

IN BRIEF

Following on from an active period for the PFA Diversified Property Trust and recent BSX announcements and press coverage, we felt it was timely for us to communicate the details of this activity. This Investor Update for the Trust includes important information on the following:-

- Potential Sale of Post Office Square
- A Proposed Special Distribution
- Recent Property Acquisitions
- End of Financial Year

PFA Diversified Property Trust PDS closes oversubscribed

In early May, we were pleased to advise that the Trust's product disclosure statement (PDS No. 2) dated 7 February 2005 closed well ahead of its scheduled capital raising timeframe. PDS No. 2 also closed oversubscribed following acceptance of \$0.5M (approx.) above the targeted \$25M in equity to be raised.

Approximately 70% of the Offer was taken up by existing unitholders.

PFA's managing director, Mr Chris Morton, said "We were particularly happy with the strong response from our existing unitholders. The investment inflow particularly from the rights issue exceeded our expectations. We take this as a strong vote of confidence both in the Trust and PFA's performance as Manager."

We would like to take this opportunity to thank all existing unitholders who took the opportunity to acquire further units in the Trust.

PFA looks to sell Post Office Square



PFA's managing director, Chris Morton at Post Office Square

- Picture Peter Bull courtesy The Courier-Mail

On 30 June, 2005 we announced that the Trust had entered into a put and call option agreement with the CFS Gandel Retail Trust for the sale of the Post Office Square property.

The agreed base purchase price under the arrangement is \$68.6 million.

The price is subject to variations depending on the Trust's ability to generate additional revenue streams by certain key milestone dates. The price may also vary depending on final leasing negotiations over a lease renewal (i.e. the Angus & Robertson tenancy) and two vacant tenancies. The Trust is providing a rental guarantee for these areas.

The variable component is currently expected by PFA to result in an end purchase price between \$69M and \$70M.

The put and call arrangements allow for settlement no earlier than 31 August 2005 and no later than 14 December 2005.

The sale price represents an initial yield of around 7.00% (inclusive of the purchaser's agency costs). The PFA Diversified Property Trust did not incur any sales agency costs (as is generally the case) as the sale was handled directly by PFA to minimise the cost. The Post Office Square property has been carried in the financial statements of the Trust at a book value of \$55M.

PFA's managing director, Mr Chris Morton, said "We were approached on an off market basis by CFS Gandel Retail Trust with what we considered to be a very strong offer. We had identified the Post Office Square property as one of the properties which should be

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PFA looks to sell Post Office Square

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disposed of in today's property market. Retail property market yields have firmed significantly enough over the last two years to a level which caused us to consider a sale of a property of this nature."

"We were focussed on the property's possible disposal at the end of the year once we had added a few new income streams. CFS Gandel Retail Trust offered us a purchase structure which allowed us to benefit from these new income streams even though they are currently not in existence. We believe CFS Gandel Retail Trust to be a rare party who can add further strategic value to the property given its current predominance in Brisbane CBD retail with its ownership of the Myer Centre and the recently opened Queens Plaza – approximately 100 metres away from Post Office Square. They also get from this operational efficiencies not available to other potential buyers."

"CFS Gandel Retail Trust was also flexible enough and prepared to work with us as to a delayed settlement timeframe so as to give us sufficient time to find a replacement asset."

"We now have until December to settle the purchase of a replacement asset for Post Office Square. Whilst we may be investing some of the returning funds into Queensland, we remain committed to our strategy of increasing the Trust's geographic and sector diversification. That will involve the investment of the funds from this sale as well as additional funds that we have recently raised, plus further funds which we will be looking to raise in August/September this year."

Angus & Robertson Bookworld tenancy at Post Office Square



Trust acquires two properties

The month of June also saw the Trust acquire two further properties located in Perth and Melbourne providing further geographical and tenant diversification for the Trust. Details of these acquisitions are provided below:



Warehouse/distribution area of the Welshpool property

33 McDowell Street, Welshpool, WA

On 16 June, 2005 we announced the completion of the acquisition of an industrial property located in the Perth suburb of Welshpool, Western Australia. The property was purchased for \$6.9 million.

The Welshpool property is a large warehouse and distribution facility located in the industrial suburb of Welshpool, approximately 13 kilometres east of the Perth CBD. The property has a building area of approximately 14,037m² comprising 3 warehouses of 11,250m², free-standing offices of 851m², a covered loading dock of 1,812m² and truck maintenance workshop of 124m². The total site area is 2.8996 hectares.

The Kewdale/Welshpool area is one of the prime industrial locations in the Perth metropolitan area. It contains many national and strong local companies and has excellent access to all parts of the metropolitan area via major arteries from this location. It is also in close proximity to the Perth international and domestic air terminals.

The property was acquired from 1st Fleet Pty Ltd under a sale and leaseback structure with a commencement yield of 9% and a new 10 year "double net" lease arrangement.

1st Fleet Pty Ltd is a national distribution and logistics company providing contract services to businesses including Dairy Farmers, Woolworths, Gordon & Gotch, Network Services and Mitsubishi. It maintains warehouses in all major states and approximately 750 trucks and couriers vans. 1st Fleet would be in the 10 largest trucking and logistic organisations in Australia.

The Welshpool acquisition was funded through existing cash reserves following the recent successful equity raising for the Trust.



6.76 cents per unit special distribution to unitholders on the register on 30 June, 2005

As a consequence of the potential sale of Post Office Square to the CFS Gandel Retail Trust pursuant to a Put and Call Option Agreement (“the Put and Call”), it is the intention of PFA to make a special distribution to unitholders on the following terms and conditions:-

1. Amount of special distribution:
6.76 cents per unit;

2. Record date for distribution:
30 June, 2005;

Investors who become unitholders on the register after 30 June, 2005 will not be entitled to this special distribution. Should a unitholder on the register as at 30 June, 2005 subsequently

sell their units they will still receive the special distribution subject to the conditions following.

3. Payment date: Fourteen (14) days after settlement of the sale contract of Post Office Square. This settlement is currently projected by PFA to be between 1 September, 2005 and 1 December, 2005;

4. Conditions: The special distribution is conditional upon:-

- (a) (i) the exercise by the Purchaser of its call option to purchase under the Put and Call; or
- (ii) the exercise by the PFA Diversified Property Trust of its put option to sell under the Put and Call; and

- (b) the completion of the sale contract which comes about as a consequence of the exercise of either of the options referred to in paragraph (a) above.

Background

The special distribution is proposed to be made out of the capital profit which would arise from the Post Office Square sale. The Post Office Square property is currently carried in the financial statements of the Trust at a book value of \$55M. The base sale price under the Put and Call Option agreement is \$68.6M. As mentioned elsewhere in this investor update, the price is subject to variation.

180-188 Burnley Street, Richmond, Vic

The acquisition of a telecommunications and office facility located in the inner Melbourne suburb of Richmond, Victoria was completed on 30 June, 2005. The property was purchased for \$15.25 million.

The Burnley Street property is an internet data, telecommunications and office administration centre located in the Melbourne CBD eastern fringe suburb of Richmond. The property comprises basement level carpark, ground floor offices and data facility storage and first floor offices. The property has a total net lettable area of 5,501m².

The property was acquired from AAPT Limited under a sale and leaseback structure with a commencement yield of 8.25% and a new 12 year “double net” lease arrangement which includes rental increases of 3.5% per annum. The lease commenced at the settlement of the property which was simultaneous with the exchange of contracts. The lease provides for the Trust to fund up to \$3M in fitout and refurbishment of the property. Rental will increase so as to deliver an 8.25% return on this further investment.

AAPT is one of Australia’s three largest telecommunications carriers and is part of the Telecom New Zealand Group, and provides a range of voice, mobile, data and



internet services to business, government, wholesale and residential customers throughout Australia.

Property Funds Australia managing director, Mr Chris Morton, said “The

acquisition of the Richmond property was pleasing in that it provides a strong lease covenant from AAPT and further strengthens the portfolio’s weighted average lease expiry. The Trust has previously had no exposure to the Melbourne property market and therefore further enhances the geographical diversification of the Trust in accordance with the Trust’s stated diversification objectives.”

The acquisition of the Welshpool and Richmond properties brings the Trust’s total portfolio to 14 properties currently valued at over \$300M.

Interior and exterior perspectives of the Richmond property



A NEW CAPITAL RAISING TARGETED FOR LATE AUGUST

We are currently planning another capital raising for the Trust and a new product disclosure statement (PDS) is due for release in late August. Further details will be announced in due course.



To receive a copy of the next PDS please contact your financial adviser or alternatively please call us on 1800 687 170.

Leasing update

Garden Square

We have progressively been reporting on the status of leasing at Garden Square. We are pleased to advise that a 4 year lease to the Queensland Department of Education has been executed for 1,920m² of space at this property. Furthermore, we have been advised that ministerial approval has been granted for three other state government departments for leases totalling approximately 4,170m². Should all of the leases proceed as indicated, approximately 80% of the net lettable area of the former Coles Myer space will have been relet – all at rentals materially above the rental levels previously paid by Coles Myer.

Anzac Square Offices

Well known Brisbane CBD café operator, Hard Coffee, has taken over as the lessee and operator of the heritage corridor space located on Adelaide Street. They commenced a new 10 year lease in December over the 60m² of retail space. The Anzac Square property is fully leased.

388 Queen Street

Westpac has leased space on the ground floor at 388 Queen Street under a new 7 year lease. The space was previously occupied by Primelife Corporation Limited who were looking to downsize and relocate. The building is fully occupied in light of the recent extension of the Suncorp lease until 31 December, 2007.

BSX UPDATE

We are pleased to advise that there has been positive trading of PFA Diversified Property Trust units on the Bendigo Stock Exchange (BSX) in past months. Since the announcement of the closure of the last product disclosure statement in late April, nearly 800,000 units have been traded at a weighted average trading price of \$1.07 per unit. Units have traded at a high of \$1.10 per unit during this period.

Unit holders should be conscious of the special distribution referred to earlier in the trading of units.

The historical trading volume and trading price per units on the BSX may vary from historical pricing for a range of reasons. Unit pricing and trading history can be accessed via the BSX website (www.bsx.com.au).

End of Financial Year

Tax return time

To assist you with the completion of your tax return, your 2005 Annual Taxation Statement and Summary of Distributions is due to be sent during the 3rd week in August. You should not lodge your tax return until this information is received.

Annual reporting

This year's annual report will provide further comprehensive details of the Trust's activity and financial performance. The annual report and audited accounts for your investment will be sent in late September.

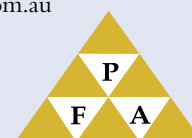
For Further Information

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

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Temporary investment in S8 Property Trust

In April, we announced on behalf of the Trust the acquisition of 10,571,942 units in the S8 Property Trust at a cost of \$10 million. The units provide a yield of 9.25% whilst held. The S8 Property Trust is an ASX listed trust, holding \$136 million of residential property and apartment management rights.

The Trust currently has a put option to dispose of the units on 90 days notice to S8 Limited, an ASX listed entity with a market capitalization of \$61M (approx.).

On 21 July, 2005 the Trust exercised its option to sell these units to S8 Limited, with settlement due by 13 October, 2005, delivering a small profit of approximately \$100,000 to the Trust.

This S8 Property Trust investment was intended only as a short-term investment as it provided a strong distribution yield for part of the proceeds of the recent capital raising whilst enabling future use of these funds for direct property acquisitions expected to occur later this calendar year.

DISCLAIMER: This information is current as the date of its publication in August 2005 but may be subject to change. It should not be construed as investment or financial advice, and should not be relied upon as a substitute for professional advice. For full information on the PFA Diversified Property Trust please refer to the Product Disclosure Statement available by calling 1800 687 170 or by visiting www.pfaltd.com.au. Although we consider the sources for this material reliable and we have prepared it with care and good faith, no warranty is given and no liability is accepted by Property Funds Australia Limited or any other affiliated companies for any statement or opinion or for any error or omission. Should you not wish to receive any further marketing material from Property Funds Australia Limited please contact us on 1800 687 170.