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**MESSAGE:****PFA Diversified Property Trust**

☞ Please see attached announcement.



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**Classification:** Debt Restructuring

## **PROPERTY FUNDS AUSTRALIA PFA DIVERSIFIED PROPERTY TRUST (PFD)**

### **PFA DIVERSIFIED PROPERTY TRUST REFINANCING DELIVERS BENEFITS**

Property Funds Australia Limited (PFA) is pleased to announce the implementation of the debt restructure for the PFA Diversified Property Trust ("the Trust").

As mentioned in the Explanatory Memorandum relating to the merger of the PFA managed funds which established the PFA Diversified Property Trust, the merger provided the opportunity to undertake a debt restructure which could "significantly reduce the cost of debt... by way of a reduction in the financier's margins". The debt restructure has been finalised with the new facilities being provided by two large well-known financiers, the Commonwealth Bank of Australia ("CBA") and an ING Management Limited ("ING") mortgage pool. The resultant financing restructure is occurring in 2 stages with the first stage having settled on 6 November 2003. The Homeworld Centre and the Anzac Square properties will be settled in early January 2004. They were withheld from the first stage to prevent the payment of large early repayment penalties.

PFA believes the new debt facility arrangements are in the best interests of investors and will provide long term cost efficiencies and considerably enhanced flexibility.

The refinancing has:-

- ▲ reduced interest margin costs - the estimated margin reduction of 0.25% p.a. mentioned in the Explanatory Memorandum has been achieved and in fact exceeded;
- ▲ eliminated refinancing risks of the two debt tranches totalling 61% that matured in the 2003/04 and 2004/05 financial years;
- ▲ extended the debt maturity profile for the debt portfolio;
- ▲ eliminated many adverse asset specific loan covenants;
- ▲ reduced the number of financiers to two with whom the Trust can now build a strong growth relationship; and
- ▲ produced a structure that allows for flexible and continual adjustment (e.g. repayment/further borrowings) of term debt.


CBA and ING are together refinancing the total portfolio debt of \$120 million which represents a loan to value ratio of 60%. CBA are providing the first 40% and ING are providing the top 20% with the ability to increase upon acquisition of additional properties to a maximum LVR of 65%.

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The new debt is secured by first registered mortgages over the 10 properties of the Trust and joint and several guarantees of the individual trusts. The cross collateralization of the securities provided from the Trust's properties has resulted in a reduction in weighted average interest rate margin from 1.25% to 0.96% p.a..

The \$1.0 million overdraft facility for Garden Square was repaid as part of this refinance. It is the intention of the Manager to increase existing overdraft facilities of the merged funds at the National Australia Bank from \$ 2 million to \$3 million.

As part of the refinance, two of the Trust's existing fixed facilities were replaced with variable facilities. This has resulted in a reduction of fixed or hedged facilities from 77% of total debt funding to 61%, with the balance 39% now being on variable rates. PFA is intending to monitor the interest rate management product market for the opportunity to purchase a hedging product at appropriate pricing.



Stephen Barnard  
Company Secretary