

**FACSIMILE**

Fax No: 03 - 5444 0033
To: BSX
Attention: George Wyatt
From: Chris Morton
Date: 23 June, 2003
No of Pages: 22
(Including this page)

PLEASE ADVISE SENDER IMMEDIATELY IF ANY PAGES ARE MISSING OR REPRODUCED UNSATISFACTORILY
TELEPHONE: (07) 3221 7170

MESSAGE:**Garden Square Trust and Garden Square Syndicate**

Attached please find the following for release to the market:-

- ▲ Supplementary Explanatory Memorandum dated 23 June, 2003 for the Garden Square Syndicate and the Garden Square Trust;
- ▲ Sample of letter dated 23 June, 2003 to Garden Square Trust Investors;
- ▲ Sample of APN Takeout Offer – Phase 3 – Garden Square Trust – Indication of Interest Form;
- ▲ Sample of New Proxy Form – Garden Square Trust

Chris Morton
COMPANY SECRETARY

Sample Only



23 June 2003

The Directors
ABC Pty Ltd
atf ABC Super Fund
124 ABC Street
BRISBANE Q 4000

Dear Sir / Madam,

**The Garden Square Trust, Merger Proposal And APN Takeout Offer – Phase 3 and GS/MFS Offer
Holder No. GT999999**

I enclose a supplementary explanatory memorandum for your urgent consideration.

You received in early June an explanatory memorandum relating to a Merger Proposal involving the Garden Square Trust. Property Funds Australia has in the last few days received an offer from Grant Samuel No. 9 Pty Ltd (GS) (called "the GS/MFS Group Offer") and a further offer from APN ("the APN Takeout Offer – Phase 3"), both of which are set out in the supplementary explanatory memorandum. These offers affect Garden Square Trust Unitholders and their investment.

Board Recommendation - Vote for the Merger Proposal

The Property Funds Australia Board has given detailed consideration to the two proposals and has set out its recommendations in section 1. **The Board recommends that you should vote for the Merger Proposal.**

The reasons for this recommendation are set out in the supplementary explanatory memorandum.

Proxies

To assist, a fresh proxy form is attached to this letter.

The timing for receipt of proxies has been extended to 10am 27 June 2003.

If you have lodged your proxy form already and do not wish to change your vote – no action is required.

If you wish to change your vote complete the enclosed proxy form and return it by 10am 27 June 2003;

If you are yet to vote and wish to, please complete the proxy and return it by 10am 27 June 2003.

If you wish to attend and vote at the Meeting on 27 June 2003 please do so.

The APN Takeout Offer – Phase 3

For those Unitholders who are inclined to sell, the Board of Property Funds Australia considers, the APN Takeout Offer – Phase 3 is superior to the GS/MFS Group Offer. To participate in the APN Takeout Offer – Phase 3, please complete the enclosed Indication of Interest form and return it by 5pm 4 July 2003. Please note that there may be capital gains tax implications with any sale or disposal of your Units (see section 4.3) of the supplementary explanatory memorandum.

Sample Only

- 2 -

Offers

It is important to note that we have asked GS to remove all or some of the 7 conditions attached to their offer and to increase the \$1.03 price. At 9.30am Sunday 22 June 2003 we were advised that at this stage there would be no change to the offer.

There is, however, always the possibility that GS may increase its offer some time before the meeting on 27 June. If that occurs, the Board will again reconsider its recommendation.

GS has requested that the meeting to be held on 27 June 2003 be adjourned for some weeks. We do not believe that this is in the interests of Unitholders or is required from a legal or statutory viewpoint.

In the event that further material information comes to hand in the days leading up to the meeting, we would appreciate if you could advise the contact information on the attached Contact Sheet so that we can keep you immediately appraised on any new developments. If you can, please complete the attached information sheet and fax or email it to us. If you would alternatively prefer to telephone us with that information that would be most appreciated.

I thank you for your past support of our investment products and I look forward to your positive response to the Merger Proposal.

Yours sincerely,

PROPERTY FUNDS AUSTRALIA LIMITED



Chris Morton
Managing Director



Fax to 07 3221 6729 or telephone Freecall 1800 687 170 or email
info@pfaltd.com.au

Unitholder Contact Details

Unitholder Name:

Contact Person:

Current Address:

Telephone Numbers:

Home:

Work:

Fax:

Email address:

We are bound by the provisions of the Privacy Act. This information will be used only in accordance with our privacy policy and the provisions of the Privacy Act.

Sample Only

**APN Takeout Offer – Phase 3
Indication of Interest Form
GARDEN SQUARE PROPERTY TRUST
ARSN 104 858 264**



YOU SHOULD ONLY COMPLETE THIS FORM IF YOU WISH TO SELL YOUR MERGED FUND UNITS PURSUANT TO THE APN TAKEOUT OFFER – PHASE 3 (SEE THE SUPPLEMENTARY EXPLANATORY MEMORANDUM). THIS INDICATION OF INTEREST FORM WILL ONLY BE ACTIVATED IF THE MERGER PROPOSAL IS IMPLEMENTED.

ABC PTY LTD ATF ABC SUPER FUND
123 ABC STREET, BRISBANE Q 4000
HOLDER NO: GT999999 NO. OF UNITS HELD: 10,000

1. How many Merged Fund Units do you wish to transfer in accordance with the APN Takeout Offer – Phase 3

A. I wish to transfer all my Units

Place If all Units →

OR

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

Notes: Mark box A or enter the number of Units to be sold in box B

I/we wish to receive from APN Funds Management Limited ACN 080 674 479 as responsible entity for the APN Property for Income Fund ARSN 090 467 208 ('APN'), an offer to acquire for \$1.10 per Merged Fund Unit that number of Units indicated in section 1 of this form.

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

2. Authorised signature(s)

This transfer form must be signed by the Unitholder 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 transfer is signed by a person who is not the registered Unitholder, then the relevant authority or a certified copy of the power or attorney should either have been exhibited previously to Property Funds Australia Limited or be enclosed with this transfer. If sent by fax then the authority must be certified.

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.

3. Lodgement of form

This form must be lodged with Property Funds Australia Limited **before 5pm (AEST) on 4 July 2003** by:

- mailing it in the reply paid envelope enclosed or addressing your envelope to **Property Funds Australia Limited at PO Box 10398, Brisbane Adelaide Street, Qld, 4000;**
- delivering it to **Property Funds Australia Limited at Level 3, 200 Adelaide Street, Anzac Square Commercial, Brisbane, Qld, 4000;** OR
- faxing to 07 3221 6729.

Sample Only

Proxy Form

GARDEN SQUARE PROPERTY TRUST
ARSN 104 858 264

ABC PTY LTD ATF ABC SUPER FUND
123 ABC STREET, BRISBANE Q 4000
HOLDER NO: GT999999 NO. OF UNITS HELD: 10,000

Appointment of Proxy

I/we appoint as my/our proxy

If as a result of the Supplementary Explanatory Memorandum dated 23 June, 2003 you wish to change your vote, then this form should be completed & returned urgently by 10am, 27 June 2003. Fax return is recommended. If you have lodged a proxy form previously and do not want to change your vote no action is required.

(for assistance on completion, see Lodgement of Proxy instructions overleaf)

If you have any questions, please call 1800 687 170.

The Chairman of the Meeting
(mark with an)

OR

Write here the name of the person you are appointing if you wish to appoint a person other than the Chairman of the meeting.

or failing the person named, or if no person is named, the Chairman of Meeting, as my/our proxy and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Meeting of Unitholders of the Garden Square Property Trust to be held at the Level 5, Hilton Hotel, 190 Elizabeth Street, Brisbane on Friday, 27 June 2003 at 12 noon and at any adjournment of that meeting.

Voting Directions to your Proxy – please mark to indicate your directions

| No* | Resolution | For | Against | Abstain* |
|-----|--|-------------------------------------|--------------------------|--------------------------|
| 1 | Approval of the Merger Proposal | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | Amendment to the constitution to implement the Merger Proposal | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

*The resolutions are numbered as in the notice of meeting
If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll.

OR

Not Directing your proxy how to vote

If you do not wish to direct your proxy how to vote, please place a mark in the box.

By marking this box you acknowledge that the appointed proxy (including the Chairman if applicable) may vote on your behalf even if they have an interest in the outcome of the resolution.

The Chairman intends to vote in favour of both Resolutions 1 and 2 with respect to all undirected proxies given to him.

Signature

| Individual | Joint 2 | Joint 3 |
|--------------------------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Sole Director/Sole Company Secretary | Director/Secretary | Director |

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

Contact name

Contact daytime telephone no.

Date

APN Takeout Offer – Phase 1, Withdrawal

If you have previously completed and returned the green APN Takeout Offer Form accepting the APN Takeout Offer – Phase 1 and you take no action you will now receive \$1.045 per Garden Square Trust Unit. If you wish to withdraw please tick the box or contact us on freecall 1800 687 170 by 10am, 27 June, 2003

It Is Not Necessary To Complete This Section

Expression of Interest – Buyback Proposal

If you are interested in participating in a proposal whereby your Units in the Merged Fund may be bought back by 30 March 2004 if the Merger Proposal is implemented (see details on Buyback Proposal – section 4.7 of the explanatory memorandum) then please mark the box. Marking the box does not commit you to selling back your Merged Fund Units. This section merely enables Property Funds Australia to assess the level of interest in the Buyback Proposal.

I could be interested in a buyback offer depending on final pricing and timing.

For any assistance in completing this form, please refer overleaf

Sample Only

Notes for Completion of

Proxy Form

GARDEN SQUARE PROPERTY TRUST
ARSN 104 858 264**1. Appointment of a Proxy**

To appoint the Chairman only – If you wish to appoint the Chairman of the Meeting as your proxy, mark the box.

OR

To appoint a single proxy - If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, the Chairman of the Meeting will be your proxy and will vote on your behalf.

A proxy need not be unitholder in the Garden Square Trust.

OR

To appoint 2 proxies to exercise a specified proportion of your votes - see below. If you appoint 2 proxies and do not specify the number or proportion of votes each proxy may exercise, then each will be entitled to exercise half of your votes (with fractions being disregarded).

Appointment of 2 proxies

(If you are entitled to cast 2 or more votes at the meeting, you may appoint 2 proxies instead of a single proxy)

If you wish to appoint 2 proxies then complete below and not details for Appointment of Proxy on Proxy Form

I/We appoint:

(insert name of first proxy)

to exercise *(state number or proportion)*

of my/our votes for me/us at the general meeting of the Garden Square Trust AND

I/We appoint:

(insert name of second proxy)

to exercise *(state number or proportion)*

of my/our votes for me/us at the general meeting of the Garden Square Trust OR

failing one or both of my 1st and 2nd proxies, then the Chairman to exercise my/our votes for me/us in respect of the number or proportion of my/our shares allocated to the absent proxy/s, as set out above.

2. Voting Direction

A proxy appointed to attend and vote for a unitholder has the same rights as the unitholder to vote (to the extent allowed by this appointment) and to join in the demand for a poll.

If you mark the abstention box for a particular item, you are directing your proxy not to vote on a show of hands or on a poll and your units will not be counted in computing the required majority on a poll.

Note that the Proxy Form sets out the manner in which the Chairman has indicated he will vote any undirected proxies granted to him i.e. proxies that do not indicate the manner in which such votes are to be cast.

3. Authorised signature(s)

The proxy form must be signed by the unitholder or by the unitholder's attorney in the spaces provided.

Joint Holding: Where the holding is in more than one name, either unitholder may sign.

Power of Attorney: If the proxy is signed by a person who is not the registered unitholder, then the relevant authority or a certified copy of the power or attorney should either have been exhibited previously to Property Funds Australia Limited or be enclosed with this proxy. If sent by fax then the authority or power of attorney must be certified.

Companies: If the unitholder is a corporation, the proxy 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. Please note that the affixing of a common seal is no longer required under the Corporations Act.

4. Urgent Lodgement of Proxy – Fax Return Recommended

This Proxy Form must be received by Property Funds Australia Limited before 10am (Brisbane time) on 27 June 2003 by:

- (a) mailing your proxy in the reply paid envelope enclosed or addressing your own envelope to Property Funds Australia Limited at PO Box 10398, Brisbane Adelaide Street, Qld, 4000; OR
- (b) delivering your proxy to Property Funds Australia Limited at Level 3, 200 Adelaide Street, Brisbane, Qld, 4000; OR
- (c) **FAXING YOUR PROXY FORM TO 07 3221 8729.**

Should you have any queries regarding the completion of this Proxy Form, please telephone Freecall 1800 687 170.

**P
F A**

**PROPERTY FUNDS
AUSTRALIA LIMITED**

PROPERTY FUNDS MANAGER

THIS SUPPLEMENTARY EXPLANATORY MEMORANDUM

is supplementary to the explanatory memorandum dated 2 June 2003 which relates to the proposed merger of **The Garden Square Syndicate** (previously APPR 084 001 838) and **The Garden Square Trust** (previously APPR 084 001 712) with all other Property Funds Australia Managed Funds. It should be read in conjunction with the explanatory memorandum.

This information is only relevant to and should be immediately considered by Garden Square Trust Unitholders.

If you do not understand it or are in any doubt about the action to be taken, you should consult your investment adviser, stockbroker or other professional adviser immediately.

Alternatively, call Property Funds Australia Limited on Freecall 1800 687 170

This document is important and contains information which will affect your investment.

Please consider this document immediately.

PROXY FORMS RELATING TO THE RESOLUTIONS TO BE CONSIDERED AT THE UNITHOLDERS MEETING ON 27 JUNE 2003 MUST BE RECEIVED BY 10AM 27 JUNE 2003. THEY CAN BE POSTED, DELIVERED OR RETURNED BY FAX TO 07 3221 6729

This supplementary explanatory memorandum is a supplementary prospectus within the meaning of chapter 6D of the Corporations Act. It is supplementary to the notices of meetings and explanatory memorandum dated 2 June 2003. This supplementary explanatory memorandum and the explanatory memorandum dated 2 June 2003 should be read together. It is dated 23 June 2003 and was lodged with ASIC and BSX on that date. Neither ASIC or BSX take any responsibility as to the contents of this document.

The expiry date of the prospectus to which it relates is the date which is 13 months after the date of that prospectus. No units will be allotted or transferred on the basis of this prospectus later than the expiry date.

Words with initial capital letters are defined in section 1 of the explanatory memorandum and have the same meaning in this document. The following additional words are also defined:

GS means Grant Samuel No. 9 as trustee for the GS Property Fund No. 9.

GS/MFS Group means Grant Samuel No. 9 Pty Ltd as trustee for the GS Property Fund No. 9 and MFS Group Limited.

GS/MFS Group Offer. The offer made by Grant Samuel No. 9 Pty Ltd as trustee for the GS Property Fund No. 9 and guaranteed by MFS Group Limited to bid for the units in the Garden Square Trust (see section 4.2).

You should carefully consider this additional information in light of your personal circumstances and if necessary seek professional advice from your financial adviser. Alternatively, call Property Funds Australia on Freecall 1800 687 170.

This document contains important information. It should be read in its entirety.

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

Property Funds Australia has put forward a proposal to create a \$200 million BSX listed property trust. The trust will own 10 quality properties in 4 cities and in a broad range of property sectors. The Merger if approved will be affected by a series of transactions resulting in one of the 8 entities involved Trilogy becoming the ultimate owner of all of the others. Trilogy will be renamed 'The PFA Diversified Property Trust'.

You have already received the notices of meeting and explanatory memorandum dated 2 June 2003 for the proposed merger of the Garden Square Syndicate and the Garden Square Trust with all other Property Funds Australia managed funds. This supplementary explanatory memorandum provides further information that is relevant for Garden Square Trust Unitholders. It should be read in conjunction with the 2 June 2003 explanatory memorandum.

A number of issues have recently emerged which may be relevant for you to immediately consider, including:

APN TAKEOUT OFFER – PHASE 3- \$1.10 PER MERGED FUND UNIT

APN has made a further offer to purchase units being the APN Takeout Offer - Phase 3 at **\$1.10 per Merged Fund Unit**. This offer is conditional only on the Merger Proposal being implemented and is open to all Garden Square Trust Unitholders until 4 July 2003 (see section 3.2 for further details). 0.9494 Merged Fund Units are being offered to Garden Square Unitholders as part of the Merger Proposal.

GS/MFS GROUP OFFER - \$1.03 PER GARDEN SQUARE TRUST UNIT

GS has announced an intention to make an offer to Garden Square Trust Unitholders for their units at **\$1.03 per Garden Square Trust Unit**. The offer has 7 conditions which include at least 51% of Garden Square Trust Units being accepted into the offer and the Garden Square Trust Unitholders and Garden Square Syndicate Owners not passing the Merger Proposal Special Resolutions scheduled for their respective meetings on 27 June 2003 (see section 4.2 for further details).

DIRECT COMPARISON OF OFFERS

A direct offer price comparison of the APN Takeout Offer – Phase 3 and the GS/MFS Group Offer is **\$1.045 for the APN Takeout Offer – Phase 3 and \$1.03 for the GS/MFS Group Offer**. These offers have different conditions attached which impact on the attractiveness and certainty of the offers.

The terms of each of the offers is included in full in this document (see sections 3.2 and 4.2).

MERGER PROPOSAL

The meeting scheduled for Garden Square Unitholders to vote on the **Resolutions at 12.00pm on 27 June 2003** to consider the Merger Proposal will proceed as planned. GS in a letter from its lawyers dated 20 June 2003 suggested that the meeting should be adjourned until late July. In a telephone conversation at 9.30am on Sunday 22 June 2003 they again suggested the meeting should be adjourned. The directors of Property Funds Australia have considered the position carefully and have formed the view that the meeting should not be adjourned and should proceed as planned for a number of reasons including:

- ▲ all Unitholders have had detailed information in relation to the Merger Proposal since receipt of the notice of meeting and explanatory memorandum dated 2 June 2003;

- ▲ it is not in the interests of Unitholders to adjourn the Meeting nor is it required from a legal or statutory viewpoint;
- ▲ two new proposals emerged on 20 June 2003 and 21 June 2003. The directors have considered these proposals and have prepared and despatched to you this supplementary explanatory memorandum which provides all relevant information including full details of the APN Takeout Offer - Phase 3 and the GS/MFS Group Offer. This supplementary disclosure process was contemplated in the explanatory memorandum dated 2 June 2003. You have the balance of this week to consider this information and seek professional advice if you wish to;
- ▲ the APN Takeout Offer Phase 3 is superior to the GS/MFS Group Offer and Garden Square Trust Unitholders can indicate they wish to accept it after the 27 June 2003 meeting, ie up until 5pm 4 July 2003;
- ▲ the constitution for the Garden Square Trust has been amended to allow Garden Square Trust Unitholders to lodge proxies up to 2 hours before the meeting, ie 10am 27 June 2003.

PROPERTY FUNDS AUSTRALIA RECOMMENDATION

The Directors of Property Funds Australia still strongly recommend that you vote in favour of all of the Resolutions as illustrated in the following example:

| No.* | Resolution | For | Against | Abstain |
|------|---|-----|---------|---------|
| 1 | Approval of the Merger Proposal. | X | | |
| 2 | Amendment to the constitution to implement the Merger Proposal. | X | | |

- * The resolutions are numbered as in the Notice of Meeting in section 15 of the explanatory memorandum dated 2 June 2003.

We developed the Merger Proposal because we believe it is in your best interests. We do realise that it may not suit all Garden Square Trust Unitholders. There are a number of other options available. If the Merger Proposal proceeds and you wish to exit, you can as a Garden Square Trust Unitholder sell your **Merged Funds Units to APN at \$1.10 per Merged Fund Unit**. If the Garden Square Trust Unitholders and Garden Square Syndicate Owners do not pass the Merger Proposal special resolutions and at least 51% of Garden Square Trust Units are accepted into the GS/MFS Group Offer, and the other 5 conditions are satisfied, you can sell your **Garden Square Trust Units to GS at \$1.03 per Garden Square Trust Unit**.

PROXIES

If you have **already lodged a proxy form** and after reading this document your view about the resolutions remains the same, then **no action is required**.

If you have **already lodged a proxy form** and want to vote differently now or you have not lodged one and now wish to do so, please complete the enclosed proxy form and return it to us urgently. **Proxies must be received by 10am 27 June 2003**. Proxies can be:

Faxed to: 07 3221 6729

Delivered to: Property Funds Australia Limited
Level 3
[Anzac Square Commercial]
200 Adelaide Street
Brisbane Qld 4000

Or posted to: Property Funds Australia Limited
PO Box 10398
Brisbane Adelaide Street Qld 4000

If more than one proxy form is received from a Garden Square Trust unitholder the later proxy form will revoke any earlier proxy form. Unitholders who have already lodged a proxy form should consider their position in light of this supplementary explanatory memorandum. Unitholders can also attend the Meeting on 27 June 2003 in person and in doing so can choose to vote in person rather than via an earlier lodged proxy.

INVESTOR QUERIES

If you have any questions about voting, proxy forms, or any other issues about the Merger Proposal, please contact us on **Freecall 1800 687 170**, or consult your financial or other professional adviser.

1. RECOMMENDATION

The Board of Property Funds Australia has carefully considered the Merger Proposal APN Takeout Offer - Phase 3 and the GS/MFS Group Offer in relation to Garden Square Trust Unitholders.

Each director still strongly recommends that you vote in favour of the Merger Proposal, as following implementation of the Merger Proposal you can then choose to:

- ▲ **retain your Merged Fund Units;**
- ▲ **sell your Merged Funds Units to APN at \$1.10 per Merged Fund Unit (you need to return the enclosed Indication of Interest Form by 5pm 4 July 2003 to do so);**
- ▲ **offer your Merged Fund Units for sale on the Bendigo Stock Exchange; or**
- ▲ **accept the buyback offer for your Merged Fund Units proposed to be made under the Buyback Proposal before 30 March 2004.**

The Board of Property Funds Australia is of the view that the **APN Takeout Offer Phase 3 is superior to the GS/MFS Group Offer** as:

- ▲ **the cash price on a Garden Square Trust Unit equivalent basis is 1.5 cents per unit greater;**
- ▲ **the only condition of the APN Takeout Offer Phase 3 is implementation of the Merger Proposal, whereas the GS/MFS Group Offer is subject to 7 conditions being satisfied (see sections 3.2 and 4.2);**
- ▲ **Garden Square Trust Unitholders will receive cash within 3 business days of returning completed documentation relating to the APN Takeout Offer - Phase 3 which is at least a month earlier than would be the case under the GS/MFS Offer.**

2. THE MERGER PROPOSAL

Background

Property Funds Australia currently manages eight property managed investment schemes all of which are listed on the Bendigo Stock Exchange, namely:-

- ▲ The Garden Square Fund (which comprises two schemes being the Garden Square Syndicate and the Garden Square Property Trust);
- ▲ The Capital Collection Fund (which comprises two schemes being the Capital Collection Syndicate and the Capital Collection Trust);
- ▲ The Metropolitan Collection Fund (which comprises two schemes being the Metropolitan Collection Syndicate and the Metropolitan Collection Trust);
- ▲ Trilogy; and
- ▲ Riverdale

Each of these Merging Trusts was established as a fixed term vehicle to hold specific properties for certain time periods. The Merged Fund will, however, buy and sell property and own property for as long as it is consistent with the Merged Fund's objectives. Information on the property assets of each of the Merging Trusts is contained in section 6 of the explanatory memorandum.

The Transaction Summary

The Merger Proposal is that all of the eight Merging Trusts be merged into one diversified fund to be known as the 'PFA Diversified Property Trust'.

The Merger will take place by a series of redemptions of units or lots in all of the Merging Trusts (except for Trilogy) and an allotment to the owners of those units or lots in those Merging Trusts of units in the Merged Fund. The Merged Fund will become the ultimate holding entity and will own (directly or indirectly) 100% of all units or lots on issue in the other seven Merging Trusts. Through this ownership it will then indirectly own and control the Portfolio.

Why Merge?

The Merger has the potential to improve returns to Garden Square Unitholders and to provide benefits that are not presently available to you.

If the Merger Proposal is implemented, you will have an interest in one fund, significantly larger in size than the Garden Square Fund, offering the benefits of:-

- ▲ **improved returns** over the Forecast Period;
- ▲ **diversification** of investment across geographical locations, industry sectors and tenant profiles;
- ▲ **reduced volatility** in your distributions;
- ▲ **a more liquid investment** through a significantly increased pool of investors creating market driven interest and demand in the product that you then hold;
- ▲ more readily enabling you to **choose the timing of your exit** from your investment;
- ▲ an **increased capacity to participate in strategic property opportunities** significantly beyond that achievable by Garden Square.

Improved Distributions

Your distributions are likely to improve if the Merger Proposal is implemented, as compared with our current forecast for Garden Square over the Forecast Period. This is illustrated in the following table:

Distributions over the next 12 months

| | Garden Square | Merged Fund |
|--|----------------------|--------------------|
| Distribution yield expressed per \$1 originally subscribed | 8.07% | 9.00% |
| Tax sheltered percentage | 64% | 76% |

(Refer to the explanatory memorandum of 2 June 2003 for the detailed forecasts and the assumptions which underlie the forecasts).

3. APN TAKEOUT OFFERS

3.1 APN TAKEOUT OFFERS

APN is the responsible entity for the APN Property for Income Fund, a substantial Australian property securities fund which invests in listed property trusts and property syndicates. This fund owns interests in a number of the Merging Trusts. As at 30 April 2003, APN Property for Income Fund held A\$535 million in assets. APN is supportive of the Merger Proposal. APN has communicated to us in writing that if the Merger Proposal is implemented then it shall offer to buy Merged Fund Units on the conditions set out below. APN is making a 3 Phase offer to Garden Square investors. All phases of the APN Takeout Offer will only be activated if the Merger Proposal is implemented.

3.2 APN TAKEOUT OFFER PHASE 3

21 June 2003

Mr Christopher Morton
Managing Director
Property Funds Australia Limited
200 Adelaide Street
Brisbane QLD 4000

Dear Mr Morton

APN Takeout Offer - Phase 3

APN is supportive of the Merger Proposal. The APN Property for Income Fund (ARSN: 090 467 208) holds interests in a number of the Merging Trusts. APN believes that the Merger Proposal is beneficial for all of the Merging Trusts and that investor value can be enhanced by the implementation of the Merger Proposal.

APN as Responsible Entity for the APN Property for Income Fund therefore makes the following increased offer to Garden Square Trust Unitholders only:-

1. Offer Price: \$1.10 per Merged Fund Unit (this is equivalent to \$1.045 per Garden Square Trust Unit) held by former Garden Square Trust Unitholders;
2. Condition: That the Merger Proposal is implemented;
3. Timing for Indications of Interest to be returned: 5.00p.m., 4 July, 2003 or such later date and time as advised by APN;
4. Indication of Interest: Garden Square Trust Unitholders interested in having APN make an offer to acquire their Merged Fund Units are to complete and sign the attached Indication of Interest form ("Interested GST Unitholders");
5. Despatch of Offers: Offers will be posted only to Interested GST Unitholders who return duly completed and signed Indication of Interest forms and within 2 business days of the date specified by APN herein for the return of completed and signed Indication of Interest forms;
6. Acceptance Timeframe: Interested GST Unitholders must accept the offer within 14 days of the posting of the APN offer to them;
7. Payment: Payment of the offer price will be made within 3 business days of acceptance by Interested GST Unitholders of the offer referred to in the previous paragraph.

Any words or expressions used within this document will have the same meaning as ascribed to them in the Explanatory Memorandum dated 2 June, 2003 related to the Garden Square Trusts.

We authorise you and would be pleased if you would communicate this Offer to Garden Square Trust Unitholders in any material that you are forwarding to Garden Square Trust Unitholders in relation to the recently announced offer by Grant Samuel No. 9 Pty Ltd.

Yours sincerely,


Howard Brenehley
Director



**APN
FUNDS
MANAGEMENT
LIMITED**

ARN 00 060 074 479

Level 22
101 Gullie Street
Melbourne Vic 3000
Tel: (03) 8654 7644
Fax: (03) 8654 7666

Email:
fm@apngroup.com.au

Website:
www.apngroup.com.au

Responsible Entity for
APN Property for Income Fund
ARSN 090 467 208
ARN 20 411 103 256

APN Residential Property Fund
ARSN 093 802 426
ARN 21 094 101 910

3.3 PHASE 3 - \$1.10 PER MERGED FUND UNIT

In the Notice of Meeting and Explanatory Memorandum dated 2 June 2003 APN made an offer to Garden Square Fund to acquire their units or lots at 95 cents each, conditional upon the Merger Proposal being implemented. This offer has now been increased to \$1.045 for Garden Square Unitholders only. This offer closes at 5pm on 25 June 2003. ('Phase 1 Offer').

APN also made an offer to Investors in all Merging Trusts to buy their Merged Fund Units on the Bendigo Stock Exchange if the Merger Proposal is implemented. This offer is at \$1.00 per Merged Fund Unit, capped at 3 million Merged Fund Units. It will commence from the commencement of trading on the day next following the day that Unitholder statements are forwarded to Unitholders and will be open for a period of 21 days. ('Phase 2 Offer').

The GS/MFS Group Offer is conditional upon the Resolutions of the Garden Square Trust and Garden Square Syndicate in relation to the Merger Proposal not being passed and the 6 other conditions being satisfied. APN believes that the Merger Proposal is beneficial for all of the Merging Trusts and that investor value can be enhanced by the implementation of the Merger Proposal. APN Property for Income Fund holds Interests in a number of the Merging Trusts and wishes to see the investor value enhanced. APN has therefore developed the APN Takeout Offer - Phase 3. This provides a superior alternative to the GS/MFS Group Offer for any investors who are interested in exiting the Garden Square Trust, while allowing the Merger Proposal to proceed.

APN has communicated to us in writing (see section 3.2) that if a Garden Square Trust Investor completes and returns the 'Indication of Interest' form enclosed with this supplementary explanatory memorandum by the requisite time that APN shall offer to buy all of the Merged Fund Units of that Garden Square Unitholder, at a price of **\$1.10 per Merged Fund Unit**, with settlement to occur **within 3 business days** after the date the Investor signs and returns to APN a transfer form for their units.

There is **no limit** to the number of Garden Square Trust Unitholders who may accept this offer. However you **must return the enclosed indication of interest form by 5pm 4 July 2003** in accordance with the instructions on the form to be eligible to participate in the offer.

This APN Takeout Offer - Phase 3 is open only to Garden Square Trust Unitholders. It will not proceed if the Merger Proposal is not implemented.

3.4 VARIATION OF APN TAKEOUT OFFER - PHASE 1 - \$1.045 PER GARDEN SQUARE TRUST UNIT

The Phase 1 Offer price has been increased for Garden Square Trust Unitholders to **\$1.045 per Garden Square Trust Unit**. If you have already returned your Phase 1 acceptance form you will automatically receive the increased offer price. If you have already accepted the Phase 1 offer and wish to withdraw from the Phase 1 offer, please contact us or tick the box on the enclosed proxy form and return it by 10am 27 July 2003 to do so.

4. ANALYSIS OF GS/MFS GROUP AND APN TAKEOUT OFFER - PHASE 3

4.1 OFFER

The full terms of the GS/MFS Group Offer are set out in section 4.2.

A comparison of the GS/MFS Group Offer and the APN Takeout offer - Phase 3 is set out below:

| | APN Takeout Offer - Phase 3 | GS/MFS Group Offer |
|---|---|--|
| Actual Price Offered | \$1.10 per Merged Fund Unit | \$1.03 per Garden Square Trust Unit |
| Direct Price comparison (based on Merger Proposal ratio of 0.9494 Merged Fund Units per Garden Square Trust Unit) | \$1.045 | \$1.03 |
| Conditions | Subject only to implementation of the Merger Proposal. | 7 conditions including: ▲ at least 51% Garden Square Trust Units being accepted into the offer; and ▲ Garden Square Trust and Garden Square Syndicate Resolutions to implement the Merger Proposal not being passed. |
| Timing of decision | By 4 July 2003 | Following receipt of Bidder Statement during July 2003 |
| Timing of Payment | No earlier than 8 July 2003 and within 3 business days after receipt of signed documentation from Unitholders. | 30 days after formal offer made at the earliest. |

Each of the directors is of the view that the Merger Proposal is in the best interests of Garden Square Unitholders. Directors strongly recommend that Garden Square Trust Unitholders vote in favour of the Resolutions. If the Merger Proposal is implemented, any Garden Square Trust Unitholders wishing to sell their Merged Fund Units can do so by completing the enclosed indication of interest form if they wish to receive \$1.10 per Merged Fund Unit, they can list their Merged Fund Units for sale on the Bendigo Stock Exchange or accept the Buyback Proposal at a later time.

If the Merger Proposal does not proceed any Unitholders wishing to sell their Units can accept the offer to be made by GS/MFS Group Offer at \$1.03 per Garden Square Trust Unit and will receive that amount provided the 7 conditions of the GS/MFS Offer are also satisfied.

4.2 GS/MFS GROUP ANNOUNCEMENT

GRANT SAMUEL

■ ■ ■

ANNOUNCEMENT

20 June 2003

GS PROPERTY FUND NO. 9 TO BID FOR UNITS IN THE GARDEN SQUARE TRUST

Grant Samuel No. 9 Pty Ltd as trustee for the GS Property Fund No. 9, an Australian property investment fund (the "Fund"), today announced a takeover bid for all of the units in The Garden Square Trust ARSN 104 268 264 ("Garden Square Trust").

The Garden Square Trust is a managed investment scheme which owns an approximate 33% interest in the Garden Square Syndicate ARSN 104 255 210 ("Garden Square Syndicate"). The Garden Square Syndicate is the registered proprietor and owner of the Garden Square Office Park, a commercial office complex located approximately 11km south east of the Brisbane CBD in Queensland. The responsible entity of the Garden Square Trust and the Garden Square Syndicate is Property Funds Australia Limited ("PFA"). The units of the Garden Square Trust and the Garden Square Syndicate are listed on the Bendigo Stock Exchange.

The investors in the Fund comprise persons and parties associated with Grant Samuel and MFS Group Limited ("MFS Group"). Grant Samuel is an investment bank that is involved in a range of property related investment activities. The MFS Group is a Queensland based fund manager that specialises in the management of a number of listed and unlisted property related managed investment schemes in Australia and New Zealand. The MFS Group currently has more than \$600 million of assets under management and has agreed to guarantee the provision of funding for the takeover bid.

The Fund proposes to make a takeover offer for all of the Garden Square Trust units currently on issue for a consideration of \$1.03 cash per unit ("Offer"). It is presently proposed that the bidder's statement for the Offer will be lodged with the Australian Securities and Investments Commission and served on PFA as responsible entity for the Garden Square Trust on or before 9 July 2003. The Offer period is expected to commence by 19 July 2003.

WHY UNITHOLDERS SHOULD ACCEPT THE OFFER

The Offer provides significant benefits to unitholders in the Garden Square Trust and represents a superior alternative to the current merger proposal before unitholders. Key reasons to accept the Offer include:

- The Offer provides unitholders with an opportunity to exit their investment as an alternative to the current merger proposal.
- The Offer price of \$1.03 cash per unit is:
 - in excess of the APN Takeover Offer of \$0.95 per unit for Phase 1 as described in the merger documents;
 - is significantly above the estimated fair market value of existing units of \$0.80-0.85 per unit as assessed by Ernst & Young in its report dated 2 June 2003 contained in the merger documents;
 - is significantly above the estimated fair market value of the new units to be issued in the PFA Diversified Property Trust under the merger proposal, equivalent to \$0.82-0.85 per existing unit in the Garden Square Trust, as assessed by Ernst & Young in its report dated 2 June 2003 contained in the merger documents; and
 - is equivalent to the estimated net asset value of \$1.03 per unit as at 30 June 2003 as disclosed in the merger documents.

- The Offer provides an opportunity for all unitholders to participate equally and fully in an exit opportunity. The APN Takeout Offer is only a conditional partial offer not available to all unitholders.
- Investors can avoid the risk of materially reduced distributions over the next year or two through factors such as a failure to relet the previous Qbuild space, the risk that the Coles Myer tenancy may not be renewed or renewed on significantly less favourable terms, or the risk that performance conditions relating to loan facility covenants may not be met which may result in the financier placing restrictions on distributions to investors.
- The Fund is a financial investor and has an interest in increasing the value of the Garden Square Trust units. As a result, its interests will be closely aligned to the interests of all investors in the Garden Square Trust who wish to retain their investment and all lot holders in the Garden Square Syndicate.

CONDITIONS OF THE OFFER

The Offer will be subject to a number of conditions which are summarised as follows:

- The Fund receiving sufficient acceptances under its Offer to enable it to acquire 51% or more of the total number of units of the Garden Square Trust.
- Unitholders in the Garden Square Trust and owners of lots in the Garden Square Syndicate not passing the special resolutions presently scheduled for voting on Friday 27 June 2003.
- Garden Square Trust retaining its present ownership interest in the Garden Square Syndicate, no other person acquiring more than a 20% interest in the Garden Square Syndicate and the Garden Square Syndicate retaining its present property interests.
- Any distributions made by the Garden Square Trust or the Garden Square Syndicate should be no more regularly nor at any materially greater amount than has occurred since 1 January 2003 and there being no distributions of capital.
- There being no material adverse change occurring in relation to the Garden Square Trust or the Garden Square Syndicate, or the underlying assets or prospects of the Garden Square Syndicate, as represented in the merger documents, or the Fund becoming aware of any material inaccuracy in the merger documents.
- There being no regulatory actions in relation to the Offer which impedes the making of the Offer.
- There being no prescribed occurrences in relation to the Garden Square Trust or the Garden Square Syndicate.

ADDITIONAL INFORMATION

The Fund intends to acquire a majority unit holding in the Garden Square Trust under the Offer. As a majority unit holder in the Garden Square Trust, the Fund will seek to explore options to enhance the value of its investment through its strategic stake in the Garden Square Syndicate.

Based on current information, the Fund is unlikely to support the continuation of PFA as responsible entity for the Garden Square Trust and the Garden Square Syndicate. However, the Fund has been advised that independently and separately the MFS Group has made an approach to the shareholders of PFA in relation to a proposal to acquire PFA. While this approach is independent of the Offer, it is likely that the Fund would support the continuation of PFA as responsible entity for the Garden Square Trust and the Garden Square Syndicate if PFA was to be acquired by the MFS Group.

END

Page 2

Comments on announcement

The Board of Property Funds Australia Limited makes the following comments in relation to the GS/MFS Group announcement of the takeover offer for all of the units in the Garden Square Trust:

- ▲ The price is less on a comparable basis than that offered by APN in its Takeout Offer - Phase 3 and is therefore less attractive.
- ▲ The GS/MFS Group offer is highly conditional and Garden Square Trust Unitholders cannot be certain that the conditions will be satisfied.

Page 11

- ▲ The announcement states that the investors in the fund which is making the takeover offer are persons and parties associated with Grant Samuel and MFS Group Limited. It states that the MFS Group has agreed to guarantee the provision of funding for the takeover bid. The most recently available financial information Property Funds Australia has been able to source from the Australian Securities and Investments Commission in relation to the MFS Group Limited, is an unaudited consolidated balance sheet as at 31 March 2003. MFS Group was incorporated in August 2002 and has therefore been operating for 11 months and does not have a full year's accounts available. It has net assets as at 31 March 2003 of \$4.186 million. There are currently 3,855,000 Garden Square Trust Units on issue in the Garden Square Trust. At the offer price of \$1.03 per unit this is \$3.97 million which the fund potentially could be required to pay.

There is no other financial information provided on the fund or its financial capacity.

- ▲ The announcement included in section 4.2 states:

'Based on current information the Fund is unlikely to support the continuation of PFA's responsible entity for the Garden Square Trust and the Garden Square Syndicate. However, the Fund has been advised that independently and separately the MFS Group has made an approach to the shareholders of PFA in relation to a proposal to acquire PFA. While this approach is independent of the Offer, it is likely that the Fund would support the continuation of PFA as responsible entity for the Garden Square Trust and the Garden Square Syndicate if PFA was acquired by the MFS Group.'

- ▲ At the time of the announcement and finalisation of this material, the shareholders of Property Funds Australia have advised that they have not received a proposal from MFS Group to acquire Property Funds Australia. This statement in the announcement by GS is in the view of the directors of Property Funds Australia inaccurate and misleading.
- ▲ Property Funds Australia is a well established responsible entity that has been managing property syndicates and trusts for 5 years. It has inquired of its shareholders and it is their definite intention to remain shareholders of Property Funds Australia and they would not entertain proposals from the MFS Group.
- ▲ GS have indicated that it is unlikely to support Property Funds Australia as responsible entity. They have not outlined any of their intentions for the Garden Square Trust or the Garden Square property should it gain control of it. It has not indicated how it expects to be able to improve the position of Garden Square Trust Unitholders nor why it will not support Property Funds Australia.
- ▲ It is the Director's current view that Property Funds Australia is best placed to achieve the best outcomes for Garden Square Trust Unitholders, particularly given their background knowledge of the Garden Square property and the relationships it has with relevant parties (such as Coles Myer and the financiers' properties). The strategies and future intentions of Property Funds Australia for the Garden Square Trust Unitholders are set out in detail in the explanatory memorandum dated 2 June 2003.

At this time the directors of Property Funds Australia are strongly of the view that it is in the best interests of Garden Square Trust Unitholders to vote in favour of the Merger Proposal and then either retain their Merged Funds Units or dispose of their Merged Fund Units under the APN Takeout Offer - Phase 3, via the Bendigo Stock Exchange or the Buyback Proposal, in the event they wish to sell them.

4.3 TAXATION ISSUES

The explanatory memorandum dated 2 June 2003 includes a report in section 12.2 from BDO Kendalls in relation to the taxation implications of the Merger Proposal. The Merger Proposal has been structured to enable Garden Square Trust Unitholders to effectively exchange their Garden Square Trusts Unitholding and defer a disposal for capital gains tax purposes until the Merged Fund Units are subsequently disposed by them.

If you are an original Garden Square Trust Unitholder, the current cost base of your Garden Square unit for capital gains tax purposes is approximately 48 cents per unit.

Any Garden Square Trust unitholder that accepts the GS/MFS offer or the APN Takeout Offer - Phase 3 or disposes of their units other than via the Merger Proposal should consider the capital gains tax implications of their action. **For example, the APN Takeout Offer - Phase 3 of \$1.10 per Merged Fund Unit (being the equivalent of \$1.045 for each Garden Square Trust Unit) will produce a capital gain of approximately 56 cents per unit.**

The taxable component of this capital gain will depend upon the tax status of the Garden Square Trust Unitholder, consequent eligibility to CGT concessional treatment and the applicable income tax rate.

Unitholders should therefore consult their own taxation advisers to calculate the taxation impact of disposal of their units.

5. ACTION REQUESTED OF YOU

5.1 STEP ONE

Read this Document and the Explanatory Memorandum dated 2 June 2003 previously forwarded to you

This supplementary explanatory memorandum should be read in conjunction with the explanatory memorandum dated 2 June 2003. These documents detail the Merger Proposal, the APN Takeout Offers (Phases 1, 2 and 3) and the GS Offer. These documents set out the benefits that you are being offered as well as potential risks.

This information is important in deciding how you should vote on the Resolutions at the Meeting of Garden Square Trust Unitholders.

The Notice of Meeting is contained in section 15 of the explanatory memorandum and sets out the Resolutions upon which Garden Square Trust Unitholders are being asked to vote. You should read all the material and decide which way you will vote on the Resolutions. If you have already voted by proxy you can change your vote by forwarding a new proxy form. You must, however, act urgently. If you are in any doubt as to the course of action to be taken you should contact your financial adviser, stockbroker or other professional adviser without delay.

The directors of Property Funds Australia strongly recommend you vote in favour of the Merger Proposal.

5.2 STEP TWO

Vote on the Resolutions

Garden Square Trust Unitholders are asked to vote on two Resolutions. These are set out in the Notice of Meeting in section 15 of the explanatory memorandum.

You may vote in person at the Meeting of Garden Square Trust Unitholders to be held on 27 June 2003 or vote by proxy using the white form attached to the letter which accompanies this supplementary explanatory memorandum or the yellow form attached to the letter which accompanied the explanatory memorandum.

You are encouraged to attend and vote at the **Meeting of Garden Square Trust Unitholders** details of which are:

Time: 12 pm

Date: 27 June 2003

Place: Hilton Hotel, Level 5, 190 Elizabeth Street, Brisbane

Alternatively you can complete the new proxy form which accompanies this explanatory memorandum. On the proxy form you may nominate someone to vote on your behalf at the Meeting and if you wish you may direct that person how to vote. If you appoint the Chairman as your proxy, the Chairman will vote as directed or, if no direction is given, will vote in favour of the Resolutions.

Proxy forms must be received no later than 10am on 27 June 2003 and should be faxed to (07) 3221 6729;

OR posted to

OR Delivered to:

Property Funds Australia Limited
PO Box 10398
Brisbane Adelaide Street Qld 4000

Property Funds Australia Limited
Level 3
Anzac Square Commercial
200 Adelaide Street
Brisbane Qld 4000

6. STATEMENT BY DIRECTORS AND CONSENTS

The Directors of Property Funds Australia report that after due inquiry by them they have not become aware of any circumstances which other than those disclosed in the explanatory memorandum dated 2 June 2003 and this supplementary explanatory memorandum dated 23 June 2003 which will in their opinion materially affect the Garden Square Trust or the Merged Fund other than as disclosed.

To the best of the Directors knowledge and belief the information contained in this supplementary explanatory memorandum and the explanatory memorandum dated 2 June 2003 is correct and there are no material omissions likely to affect the accuracy of the information.

Each of the Directors and experts referred to in the explanatory memorandum dated 2 June 2003 has consented to the lodgement of this supplementary explanatory memorandum with ASIC.

Signed by each Director of Property Funds Australia.

23 June 2003



Christopher A Morton



Elizabeth A Pidgeon



David J Conquest



Matthew B Madsen