

22 April, 2004



BSX Announcements  
Facsimile No. 03 – 5444 0033  
(8 pages)

**PFA DIVERSIFIED PROPERTY TRUST ("PFD")  
OFF-MARKET BUYBACK OFFER DOCUMENTATION FORWARDED**

We have previously communicated through Investor Updates preliminary details of the proposed Off-Market Buyback Offer. The buyback offer was originally proposed as part of the merger process which brought about the Trust. We have attached documentation relating to the buyback offer which will be sent to all Eligible Unitholders by mail on 22 April, 2004.

Details of the buyback offer include:-

- Only Eligible Unitholders can accept the Offer. To be an Eligible Unitholder, the unitholder must have been an owner/unitholder in the Merging Trusts and have been on the register of those Merging Trusts on 2 June, 2003.
- Eligible Unitholders can only accept in respect of Eligible Units which are those units for which they were registered as at 1 July, 2003.
- The Offer is only up to a maximum total of 5,000,000 units in aggregate.
- The Buyback Price is \$1.00 per unit.
- Should more than 5,000,000 units be subject to acceptance under the Offer, acceptances will then be processed on a pro rata basis.
- The closing date of the Offer is 5.00p.m. (AEST) on 24 May, 2004.
- Eligible Unitholders do not need to accept in respect of all of their units, partial acceptances can occur.

We have recommended that Eligible Unitholders discuss this Buyback Offer with their financial adviser prior to acting upon it. We have also recommended that tax advice should be considered as there may be capital gains tax implications.

For further information, please contact our Investment Services division on 1800 687 170.

Stephen Barnard  
Company Secretary

Att.

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BRISBANE ADELAIDE ST QLD 4000  
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**SAMPLE ONLY**

22 April 2004



Mr J & Mrs M Citizen  
123 Citizen Street  
BRISBANE QLD 4000

Dear Mr &amp; Mrs Citizen

**PFA Diversified Property Trust – Buyback Offer**  
**Eligible Unitholder: John Citizen & Mary Citizen**  
**Holder No: PFD000000**      **No. of Eligible Units: 20,000**

In our March *Special Update*, we advised you of the preliminary details of the Off Market Buyback Proposal that had been canvassed at the time of the merger which brought about the PFA Diversified Property Trust. In relation to this, we now attach for your consideration the following:-

- the Buyback Offer;
- Acceptance and Transfer Form. **You only need to complete this, if you wish to have some or all of your Eligible Units bought back pursuant to this Offer.**

In particular, please note the following in relation to this offer:-

- Only Eligible Unitholders can accept the Offer. To be an Eligible Unitholder you must have been an owner/unitholder in the Merging Trusts and have been on the register of those Merging Trusts on 2 June, 2003.
- Eligible Unitholders can only accept in respect of Eligible Units which are those units for which they were registered as at 1 July, 2003.
- The Offer is only up to a maximum total of 5,000,000 units in aggregate.
- The Buyback Price is \$1.00 per unit.
- Should more than 5,000,000 units be subject to acceptance under the Offer, acceptances will then be processed on a pro rata basis.
- The closing date of the Offer is 5.00p.m. (AEST) on 24 May, 2004.
- You do not need to accept in respect of all of your units, partial acceptances can occur.

Should you be inclined to accept the offer then we strongly recommend that you read carefully the enclosed Buyback Offer. If you have a financial adviser, we strongly recommend that you discuss the Offer with your financial adviser prior to acting upon it. As there may be capital gains tax implications associated with acceptance, we also recommend taxation advice be considered.

If you require any further information regarding the offer, please do not hesitate to contact our Investment Services division on (07) 3221 7170.

Yours faithfully,  
**PROPERTY FUNDS AUSTRALIA LIMITED**

**Bronwyn Risk**  
Manager – Investment Services

# BUYBACK OFFER

**PFA Diversified Property Trust**  
ARSN 097 860 690



## Summary

A.	<b>Class of securities subject to Offer</b>	Units
B.	<b>Buyback Price</b>	\$1.00 per unit
C.	<b>Number of units on issue as at the date of this Buyback Offer</b>	93,438,094
D.	<b>Maximum number of units to be bought back</b>	Up to a maximum number of 5,000,000 units, representing 5.35% of the total units on issue as at the date of this Buyback Offer
E.	<b>Reasons for buyback</b>	PFA had previously indicated to unitholders in the Merger Explanatory Memoranda ("the Explanatory Memoranda") dated 2 June 2003 that investors who were entered on the register of a Merging Trust (as that term was defined in the Explanatory Memoranda) as at 2 June 2003 would be given the opportunity to have their units bought back subject to certain conditions.
F.	<b>Eligible Unitholders</b>	Those Unitholders who were owners or unitholders in the Merging Trusts and who were on the relevant register on 2 June, 2003.
G.	<b>Eligible Units</b>	That number of units in the Trust for which an Eligible Unitholder was registered as at 1 July, 2003.
H.	<b>Related persons</b>	The directors of PFA, or any other persons or entities related to them who hold units in the Trust, will not be participating in or accepting the Buyback Offer.
I.	<b>Closing Date for acceptances</b>	5.00p.m. (AEST) on 24 May, 2004
J.	<b>Payment Date</b>	Within 7 days after the later of the Closing Date or the date of satisfaction of the preconditions to contract.
K.	<b>Precondition to Contract</b>	Raising of \$5,000,000 under the Product Disclosure Statement dated 27 February, 2004.

## Defined Terms

The following terms or expressions have the accompanying meanings attributed to them in this document:-

"**Acceptance Form**": the acceptance and transfer form that accompanies this document;

"**BSX**": Bendigo Stock Exchange Limited;

"**Buyback Offer**": the offer to buyback certain units in the Trust off market and as described in this document;

"**Closing Date**": 24 May, 2004;

"**Eligible Unitholders**": those owners or unitholders in the Merging Trusts who were on the relevant register on 2 June, 2003 as owners/unitholders of the Merging Trusts;

"**Eligible Units**": units in the Trust in respect of which Eligible Unitholders were registered as unitholders as at the merger date of 1 July 2003;

"**Merging Trusts**": all of the syndicates and trusts managed by PFA which were the subject of a merger proposal referred to in Explanatory Memoranda issued by PFA and dated 2 June, 2003 and subsequently subject to a merger process on 1 July 2003 which brought about the Trust;

"**PDS**": the product disclosure statement issued by PFA dated 27 February 2004;

"**PFA**": Property Funds Australia Limited ACN 078 199 569;

"**Trust**": the PFA Diversified Property Trust ARSN 097 860 690;

"**Unit Buyback Price**": \$1.00 per unit.

### 1. Buyback Price

Eligible Units will be bought back from Eligible Unitholders under this Buyback Offer at a price of \$1.00 per Unit. This price has been determined in accordance with the requirements of the Trust's Constitution.

The directors of PFA consider the Unit Buyback Price of \$1.00 per Unit to be fair and reasonable.

The total cash consideration payable in relation to this Buyback Offer will be up to \$5,000,000.

### 2. Participation – Eligible Unitholders only

Participation in this Buyback Offer is open to those Unitholders who are Eligible Unitholders and only in respect of those units in respect of which they were registered as unitholders as at the merger date of 1 July 2003. Participation by Eligible Unitholders in the Buyback Offer is optional and is subject to these terms and conditions.

### 3. Buyback of Units

The Eligible Units are fully paid units in the Trust, and no amounts remain unpaid on the units.

### 4. Source of funds

This Buyback Offer will be funded by capital raised pursuant to the PDS issued by PFA on 27 February 2004.

### 5. Preconditions to Contract

Any contract pursuant to this Buyback Offer is subject to and conditional on the raising of \$5,000,000 under the PDS.

### 6. Acceptance

Eligible Unitholders may accept for the whole or part of their entire unitholding. If the number of Eligible Units subject to acceptance under Acceptance Forms received by the Closing Date exceeds 5,000,000 units, acceptances will be met on a pro rata basis.

### 7. Cancellation of Units

Units bought back will be cancelled.

### 8. How to accept

To accept the Buyback Offer, Eligible Unitholders must:

- (a) complete and sign the accompanying Acceptance Form which forms part of this offer, in accordance with the instructions on it and the terms of this document; and
- (b) post the signed Acceptance Form with any documentation required to:  
 Manager – Investment Services  
 Property Funds Australia Limited  
 PO Box 10398  
 Brisbane Adelaide Street Qld 4000

or deliver it to:

Manager – Investment Services  
 Property Funds Australia Limited  
 Level 3  
 200 Adelaide Street  
 BRISBANE Qld 4000

Signed Acceptance Forms sent by facsimile transmission are not acceptable.

### 9. Effect of Acceptance

Eligible Unitholders are deemed to have accepted this offer once they have sent the completed and signed Acceptance Form to PFA in accordance with these terms and conditions.

Eligible Unitholders who accept this offer are deemed to have:

- (a) represented and warranted to PFA that the Eligible Units will be at the Closing Date fully paid up and free from all encumbrances whatsoever and restrictions on transfer of any kind;
- (b) transferred those Eligible Units to the custodian of the PFA Diversified Property Trust subject to any condition in the Constitution of the Trust; and
- (c) authorised PFA, its servants and agents to make alterations to the Acceptance Form as stated on the Acceptance Form itself.

If Eligible Unitholders do not:

- (a) send PFA all of the documents required to be forwarded to it under this offer as specified in the instructions on the Acceptance Form; or
  - (b) comply with any of the other requirements for due acceptance of this Buyback Offer,
- despite anything contained in the Acceptance Form, PFA may in its absolute discretion:
- (c) treat the receipt by it of the Acceptance Form to be valid acceptance; and
  - (d) not pay the Unit Buyback Price until it receives all documents and all of the requirements of acceptance as referred to in this offer and the Acceptance Form have been met.

### 10. Closing Date and Payment

The Buyback Offer will close at 5pm (AEST) on 24 May 2004. Acceptance Forms received after this date will not be accepted.

Payment will be made within 5 days after the later of the Closing Date or the raising of \$5,000,000 under the PDS dated 27 February 2004. The raising of these funds is a precondition to formation of the contract.

In the event that completion of this buyback and forwarding of cheques for the Unit Buyback Price to

accepting Eligible Unitholders occurs prior to 31 May, 2004 (as currently expected) then Eligible Unitholders who accept will not receive the May distribution for those Eligible Units which are bought back pursuant to this Buyback Offer, as they will not be the registered holder of those units on the required date for May distributions (i.e. 31 May 2004).

#### 11. Effects of Buy-Back on Balance Sheet and Unit Ownership

If Eligible Unitholders holding 5,000,000 units accept the Buyback Offer, then the total number of issued Units will be reduced from 93,438,094 to 88,438,094 which represents 5.35% of the issued units. This assumes that no further units are allotted in the meantime pursuant to the PDS.

Completion of this Buyback Offer as described above would have the following effects on the Trust's unit ownership.

Projected comparison – before and after buyback		
	'Before' buy-back	'After' buy-back
Units on issue	93,438,094	88,438,094
Net Assets	\$96,570,145	\$91,570,145
Net Asset Backing Per Unit	\$1.03	\$1.04

#### 12. Financial effect

The directors of PFA are of the opinion that the acceptance by Eligible Unitholders of the Buyback Offer will have no material adverse effect on the Trust's state of affairs.

#### 13. Tax Effect of Buyback

The acceptance of the Buyback Offer may have certain tax consequences (in particular, capital gains tax ("CGT")) under the Income Tax Assessment Act.

The taxation implications for Eligible Unitholders can differ according to their personal circumstances, and accordingly Eligible Unitholders should obtain their own professional taxation advice regarding the tax consequences of acceptance of the Buyback Offer. The comments below are based on written advice/comment received from BDO Kendalls, taxation advisers to the Trust. These comments are based on current income tax legislation, case law and taxation rulings relevant as at the date of this document.

The general nature of the comments below are limited only to:-

- (a) tax payers who are residents of Australia for income tax purposes; and
- (b) those Eligible Unitholders who hold their units for an income return and the potential capital

gain from their investment. Eligible Unitholders who are, for taxation purposes, conducting business as traders of shares, units and similar property have not been considered in the comments below.

#### Background

Eligible Unitholders will generally have come to own their Eligible Units in the Trust as a result of an exchange process which resulted in their original lots/units in one of the Merging Trusts being exchanged for units in the Trust as part of the merger which created the PFA Diversified Property Trust.

#### Scrip for Scrip Rollover

The comments below also assume that an Eligible Unitholder intends to apply for the application of the rollover concession as a consequence of the scrip for scrip exchange that occurred on 1 July, 2003 as part of the abovementioned merger. An Eligible Unitholder's choice to apply for the rollover relief provisions associated with that scrip for scrip exchange would need to be made in the Eligible Unitholder's taxation return for the 2003/04 year as the exchange occurred on 1 July, 2003 (i.e. in that tax year).

The calculation of the cost base for Eligible Units will depend on whether the Eligible Unitholder elects for the scrip for scrip rollover concession. Should they so elect then the cost base of the Eligible Units on 1 July, 2003 will be the cost base of the units/lots that they had previously in the relevant Merging Trust at that time.

#### Capital Gains

A capital gain will arise on disposal of Eligible Units where the consideration received (i.e. the Buyback Price) exceeds the cost base of those units as at the date of disposal (i.e. on completion of the Buyback Offer contract). The cost base of the Eligible Units bought back will have been decreased from the original cost base by the tax deferred income (sometimes called tax sheltered income) which will have been received by the Eligible Unitholder during the course of their investment in the relevant Merging Trust and subsequent to the abovementioned merger, in the units in the Trust. Tax deferred distributions made before 1 July 2001 that related to the building depreciation allowances (which previously resulted in "tax-free" distributions) did not have the effect of decreasing cost base.

The capital gain to be included in an Eligible Unitholder's assessment income may be reduced if the CGT discount is available (see below).

#### Capital Loss

A capital loss may arise where the reduced cost base of the Eligible Units bought back exceeds the consideration received upon disposal (i.e. the Buyback Price). The reduced cost base of Eligible Units will have been decreased from the original cost base by the tax deferred income (sometimes called tax sheltered

income) which will have been received by the Eligible Unitholder during the course of their investment in the relevant Merging Trust and subsequently in the units in the Trust. Tax deferred distributions made before 1 July 2001 that related to the building depreciation allowance (which previously resulted in "tax-free" distributions) also have the effect of decreasing reduced cost base.

A capital loss may only be set off against capital gains. It may not be set off against ordinary income. If an Eligible Unitholder has insufficient capital gains to offset losses incurred the unitholder may generally carry forward its capital loss to offset capital gains in future years.

#### **CGT Discount**

If an Eligible Unitholder is an individual, trust or complying superannuation entity that has owned the Eligible Units for at least 12 months (including the term that they held their original lots/units in the relevant Merging Trust) a CGT discount may be available. In this case, the amount of the capital gain to be included in the Eligible Unitholder's assessable income may be reduced by 50% for individuals and trusts and 33 $\frac{1}{3}$ % for complying superannuation entities. However, the Eligible Unitholder must first offset any capital losses against the capital gain before calculating the discount.

#### **Conclusion**

The calculation of the current cost base of an Eligible Unitholder's units depends significantly upon the timing, price and method by which they acquired their original lots/units in the relevant Merging Trust and the tax deferred distributions they have received during their period of ownership. It therefore requires some detailed consideration of each Eligible Unitholder and their Eligible Units. **PFA strongly advises that investors seek professional advice on the current cost base of their Eligible Units and the taxation implications of accepting the Buyback Offer prior to making any determination as to acceptance of the Buyback Offer.**

#### **Disclaimer**

PFA is not licensed to provide financial product advice of this nature and taxation is only one of the matters that you need to consider when making a decision relating to a financial product. Eligible Unitholders should seek advice from an Australian Financial Services Licensee before making any decisions in relation to a financial product.

#### **14. Related parties**

The directors of PFA, or any persons or entities related to them who hold units in the Trust will not be participating in or accepting this Buyback Offer.

#### **15. Redemption fee**

Notwithstanding its ability to charge a redemption fee under the constitution of the Trust, PFA waives its entitlement to such a fee in respect of this Buyback Offer.

#### **16. Notice to BSX**

If there are any changes made to the initial terms of this Buyback Offer, PFA will notify BSX immediately.

PFA will also notify BSX of the acceptance level of the Buyback Offer at least half an hour before the commencement of trading on the business day after the Closing Date.

#### **17. Costs of participation**

Under current law and arrangements, no brokerage, commission, stamp duty or other transaction costs will be payable by Eligible Unitholders in respect of the buyback of units under this Buyback Offer.

#### **18. Dispute resolution**

PFA may settle, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise under or in connection with the operation of this Buyback Offer, whether generally or in relation to any participant or participants, offer, or acceptance, and the decision of PFA shall be conclusive and binding on all participants and other members to whom the determination relates.

PFA reserves the right to waive compliance with any provision of these terms and conditions.

#### **19. Notices**

Notices and statements to Eligible Unitholders may be given in any manner determined by PFA from time to time.

#### **20. Amendment, suspension and termination**

PFA may, in its discretion, amend, suspend or terminate the Buyback Offer at any time and adopt any administrative procedures it thinks appropriate in relation to this Buyback Offer. PFA will notify BSX of any amendment, suspension or termination of this Buyback Offer.

There is no information that the BSX Listing Rules require to be disclosed that has not already been disclosed, or is not contained in or attached to this document.

#### **21. Takeover aspects**

The implementation of this Buyback Offer will have no takeover implications.

## SAMPLE ONLY

## Buyback Offer Acceptance and Transfer Form

## PFA DIVERSIFIED PROPERTY TRUST

ARSN 097 880 690



PROPERTY FUNDS  
AUSTRALIA LIMITED  
AFSL No. 224106

YOU SHOULD ONLY COMPLETE THIS FORM IF YOU WISH TO SELL YOUR UNITS IN  
THE PFA DIVERSIFIED PROPERTY TRUST PURSUANT TO THE BUYBACK OFFER  
(SEE ACCOMPANYING TERMS AND CONDITIONS).

Please complete <b>ELIGIBLE UNITHOLDER/S' NAME:</b>	
<b>HOLDER NUMBER:</b>	PFD Please see accompanying letter for this information

## 1. How many Eligible Units do you wish to accept for/transfer in accordance with the Buyback Offer?

A. I/We wish to accept for/transfer all of my Eligible Units

Place ☒ If all Eligible Units

→

OR

B. I/We wish to transfer only some of my Eligible Units, up to the number  
set out in this box

→

Notes: Tick box A or enter the number of Eligible Units to be transferred in box B.  
The maximum number of units you can accept for is shown as Eligible Units on the letter which accompanied this form.

## 2. Acceptance and Transfer Direction

I/we agree to transfer to Trust Company of Australia Limited as custodian for Property Funds Australia Limited ("PFA"), the responsible entity of the PFA Diversified Property Trust ARSN 097 880 690 ("the Trust"), for \$1.00 per unit that number of units indicated in section 1 of this form, the number of which may be adjusted downwards on a pro-rata basis in accordance with the terms of the offer which accompanied this form (the "Buyback Offer").

## 3. Warranty

I/We warrant to PFA as responsible entity of the Trust:-

- (a) that the units to be transferred pursuant to this form are free from all mortgages, charges, liens and other encumbrances (whether legal or equitable) of any kind;
- (b) that I/we have full power and authority to transfer the units pursuant to this form;
- (c) in accordance with any other warranties contained in the Buyback Offer.

## 4. Authority to Amend Transfer Form

I/we hereby irrevocably authorise PFA to amend this form so:-

- (a) that the number of units transferred hereunder is a lesser number of units than the number set out in section 1 of this form, in accordance with any pro-rata downwards adjustment of units to be transferred under the Buyback Offer; and
- (b) as to rectify any error or omission in it so as to make the form an effective acceptance of the transfer of the units; and
- (c) to generally to do all other acts or things on my/our behalf which PFA may consider advisable/desirable or necessary in connection with or in relation to the unit transfer, including rounding of any fractional unit calculation.

I/we agree to ratify and confirm whatever PFA does under this authority.

## Signature


If signing on behalf of a company, please note that the affixing of a common seal is no longer required under the Corporations Act but may be required by the constitution of the company.

Contact name

Contact daytime telephone

Date

Number of units actually transferred and cancelled

COMPLETION AND LODGEMENT INSTRUCTIONS OVERLEAF

[Do not complete - Office Use Only]

**SAMPLE ONLY****COMPLETION AND LODGEMENT INSTRUCTIONS****5. Authorised Signature(s)**

This form must be signed by the Unitholder/s or by the Unitholder/s' attorney in the spaces provided.

**Joint Holding:** Where the holding is in more than one name, each Unitholder must sign.

**Power of Attorney:** If this form is signed by a person who is not the registered Unitholder, then the relevant authority or a certified copy of the power of attorney should either have been exhibited previously to PFA or be enclosed with this form.

**Companies:** If the registered Unitholder is a corporation, the transfer form must be signed in accordance with its constitution and the *Corporations Act 2001*, or under the hand of an authorised officer or attorney who has not received any notice of revocation. The affixing of a common seal is no longer required under the *Corporations Act* but may be required under the constitution of the company.

**Deceased Estates:** Probates and letters of administration and other appropriate documents must be enclosed with this form.

**6. Lodgement of Acceptance and Transfer Form**

The acceptance and transfer form must be lodged with PFA **before 5pm (AEST) on 24 May 2004** by:

- (a) mailing it to the Manager – Investment Services, Property Funds Australia Limited, PO Box 10398, Brisbane Adelaide Street, Qld, 4000 so that is received by the closing time; **OR**
- (b) delivering it to Property Funds Australia Limited at Level 3, 200 Adelaide Street, Brisbane, Qld, 4000.

It is unnecessary to return your Unitholder Statement.