

## 'IN-HOUSE' REGISTRY SERVICES

From 1 July, 2002 PFA's Investment Services Division commenced providing all registry services for investors in The Trilogy Trust.

These services include the payment of your monthly distributions (by electronic funds transfer), maintenance of your personal and investment details and investor reporting. PFA previously outsourced the registry function to BDO Kendalls.

The decision to bring the registry services 'in-house' was made so as to ensure a more efficient streamlined investor service with all your records, reporting and electronic distributions now under one roof. Whilst PFA will be charging the Investment for the provision of the registry service, it is at an amount less than that charged by the previous external registry provider.

## TAX RETURN TIME

On 21 December, 2001 new privacy legislation known as the Privacy Amendment (Private Sector) Act 2000 came into effect. This new legislation sets a national standard which will regulate the way businesses collect, use, disclose and transfer "personal" information. Enclosed with your newsletter is a notice which we believe should help you to understand how we handle your personal information. We encourage you to read this statement.

## CHANGING YOUR BANK DETAILS OR MOVING

### **Don't forget to let us know**

To ensure that you keep receiving your monthly income distributions don't forget to advise us if you change your bank account details in order that the electronic credit distribution system does not reject the transfer. Likewise, if you are changing your mailing address (as shown on the Trust Register) we need to be notified.

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

## TRUST COMPANY MERGER

As you may be aware, there has been a recent announcement of a proposed merger between the publicly listed companies Trust Company of Australia Limited ("TCA") and Permanent Trustee Company Limited.

TCA as the appointed Custodian for The Trilogy Trust amongst other things holds the property for the Owners as their nominee as well as Fund bank accounts.

The proposed merger is not anticipated to affect the services provided or the fiduciary responsibilities of TCA. Conditions of the implementation of the merger include "no material adverse change in relation to the assets, liabilities or customer relationships of either party".

## INVESTOR SERVICES PERSONNEL

### **Who to contact?**

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

## WANT TO KNOW MORE ABOUT US?

Why not visit us on our website  
[www.pfaltd.com.au](http://www.pfaltd.com.au).

## FOR FURTHER INFORMATION CONTACT:-

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

# THE TRILOGY Times

## AN INVESTOR UPDATE

Issue No. 2

## 388 QUEEN STREET

### OVER 55'S ON QUEEN STREET

One of Australia's leading lifestyle providers in the over 55's market, Primelife Corporation, has recently moved into 240m<sup>2</sup> of ground floor retail/office space at 388 Queen Street on a 5 year lease.

Primelife's principal activities are the management, marketing, construction and development of retirement villages and other senior living facilities. The company's products and services are aimed at those who are aged over 55.

Primelife currently manages in excess of 80 senior living facilities located throughout Victoria, New South Wales, South Australia and Queensland and are soon to commence operations in Western Australia.

Primelife Corporation is an ASX listed public company which currently has a market capitalisation of close to \$100 million.

The new tenancy occupied by Primelife was previously occupied by the former owner of the property. The space has now been divided into two tenancies to meet the requirements of Primelife. A tenant is current being sought for the balance (96m<sup>2</sup>) of the Queen Street retail space. This remaining space has the benefit of a vendor rental guarantee until December, 2003.

The new tenancies will give the property a far more attractive frontage onto Queen Street.



*Primelife tenancy at 388 Queen Street.*

## CENTRO ON JAMES - STAGE 3

### **Centro A Winner**

We are pleased to advise that in June this year The Urban Institute Australia (Qld) (UDIA) awarded the Centro on James development (Stages 1, 2 & 3) with three awards in recognition of excellence in development. This unique mixed use development won Awards for Excellence in the Urban Renewal and Large Retail/Commercial Development divisions. Centro on James received further endorsement by winning the prestigious Queensland President's Award which is selected from the winners of all thirteen award categories.

In presenting the President's Award, the UDIA (Qld) President said that Centro on James typified the excellence of Queensland's urban development industry "Centro on James is a multi disciplinary development incorporating commercial, retail and residential components. It is also highly successful, innovative in design and well accepted by the public"

### **New Tenants For Centro**

At the time of issuing The Trilogy Trust prospectus, the retail component of the property was not fully leased due to its recent completion. At that time it was being progressively leased up.

We are pleased to advise that the remaining vacant space was leased in March and April this year ensuring that this property is now 100% let.

The new tenants include Melandas Home Concepts, Olive Hume Real Estate Group and Swan Financial Group. Details of these new leases are as follows:-

- Melandas Home Concepts – a five year lease over 366m<sup>2</sup> at the ground level James and Robertson Street corner location;
- Oliver Hume (Australia) Pty Ltd – a five year lease over 245m<sup>2</sup> at the ground level on the Robertson Street ground level frontage;
- Swan Financial Group – a five year lease over 200m<sup>2</sup> also at the ground level on the Robertson Street frontage.

The rents achieved are in accordance with the vendor's rental guarantee and those used in valuation calculations.



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Melandas Home Concepts showroom at Centro.

## CENTRO ON JAMES (CON'T)

### Melandas Home Concepts

New tenant, Melandas Home Concepts, adds further style and flair to the James Street frontage of the Centro on James (Stage 3) property.

Melandas Home Concepts is new to Australia with Brisbane being chosen for the first of its Australian retail locations. Melandas has been in operation for twenty years and has operations in more than 20 countries. The Melandas concept is to provide affordable solutions for the home. Melandas also sell lifestyle accessories that have been specially selected from all over the world.

Whilst Melandas manufactures its furniture in Malaysia, it works with one of Europe's most respected design houses to give their furniture its signature look. The group retails its six brands through its showroom, Melandas Home Concepts.

We will provide backgrounds on Oliver Hume and Swan Financial Group in future editions of your investor update.

### Centro Car Park Lot

As mentioned in Section 4.5 of the Prospectus, the Trust has the benefit of a contract to purchase 30 car parks within the Centro – Stage 5 residential development which is adjacent to Centro – Stage 3. The residential development known as "East Village" has been successfully marketed and pre-sold and is now under construction. Based upon current construction programs, it is expected that the Trust will be required to settle on the car park lot purchase in early 2003. It is currently proposed that the purchase price of approximately \$360,000 will be paid out of established reserves.

## CAIRNS HYPERMART

### Capt'n Snooze Lease Extended

In the Prospectus we identified that a number of tenancies had a lease expiry around 3 to 4 years after the purchase of the properties. It has been a fundamental part of our strategy to minimise this risk and we have worked towards this objective since settlement.

We are pleased to advise that as the first step in this process, we have negotiated an early extension of the Capt'n Snooze tenancy in the Cairns Hypermart from the original expiry date of mid 2005 to the new expiry date of December 2008. A reduction of rent of \$45,000p.a. over the 1,111m<sup>2</sup> tenancy was agreed to as part of this process. This reduced level of rental is at a market level similar to that used in the acquisition valuation.

We are currently working upon another extension of a similar nature and hope to be able to report the success of that negotiation in due course.

### Cairns Confidence Boost and Residential Recovery

The announcement of the Australian Airlines operational hub in Cairns has reportedly given Cairns a significant boost with an upturn in the residential property market and general business confidence.

As reported in The Australian Financial Review in June, Rick Carr, research director, Herron Todd White (valuers) Cairns said, "The impact has been a sea change in business confidence. Job advertisements are skyrocketing and the general business mood is the best it's been in seven years."

"The strongest sectors are CBD houses and units, with major developers ... forging into Cairns and its northern beaches."

It has also been reported that residential investor confidence has risen up to 20% and median house prices have increased 8%.

### Australian Airlines is Up & Away

Following on from the report in our last investor update, Australian Airlines is due to commence its operations next month with the first flights to commence on 27 October.

The first stage of the new airline's operations involves the phasing in of services between Cairns and Fukuoka, Singapore, Taipei, Hong Kong and Nagoya. The airline will also offer daily connecting flights between Cairns and the Gold Coast for international passengers.

Qantas Chief Executive Officer, Mr Geoff Dixon said "It will be a full service international leisure carrier, operating one aircraft type and offering a single high level of service including meal and snacks, the most modern comfortable seating, and in-flight entertainment."

The commencement of the Airline's operation and it having its first operational base in Cairns is seen by many as a positive boost for Cairns tourism and other dependent industries.

Australian Airlines will be easily recognisable with the flying kangaroo being chosen for its corporate identity and airplane tail design.

## QUEENSLAND GOVERNMENT INCREASES LAND TAX

Contrary to the previous commitment by the Queensland Government to reduce land tax, the Queensland Government in its last annual budget resolved to abolish the land tax rebate which was (for corporations and trusts) 15% of the assessable land tax. In Queensland, land tax is not recoverable from tenants. As a consequence, the State Government's decision goes directly to the bottom line of property owners like The Trilogy Trust. The Property Council of Australia, the property industry's peak body, has strongly expressed the industry's concerns at this significant "about face" by the Queensland Government. This is, particularly so, at a time when the State Government has the benefit of GST revenues enabling it to work towards reducing imposts such as land tax and stamp duty. The Queensland Government had previously undertaken to abolish land tax completely by 2006.

## FINANCE UPDATE

In the Prospectus, a particular financing strategy was outlined. At settlement, two of the properties were purchased using fixed rate facilities. Whilst certainty of interest rate is highly beneficial in a fixed term property trust, PFA did not wish to lock in all of the Trust's financing on a fixed rate, at the time of settlement, as it held the view that rates may fall. Currently, that strategy appears to have been valid. Part of the strategy was to set aside an interest rate risk management fund to facilitate the purchase of an interest rate risk management product at an appropriate time.

In early September, the Board of PFA determined to purchase from the Commonwealth Bank of Australia an interest rate risk management product of a "cap and collar" nature to match with the variable rate facility taken out with ING Funds Management on the Cairns property. The ING facility represents 39% of the total acquisition loan facilities. This product will have the effect that up to October, 2006, the Trust will in respect of the principal under the ING facility have a maximum interest rate of 6.7% per annum and a minimum interest rate of 6.1% per annum depending upon the movements of the 90 day bank bill swap rates.

The purchase price for this interest rate risk management product was \$243,750. The remaining balance in the interest rate risk management fund/provision established pursuant to the Prospectus is now \$418,573.

As security for the Trust's obligations under the product, \$500,000 has been placed on Term Deposit with Commonwealth Bank of Australia of which they are able to set-off against should the Trust fail to meet its obligations (payment of the difference between the minimum rate of 4.5% (this does not include the lender's margin of 1.6%) and the underlying market if it should fall below this level).

## DISTRIBUTION REMAINS AT 10.0% P.A.

In accordance with prospectus forecasts your distribution rate of 10.0%p.a. will continue for this financial year to 30 June 2003.

## EXCELLENT TAX EFFECTIVENESS

The Trilogy Trust has delivered a higher than forecast tax sheltered component with none of the distributions you received in the last financial year being subject to tax.

This is a better percentage than the conservatively estimated 86% in the prospectus.

Investors should remain aware that this tax sheltering is essentially a tax deferral as the necessary deductions reduce the cost base of your investment for capital gains tax purposes. This is always a complex area. Investors should consult professional advisers to ascertain the impact on them of the tax implications of their investment.



Construction work on "East Village" containing Centro car park lots.

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