



The
CAPITAL
Collection
Diverse Sector Fund

**interim report
December 31, 2000**

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THE CAPITAL COLLECTION – DIVERSE SECTOR FUND

INTERIM MANAGER'S REPORT



I am pleased to present the Interim Report of The Capital Collection – Diverse Sector Fund ("the Fund") for the six months ended December 31, 2000 ("the Period").

Review of Operations

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

Post Office Square

Following the finalisation of a new 10 year lease agreement the pharmacy, which comprises half of the Queen Street frontage of the property has commenced an extensive refurbishment programme. This refurbishment is expected to provide a pleasant aesthetic lift to the Queen Street entrance. Additionally the Suncorp Metway tenancy opposite the pharmacy vacated in March, 2001 with the lease expiring 31 May. This was due to the tenant having a duplicated tenancy (across Queen Street from Post Office Square) as a consequence of the merger of the Suncorp and Metway financial institutions. This vacated tenancy provides an excellent opportunity to again enhance this important frontage by the installation of a more contemporary fitout. We are confident of securing a new tenant for this area in the next few months.

Vodafone (who were a sub-tenant of the Advance Bank) have vacated a tenancy at the Adelaide Street frontage of the property. Advance Bank have an ongoing liability for rent for the balance of the lease term. We are currently finalising a new tenancy for this space in conjunction with Advance Bank.

Homeworld Shopping Centre

This property has received considerable focus from us over the last six months. As outlined in the 2000 Annual Report, a large space user has been identified for the property. Execution of final agreements is expected to occur in the next month or so for this significant retailer to occupy approximately 1,300m² of space. The nature of the tenancy will create other opportunities for those areas which are adjacent to or nearby this tenancy. Certain relocations of some existing tenants will be necessary to facilitate the occupancy of this new tenancy. Negotiations for those relocations are currently being finalised.

To enable the large space user to occupy space at the centre, a development application was lodged with the town planning authorities of the ACT. This application was approved on 23 December, 2000. It is hoped that tenancy works will commence in May with the opening of the tenancy pre-Christmas.

The market rent review referred to in the 2000 Annual Report for the ACT Government's office lease of the first floor office space has been completed. This review was to cover a two year period until 30 June, 2002. In the process of this negotiation, the market rent review due on 1 July, 2002 was also completed thereby fixing the rental for this space for the next four years. The rental negotiated for this four year period is greater than that which was guaranteed by the Vendor of the property (and referred to in the summary of the Homeworld purchase contract in the prospectus). The newly agreed rental provides for ongoing growth of the rent from this area of the property over the four year period. We consider the result to be beneficial for investors and should assist in an advantageous revaluation of this property in due course.

Financial Results

After deducting accounting depreciation of \$466,724 and other non-cash items, the Syndicate recorded an accounting profit of \$928,608 for the Period.

Similarly, the Trust had an accounting profit of \$440,651 for the Period.

Distributions – for the Period to December 31, 2000

Distributions for the Period equated to a yield of 9.2% 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).

Tax Reform Proposals

Since the 2000 Annual Report of the Fund, the Federal Government has made further announcements regarding "Entity Tax Reform". The controversial definition of "Collective Investment Vehicle" has not been pursued by government and it currently appears that the transparent tax nature of the Syndicate and the Trust will continue and that entity tax reform will not have any material effect on the Fund's entities.



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.

Investment and Borrowing Policies of the Joint Investment

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

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 subject Period 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 subject Period.

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 balance of this financial year will be the finalisation of the large space user's tenancy and related tenancy relocation negotiations for the Homeworld Centre.

Rodney M Keown
Chairman



The
CAPITAL
Collection

Diverse Sector Fund Trust

**financial statements for the half year ended
December 31, 2000**

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THE CAPITAL COLLECTION TRUST
PROFIT & LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2000



	Note	Half Year Ended December 2000 \$	Year Ended June 2000 \$
Operating profit/(loss) before income tax	2	440,651	(269,116)
Income tax expense attributable to operating profit	3	-	-
Operating profit/(loss) after income tax		440,651	(269,116)
Accumulated losses at the beginning of the period		<u>(269,116)</u>	
Accumulated profit/(losses) at the end of the half year/financial year attributable to unitholders		<u>171,535</u>	<u>(269,116)</u>

BALANCE SHEET
AS AT DECEMBER 31, 2000

	Note	Half Year Ended December 2000 \$	Year Ended June 2000 \$
TRUST CAPITAL			
Unit Capital		17,429,000	17,429,000
Distributions to Unitholders		(1,456,868)	(657,885)
Accumulated profit/(loss)		171,535	(269,116)
TOTAL TRUST FUNDS		<u>16,143,667</u>	<u>16,501,999</u>
CURRENT ASSETS			
Cash	4	<u>20,396</u>	<u>20,337</u>
TOTAL CURRENT ASSETS		<u>20,396</u>	<u>20,337</u>
NON-CURRENT ASSETS			
Investments	5	<u>16,134,154</u>	<u>16,492,637</u>
TOTAL NON-CURRENT ASSETS		<u>16,134,154</u>	<u>16,492,637</u>
TOTAL ASSETS		<u>16,154,550</u>	<u>16,512,974</u>
CURRENT LIABILITIES			
Accounts Payable	6	<u>10,883</u>	<u>10,975</u>
TOTAL CURRENT LIABILITIES		<u>10,883</u>	<u>10,975</u>
TOTAL LIABILITIES		<u>10,883</u>	<u>10,975</u>
NET ASSETS		<u>16,143,667</u>	<u>16,501,999</u>

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION TRUST
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000



	Note	Half Year Ended December 2000 \$	Year Ended June 2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Distributions Received		798,829	657,886
Interest Received		608	9,606
Payments to Suppliers		(395)	(245)
		<u>799,042</u>	<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		(798,983)	(656,910)
Net cash provided by financing activities		<u>(798,983)</u>	<u>16,782,090</u>
Net increase in cash held		59	20,337
Cash at beginning		20,337	-
Cash at December 31, 2000	7	<u>20,396</u>	<u>20,337</u>

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000



NOTE 1: BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the half-year ended December 31, 2000 have been prepared in accordance with Accounting Standard AASB 1029: Half Year Accounts and Consolidated Accounts, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Law. It is recommended that this report should be read in conjunction with the Annual Report for the year ended June 30, 2000.

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

(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.

(e) Comparatives

Comparatives for Profit and Loss Accounts and Statement of Cashflows for the half year ended December 31, 1999 have not been provided as this is the first time that half year accounts have been prepared.

	Half Year Ended December 2000 \$	Year Ended June 2000 \$
NOTE 2: OPERATING RESULT		
Share of Profit (Loss) from the Capital Collection Syndicate	440,346	(278,477)
Add : Net Profit from operations	305	9,361
Operating Profit/(Loss)	<u>440,651</u>	<u>(269,116)</u>

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	213,715
Income tax at 48.5%	
Tax effect of:	
Tax losses carried forward	(167,082)
Tax difference between tax and accounting distribution from The Capital Collection Syndicate	<u>(46,634)</u>
Income tax expense	

THE CAPITAL COLLECTION TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000



	Half Year Ended December 2000 \$	Year Ended June 2000 \$
NOTE 4: CASH		
Cash at Bank – National Australia Bank Account	<u>20,396</u> 20,396	<u>20,337</u> 20,337
NOTE 5: INVESTMENTS		
Interest in the Capital Collection Syndicate	<u>16,134,154</u> 16,134,154	<u>16,492,637</u> 16,492,637
The value of the trust's investment in the Capital Collection Syndicate recognises the Trust's share of the Syndicate profit/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	17,429,000
Distributions from the Capital Collection Syndicate	(1,456,868)	(657,886)
Share of Syndicate Profit (Loss)	<u>162,022</u> 16,134,154	<u>(278,477)</u> 16,492,637
NOTE 6: ACCOUNTS PAYABLE		
Current		
Other Creditor – Capital Collection Syndicate	10,000	10,000
EFT Distributions Rejected	<u>883</u>	<u>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	<u>20,396</u> 20,396	<u>20,337</u> 20,337
Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax		
Operating Profit (Loss) after Income Tax	440,651	(269,116)
Non Cash Flows in Operating Profit:		
Diminution in Investments	358,483	935,388
Changes in Assets and Liabilities:		
Increase (Decrease) in Accrued Expenses	<u>(92)</u>	<u>975</u>
Net Cash Provided by Operating Activities	<u>799,042</u>	<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 December 2000 and January 2001 totalling \$128,217 and \$128,217 respectively (June \$130,718 and July 2000 \$133,622).

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 Manager 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 December 31, 2000 the Manager and associates held 5.72% of total investors capital in the Trust which were fully paid for.
- (g) Book value of the net tangible assets of the Trust at December 31, 2000 is \$16,143,667 (June \$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 -

James G M Moffat (Chairman), John M Stanham (Vice Chairman),
Hon. Anthony A Street, Warren J McLeland, Bruce G Barker,
Jonathan W Sweeney, Robert D Jeremy, Robert G Lloyd

- (ii) In the context of the Trust, no transactions occurred with related parties to the Manager or the Custodian. 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		Floating Interest Rate		1 to 5 Years		Non-Interest Bearing		Total	
	31/12/00	30/6/00	31/12/00	30/6/00	31/12/00	30/6/00	31/12/00	30/6/00	31/12/00	30/6/00
Cash							20,396	20,337	20,396	20,337
Investments							16,134,154	16,492,637	16,134,154	16,492,637
Total Financial Assets							16,154,550	16,512,974	16,154,550	16,512,974
Financial Liabilities										
Trade & Sundry Creditors							10,883	10,975	10,883	10,975
Total Financial Liabilities							10,883	10,975	10,883	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 31 December 2000 and its performance for the half year ended on that date in accordance with the Corporations Law, applicable Accounting Standards and the Trust Constitution 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
15 March, 2001

THE CAPITAL COLLECTION TRUST

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS



SCOPE

We have reviewed the Financial Report of The Capital Collection Trust for the half year ended 31 December, 2000 being the Directors' Declaration, Profit and Loss Statement, Balance Sheet, Statement of Cash Flows and Notes to and forming part of the financial statements. The Directors are responsible for the financial report. We have performed an independent review of the 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 Financial Report is not presented fairly in accordance with Accounting Standard AASB1029 and other mandatory professional reporting requirements, and statutory requirements so as to present a view which is consistent with our understanding the trust's financial position, and performance as represented by the results of its operations and its cashflows, and in order for the trust to lodge the 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 trust 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 financial report of The Capital Collection Trust is not in accordance with:

- (a) the Corporations Law; including:
 - (i) giving a true and fair view of the trust's financial position as at 31 December 2000 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB1029 and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

BDO Kendalls
Chartered Accountants

Paul Gallagher
Partner

Brisbane: 16. 3. 2001.



The **CAPITAL** Collection

Diverse Sector Fund Syndicate

**financial statements for the half year ended
December 31, 2000**

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THE CAPITAL COLLECTION SYNDICATE
PROPERTY PROFIT & LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2000



	Half Year Ended December 2000 \$	Year Ended June 2000 \$
PROPERTY INCOME		
Rent & Licence Fees Received	4,127,029	4,260,115
	<u>4,127,029</u>	<u>4,260,115</u>
DIRECT PROPERTY EXPENSES		
Airconditioning Maintenance	27,511	37,579
Cleaning	85,708	74,859
Electricity	103,804	107,759
Equipment Rent/Lease	245	245
Fire Protection Costs	12,918	5,838
Garden Maintenance	251	678
Insurance	33,470	29,574
Land Tax	140,558	86,494
Lift Maintenance	18,774	18,569
Property Managers Fees & Petties	99,833	117,631
Rates	208,999	174,643
Repairs & Maintenance	31,946	15,272
Security	7,324	10,917
Signs	1,064	2,115
Telephone	-	559
TOTAL DIRECT PROPERTY EXPENSES	<u>772,405</u>	<u>682,732</u>
NET PROPERTY INCOME	<u>3,354,624</u>	<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 HALF YEAR ENDED DECEMBER 31, 2000



	Half Year Ended December 2000 \$	Year Ended June 2000 \$
INCOME		
Net Property Income	3,354,624	3,577,383
Interest Received	24,241	51,985
TOTAL INCOME	3,378,865	3,629,368
EXPENSES		
Accountancy	21,400	17,070
Amortisation - Prospectus Costs	11,623	13,560
Amortisation - Syndicate Formation & Prospectus Legal Costs	7,467	8,711
Auditors Fees	3,529	18,750
Bank Charges	638	3,310
Borrowing Expenses	111,376	129,939
Consultancy Fees	15,176	8,860
Depreciation - Plant & Equipment	466,724	865,067
Fees & Permits	2,009	1,150
Interest on Borrowings	1,635,915	1,723,651
Legal Fees	26,454	14,801
Postage	2,189	77
Printing & Stationery	10,143	589
Reporting Expenses	212	3,327
Stamp Duty	-	1,293,316
Syndicate Managers Fees	123,512	125,669
Travelling Expenses	3,390	240
Custodian Fees	8,500	11,500
TOTAL EXPENSES	2,450,257	4,239,587
NET OPERATING PROFIT/(LOSS)	928,608	(610,219)

To be read in conjunction with the attached notes

THE CAPITAL COLLECTION SYNDICATE
BALANCE SHEET
AS AT DECEMBER 31, 2000



		Half Year Ended December 2000 \$	Year Ended June 2000 \$
CURRENT ASSETS			
Cash	2	1,166,680	1,673,851
Receivables	3	29,468	22,134
Other	3	-	32,076
TOTAL CURRENT ASSETS		<u>1,196,148</u>	<u>1,728,061</u>
NON-CURRENT ASSETS			
Cash – Term Deposit	2	500,000	-
Property, Plant and Equipment	4	78,063,606	78,515,871
Intangibles	5	1,045,982	1,152,449
TOTAL NON-CURRENT ASSETS		<u>79,609,588</u>	<u>79,668,320</u>
TOTAL ASSETS		<u>80,805,736</u>	<u>81,396,381</u>
CURRENT LIABILITIES			
Accounts Payable	6	332,963	167,876
TOTAL CURRENT LIABILITIES		<u>332,963</u>	<u>167,876</u>
NON-CURRENT LIABILITIES			
Borrowings	7	46,477,000	46,477,000
TOTAL NON-CURRENT LIABILITIES		<u>46,477,000</u>	<u>46,477,000</u>
TOTAL LIABILITIES		<u>46,809,963</u>	<u>46,644,876</u>
NET ASSETS		<u>33,995,773</u>	<u>34,751,505</u>
TOTAL SYNDICATE MEMBERS' FUNDS	8	<u>33,995,773</u>	<u>34,751,505</u>

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000

		Half Year Ended December 2000 \$	Year Ended June 2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Rental received		4,216,572	4,247,981
Payments to suppliers		(2,525,187)	(3,770,291)
Interest Received		24,241	51,985
Net cash provided by operating activities		<u>1,715,626</u>	<u>529,675</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non current assets		(38,457)	(79,380,938)
Net cash provided by investing activities		<u>(38,457)</u>	<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		(1,684,340)	(1,387,337)
Payments to be reimbursed by related entity		-	(10,000)
Net cash provided by financing activities		<u>(1,684,340)</u>	<u>80,525,114</u>
Net increase/(decrease) in cash held		<u>(7,171)</u>	<u>1,673,851</u>
Cash at beginning		1,673,851	-
Cash at December 31, 2000	9	<u>1,666,680</u>	<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 FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000



NOTE 1: STATEMENT OF ACCOUNTING POLICIES

These general purpose financial statements for the half-year ended December 31, 2000 have been prepared in accordance with Accounting Standard AASB 1029: Half Year Accounts and Consolidated Accounts, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Law. It is recommended that this report should be read in conjunction with the Annual Report for the year ended June 30, 2000.

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

(a) Income & Expenditure

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

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 responsible entity 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.

(f) Comparatives

Comparatives for Profit and Loss Accounts and Statement of Cashflows for the half year ended December 31, 1999 have not been provided as this is the first time that half year accounts have been prepared.



	Half Year Ended December 2000 \$	Year Ended June 2000 \$
NOTE 2: CASH		
Current		
Cash at Bank – National Australia Bank Rental Account	583,920	551,409
Cash at Bank – National Australia Bank Account	280,260	1,119,942
Cash at Bank - National Australia Bank Secured Term Deposit	300,000	
Deposits	2,500	2,500
	<u>1,166,680</u>	<u>1,673,851</u>
Non-Current		
Cash at Bank – National Australia Bank Secured Term Deposit	500,000	
	<u>500,000</u>	<u>1,673,851</u>
NOTE 3: RECEIVABLES		
Current		
GST receivable	139	
Debtors - Rental/Outgoings	19,329	12,134
Other Debtor - The Capital Collection Trust	10,000	10,000
Prepaid Expenses	-	32,076
	<u>29,468</u>	<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	8,691,370
Buildings at Cost	35,311,982	
		<u>35,311,982</u>
Total Land & Buildings	<u>44,003,352</u>	<u>44,003,352</u>
Plant & Equipment at Cost		
	10,180,697	10,180,697
Less Provision for Depreciation	(1,098,393)	(700,742)
	<u>9,082,304</u>	<u>9,479,955</u>
Total Property, Plant & Equipment – Post Office Square	<u>53,085,656</u>	<u>53,483,307</u>
Property described as Homeworld Shopping Centre, 150-180 Soward Way Greenway, ACT		
Land at Cost	3,631,434	3,631,434
Buildings at Cost	19,936,824	19,936,824
Total Land & Buildings	<u>23,568,258</u>	<u>23,568,258</u>
Plant & Equipment at Cost		
	1,643,090	1,628,631
Less Provision for Depreciation	(233,398)	(164,325)
	<u>1,409,692</u>	<u>1,464,306</u>
Total Property, Plant & Equipment – Homeworld Shopping Centre	<u>24,977,950</u>	<u>25,032,564</u>
Total Property, Plant & Equipment	<u>78,063,606</u>	<u>78,515,871</u>



	Half Year Ended December 2000 \$	Year Ended June 2000 \$
NOTE 5: OTHER ASSETS		
Prospectus Issue & Promotion Costs	116,229	116,229
Less Accumulated Amortisation	(25,183)	(13,560)
	<u>91,046</u>	<u>102,669</u>
Borrowing Costs	1,137,764	1,113,764
Less Accumulated Amortisation	(241,316)	(129,939)
	<u>896,448</u>	<u>983,825</u>
Syndicate & Prospectus Legal Costs	74,666	74,666
Less Accumulated Amortisation	(16,178)	(8,711)
	<u>58,488</u>	<u>65,955</u>
	<u>1,045,982</u>	<u>1,152,449</u>
NOTE 6: ACCOUNTS PAYABLE		
Current		
GST Payable	113,450	240
Trade Creditors - Audit & Accountancy Fees	22,261	15,800
EFT Distributions Rejected	1,306	1,050
Accrued Expenses	195,946	150,787
	<u>332,963</u>	<u>167,877</u>
NOTE 7: BORROWINGS		
Non-Current		
Mortgage Loans	<u>46,477,000</u>	<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.



Half Year Ended December 2000 \$	Year Ended June 2000 \$
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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	34,751,505	-
Funds Contributed	-	36,750,110
Distributions to Syndicate Members	(1,684,340)	(1,388,386)
Accumulated Loss	928,608	(610,219)
Closing Balance	<u>33,995,773</u>	<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	583,920	551,409
Cash at Bank	280,260	1,119,942
Deposits	2,500	2,500
Secured Term Deposit – Current	300,000	
Secured Term Deposit – Non-Current	500,000	
	<u>1,666,680</u>	<u>1,673,851</u>

**Reconciliation of Net Cash provided by Operating Activities to
Operating Profit/(Loss) after Income Tax**

Operating Profit (Loss) after Income Tax	928,608	(610,219)
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Non Cash Flows in Operating Profit/(Loss):

Amortisation – Prospectus Costs	11,623	13,560
Amortisation – Syndicate Formation and Prospectus Legal Costs	7,467	8,711
Depreciation	466,724	865,067
Borrowing Costs	111,376	129,939

Changes in Assets and Liabilities:

Decrease (Increase) in Trade Debtors	(7,334)	(12,134)
Decrease (Increase) in Prepayments	32,076	(32,076)
Increase (Decrease) in Accruals	165,086	166,827

Net Cash Provided by Operating Activities	<u>1,715,626</u>	<u>529,675</u>
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NOTE 10: CAPITAL AND LEASING COMMITMENTS

	Half Year Ended December 2000 \$	Year Ended June 2000 \$
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	6,453,569
- later than 1 year but not later than 5 years	17,809,156	17,809,156
- later than 5 years	9,372,857	12,930,306
	<u>33,635,582</u>	<u>37,193,031</u>

NOTE 11: EVENTS SUBSEQUENT TO BALANCE DATE

Since December 31, 2000, the Syndicate has paid Distributions to Syndicate Members for the months of December 2000 and January 2001 totalling \$281,750 and \$281,750. (June \$273,975 and July \$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: 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.
- (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:-

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 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 14: 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

	Half Year Ended December 2000 \$	Year Ended June 2000 \$
By Chesterton	49,600,000	49,600,000
Acquisition Details (Settlement December 30, 1999)		
Purchase Price	49,563,035	49,563,035
Acquisition Costs	<u>4,621,014</u>	<u>4,621,014</u>
Total Costs of Acquisition	<u>54,184,049</u>	<u>54,184,049</u>
Reconciliation to book value		
Total Costs of Acquisition	54,184,049	54,184,049
Accumulated Depreciation - Plant & Equipment	<u>1,098,393</u>	<u>700,742</u>
Total Property, Plant & Equipment – Post Office Square	<u>53,085,656</u>	<u>53,483,307</u>



	Half Year Ended December 2000 \$	Year Ended June 2000 \$
NOTE 14: OTHER STATUTORY INFORMATION (CON'T)		
Homeworld Shopping Centre		
Market Valuation: Effective Date September 22, 1999 By Richard Ellis	23,700,000	23,700,000
Acquisition Details (Settlement December 30, 1999)		
Purchase Price	23,778,136	23,778,136
Acquisition Costs	1,433,212	1,418,753
Total Costs of Acquisition	<u>25,211,348</u>	<u>25,196,889</u>
Reconciliation to book value:		
Total Costs of Acquisition	25,211,348	25,196,889
Accumulated Depreciation – Plant & Equipment	233,398	164,325
Total Property, Plant & Equipment – Homeworld Shopping Centre	<u>24,977,950</u>	<u>25,032,564</u>
Total Property, Plant & Equipment (Note 4)	<u>78,063,606</u>	<u>78,515,871</u>

- (f) There were no disposals of property in the period to which these financial statements relate.
- (g) As at December 31, 2000 the Manager and associates held 0.18% of total investors capital in the Syndicate and 5.72% 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 December 31, 2000 is \$33,995,773 (June \$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 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, D J Conquest

Custodian

Trust Company of Australia Limited ACN 004 027 749

Directors who held office during the period were -

James G M Moffat (Chairman), John M Stanham (Vice Chairman),

Hon. Anthony A Street, Warren J McLeland, Bruce G Barker,

Jonathan W Sweeney, Robert D Jeremy, Robert G Lloyd



NOTE 15: RELATED PARTY TRANSACTIONS (CON'T)

	Half Year Ended December 2000 \$	Year Ended June 2000 \$
(ii) Related party transactions during the period were as follows:-		
<u>The Manager</u> Syndicate Management Fee for the period paid to Property Funds Australia Limited as provided for in the prospectus and in accordance with the Syndicate Deed.	123,512	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
<u>The Custodian</u> Custodian fee for the period paid to Trust Company of Australia Limited as provided for in the prospectus and in accordance with the Custody Agreement.	8,500	11,500

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:

THE CAPITAL COLLECTION SYNDICATE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR HALF YEAR ENDED DECEMBER 31, 2000



(b) Net Fair Values

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 to 5 Years		Non-Interest Bearing		Total
	31/12/00	30/06/00	31/12/00	30/06/00	31/12/00	30/06/00	31/12/00	30/06/00	
Cash Receivables	5.5	5.5	-	-	1,664,180	1,671,351	2,500	2,500	1,666,680 1,673,851
			-	-	-	-	29,468	22,134	28,468 22,134
Total Financial Assets					1,664,180	1,671,351	31,968	24,634	1,696,148 1,695,985
Financial Liabilities									
Mortgage Loan Trade & Sundry Creditors	6.6	6.6			46,477,000	46,477,000	332,963	167,877	46,477,000 46,477,000
					-	-	167,877	332,963	167,877 167,877
Total Financial Liabilities					46,477,000	46,477,000	332,963	167,877	46,809,963 46,644,877

NOTE 16: 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 31/12/00	Effective Average Interest Rate Payable 30/6/2000	Notional Principal 31/12/00	Notional Principal 30/6/2000
Settlement	-	-	-	-
Less than 1 year	6.2	6.2	15,457,000	15,457,000
1 to 2 years	-	-	-	-
2 to 5 years	*See Below	* See Below	31,020,000	31,020,000
			<u>46,477,000</u>	<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.

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:

The accompanying financial statements and notes give a true and fair view of the Syndicate's financial position as at 31 December 2000 and its performance for the half year ended on that date in accordance with the Corporations Law, applicable Accounting Standards and the Trust Constitution dated 21 July, 1999;

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
15 March 2001

THE CAPITAL COLLECTION SYNDICATE

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS



SCOPE

We have reviewed the Financial Report of The Capital Collection Syndicate for the half year ended 31 December, 2000 being the Directors' Declaration, Profit and Loss Statement, Balance Sheet, Statement of Cash Flows and Notes to and forming part of the financial statements. The Directors are responsible for the financial report. We have performed an independent review of the 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 Financial Report is not presented fairly in accordance with Accounting Standard AASB1029 and other mandatory professional reporting requirements, and statutory requirements so as to present a view which is consistent with our understanding the syndicate's financial position, and performance as represented by the results of its operations and its cashflows, and in order for the syndicate to lodge the 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 financial report of The Capital Collection Syndicate is not in accordance with:

- (a) the Corporations Law; including:
 - (i) giving a true and fair view of the syndicate's financial position as at 31 December 2000 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB1029 and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

BDO Kendalls
Chartered Accountants

Bao Kinanees
.....
Paul Gallagher
.....
Paul Gallagher
Partner

Brisbane: 16.3.2001.

DIRECTORY



MANAGER

Property Funds Australia Limited
ACN 078 199 569

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CUSTODIAN

Trust Company of Australia Limited
ACN 004 027 749
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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)
David J Conquest (Director)

REGISTRY

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AUDITOR

BDO Kendalls
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