



The
CAPITAL
Collection
Diverse Sector Fund

**interim financial report
December 31, 2001**

CONTENTS

1. Manager's Report
2. Condensed Financial Statements – The Capital Collection
– Diverse Sector Fund Trust No. 1
3. Declaration by Directors of the Manager – Trust
4. Independent Review Report – Trust
5. Condensed Financial Statements – The Capital Collection
– Diverse Sector Fund Syndicate No. 1
6. Declaration by Directors of the Manager – Syndicate
7. Independent Review Report – Syndicate

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 ending 31 December, 2001 ("the Period").

Review of Operations

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

- ▲ **Post Office Square:** There has been significant leasing activity in respect of this property since the last report to investors. I am pleased to report to you the following:-
 - A 12 year lease over the remaining balance of the former Suncorp Metway space (at the Queen Street entrance of the property) to the existing newsagency tenants who are relocating from their current internal location;
 - A 10 year lease to the well-regarded coffee shop operators – The Coffee Club of the premises situated at the Adelaide Street entrance of the property in that space formerly occupied by Zarraffa's Coffee;
 - A 5 year lease to Tie Rack over a small area of 30m² of the former Suncorp Metway space;
 - A 7 year lease of another small area of the Suncorp Metway space of 17m² to a dry cleaning outlet.
 - A 10 year lease to Subway of space adjoining the pharmacy at the Queen Street end.

New car parking equipment costing \$115,000 has been ordered to replace the original equipment which is now some 17 years old.

- ▲ **Homeworld Centre:** ALDI Supermarkets commenced trading from their premises in this Centre on 7 February, 2002. The store is reportedly trading well. As part of the ALDI project, significant negotiations occurred to relocate some existing tenants and to procure the surrender of their leases. These have included:-
 - The relocation of the ACT Government's retail Canberra Connect tenancy to a new location on Anketell Street comprising 419m² on a new 10 year lease;
 - The relocation of National Capital Diagnostic Imaging (radiologists) to a new 278m² location once again on Anketell Street on a new 10 year lease; and
 - The surrender of the beautician's lease of premises on the corner of Anketell Street and Soward Way.

The most significant challenge for us with this property is to finalise negotiations on a replacement tenant for the BBC Hardware space. BBC Hardware's lease expires in May, 2002. It is not being renewed due to the takeover of the BBC Hardware Group by the Bunnings Group (who already have a significant presence in a nearby development in Tuggeranong). Offers have been received for this space. We are hopeful of producing a replacement tenant in the near future.

- ▲ **Property Management:** After receiving a number of submissions over recent months, relating not only to The Capital Collection but other properties under our funds management, Knight Frank has been selected as the new primary property manager for The Capital Collection properties. Jones Lang LaSalle however will continue to carry out local physical management of the Homeworld Centre in Canberra.

Finance Facilities

The total cost of putting the ALDI project in place (including associated relocations, new leases, incentives, etc.) is approximately \$1.8M. Colonial First State has approved an increase in their facility by \$2.1M to accommodate this expenditure and budgeted works of \$300,000 for food court works and centre repainting.

Valuations carried out by this financier's valuers have justified the expenditures associated with the ALDI project. The property is currently being re-valued for the purposes of the Fund.



Financial Results

After deductions for accounting depreciation and other non-cash items, the Syndicate had an accounting profit of \$522,607 for the Period. Similarly, the Trust had an accounting profit of \$247,439 for the Period.

Distributions for the period ended 31 December, 2001

Distributions for the period equated to a yield of 9.2%p.a. on the capital subscribed by investors.

Administrative Issues

The Accountant providing assistance in the finalisation of accounts and taxation services to the Fund has changed to BDO Kendalls.

Directors

The directors of the responsible entity in office any time during or since the end of the half year are:

Christopher Arthur Morton
Archibald Norman Douglas
Elizabeth Ann Pidgeon (appointed 30 August, 2001)
Clive Douglas Schultz (resigned 28 February, 2002)
David John Conquest
Matthew Bradley Madsen (appointed 30 August, 2001)
Rodney Michael Keown (resigned 16 August, 2001)

State of Affairs

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

.....
Christopher A. Morton
Managing Director



The CAPITAL Collection

Diverse Sector Fund Trust No. 1
ARSN 088 775 259

**interim financial report
December 31, 2001**

CONTENTS

	Page No
Condensed Statement of Financial Performance	T1
Condensed Statement of Financial Position	T2
Condensed Statement of Cash Flows	T3
Notes to the Financial Statements	T4
Declaration by Directors of the Manager – Trust	T5
Independent Review Report – Trust	T6

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND TRUST No. 1
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001



	Note	31 December 2001 \$	31 December 2000 \$
Revenue from ordinary activities		802,147	799,437
Expenses from ordinary activities		<u>(554,708)</u>	<u>(358,786)</u>
Profit from ordinary activities before income tax expense		247,439	440,651
Income tax expense relating to ordinary activities	1(a)	<u>-</u>	<u>-</u>
Net profit from ordinary activities after income tax expense		<u>247,439</u>	<u>440,651</u>

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

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND TRUST NO. 1
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2001



	31 December 2001	30 June 2001 \$
TRUST CAPITAL		
Unit Capital	17,429,000	17,429,000
Distributions to Unitholders	(3,060,259)	(2,257,145)
Accumulated profit/(loss)	805,785	558,346
TOTAL TRUST FUNDS	15,174,526	15,730,201
CURRENT ASSETS		
Cash Assets	20,928	22,068
TOTAL CURRENT ASSETS	20,928	22,068
NON-CURRENT ASSETS		
Equity Investments	15,164,766	15,719,093
TOTAL NON-CURRENT ASSETS	15,164,766	15,719,093
TOTAL ASSETS	15,185,694	15,741,161
CURRENT LIABILITIES		
Payables	11,168	10,960
TOTAL CURRENT LIABILITIES	11,168	10,960
TOTAL LIABILITIES	11,168	10,960
NET ASSETS	15,174,526	15,730,201

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

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND TRUST No. 1
CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001



	31 December 2001	31 December 2000
	\$	\$
Cash Flows from Operating Activities		
Distributions Received	801,734	798,829
Payments to suppliers	(381)	(395)
Interest Received	413	608
Cash Provided by/ (Used in) Operating Activities	<u>801,766</u>	<u>799,042</u>
Cash Flows from Financing Activities		
Payment of Distributions	<u>(802,906)</u>	<u>(798,983)</u>
Cash Provided by/ (Used in) Financing Activities	<u>(802,906)</u>	<u>(798,983)</u>
Net Increase/(Decrease) in cash held	(1,140)	59
Cash at the Beginning of the Financial Period	22,068	20,337
CASH AT THE END OF THE FINANCIAL PERIOD	<u>20,928</u>	<u>20,396</u>

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



Note 1 – Basis of Preparation

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2001 and any public announcements made by Property Funds Australia Limited as the responsible entity for The Capital Collection – Diverse Sector Fund Trust No. 1 during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the trust and are consistent with those applied in the 30 June 2001 annual report.

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

(a) Income Tax

The trust adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance 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 tax as it is unlikely that any taxable income will be retained by the trust in 2002.

Note 2 – Events Subsequent to Balance Date

There have been no events subsequent to balance date.

Note 3 – Contingent Liabilities

There are no contingent liabilities as at balance date.

Note 4 – Segment Information

The Trust operates predominantly in one geographical segment, being Australia, and one industry segment, being property investment.

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND TRUST NO. 1
DECLARATION BY THE DIRECTORS OF THE MANAGER



The directors of Property Funds Australia Ltd as the Responsible Entity for The Capital Collection – Diverse Sector Fund Trust No. 1 declare that:

1. the accompanying condensed financial statements and notes
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the financial position as at 31 December 2001 and performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'C. Morton', written over a dotted line.

Christopher Arthur Morton
Managing Director

A handwritten signature in black ink, appearing to read 'M. Madsen', written over a dotted line.

Matthew Bradley Madsen
Director

Brisbane
Dated: 18 March 2002

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND TRUST No. 1

INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS



Scope

We have reviewed the Interim Financial Report of The Capital Collection – Diverse Sector Fund Trust No. 1 for the half year ended 31 December 2001 as set out on pages T1 to T5. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Accounting Standard AASB1029: *Interim Financial Reporting* and other mandatory professional reporting requirements, and statutory requirements so as to present a view which is consistent with our understanding of the trust's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the trust to lodge the interim financial report with the Australian Securities and Investment Commission.

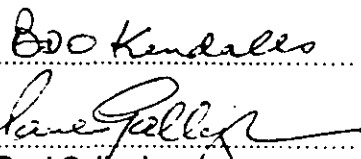
Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of trust personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required 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 interim 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 – Diverse Sector Fund Trust No. 1 is not in accordance with:

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

BDO Kendalls
Chartered Accountants


Paul Gallagher
Partner

Brisbane

Date: 18.3.2002



The **CAPITAL** Collection

Diverse Sector Fund Syndicate No. 1
ARSN 088 775 375

**interim financial report
December 31, 2001**

CONTENTS

	Page No
Condensed Statement of Financial Performance	1
Condensed Statement of Financial Position	2
Condensed Statement of Cash Flows	3
Notes to the Financial Statements	4
Declaration by Directors of the Manager – Syndicate	5
Independent Review Report – Syndicate	6

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND SYNDICATE No. 1
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001



	Note	31 December 2001 \$	31 December 2000 \$
Revenue From Ordinary Activities		4,229,426	4,151,270
Expenses from Ordinary Activities		(1,344,466)	(989,557)
Depreciation/Amortisation		(457,800)	(485,814)
Borrowing Costs		(1,904,553)	(1,747,291)
Profit/(Loss) from Ordinary Activities before Tax Expenses		522,607	928,608
Income Tax Expense relating to Ordinary Activities	1(a)	-	-
Net Profit/(Loss) from Ordinary Activities after Income Tax Expense		522,607	928,608

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

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND SYNDICATE No. 1
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2001



	31 December 2001 \$	30 June 2001 \$
CURRENT ASSETS		
Cash Assets	380,496	951,313
Receivables	354,039	160,129
Other	10,424	59,499
TOTAL CURRENT ASSETS	744,959	1,170,941
NON-CURRENT ASSETS		
Cash Assets	230,683	370,203
Property, Plant and Equipment	78,243,569	77,684,315
Intangibles	835,309	980,537
TOTAL NON-CURRENT ASSETS	79,309,561	79,035,055
TOTAL ASSETS	80,054,520	80,205,996
CURRENT LIABILITIES		
Payables	728,456	608,297
Interest Bearing Liabilities	896,104	-
TOTAL CURRENT LIABILITIES	1,624,560	608,297
NON-CURRENT LIABILITIES		
Interest Bearing Liabilities	46,477,000	46,477,000
TOTAL NON-CURRENT LIABILITIES	46,477,000	46,477,000
TOTAL LIABILITIES	48,101,560	47,085,297
NET ASSETS	31,952,960	33,120,699
TOTAL SYNDICATE MEMBERS' FUNDS	31,952,960	33,120,699
SYNDICATE MEMBERS' FUNDS		
Opening Balance of Syndicate Members' Funds	33,120,699	34,751,505
Distributions to Syndicate Members	(1,690,346)	(3,374,835)
Net Profit/(Loss)	522,607	1,744,029
Closing Balance of Syndicate Members' Funds	31,952,960	33,120,699

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

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND SYNDICATE No. 1
CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001



	31 December 2001	31 December 2000
	\$	\$
Cash Flows from Operating Activities		
Receipts from Customers	4,002,046	4,216,572
Payments to suppliers	(1,150,578)	(934,687)
Interest Received	33,470	24,241
Borrowing costs paid	(1,815,831)	(1,590,500)
Cash Provided by/ (Used in) Operating Activities	1,069,107	1,715,626
Cash Flows from Investing Activities		
Payment for Property, Plant and Equipment	(985,203)	(38,457)
Cash Provided by/ (Used in) Investing Activities	(985,203)	(38,457)
Cash Flows from Financing Activities		
Proceeds from Borrowings	-	-
Payment of Distributions	(1,690,345)	(1,684,340)
Borrowings Repaid	-	-
Cash Provided by/ (Used in) Financing Activities	(1,690,345)	(1,684,340)
Net Increase/(Decrease) in cash held	(1,606,441)	(7,171)
Cash at the Beginning of the Financial Period	1,321,516	1,673,851
CASH AT THE END OF THE FINANCIAL PERIOD	5 (284,925)	1,666,680

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



Note 1 – Basis of Preparation

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2001 and any public announcements made by Property Funds Australia Limited as the responsible entity for The Capital Collection – Diverse Sector Fund Syndicate No. 1 during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the syndicate and are consistent with those applied in the 30 June 2001 annual report.

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

(a) Income Tax

The Syndicate itself is not subject to income tax as all the Investors are entitled to its taxable income/tax loss in any one tax year.

Note 2 – Events Subsequent to Balance Date

There have been no events subsequent to balance date.

Note 3 – Contingent Liabilities

There are no contingent liabilities as at balance date.

Note 4 – Segment Information

The Trust operates predominantly in one geographical segment, being Australia, and one industry segment, being property investment.

Note 5 – Reconciliation of Cash

	31 December 2001 \$	31 December 2000 \$
Current Cash Assets	380,496	951,313
Non-Current Cash Assets	230,683	370,203
Current Interest Bearing Liabilities	(896,104)	-
	<u>(284,925)</u>	<u>1,321,516</u>

**THE CAPITAL COLLECTION – DIVERSE SECTOR FUND SYNDICATE NO. 1
DECLARATION BY THE DIRECTORS OF THE MANAGER**



The directors of Property Funds Australia Ltd as the Responsible Entity for The Capital Collection – Diverse Sector Fund Syndicate No. 1 declare that:

1. the accompanying financial statements and notes
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the financial position as at 31 December 2001 and performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the syndicate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'C. Morton'.

.....
Christopher Arthur Morton
Managing Director

A handwritten signature in black ink, appearing to read 'M. Madsen'.

.....
Matthew Bradley Madsen
Director

Brisbane
Dated: 18 March 2002

THE CAPITAL COLLECTION – DIVERSE SECTOR FUND SYNDICATE NO. 1

INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS



Scope

We have reviewed the Interim Financial Report of The Capital Collection – Diverse Sector Fund Syndicate No. 1 for the half year ended 31 December 2001 as set out on pages 1 to 5. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Accounting Standard AASB1029: *Interim Financial Reporting* and other mandatory professional reporting requirements, and statutory requirements so as to present a view which is consistent with our understanding of the syndicate's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the syndicate to lodge the interim financial report with the Australian Securities and Investment Commission.

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Capital Collection – Diverse Sector Fund Syndicate No. 1 is not in accordance with:

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

BDO Kendalls
Chartered Accountants

BDO Kendalls
Paul Gallagher
Paul Gallagher
Partner

Brisbane

Date: 18.3.2002