501
Other		2,738,371	3,073,258
<b>TOTAL NON-CURRENT ASSETS</b>		40,171,307	40,426,759
<b>TOTAL ASSETS</b>		40,424,163	40,650,362
<b>CURRENT LIABILITIES</b>			
Payables		310,073	201,670
Interest bearing liabilities		36,990	963,144
<b>TOTAL CURRENT LIABILITIES</b>		347,063	1,164,814
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities		23,775,000	22,775,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		23,775,000	22,775,000
<b>TOTAL LIABILITIES</b>		24,122,063	23,939,814
<b>NET ASSETS</b>		16,302,100	16,710,548
<b>EQUITY</b>			
Syndicate members' equity	4	10,240,197	10,648,644
Reserves		6,061,903	6,061,904
<b>TOTAL SYNDICATE EQUITY</b>		16,302,100	16,710,548

*The above condensed statement of financial position should be read in conjunction with the notes to the financial statements.*

**THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE**  
**CONDENSED STATEMENT OF CASH FLOWS**  
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



	31 December 2002	31 December 2001
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	2,162,461	1,951,526
Payments to suppliers	(677,276)	(794,262)
Interest received	1,290	9,438
Borrowing costs paid	(793,888)	(771,252)
<b>Cash Provided by/ (Used in) Operating Activities</b>	<u>692,587</u>	<u>395,450</u>
<b>Cash Flows from Investing Activities</b>		
Capital improvements to investment property	(79,434)	(184,470)
<b>Cash Provided by/ (Used in) Investing Activities</b>	<u>(79,434)</u>	<u>(184,470)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Loan Facility	1,000,000	-
Distributions to Syndicate members	(805,098)	(805,101)
<b>Cash Provided by/ (Used in) Financing Activities</b>	<u>194,902</u>	<u>(805,101)</u>
<b>Net increase/(decrease) in cash held</b>	808,055	(594,121)
Cash at the beginning of the financial period	(845,032)	755,149
<b>CASH AS AT 31 DECEMBER, 2002</b>	<u><u>(36,977)</u></u>	<u><u>161,028</u></u>

*The above condensed statement of cash flows should be read in conjunction with the notes to the financial statements.*

**THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



**Note 1 – Basis of Preparation**

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2002 and any public announcements made by Property Funds Australia Limited as the responsible entity for The Metropolitan Collection – Brisbane Syndicate during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the Syndicate and are consistent with those applied in the 30 June 2002 annual report.

The half-year interim financial report does not include full disclosures of the type normally included in the annual financial report.

**(a) 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.

**Note 2 – Events Subsequent to Reporting Date**

The Directors are considering an application to list the interests in the Syndicate on the Bendigo Stock Exchange (BSX). The BSX is yet to approve the application to list. There is no warranty that any application (if finally made) will be successful. It is however, expected that the interests in the Syndicate will be approved and will open for trading during March 2003. The listing process will have no impact on the distributions paid to Investors. The decision to consider for listing on the BSX is based on the belief that it is in the best interest of Investors that the trading of interests in the Syndicate should take place in a formal and efficient environment and within an open and transparent market.

**Note 3 – Contingent Liabilities**

There are no contingent liabilities as at balance date.

**Note 4 – Syndicate Members' Equity**

	<b>31 December 2002</b>	<b>30 June 2002</b>
	\$	\$
Contributed Capital	16,600,000	16,600,000
Accumulated profits / (losses) beginning of financial year	(893,506)	(541,027)
Current year profit / (loss)	396,651	(352,479)
Accumulated distributions beginning of the financial year	(5,057,849)	(3,447,649)
Current year distributions	(805,099)	(1,610,201)
	<u>10,240,197</u>	<u>10,648,644</u>

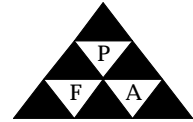
**Note 5 – Segment Information**

The Syndicate operates predominantly in one geographical segment, being Queensland, and one business segment, being property investment.



# THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE

## DIRECTOR'S DECLARATION



The directors of Property Funds Australia Ltd as the Responsible Entity for The Metropolitan Collection - Brisbane Syndicate declare that:

1. the accompanying condensed financial statements and notes
  - (a) comply with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the financial position as at 31 December 2002 and performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the syndicate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of Property Funds Australia Limited.

.....  
Christopher Arthur Morton  
Managing Director

**Brisbane**  
Dated: 14 March 2003



## Scope

We have reviewed the Interim Financial Report of The Metropolitan Collection - Brisbane Syndicate for the half year ended 31 December 2002 as set out on pages 1 to 5. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Australian Accounting Standard AASB1029: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia, and statutory requirements so as to present a view which is consistent with our understanding of the syndicate's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the syndicate to lodge the interim financial report with the Australian Securities and Investment Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of syndicate personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of The Metropolitan Collection - Brisbane Syndicate is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the syndicate's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB1029: *Interim Financial Reporting* and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.

**BDO Kendalls**  
**Chartered Accountants**

.....  
**Paul Gallagher**  
Partner

Brisbane

Date: 14 March 2003