

▶ Westralia Property Management Limited

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Company Announcements Platform
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Westralia Property Trust

(ASX code WST)

Chairman's Address

The directors of Westralia Property Management Limited, the responsible entity for the Westralia Property Trust provide a copy of the Chairman's Address delivered at a General Meeting of Unit holders.



David Hinton
Director and Company Secretary

Delivered by Chairman - Mr Wozniczka

Ladies and Gentlemen, when I refer to the Trust, I am referring to the consolidated entity which includes the Westralia Property Trust and all of its majority owned vehicles.

In April 2005, Kareelya Investments Limited became a wholly owned subsidiary of Futuris Corporation Limited in April 2005. Following the change of ownership, the Responsible Entity then changed its name to Westralia Property Management Limited who act as the Responsible Entity of the Trust.

Following the change in the ownership of the Responsible Entity the new Board of Directors initiated a review of each of the Trust properties. This review has been completed and the details will be referred to a number of times during this presentation.

Before we discuss the properties individually, I would like to present a short analysis of the financial performance of the Trust beginning with the result for the year to 30 June 2005.

<u>Westralia Property Management Limited</u>		
Westralia Property Trust		
<i>Profit and Loss Analysis</i>		
\$ 000's	FY 05	FY04
Net property income	5,760	2,279
Property & investment adjs	(8,608)	-
Borrowing costs	(4,520)	(2,118)
Other	(1,060)	1,582
Result before OEI	(8,428)	1,743
OEI	2,730	(893)
Result	(5,698)	850

This slide shows that with the first full year of income from the Murray Street Mall, the net property income received by the Trust has increased by \$3.5m.

Borrowing costs have increased by \$2.4m which is primarily related to the debt taken on to fund the Murray Street Mall purchase.

The overall reported loss attributable to unitholders of the Trust is \$5.7m. This reported loss includes non-recurring items comprising \$8.6m of net property and investment downward adjustments which we will return to in a moment.

<u>Westralia Property Management Limited</u>		
Westralia Property Trust		
<i>Profit and Loss Analysis (After OEI)</i>		
\$ 000's	FY 05	FY04
Reported result	(5,698)	850
Property & investment adjs (net)	5,973	-
Write down deferred costs	413	280
Profit / (loss) on sale of land	80	(996)
Total of non-recurring items	6,466	(716)
Underlying result	768	134

The slide you are now seeing adjusts the reported profit after outside equity interests to remove the impact of non-recurring items and present a picture of the underlying performance of the Trust. Prior to the non-recurring items, the underlying result was a profit of \$768,000 a significant increase on the 2004 underlying result to unit holders of \$134,000. This increase was solely attributable to the contribution from the Murray Street property.

The net property adjustment comprises an accretion in the value of the retail / commercial property at 166 Murray Street of \$3.2 million offset by an \$11 million reduction in the carrying values of tourism assets and investments located in regional Western Australia giving a net impact after OEI of \$5.9 million.

Whilst the reductions to the carrying value of the tourism assets is disappointing, the Directors believe it to be the most prudent course of action given the current performance levels of the properties, the land zoning of the properties and the complexities of the respective property ownership structures. The impacts of some of these factors are largely beyond the control of the management of the Trust.

<u>Westralia Property Management Limited</u>		
Westralia Property Trust		
<i>Balance Sheet</i>		
\$ 000's	FY 05	FY04
Other assets	5,200	7,632
Investments	105,441	111,645
Total assets	110,641	119,277
Payables	(972)	(2,113)
Interest bearing liabilities	(63,075)	(60,903)
Total liabilities	(64,047)	(63,016)
Net assets	46,594	56,261
Gearing ratio	57%	51%
NTA	\$0.60	\$0.73

Turning now to the Balance Sheet, at 30 June 2005, the Trust had total assets of \$110.6 million and total liabilities of \$64.0 million leaving a net asset position of \$46.6 million. The \$8.5m reduction in total assets from 2004 is a result of the reduction to investment property carrying values already mentioned. The gearing ratio (which is calculated as interest bearing liabilities divided by total tangible assets) at 30 June 2005 was 57%, up from 51% at the previous year end as a result of those adjustments arising from the asset and operational review.

The Directors intend to reduce the debt levels of the Trust as soon as possible to a target range of 40 to 45%. The NTA per unit reduced from \$0.73 to \$0.60 as a result of the reduction in the net assets of the Trust.

<u>Westralia Property Management Limited</u>		
Westralia Property Trust		
<i>Cash Flow Analysis</i>		
\$ 000's	FY 05	FY04
Operating	(181)	113
Investing	(388)	(56,695)
Financing: Equity	-	17,567
Unit issue costs	(486)	(390)
Debt	2,240	37,799
Distributions	(2,016)	(591)
Net change in cash held	(831)	(2,197)
Opening cash balance	1,253	3,450
Closing cash balance	422	1,253

The cash flow shows that the Trust had a negative cash flow for the year of almost \$1m and an increase in debt of some \$2m. The largest single factor in the negative cash flow has been that the Trust distributed over \$2m in cash to unit holders while operating cash flow was an outflow of \$181,000. As the cash flow presented here demonstrates, the distributions were substantially funded by debt. This is a policy the new Directors don't believe is appropriate or sustainable.

I will return to the matter of distributions from the Trust after briefly touching upon each of the properties in turn and the impact they have had on the results of the Trust.

The City Central property at 166 Murray Street Mall, Perth is a mixed retail office complex situated in the heart of the Perth CBD.

The property was acquired in June 2004 for \$56.2million and has increased in value since that time to \$63.8 m. At acquisition the property had a passing yield of 7.5%.

This increase in value is reflective of the low vacancy levels being experienced in Perth and an active property management approach.

Over the last year the property has become fully tenanted and the tenancy profile enhanced with the addition of a new national tenant and the expansion of a Government tenancy. One of the key retail tenants is now paying turnover rentals.

The Trust is also the majority owner of the Dunsborough Hotel Property Syndicate which owns the 88 room Broadwater Resort and Spa located on Caves Road, Dunsborough, Western Australia.

The Resort is leased to Broadwater Hospitality Management Pty Ltd.

The carrying value of this Resort has reduced from \$18.6 m to \$13.2 m in accordance with an independent valuation. The change in value can be attributed to a number of outside influences including the challenges of seasonality to the underlying performance of the Resort, increased competition from informal accommodation such as the letting of residences and an increase in supply of 170 rooms by direct competitors in the region.

The impact of this is that the potential of the underlying land value of the site does not necessarily manifest itself in the operation of a hotel and as such, the current use and zoning restrictions of the property do not directly reflect the general increase in property values experienced in the region.

The 3,700 sqm of land on the eastern boundary which was sold for \$4 million last year has now been cleared and prepared for the construction of 12 luxury homes by the new owner.

Proceeds of \$2 million received to date from the sale have been applied to the construction of a new spa and to the reduction of debt within the Syndicate. The balance of the sale price will be received in this current financial year and will be applied to enhance the earnings of the Syndicate.

The Dunsborough Hotel Property Syndicate is trading at a loss for the current financial year. I also wish to advise that the lessee is claiming rent abatement due to the disruption to their business caused by the demolition and associated works has caused and that due to the reduction in the number of rooms is claiming a reduction in the rent. These claims are within the terms of the lease and are yet to be quantified. The Responsible Entity has engaged an independent valuer to do this.

Directors anticipate that the financial impact will be adverse and will be added to the loss attributable to this Syndicate already recorded for the three months to the end of September.

The Board of the Responsible Entity is exploring a number of options to rationalise this property for the benefit of trust members.

I now turn to the Kalgoorlie property. The Trust wholly owns the Broadwater Resort Hotel, Kalgoorlie.

The Hotel is leased to, and operated by, Broadwater Hospitality Management Pty Ltd.

The Hotel, comprises 92 deluxe rooms and apartments which was opened in August 2003. Since opening it has established itself as the premier short stay accommodation in the region. The Hotel has experienced strong growth in the last year in both the corporate and leisure markets and it is anticipated that this growth will continue and that the Hotel will achieve its full potential.

During our review it was identified that this property had rent arrears due from the lessee. These arrears have been significantly clawed back since balance date with the remaining balance expected to be collected over the next two months.

Whilst the Directors believe that this potential can be reached in the near term, subject to appropriate economic conditions, the Directors also believe that the current operating results and short term outlook could not support the 2004 carrying value and considered it prudent to reduce the carrying value at 30 June 2005 by \$5.6m.

The Trust is the majority owner of the Pagoda Hotel Property Syndicate which, in turn, is the majority owner of the Pagoda Fixed Term Property Syndicate.

The Pagoda Hotel Property Syndicate owns 34 of the 101 suites at the Broadwater Pagoda Hotel and Apartments in South Perth.

The Pagoda Fixed Term Property Syndicate owns the facilities lot of this Hotel which incorporates the bar, restaurant, kitchen and conference facilities of the Hotel.

The Hotel is operated by Broadwater Hospitality Pty Ltd.

The Hotel has performed strongly in the previous financial year with increases in room rate and occupancy translating to increased revenues and profits. The Hotel has commenced trading in the new financial year at or above expected levels. During the Directors review of the income pool of the Hotel several financial discrepancies were identified involving parties associated with the former Directors of the Responsible Entity. I am delighted to advise that management has successfully remedied those issues. The issue in simple terms were the non-collection of long outstanding debts from former related parties and the under funding of refurbishment reserves.

The Trust is a minority owner in the Broadwater Busselton Property Syndicate.

This Syndicate owns 10 Villas in the Broadwater Beach Resort, 57 units and the Café at the Broadwater Bungalows Resort, 4 shops in the Broadwater Shopping Village and a Beach Kiosk.

The properties within this Syndicate are under similar competitive pressures to those influencing the values of the Dunsborough. These factors have led to a reduction in the value of the Trust's investment following a recent property valuation undertaken by that Syndicate.

The Broadwater Busselton Property Syndicate is currently not contributing in a positive way to the results of the Trust. The Broadwater Busselton Property Syndicate has a number of significant issues facing it. These issues include the non collection of \$1.1m of rent guarantees from Broadwater Bungalows Pty Ltd the vendor of the properties within Broadwater Bungalows Property Syndicate.

Broadwater Bungalows Pty Ltd is a company associated with the former Directors of the Responsible Entity. Legal action has commenced to collect this debt. The underlying income pool of the Broadwater Bungalows Resort has also experienced some financial discrepancies that management are in the process of remedying. However it is unlikely that the Trust will receive any positive return from this investment for the foreseeable future.

At 30 June 2005 the Trust carries the investment in Broadwater Busselton Property Syndicate at \$1m.

In prior years the Trust, through WPT Finance Pty Ltd made a loan to Bunbury Silos Pty Ltd. Bunbury Silos Pty Ltd is a company owned by the former Directors of the Responsible Entity. This loan is now in default and repayment has been demanded of almost \$1m. Whilst the debt is secured the Directors cannot guarantee that the debt will be collected in full. All legal avenues will be applied to collect this debt.

The various discrepancies that I have mentioned have a varying degree of impact on the Trust. The matters involve significant sums of money and are serious matters accordingly we have reported them to the Corporate Regulator – the Australian Securities & Investments Commission.

I will now return to the topic of distributions from the Trust.

The distributions declared and paid for the 2005 financial year amounted to \$2.94 million or 4.5 cents per unit, which were 100% tax deferred. The distributions declared were in respect to the September 2004, December 2004 and March 2005 quarters.

As previously reported the Directors believed that it was not prudent to make a distribution for the June 2005 or the September 2005 quarters. This

decision was taken after due consideration of the current level of profit and cash flows which was not considered sufficient to support a distribution.

While the decision to suspend distributions is regrettable, the Directors believe that the focus of the Trust should be to reduce debt levels and stabilise the earnings. We have some way to go before that is achieved. Until this is achieved the Directors are not in a position to consider the re-commencement of distributions.

The Directors of the RE take very seriously its stewardship role and consider that their actions have been carried out to protect the best interests of investors now and in the future.

Importantly, the RE is obligated to act in the best interests of members. We were faced and still are faced with the choice of either continuing the practice of paying distributions or taking steps to protect your investment – it was not possible to do both.

I will now finish by briefly commenting on what the Directors see to be the future prospects for the Trust.

As we have seen, the Trust's portfolio of tourism assets has provided mixed results. The strategy of the RE is to provide greater diversification of the Trust's total portfolio to reduce exposure to the tourism sector.

The acquisition of the City Central property in June 2004 was the first step towards this objective, significantly diversifying the Trust's asset portfolio and income base. The acquisition of that flagship asset could not have been possible without the contributions made by the Trusts key unit holders. Commercial property now comprises 61% of the Trusts portfolio.

The Directors are constantly reviewing potential future acquisitions to add value to the Trust and in the longer term, the acquisitions should enhance the distribution yield and the net asset backing of the units for existing Investors.

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