

# THE CAPITAL *Courier* an Investor Update

ISSUE No. 2

## INTEREST RATES LOCKED IN FOR 5 YEARS!!

In April, the PFA Board took an interest rate timing opportunity to purchase an interest rate management product using the interest rate risk management reserve referred to in the prospectus.

This product was negotiated with the National Australia Bank. The effect of the product is that the acquisition loans have been locked in for five years at a level that ensures that the cost of interest to syndicate investors is not greater than that which was provided for in the prospectus. In this period of uncertainty of interest rate movement, we are sure that all investors would appreciate the benefit that interest rate certainty brings to your investment.



*Post Office Square's food court area post refurbishment.*

## WHAT THE FINANCIAL PLANNER OF THE YEAR SAYS ABOUT US

Peter Dunn, Money Management's 1999 Financial Planner of the Year and supporter of PFA products including The Capital Collection says "PFA provides investors with a good and competitive tax effective income stream backed by strong management".



ACN 078 199 569

## DISTRIBUTIONS

We are pleased to confirm that the Board of PFA has confirmed that distributions should continue in accordance with the prospectus forecast. The Board continues to monitor distribution levels throughout the year and carries out a mid-financial year review to confirm that forecast distribution levels can continue to be met.

Keeping in line with the prospectus forecasts, your monthly distributions have now been increased to 9.2% for the year ending 30 June 2001. Your July payment (paid 21 August) will have reflected the new rate.

## GST - WE WERE READY!

We are pleased to report that based on currently available legislation, no material effect on distributions to investors is expected to flow from GST. An analysis of existing leases was carried out at the time of the prospectus and has been subsequently monitored. The services of BDO Kendalls, Chartered Accountants, have been utilised to satisfy us on this important aspect.

Considerable time was spent in assessing outgoings and operating expense estimates which are provided to tenants. This was indeed a difficult area given the uncertainties that existed in the lead up to the implementation of GST from 1 July, 2000.

# Update

## POST OFFICE SQUARE

### The Best Address in Town

The strategic marketing campaign which commenced prior to the refurbishment of Post Office Square continues.

Post Office Square's new eye-catching logo and position statement "The Best Address" has been incorporated throughout the property and on marketing material to build a strong brand presence.

We believe that with a winning blend of foodcourt and retail tenancies coupled with a strong marketing campaign, the 'new-look' Post Office Square will continue to be a leading retail centre within the CBD.

### EXEMPT MARKET APPLICATION PROGRESSING

An application for approval to conduct a market in The Capital Collection interests (with the intent that interest be traded on the Australian Exempt Property Market) has been approved by ASIC (the Australian Securities and Investment Commission). Our application is subject to final approval from the relevant Minister before we are able to conduct the market.

In the meantime, Australian Property Exchange Limited ("APX") (of which PFA is a founding seat member) has been making good progress with its application to establish the Australian Property Exchange. We understand that on current projections, APX may receive approval and hopefully be up and running by the end of this year. Should this occur then it is the manager's current intention not to proceed with the Austock operated exempt property market and for the product, instead, to list on the APX.



*Jane Chang, proprietor of two Post Office Square food tenancies, Ming Court and Ichiban.*

### Lease Terms Set

Fundamental to any successful retail property is future rental growth and lease terms. As a result of the substantial releasing campaign undertaken, the majority of leases for the retail component of Post Office Square have been reset with terms ranging from five years to seven years with fixed rental increases of at least 4% per annum.

### CARPARK PATRONAGE ON THE INCREASE

We are pleased to advise that customer patronage of the carpark has already exceeded initial projections. The operator and lessee Kings Parking is very happy with the continuing growth in carparking charges within the Brisbane CBD.

### OUR MD BECOMES INDUSTRY PRESIDENT

In April, 2000, Chris Morton the Managing Director of PFA was elected the national president of the Australian Direct Property Investment Association which is the industry body that represents the interests of investors, managers and others taking part in property syndicates and direct property investments.

We at PFA consider this due recognition of the role that PFA plays in the industry and the regard that its staff are held by participants in the industry.

In this constantly changing political environment, Chris has a busy agenda of issues to be dealt with on your behalf.



PROPERTY FUNDS  
AUSTRALIA LIMITED

Exciting prospects exist for this property as PFA commences to effect some of the strategies for it. PFA has identified a large space user for the site and negotiations are currently occurring. A change of town planning application has been lodged to give effect to the opportunity with this large space user. The Westpac lease, part of the area affected by the proposal, is expiring in this half of the year and is not being renewed.

The upgrade and modernisation strategies have temporarily been put on hold pending the completion of this application and negotiations as they are affected by the results.

Reports from the owners of PJ O'Reilly's, the Irish pub which recently opened on the site on a ten year lease, have been extremely positive. The success of this facility has given us an extra opportunity to reposition this part of the Centre.

The ACT Government office lease is currently undergoing a market rent review. At the date of this update the results of the review are unknown. It is important to recognise that the existing rental level is underpinned by the Vendor of the property with appropriate cash security until 30 June, 2004.



*As highlighted in a recent BRW article, the transformation of Canberra 'has surprised even many long-term Canberra residents. Unlike previous booms, this one is almost certainly more sustainable as a result of its reduced reliance on direct government employment. The classic measures of economic activity and prosperity are all improving. Prime minister John Howard pointed out that in 1999, Canberra's economic growth rate of 7% was the highest in Australia and it had the country's lowest unemployment rate.'*

## WHERE'S RALPH?

As reported in the prospectus, in September, 1999 the Federal Government released the final Ralph Committee Report and its response to the recommendations made in that report.

Subsequently, certain aspects of that report and the Government's response (such as those aspects relating to capital gains tax and accelerated depreciation changes) have been given effect to by

the passing of legislation. The CGT and depreciation allowance changes are essentially in accordance with that outlined in the prospectus. Greater detail on the effect of depreciation changes are contained in the Annual Report.

Other aspects such as entity tax reform proposals and the wasting assets regime are still outstanding and have not been presented to Parliament.

THE  
CAPITAL



*Changing*

YOUR BANK DETAILS

*or moving*

Don't forget to let us know

To ensure that you keep receiving your monthly income distributions don't forget to advise us if you change your bank account details in order that the electronic credit distribution system does not reject the transfer. Likewise, if you are

changing your mailing address (as shown on the Syndicate or Trust Registers) we need to be notified.

Any changes need to be notified to us in writing and signed by the applicant/s who signed the original application form.

### WE'VE MOVED

To accommodate our growing team, we have recently relocated to new premises located at level 23, Central Plaza 2, 66 Eagle Street, Brisbane. All of our other contact details remain unchanged.

### INVESTOR SERVICES PERSONNEL

Who to contact?

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

### TAX RETURN TIME

You are now in receipt of the Distribution Summary you need to complete your tax return.

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

### For further information contact:

Bronwyn Risk  
Manager - Investment Services  
Level 23, Central Plaza 2,  
66 Eagle Street, Brisbane Q. 4000  
PO Box 10398, Brisbane,  
Adelaide St. Q. 4000  
Tel: (07) 3221 7170  
Fax: (07) 3221 6729  
Email: [info@pfaltd.com.au](mailto:info@pfaltd.com.au)

### NEW DIRECTOR

*Appointed*



PFA are pleased to announce the appointment of Mr David Conquest as National Marketing Director. David has over 16 years experience in the financial services and property industries and has held senior roles with Lend Lease, Suncorp Metway and Deutsche Bank and is a former property lecturer at the Securities Institute of Australia.

David has a high profile within the financial services industry and has significant experience working with financial intermediaries, dealer principals, research analysts and superannuation trustees. David's expertise within the financial services industry will assist the organisation with investment product development, distribution and delivery.

### CHANGE OF EMAIL ADDRESS

We have recently shortened our email address to [pfaltd.com.au](mailto:info@pfaltd.com.au).



PROPERTY FUNDS  
AUSTRALIA LIMITED