



The
CAPITAL
Collection
Diverse Sector Fund

2000 annual report

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THE CAPITAL COLLECTION – DIVERSE SECTOR FUND

MANAGER'S REPORT



I am pleased to present the first Annual Report of The Capital Collection – Diverse Sector Fund (the Fund) for the year ended June 30, 2000.

Although the Fund's properties had only been held for six months (at 30 June, 2000) there has been a significant level of activity in the portfolio.

The refurbishment of Post Office Square was completed during the six months and its layout and standard of finishes have received very positive comments from both customers and tenants of the complex.

During the same time, exciting opportunities have emerged for the Homeworld Centre.

Review of Acquisition Timetable

Both of the contracts to purchase the Fund's assets settled on 30 December, 1999 with settlement prices being in line with prospectus estimates.

Finance Facilities

Details of the finalised finance facilities were outlined in the March "Investor Update". The terms of the acquisition loans were within the parameters outlined in the prospectus.

Interest Rates

In April 2000 Property Funds Australia Limited (PFA, the Manager) took advantage of the (then) favourable interest rate environment to purchase an interest rate management product from the National Australia Bank using the interest rate risk management reserve referred to in the prospectus. The effect of this action is that the interest rate payable on the acquisition loans has been fixed for five years at a level that ensures that the cost of interest to the Fund and its investors is not greater than that which was provided for in the prospectus for the whole of that period.

Investment and Borrowing Policies of the Joint Investment

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

Review of Operations

We are pleased with the operation of the Fund's properties to date and provide a brief review of current operational issues:-

Post Office Square

With the refurbishment of this property completed, the focus of the Manager moved to initiating a program that would maximise the investment potential of the "new look" Post Office Square which was done through the commencement of a marketing campaign that has "The Best Address" theme. Patronage of the complex appears to be responding well, particularly in the car park. Any affects on tenants' turnovers caused by the introduction of GST is being monitored by the Manager.

Homeworld Shopping Centre

The P.J. O'Reilly's Irish theme pub opened in February, 2000 under a 10 year lease. The quality of the fitout is impressive.

The Manager has identified a large space user for a part of the Homeworld site and entered into an in-principle agreement with that party. A change of use application has been lodged with the town planning regulators to give effect to this opportunity. The upgrade and modernisation strategies for the property have temporarily been put on hold pending the outcome of this application.

The ACT government office lease is currently undergoing a market rent review. The existing rental level from this tenancy is underpinned by the vendor of the property with an appropriate cash security until 30 June 2004.



Financial Results

After accounting depreciation of \$865,067 and Division 10(D) deductions of \$239,213 the Syndicate recorded an accounting loss of \$610,219 and a tax loss of \$835,168 for the year.

The Trust had an accounting loss of \$269,116 and a tax loss of \$371,772 was recorded for the period.

Distributions – for the period to June 30, 2000

Distributions for the year equated to a yield of 9% per annum on the capital subscribed by Syndicate Owners and Trust Unitholders. Distributions are made from the Fund's surplus cashflows (i.e. net profit after adding back depreciation for plant, equipment and buildings, and amortisation of intangibles and other non-cash items).

Distribution Policies – for the year ending June 30, 2001

The board of the Manager determined that distributions should increase in line with prospectus forecasts to 9.2% per annum for both the Syndicate and Trust for the year ending June 30, 2001. The PFA board will continue to monitor the ongoing appropriateness of its distribution policy taking into consideration such factors as market rent reviews and tenancy expiries.

GST

Considerable effort was directed to assessing the provisions of the existing leases over the Fund's properties and their operating expenses at the time of the issue of the prospectus to ensure that forecast distributions were unlikely to be affected by the introduction of the GST.

Tax Reform Proposals

Certain aspects of the Ralph Committee Report on business taxation reform and the Government 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 that have occurred are essentially in line with those foreshadowed in the Fund's original prospectus. Other aspects such as entity tax reform proposals and the wasting assets regime are still outstanding and have not been presented to Parliament. The controversial definition of what is a "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 the Post Office Square and the Homeworld Centre. The principal activity of the Trust is to invest via the Syndicate into the same 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 or the Australian Capital Territory 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 regards to insurance cover provided to the Manager, the Custodian or the Auditors of the Syndicate or the Trust. As long as the officers of the Manager act in accordance with the Syndicate and/or Trust Deed and the law, the Manager remains indemnified out of the assets of the relevant Investment against losses incurred while acting on behalf of the Syndicate/Trust. The auditors are not indemnified out of the assets of the Syndicate/Trust.

Future Events

The likely developments in the operations of the Fund and the expected results of those operations in future financial years are in line with disclosures in the original 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 the directors of the Manager who held office 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 challenges presented to The Capital Collection – Diverse Sector Fund over the forthcoming period will be the maximisation of the opportunities, that have been identified and are being acted on by the Manager, for the Homeworld Centre. You can be assured that the management team 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, may I thank each of you for your support of The Capital Collection – Diverse Sector Fund.

Rodney M Keown
Chairman



The
CAPITAL
Collection

Diverse Sector Fund Trust

financial accounts for the
period ended June 30, 2000

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THE CAPITAL COLLECTION TRUST
PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 2000



	Note	2000 \$
Operating profit (loss) before income tax	2	(269,116)
Income tax expense attributable to operating profit	3	-
Operating loss after income tax		(269,116)
Accumulated losses at the beginning of the period		-
Profit Distribution to unitholders		-
Accumulated losses at the end of the period		(269,116)

BALANCE SHEET
AS AT JUNE 30, 2000

	Note	2000 \$
TRUST CAPITAL		
Unit Capital		17,429,000
Distributions to Unitholders		(657,885)
Accumulated (loss)		(269,116)
TOTAL SYNDICATE MEMBERS' FUNDS		<u>16,501,999</u>
CURRENT ASSETS		
Cash	4	<u>20,337</u>
TOTAL CURRENT ASSETS		<u>20,337</u>
NON-CURRENT ASSETS		
Investments	5	<u>16,492,637</u>
TOTAL NON-CURRENT ASSETS		<u>16,492,637</u>
TOTAL ASSETS		<u>16,512,974</u>
CURRENT LIABILITIES		
Accounts Payable	6	<u>10,975</u>
TOTAL CURRENT LIABILITIES		<u>10,975</u>
TOTAL LIABILITIES		<u>10,975</u>
NET ASSETS/(DEFICIT)		<u>16,501,999</u>

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION TRUST
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2000



	Note	2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Distributions Received		657,886
Interest Received		9,606
Payments to Suppliers		(245)
		<u>667,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment		(17,429,000)
		<u>(17,429,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units		17,429,000
Expenses paid by related entity		10,000
Distributions to Unitholders		(656,910)
Net cash provided by financing activities		<u>16,782,090</u>
Net increase in cash held		20,337
Cash at beginning		-
Cash at June 30, 2000	7	<u><u>20,337</u></u>

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION TRUST
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 2000



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 every three years 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 Capital Collection 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
\$

NOTE 2: OPERATING REVENUE

Share of (Loss) from the Capital Collection Syndicate	(278,477)
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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	-

	-
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THE CAPITAL COLLECTION TRUST
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 2000



	2000 \$
NOTE 4: CASH	
Cash at Bank – National Australia Bank Account	20,337
	<u>20,337</u>
NOTE 5: INVESTMENTS	
Interest in the Capital Collection Syndicate	16,492,637
	<u>16,492,637</u>
The value of the trust's investment in the Capital Collection 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 of capital	
Initial investment	17,429,000
Distributions from the Capital Collection Syndicate	(657,886)
Share of Syndicate (Loss)	(278,477)
	<u>16,492,637</u>
NOTE 6: ACCOUNTS PAYABLE	
Current	
Other Creditor – Capital Collection Syndicate	10,000
EFT Distributions Rejected	975
	<u>10,975</u>
NOTE 7: 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	20,337
	<u>20,337</u>
Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax	
Operating Profit (Loss) after Income Tax	(269,116)
Non Cash Flows in Operating Profit:	
Diminution in Investments	935,388
Changes in Assets and Liabilities:	
Increase (Decrease) in Accrued Expenses	975
Net Cash Provided by Operating Activities	<u>667,247</u>



NOTE 8: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the trust has received Distributions from the Capital Collection Syndicate for June and July 2000 totalling \$130,718 and \$133,622 respectively.

NOTE 9: OTHER STATUTORY INFORMATION

- (a) The Trust was deemed to have commenced operations on the Commencement Date, being October 19, 1999 (the date of receipt by Property Funds Australia Limited of the first Contribution). Under the Trust Deed the property cannot be held for more than eight years from December 30, 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 Custodian 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, 2000 the Manager and associates held 40.77% 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 \$16,501,999. 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, D J Conquest

Custodian

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 Capital Collection Syndicate in which the Trust holds a 47.42% interest (see the Capital Collection Syndicate Financial Statements).



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 30/6/00	Floating Interest Rate 30/6/00	Within 1 Year 30/6/00	1 to 5 Years 30/6/00	Non- Interest Bearing 30/6/00	Total 30/6/00
Cash		-	-	-	20,337	20,337
Investments		-	-	-	16,492,637	16,492,637
Total Financial Assets		-	-	-	16,512,974	16,512,974
Financial Liabilities						
Trade & Sundry Creditors		-	-		10,975	10,975
Total Financial Liabilities		-	-	-	10,975	10,975

DECLARATION BY THE DIRECTORS OF THE MANAGER



In the opinion of the Directors of Property Funds Australia Limited as Manager of The Capital Collection 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 21 July, 1999;
- (b) In the director's opinion there are reasonable ground to believe that The Capital Collection 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

THE CAPITAL COLLECTION TRUST

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS



Scope

We have audited the Financial Report of The Capital 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 Capital 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

P.A. Gallagher
Partner

Brisbane: September 20, 2000

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The
CAPITAL
Collection
Diverse Sector Fund Syndicate

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

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THE CAPITAL COLLECTION SYNDICATE
PROPERTY PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 2000



	Note	2000 \$
PROPERTY INCOME		
Rent & Licence Fees Received		4,260,115
		<u>4,260,115</u>
DIRECT PROPERTY EXPENSES		
Airconditioning Maintenance		37,579
Cleaning		74,859
Electricity		107,759
Equipment Rent/Lease		245
Fire Protection Costs		5,838
Garden Maintenance		678
Insurance		29,574
Land Tax		86,494
Lift Maintenance		18,569
Property Managers Fees & Petties		117,631
Rates		174,643
Repairs & Maintenance		15,272
Security		10,917
Signs		2,115
Telephone		559
TOTAL DIRECT PROPERTY EXPENSES		<u>682,732</u>
NET PROPERTY INCOME		<u>3,577,383</u>

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION SYNDICATE
SYNDICATE PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 2000



	Note	2000 \$
INCOME		
Net Property Income		3,577,383
Interest Received		51,985
TOTAL INCOME		<u>3,629,368</u>
EXPENSES		
Accountancy		17,070
Amortisation - Prospectus Costs		13,560
Amortisation - Syndicate Formation & Prospectus Legal Costs		8,711
Auditors Fees		18,750
Bank Charges		3,310
Borrowing Expenses		129,939
Consultancy Fees		8,860
Depreciation - Plant & Equipment		865,067
Fees & Permits		1,150
Interest on Borrowings		1,723,651
Legal Fees		14,801
Postage		77
Printing & Stationery		589
Reporting Expenses		3,327
Stamp Duty		1,293,316
Syndicate Managers Fees		125,669
Travelling Expenses		240
Trustees Fees		11,500
TOTAL EXPENSES		<u>4,239,587</u>
NET OPERATING LOSS		<u>610,219</u>

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION SYNDICATE
BALANCE SHEET
AS AT JUNE 30, 2000



	Note	2000 \$
CURRENT ASSETS		
Cash	2	1,673,851
Receivables	3	22,134
Other	3	32,076
TOTAL CURRENT ASSETS		<u>1,728,061</u>
NON-CURRENT ASSETS		
Property, Plant and Equipment	4	78,515,871
Intangibles	5	1,152,449
TOTAL NON-CURRENT ASSETS		<u>79,668,320</u>
TOTAL ASSETS		<u>81,396,381</u>
CURRENT LIABILITIES		
Accounts Payable	6	167,876
TOTAL CURRENT LIABILITIES		<u>167,876</u>
NON-CURRENT LIABILITIES		
Borrowings	7	46,477,000
TOTAL NON-CURRENT LIABILITIES		<u>46,477,000</u>
TOTAL LIABILITIES		<u>46,644,876</u>
NET ASSETS/(DEFICIT)		<u>34,751,505</u>
TOTAL SYNDICATE MEMBERS' FUNDS	8	<u>34,751,505</u>

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2000

	Note	2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Rental received		4,247,981
Payments to suppliers		(3,770,291)
Interest Received		51,985
Net cash provided by operating activities		<u>529,675</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non current assets		(79,380,938)
Net cash provided by investing activities		<u>(79,380,938)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Syndicate members		36,750,110
Proceeds from borrowings		46,477,000
Prospectus and Syndicate Costs		(190,895)
Borrowing Costs		(1,113,764)
Distributions to Syndicate Members		(1,387,337)
Payments to be reimbursed by related entity		(10,000)
Net cash provided by financing activities		<u>80,525,114</u>
Net increase in cash held		<u>1,673,851</u>
Cash at beginning		-
Cash at June 30, 2000	9	<u>1,673,851</u>

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION SYNDICATE

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE PERIOD ENDED JUNE 30, 2000



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 is depreciated between 1.5% and 30% at various rates.

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 CAPITAL COLLECTION SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 2000**



	2000 \$
NOTE 2: CASH	
Cash at Bank – National Australia Bank Rental Account	551,409
Cash at Bank – National Australia Bank Account	1,119,942
Deposits	2,500
	<u>1,673,851</u>
NOTE 3: RECEIVABLES	
Current	
Debtors - Rental/Outgoings	12,134
Other Debtor - The Capital Collection Trust	10,000
Prepaid Expenses	32,076
	<u>54,210</u>
NOTE 4: PROPERTY, PLANT & EQUIPMENT	
Property described as Post Office Square, 280 Queen Street Brisbane, Queensland	
Land at Cost	8,691,370
Buildings at Cost	35,311,982
Total Land & Buildings	<u>44,003,352</u>
Plant & Equipment at Cost	10,180,697
Less Provision for Depreciation	(700,742)
	<u>9,479,955</u>
Total Property, Plant & Equipment – Post Office Square	<u>53,483,307</u>
Property described as Homeworld Shopping Centre, 150-180 Soward Way Greenway, ACT	
Land at Cost	3,631,434
Buildings at Cost	19,936,824
Total Land & Buildings	<u>23,568,258</u>
Plant & Equipment at Cost	1,628,631
Less Provision for Depreciation	(164,325)
	<u>1,464,306</u>
Total Property, Plant & Equipment – Homeworld Shopping Centre	<u>25,032,564</u>
Total Property, Plant & Equipment	<u>78,515,871</u>



2000
\$

NOTE 5: OTHER ASSETS

Prospectus Issue & Promotion Costs	116,229
Less Accumulated Amortisation	(13,560)
	<u>102,669</u>
 Borrowing Costs	 1,113,764
Less Accumulated Amortisation	(129,939)
	<u>983,825</u>
 Syndicate & Prospectus Legal Costs	 74,666
Less Accumulated Amortisation	(8,711)
	<u>65,955</u>
	<u>1,152,449</u>

NOTE 6: ACCOUNTS PAYABLE

Current	
GST Payable	240
Trade Creditors - Audit & Accountancy Fees	15,800
EFT Distributions Rejected	1,050
Accrued Expenses	150,787
	<u>167,877</u>

NOTE 7: BORROWINGS

Non-Current	
Mortgage Loans	<u>46,477,000</u>

- (a) The Mortgage Loans are as follows:
A Mortgage Loan from Colonial Funds Management Limited comprising a variable facility of \$15,457,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Homeworld Shopping Centre, 150-180 Soward Way Greenway ACT. A Second Mortgage over the property is held by ANZ Funds Management Limited. 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 three year facility of \$31,020,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Post Office Square, 280 Queen Street Brisbane. A Second Mortgage over the property is held by Colonial Funds Management Limited. Interest on the loan is payable monthly in arrears on the last day of each month.

An interest rate management product has been purchased using the interest rate risk management reserve referred to in the prospectus. The effect of this purchase from the National Australia Bank is that the acquisition loans have been effectively fixed for five years.



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NOTE 7: BORROWINGS (CON'T)

- (b) The borrowings were undertaken by the Owners with borrowing documentation executed by Property Funds Australia Limited under its power of attorney. Trust Company of Australia Limited as Custodian executed mortgages over the properties. Neither the Owners, Manager or the Custodian are liable beyond the value of the equity subscribed.

NOTE 8: SYNDICATE MEMBERS' FUNDS

Opening Balance	
Funds Contributed	36,750,110
Distributions to Syndicate Members	(1,388,386)
Accumulated Loss	(610,219)
Closing Balance	<u>34,751,505</u>

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 – Rental Account	551,409
Cash at Bank	1,119,942
Deposits	2,500
	<u>1,673,851</u>

Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax

Operating Profit (Loss) after Income Tax	(610,219)
--	-----------

Non Cash Flows in Operating Profit:

Amortisation – Prospectus Costs	13,560
Amortisation – Syndicate Formation and Prospectus Legal Costs	8,711
Depreciation	865,067
Borrowing Costs	129,939

Changes in Assets and Liabilities:

Decrease (Increase) in Trade Debtors	(12,134)
Decrease (Increase) in Prepayments	(32,076)
Increase (Decrease) in Accruals	<u>166,827</u>

Net Cash Provided by Operating Activities	<u>529,675</u>
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NOTE 10: CAPITAL AND LEASING COMMITMENTS

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(a) Operating Lease Commitments

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

Receivable

- not later than 1 year	6,453,569
- later than 1 year but not later than 5 years	17,809,156
- later than 5 years	12,930,306
	<u>37,193,031</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 \$273,975 and \$281,749.

NOTE 12: PRINCIPAL ACTIVITY

The principal activity of the Capital Collection Syndicate is investment in income producing commercial buildings at Post Office Square, Brisbane and Homeworld Shopping Centre, ACT.

NOTE 13: INCOME TAX

Net Operating Loss	(610,219)
Non deductible accrued expenses	8,400
Non deductible syndicate legal & prospectus costs	22,271
Non Deductible Accounting	
Depreciation - Plant & Equipment	9,254
Allowable Taxation Allowance -- Buildings	(239,213)
Deductible Prepaid Expenses	(25,661)
Net Tax Loss for the Period	<u>(835,168)</u>

NOTE 14: CONTINGENT LIABILITY

Sale Performance Management Fees

In accordance with the original 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.



NOTE 14: CONTINGENT LIABILITY (CON'T)

- (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 October 15, 1999 (the date of receipt by Property Funds Australia Limited of the first Contribution). Under the Syndicate Constitution the properties cannot be held for more than eight years from December, 30 1999 unless the procedures outlined in Clause 11.2 of the Syndicate Constitution apply.
- (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:

Post Office Square

Market Valuation:	Effective Date November 1, 1999	
By Chesterton		49,600,000
Acquisition Details (Settlement December 30, 1999)		
Purchase Price		49,563,035
Acquisition Costs		4,621,014
Total Costs of Acquisition		<u>54,184,049</u>
Reconciliation to book value at June 30, 2000:		
Total Costs of Acquisition		54,184,049
Accumulated Depreciation - Plant & Equipment		700,742
Total Property, Plant & Equipment - Post Office Square		<u>53,483,307</u>



NOTE 15: OTHER STATUTORY INFORMATION (CON'T)

Homeworld Shopping Centre

Market Valuation: Effective Date September 22, 1999
 By Richard Ellis

23,700,000

Acquisition Details (Settlement December 30, 1999)

Purchase Price 23,778,136

Acquisition Costs 1,418,753

Total Costs of Acquisition 25,196,889

Reconciliation to book value at June 30, 2000:

Total Costs of Acquisition 25,196,889

Accumulated Depreciation – Plant & Equipment 164,325

Total Property, Plant & Equipment – Homeworld Shopping Centre 25,032,564

Total Property, Plant & Equipment (Note 4)

78,515,871

- (f) There were no disposals of property in the period to which these financial statements relate
- (g) As at June 30, 2000 the Manager and associates held 9.53% of total investors capital in the Syndicate and 40.77% of the Capital Collection Trust which owns 47.42% of the Capital Collection Syndicate. All of the above interests were fully paid for.
- (h) Book value of the net tangible assets of the Syndicate at June 30, 2000 is \$34,751,505. 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 of the property is registered in the name of Trust Company of Australia Limited who is appointed under a Custodian Deed to hold the property as custodian for Property Funds Australia Limited, the responsible entity of this Scheme and therefore on behalf of the Owners.

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

Custodian

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



NOTE 16: RELATED PARTY TRANSACTIONS (CON'T)

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- (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.

125,669

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.

3,667,016

The Custodian

Custodian fee for the period was paid to Trust Company of Australia Limited as provided for in the prospectus in accordance with the Custody Agreement.

11,500

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 30/6/00	Floating Interest Rate 30/6/00	Within 1 Year 30/6/00	1 to 5 Years 30/6/00	Non-Interest Bearing 30/6/00	Total 30/6/00
Cash	5.5	-	1,671,351	-	2,500	1,673,851
Receivables		-	-	-	22,134	22,134
Total Financial Assets		-	1,671,351	-	24,634	1,695,985
Financial Liabilities						
Mortgage Loan	6.6	-	-	46,477,000	-	46,477,000
Trade & Sundry Creditors		-	-		167,877	167,877
Total Financial Liabilities		-	-	46,477,000	167,877	46,644,877



NOTE 17: FINANCIAL INSTRUMENTS (CON'T)

(c) Interest Rate Swap

Interest rate swap transactions entered into by the Responsible Entity on behalf of the Owners/Borrowers exchange variable and fixed interest payment obligations to protect long term borrowings from the risk of increasing interest rates. The Owners/Borrowers have both variable and fixed interest rate debt exposure and have entered into swap contracts which enable the relevant Banks to receive the benefit of interest at both variable and fixed rates and for the Owners/Borrowers to effectively pay interest at fixed rates.

The notional principal amounts for swap contracts approximates the Owners/Borrowers borrowing facility. The settlement dates of the swap contracts correspond with interest payment dates of the borrowings. The swap contracts require settlement of the net interest receivable or payable and are brought to account as interest costs.

At balance date, the details of interest rate swap contracts are:

	Effective Average Interest Rate Payable 30/6/2000	Notional Principal 30/6/2000
Settlement	-	-
Less than 1 year	6.2	15,457,000
1 to 2 years	-	-
2 to 5 years	* See Below	31,020,000
		<u>46,477,000</u>

* This effective average interest rate will not be able to be calculated until the commencement of the interest rate swap in the year 2003.

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DECLARATION BY THE DIRECTORS OF THE MANAGER



In the opinion of the Directors of Property Funds Australia Limited as Manager of The Capital Collection 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 Trust Deed dated 21 July, 1999;
- (b) In the director's opinion there are reasonable ground to believe that The Capital Collection 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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THE CAPITAL COLLECTION SYNDICATE

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS

Scope

We have audited the Financial Report of The Capital 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 (12). 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 Capital 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



P.A. Gallagher
Partner

Brisbane: September 20, 2000

DIRECTORY



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TAXATION ADVISER

Hacketts
Chartered Accountants
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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

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