

MFS Diversified Trust (ASX:MFT)

2006 Annual Results

August 2006



Agenda

- 1 Overview and key highlights
- 2 FY 2006 summary of financial results
- 3 Review of business
- 4 Outlook

Key highlights

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Overview of results

- ➔ Over 2006 MFT achieved
 - Strong earnings growth
 - Significant uplift in net tangible asset backing per security
 - Significant growth in investment portfolio

Revenue	\$46.2m	↑	196%
Net income	\$23.0m	↑	334%
EPS	39.8 cents	↑	275%
DPS	24.9 cents	↑	137%
NTA	1.14 cents	↑	20%
Investment portfolio	\$293.9m	↑	89%

- In December 2005 MFT was identified by BDO Chartered Accountants and Advisers as the top performing listed property trust for the 6 months ended 31 December 2005
 - highest return on net assets
 - highest distribution paid for six months

Key highlights of the year

- Restructured to form a stapled security in March 2006
 - Ability to undertake active business operations
 - Potential to enhance earnings growth
- Completion of a number of strategic investments
 - Investment portfolio acquisitions of \$145.9 million
 - Acquisitions of vacant land for retail development at Burpengary and Kempsey
 - National Leisure and Gaming Limited (NLG) – 4.7% investment
 - Village Life Limited – 19.9% investment
- ➔ Initiated takeover of Villa World Limited in July 2006
- ➔ Commenced rationalisation of smaller / non core assets
 - Commenced marketing / negotiations on the sale of 10 assets (est. proceeds of \$44.3 million)
 - September 2006 target completion date
- Pursuing an investment property acquisition pipeline of \$748.3 million
 - \$125.2 million currently under negotiation
 - Includes 3 hotels sourced through NLG strategic relationship

Financial results

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Financial performance

(\$millions)	Year ended 30 June 2006	Year ended 30 June 2005
Rent from investment properties	20.4	15.4
Net gain on sale of investments	10.3	-
Net change in fair value of investments	13.4	-
Other income	2.2	0.2
Total revenue and other income	46.2	15.6
Operating expenses	6.5	3.6
Responsible entity fees	3.3	0.7
Other expenses	0.9	0.6
Impairment Loss	2.9	-
Total expenses	13.6	4.9
EBIT	32.6	10.7
Interest expense on debt facilities	7.0	5.4
Interest expense on preferred units	2.6	-
Net income	23.0	5.3
Distribution expense to ordinary security holders	13.8	5.3
Contribution to net assets attributable to ordinary security holders	9.2	-
EPS (cents)	39.8	10.6
DPS (cents)	24.9	10.5

Financial performance

- Key drivers of earnings growth
 - Like for like income growth
 - Growth in investment portfolio
 - Gain on disposal of assets
 - Property revaluations

- \$23.0 million profit before distributions to ordinary security holders
 - increase 334% on FY05 of \$5.3 million

- ➔ EPS of 39.8 cps
 - increase of 275% on FY05 of 10.6 cps

- DPS of 24.9 cps
 - increase of 137% on FY05 of 10.5 cps
 - Included a special distribution of 16.0 cps following completion of the sale of Marina Mirage Shopping Centre and Marina in December 2005

Balance sheet

(\$millions)	As at 30 June 2006	As at 30 June 2005
Assets		
Cash and cash equivalents	0.4	2.5
Receivables	2.2	0.6
Non-current assets held for sale	29.2	3.2
Investment properties	254.4	152.6
Property, plant and equipment	10.3	-
Investments	14.4	-
Other assets	2.7	1.9
Total assets	313.6	160.8
Liabilities		
Interest bearing liabilities	180.9	108.1
Preferred units	39.1	-
Other liabilities	3.4	3.4
Total liabilities	223.4	111.5
Net assets	90.1	49.3
Net tangible asset backing per stapled security	1.14	0.95
Gearing (debt/total tangible assets) (excluding preferred units)	57.6%	67.2%
Gearing (debt/total tangible assets) (including preferred units)	70.2%	67.2%

Balance sheet

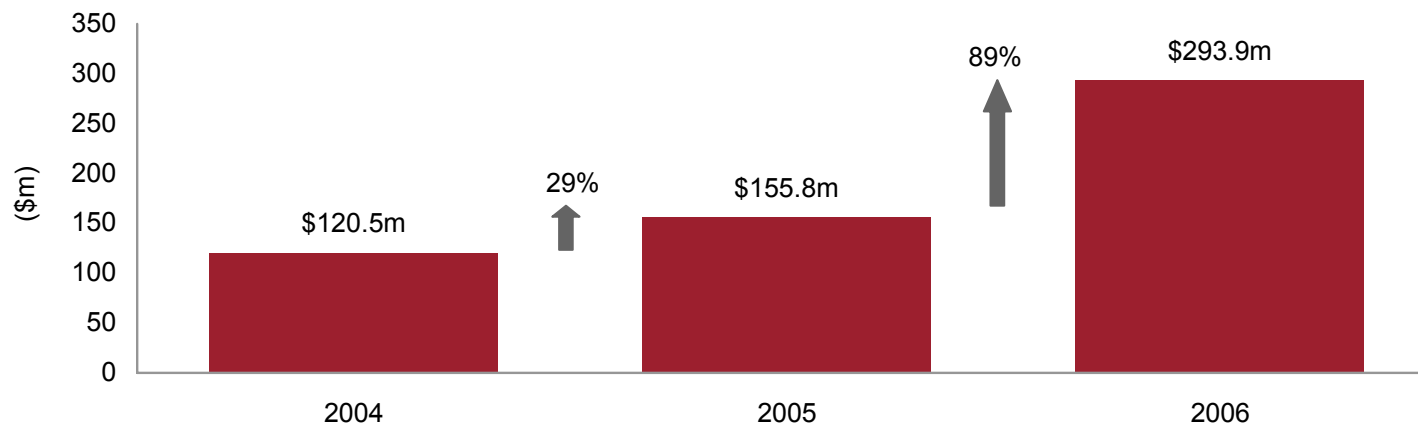
- NTA per security increased by \$0.19 (20%) to \$1.14
 - Net assets increased by \$41 million (83%) to \$90 million
- Total assets increased by \$153 million (95%) to \$314 million
 - Investment properties and non-current assets held for sale up by \$128 million
 - investments in vacant land for development of \$10 million
 - strategic investments \$9 million
- Total liabilities increased by \$112 million (100%) to \$223 million
 - \$73 million in increased debt
 - \$39 million of preferred equity
- \$44 million of investment properties are currently in advanced stages of negotiation for divestment in Q107
- Non-core assets identified for divestment are set out on page 16

Review of business

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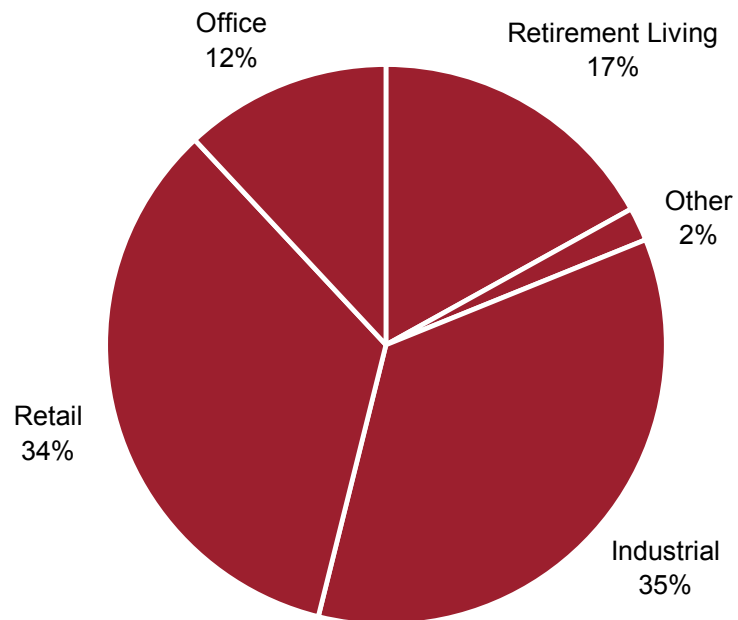
Strong investment portfolio growth

- Investment portfolio acquisitions totaling \$145.9 million over FY06
 - Collins Street Property Trust – commercial office building in Collins Street, Melbourne
 - Homemaker Centres Property Trust – two retail homemaker centres
 - Walker industrial property portfolio – four industrial properties located in Queensland
 - Village Life retirement village portfolio – 23 retirement villages and manager units under lease with Village Life Limited, located in Queensland.
 - Burpengary & Kempsey – vacant land for retail development sites

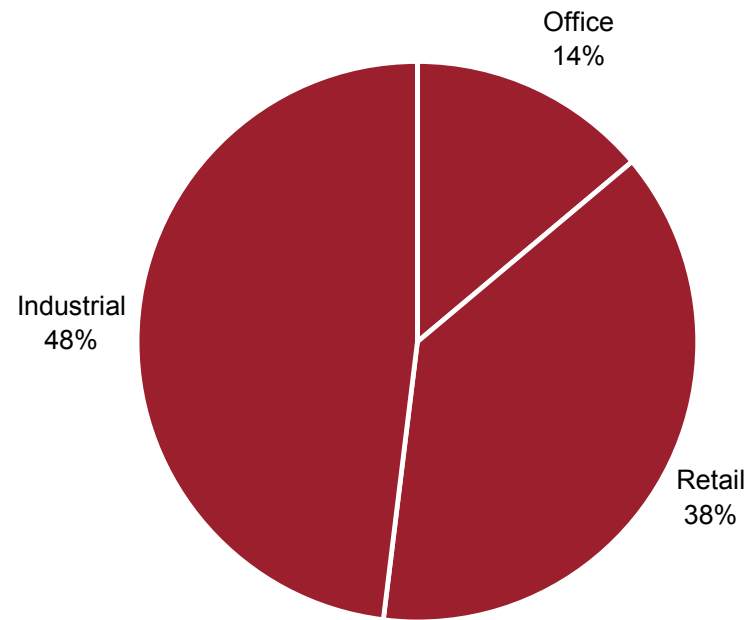


Enhanced diversity

**Sector Spread by asset value –
as at 30 June 2006**

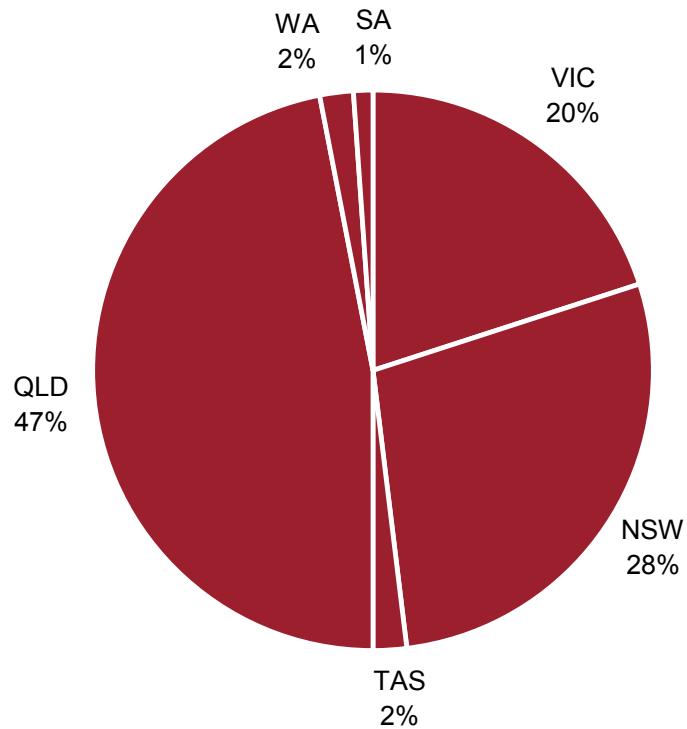


**Sector Spread by asset value –
as at 30 June 2005**

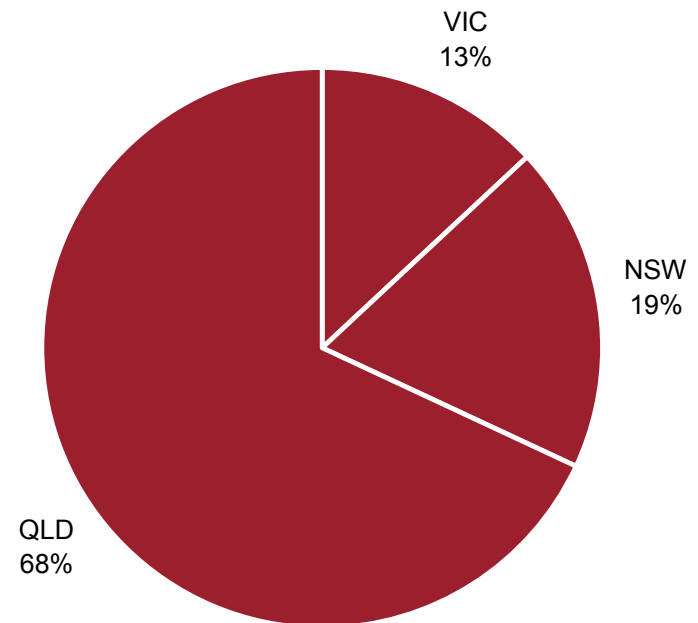


Enhanced geographic spread

Geographic Spread by asset value –
as at 30 June 2006



Geographic Spread by asset value –
as at 30 June 2005



Investment properties — existing portfolio

Property	Ownership (%)	Valuation date	Valuation (\$m)	Net lettable area (sqm)	Capitalisation rate (%) [^]	WALE (years) [^]	Occupancy rate (%)
Retail							
Gympie Road, Carseldine QLD	100	Mar 2004	28.6	11,905	7.9	4.2	100
Waterford Plaza, Waterford West QLD	100	Dec 2005	15.7	5,656	7.5	2.3	97
Woodville Road, Villawood NSW	100	Dec 2005	15.5	8,785	7.5	3.9	100
Blaxland Road, Campbelltown NSW	100	Dec 2005	13.0	7,441	8.0	4.7	84
Osborne Road, Mitchelton QLD	100	Mar 2004	6.8	3,482	8.4	2.7	69
Belgrave Street, Kempsey NSW	100	May 2006	4.8	N/A	N/A	N/A	N/A
Cnr Currie and Maud Streets, Nambour QLD	100	Dec 2005	4.6	2,315	9.5	0.3	68
Station Road, Burpengary QLD	100	Feb 2006	2.7	N/A	N/A	N/A	N/A
Industrial							
95 Mina Parade, Alderley QLD	100	Feb 2006	6.2	5,856	8.0	2.3	100
117 Mina Parade, Alderley QLD	100	Dec 2005	11.0	15,305	8.8	1.1	100
Burnside Road, Stapylton QLD	100	Dec 2005	16.4	30,055	9.5	2.6	100
Holt Street, Pinkenba QLD	100	Dec 2005	12.4	14,002	8.8	4.0	100
Station Road, Seven Hills NSW	100	Feb 2006	10.2	10,464	8.3	2.2	100
Loyalty Road, North Rocks NSW	100	Feb 2006	9.9	8,074	8.3	1.8	100
Tullamarine Park Drive, Tullamarine VIC	100	Dec 2005	7.7	10,164	8.5	2.2	100
Evans Road, Salisbury QLD	100	Dec 2005	4.2	3,922	8.5	2.2	100
Gilba Road, Girraween NSW	100	Feb 2006	3.7	3,992	8.3	3.1	100
Riverside Place, Morningside QLD	100	Dec 2005	3.0	2,091	8.5	1.5	100
Marble Drive, Kingston QLD	100	Dec 2005	2.0	3,913	9.5	2.0	100
59 Steel Place, Morningside QLD	100	Dec 2005	1.6	854	8.5	2.1	100
46 Steel Place, Morningside QLD	100	Dec 2005	1.5	1,416	8.5	2.9	100
Industry Place, Capalaba QLD	100	Dec 2005	1.1	1,094	8.5	4.4	100
Office							
Q&V Building Auckland, NZ*	100	July 2006	26.6	8,420	7.5	6.24	100
Collins Street, Melbourne, VIC	100	Oct 2003	14.8	1,633	5.8	4.0	100
Moreland Road, Brunswick VIC	100	Dec 2005	9.7	4,200	8.5	1.3	100
Baroona Road, Milton QLD	100	Dec 2005	4.2	1,864	8.5	1.8	78
Nerang Street, Southport QLD	100	Dec 2005	2.2	815	8.5	0.0	0 [^]
Ipswich Road, Rocklea QLD	100	Dec 2005	1.1	645	9.0	0.2	100
Retirement Villages	100	Jun 2006	47.1	N/A	N/A	21.8	N/A
*288.3							

■ Non-core to be considered for divestment [^] Weighted average lease term to expiry at 30 June 2006. Nerang Street 100% leased at 24 August 2006

* Varies from carrying value in balance sheet due to capitalisation of acquisition costs and the acquisition of Q&V building subsequent to 30 June 2006

Properties to be divested

The following non-core assets have been identified for divestment by September 2006

	Value* (\$m)	Anticipated to be completed by	Contracts exchanged
INDUSTRIAL			
Ingram Road, Acacia Ridge QLD	4.6	31 July 06	Sold
Holt Street, Eagle Farm QLD	12.4	30 Sep 06	No
Riverside Place, Morningside QLD	3.0	30 Sept 06	No
Marble Drive, Kingston QLD	2.0	30 Sept 06	No
59 Steel Place, Morningside QLD	1.6	30 Sept 06	No
46 Steel Place, Morningside QLD	1.5	30 Sept 06	No
Industry Place, Capalaba QLD	1.1	30 Sept 06	No
OFFICE			
Collins Street, Melbourne Vic	14.8	30 Sep 06	No
Nerang Street, Southport QLD	2.2	30 Sep 06	No
Ipswich Road, Rocklea QLD	1.1	30 Sept 06	Yes
	44.3		

Additional properties earmarked for divestment will occur in the December quarter

* At last independent valuation

Properties to be acquired

The following properties have been identified for acquisition by September 2006

Property	Valuation (\$m)	Net lettable area (sqm)	Capitalisation rate (%)
RETAIL			
Retail Carseldine	5.3	2,600	7.3
Southside QLD	3.0	5,974	N/A
INDUSTRIAL			
Industrial NSW *	34.1	22,147	N/A
PUBS			
Hermit Park Townsville	5.7	N/A	8.0
North QLD*	10.7	N/A	8.0
North QLD*	13.5	N/A	8.0
	72.3		

* Currently in due diligence

MFT development pipeline

	Current value (\$m)	Est. on completion value (\$m)	Est. completion date	Project status / description
RETAIL				
Waterford Plaza Shopping Centre, QLD	15.7	23.0	Dec 06	<ul style="list-style-type: none"> ▪ Redevelopment of existing shopping centre ▪ Expansion of the existing Bi-Lo and a re-configuration and re-mixing of the existing specialty tenants ▪ Construction commenced Aug 06 ▪ 92% leased ▪ 12 month rental guarantee provided by development manager
Kempsey Shopping Centre, NSW	4.8	23.6	Sep 08	<ul style="list-style-type: none"> ▪ Development of greenfield site ▪ Awaiting approval of DA – expected Oct 06 ▪ Agreement to lease executed with Coles and Target
Southside Shopping Centre, QLD	3.0	Yet to be determined	Yet to be determined	<ul style="list-style-type: none"> ▪ Development of greenfield site ▪ Currently completing feasibility ▪ Advanced stages of negotiation with major tenant
Burpengary Central Shopping Centre, QLD	2.7	Yet to be determined	Yet to be determined	<ul style="list-style-type: none"> ▪ Development of greenfield site ▪ Currently completing feasibility ▪ Advanced stages of negotiation with major tenant

MFT development pipeline

	Current value (\$m)	Est. on completion value (\$m)	Est. completion date	Project status / description
INDUSTRIAL				
Burnside Road, Stapylton, QLD	16.4	48.0	Yet to be determined	<ul style="list-style-type: none"> Redevelopment of existing industrial park Currently 100% leased Advanced leasing negotiation on two of the five stages DA not required, code assessable, self certified Land will be developed on lease pre-commitment
Seven Hills Industrial, NSW	10.2	n/a	Yet to be determined	<ul style="list-style-type: none"> Redevelopment of existing industrial park Currently 100% leased Initial assessment completed Full feasibility and Development approval process yet to commence
OTHER				
Mina Parade, Alderley	17.2	n/a	Yet to be determined	<ul style="list-style-type: none"> Potential conversion to residential Currently completing feasibility

Outlook and strategy

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Outlook and strategy

- Focus on providing investors with superior risk adjusted returns
- Continued growth of investment portfolio through acquisition
- Delivery and continued focus on investment portfolio development book
- Complete rationalisation of non core investment assets
- Focus on capital management to with a view to strengthening MFT's financial position
- Integration of Villa World
- The proposed merger with Villa World Limited will provide
 - Commercial property development capability
 - the opportunity to acquire and develop mixed use sites
 - Enhanced earnings diversification