PFA DIVERSIFIED PROPERTY TRUST

ARSN 097 860 690

PRODUCT DISCLOSURE STATEMENT NO. 3

PFA PROPERTY FUNDS AUSTRALIA LIMITED

ACN 078 199 569
AFSL No. 224106

PFD 2/05

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Key Dates

EVENT	DATE
Record Date for Current Unitholders' Priority Entitlement	1 October, 2005
Current Unitholders' Priority Entitlement period closes	25 November, 2005
Monthly cut-off date for applications	5pm (AEST) on the 25th day of each month
Allotment of Units	On the first business day of each month
Dispatch of holding statements	Within 7 days after allotment
Units quoted on BSX	Within 7 days after allotment
Record date for distributions	The last business day of each month

The Offer will remain open until fully subscribed. However, PFA may close the Offer at any time. Investors are encouraged to submit their Application Forms as soon as possible as the Offer may close early without notice.

INVESTOR ENQUIRIES FREECALL **1800 687 170**

Important Notice

Property Funds Australia Limited ACN 078 199 569 ("the Manager"), the holder of Australian Financial Services Licence ("AFSL") No. 224106 is the responsible entity of the PFA Diversified Property Trust ARSN 097 860 690 ("the Trust"). The Manager is the issuer of this PDS.

This PDS is an important document and should be read in its entirety. The PDS is dated 19 October 2005. A copy of this PDS has been lodged with the Australian Securities and Investments Commission ("ASIC") and the Bendigo Stock Exchange ("BSX") on 19 October 2005. ASIC and BSX take no responsibility for the contents of this PDS.

No person is authorised to provide any information or to make any representation in connection with the Offer which is not in this PDS. Any information or representation not in this PDS may not be relied upon as having been authorised by the Manager in connection with this Offer.

Capital and investment returns are not guaranteed.

Investments in the Trust are not deposits with or liabilities of the Manager and are subject to investment and other risks, including possible loss of income and capital invested. The Manager does not guarantee any particular rate of return on Units, the performance of the Trust or repayment of capital.

In particular, this PDS contains certain statements which relate to the future, including forecast statements relating to the Trust and forecast financial performance, financial position and strategy. These forecast statements are not guarantees of future performance. Neither the Manager, the Trust nor any other person gives any representation, assurance or guarantee that the results, performance or achievements expressed in or implied by the forecast statements contained in this PDS will actually occur.

This PDS is not financial advice. Investors should seek their own financial advice.

The Offer does not take into account the objectives, financial situation or particular needs of Investors. It is important that Investors read the entire PDS before making any decision to invest in the Trust. In particular, in considering the prospects of the Trust, it is important that Investors consider the risk factors that could affect the financial performance of the Trust. Investors should carefully consider these factors in light of their particular objectives, financial situation and needs (including financial and taxation issues) and seek professional advice from their own professional advisers before deciding to invest. Some of the risk factors that should be considered are set out in section 7.

Restrictions in jurisdictions outside Australia

This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. Units will only be issued to Investors who have submitted an Application Form which was attached to this PDS.

Integrity of the content of the PDS

The PDS (including the Application Form) is available in electronic format, including on the internet at www.pfaltd.com.au. While the Manager believes it is unlikely that during the period of the Offer the electronic version of the PDS will be tampered with or altered in any way, the Manager cannot give any absolute assurance that this will not occur. Any prospective Investor in doubt as to the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS. A paper copy of this PDS will be provided free of charge to any person in Australia who requests a copy by contacting Property Funds Australia Limited on 1800 687 170.

Definitions

A number of words and terms used in this PDS have defined meanings or should be interpreted in a particular manner; these appear in the Defined Terms section. All references to monetary amounts are expressed in Australian currency.

The Offer at a Glance

The Offer	18,348,624 Units in the PFA Diversified Property Trust ARSN 097 860 690 which owns a portfolio of Australian investment grade properties currently valued at $341 million (including the further property it has contracted to purchase which is valued at $18 million) (see section 1.11). The Trust will continue to grow its asset base through the acquisition of quality investment grade properties.
An Investment Opportunity For	Current PFA Investors New Investors Superannuation funds Institutions and property securities funds
Attractive Distributions*	Forecast distributions during the Forecast Period are 9.48 cents per Unit per annum. This equates to an **annualised distribution rate of 8.7% per annum** when calculated on the Offer Price of $1.09 per Unit (see section 6.2).
Tax Effective Distributions*	**61%** of the forecast distributions are expected to be **Tax Deferred** in the financial year 2005/06 (see section 6.2 Note 12).
Monthly Distributions	Paid by electronic funds transfer.
Minimum Investment	$5,000 and then in multiples of $1,000.
Offer Price	**$1.09 per Unit.**
Quality and Diversified Property Exposure**	A quality portfolio of 15 investment grade properties diversified by geographic location, property sector, tenant and lease expiry (see section 2).
Access to Funds	The Units in the Trust are listed on the Bendigo Stock Exchange ("BSX") and can be traded (see section 3.9).
Well Established Management and Custodian	The Trust's responsible entity/manager is Property Funds Australia Limited, an experienced and specialist property fund manager. The Custodian is Trust Company of Australia Limited, established in 1885 (see section 5.2).
Investment Strategy of the Trust	To invest in a growing portfolio of quality properties diversified by property sector, geographic location, tenant profile and lease expiry with the properties generally in the price range of $10 million to $50 million (see section 3 for the detailed strategy).
Entry Fees	Nil.
Current Unitholders' Priority Entitlement	Current Unitholders have the benefit of a Priority Entitlement over other Applicants (see section 1.10).
Trust Performance	In the last financial year, net tangible asset backing per Unit increased by 15% following the revaluation of 4 properties. Distributions have continued to occur as per the published forecasts. Tax Deferred components of distributions have been above published forecasts. For the year ended 30 June, 2005 revenue increased 20% and net profit (before amortisations) increased 21% as against the previous financial year.

* *These forecast distributions are not guarantees of future performance. Neither the Manager, the Trust, the Custodian nor any other person gives any guarantee of performance or returns (if any) on Investment in the Trust.*

** *An unconditional contract to purchase 180 Queen Street has been entered into, settlement of which is anticipated to occur by 31 October, 2005, and a put and call option has been entered into for the sale of the Post Office Square property, settlement of which is anticipated to occur by 1 December, 2005. If both contracts settle, the Portfolio will reduce to 14 properties at that point in time.*

Managing Director's Letter

20 October, 2005

Dear Investor,

On behalf of Property Funds Australia Limited, I am pleased to offer you the opportunity to invest in the PFA Diversified Property Trust.

Following completion of two recent property acquisitions and a contract to acquire 180 Queen Street, the value of the Trust's portfolio will be $341 million. The Trust's portfolio of 15 properties are located in all states and territories (except South Australia and Northern Territory) and are spread across the retail, office, industrial, car park and entertainment sectors.

The purpose of this product disclosure statement is to raise $20 million through the issue of 18,348,624 Units, to enable the Trust to continue to acquire interests in further quality investment grade properties.

Based on the Offer Price of $1.09 per Unit, during the Forecast Period, the forecast distribution is 9.48 cents per Unit per annum with approximately 61% of that forecast distribution expected to be Tax Deferred in the 2005/06 financial year.

The Trust currently has in excess of 3,300 Unitholders and is listed on the Bendigo Stock Exchange, which offers investors access to a transparent secondary market for the trading of Units.

The Trust has achieved an excellent recent trading performance, with net tangible asset backing per Unit increasing in the last financial year by 15%.

Distributions have continued to occur in accordance with published forecasts. The financial performance and other qualities of the Trust were recently recognised by the Australian Property Institute (Queensland Division) as the winner of the Property Trust Industry Award for 2005.

Our objective for the Trust is to continue to grow the Trust's asset base and maximise performance through the acquisition of quality properties diversified by property sector, geographic location, tenant profile and lease expiry. These properties are generally intended to be in the price range of $10 million to $50 million. Any future acquisitions will, of course, be subject to the rigours of our financial, physical and legal due diligence assessment processes.

We will continue to actively source and secure value added investment opportunities on behalf of the Trust.

In summary, the Trust offers you exposure to a growing quality property portfolio with a strong tenant profile and good diversity, all of which combine to deliver attractive tax effective distributions and support the Trust's value.

On behalf of the Directors, I look forward to welcoming new Unitholders to the Trust and I encourage existing Unitholders to consider increasing their investment in the Trust.

Yours sincerely

Chris Morton
Managing Director

The Benefits of the Offer

Attractive Distributions

8.7% per annum annualised forecast distribution during the Forecast Period (when calculated by reference to the Offer Price of $1.09 per Unit).

Substantial Tax Benefits

61% of the forecast distributions during the 2005/06 financial year are expected to be **Tax Deferred**.

Sound Diversification

The Portfolio has sound diversification by sector, tenant and lease expiry profile. Investors will be exposed to a quality property portfolio which is predominantly leased to a number of widely recognised quality tenants as the chart below demonstrates. The underlying Properties are **valued at $341 million**. The Portfolio's diversification is also demonstrated in the charts below.

Quality Tenants

Approximately **83%** of the Portfolio's income is derived from national or government tenants.

Monthly Distributions

Monthly distributions are by electronic funds transfer.

Expansion Opportunities

Further properties are intended to be acquired thereby enhancing the diversification of the Trust.

Established and Experienced Management

Property Funds Australia is the responsible entity of the Trust. Established in 1997, PFA is a specialist property fund manager which is 50% owned by a wholly owned subsidiary of Mirvac Limited. PFA's Directors and key officers have a wide variety of background skills and experience in areas critical to the successful acquisition, management and sale of the Trust's assets.

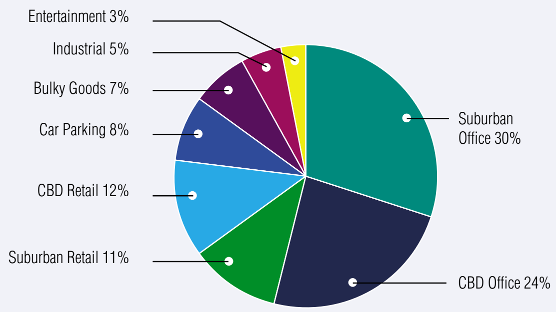
Super Fund Suitability

Currently, superannuation funds which are unable to borrow in their own right can invest in the Trust. The Trust borrows so gearing benefits are obtained.

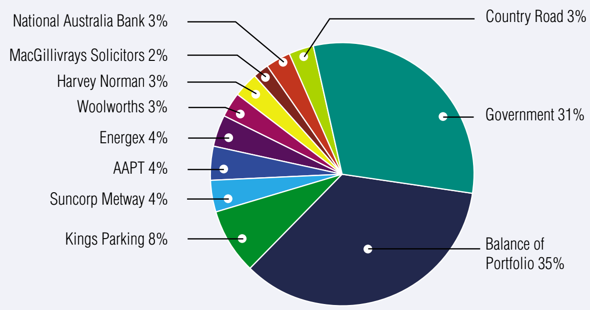
Listed Investment

The Trust is a $341 million property trust listed on the Bendigo Stock Exchange. The Trust has in excess of 3,300 Investors. Being listed, there is an available and operating secondary market with freely available and transparent market information. Units in the Trust can be traded on the Bendigo Stock Exchange.

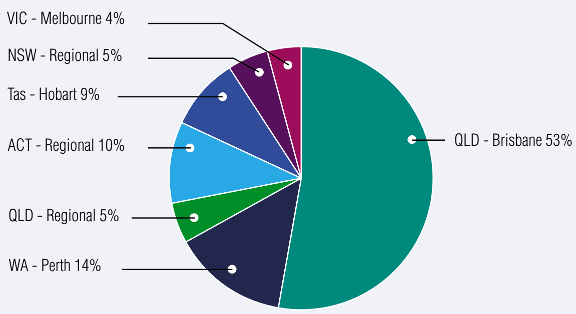
Sector



Tenant Profile



Geographic Diversification



Defined Terms

Words with initial capital letters throughout this PDS are defined in this section.

AGAAP	Australian Generally Accepted Accounting Principles.
Applicant	a person or entity who submits an Application Form.
Application Form	an application form attached to this PDS.
ASIC	Australian Securities and Investments Commission.
Balance Sheet	a statement of financial position under AGAAP or a balance sheet under Australian Equivalents to IFRS.
BSX/Bendigo Stock Exchange	the stock exchange conducted by Bendigo Stock Exchange Limited.
CGT	capital gains tax.
Constitution	the constitution of the PFA Diversified Property Trust ARSN 097 860 690, a summary of which is set out in section 9.1.
Corporations Act	the Corporations Act 2001 (Commonwealth).
Current Unitholders	Unitholders registered as at 1 October, 2005.
Custodian	Trust Company of Australia Limited ACN 004 027 749.
Directors	the directors of Property Funds Australia.
Equated Yield	sustainable net market income as a percentage of value.
Financiers	the Commonwealth Bank of Australia Limited and certain mortgage funds managed by ING Management Limited.
Forecast Period	the period from 1 July, 2005 to 30 June, 2006 in respect of which Property Funds Australia has prepared financial forecasts for the Trust.
GST	goods and services tax.
IFRS	International Financial Reporting Standards.
Investment	the ownership of Units in the Trust.
Investor	a Unitholder or prospective Unitholder.
Joint Finance Facility	the joint finance facility provided by the Financiers and described in section 6.5.
LVR	loan to valuation ratio. It is the ratio of the debt funding amount (i.e. provided by the lender to the Trust) as against the lender's ascribed value to the Properties.
Manager	Property Funds Australia.
Mirvac	Mirvac Limited ABN 92 003 280 699.
NLA	net lettable area.
Offer	the offer of Units made in this PDS.
Offer Price	$1.09 per Unit.
PDS	this product disclosure statement.
PFA	Property Funds Australia.
Portfolio	the Properties collectively.
Priority Entitlement	the entitlement of Current Unitholders to have their application for Units accepted in priority to new Investors. See section 1.10.
Property Funds Australia	Property Funds Australia Limited ACN 078 199 569, the responsible entity/manager of the Trust.
Properties	the properties which form the key assets of the Trust and which are listed in section 2.
Registry	the registry maintained by Property Funds Australia which records the details of each Unitholder.
Subscription	the amount as set out on an Application Form (after deduction of any adviser service fees) paid by the Applicant and accepted by the Manager.
Tax Deferred	that component of distributions from the Trust that are not taxed. For further explanation see section 6.2 Note 12.
Trust	the PFA Diversified Property Trust ARSN 097 860 690 as constituted by the Constitution.
Unit	a unit in the Trust.
Unitholder	a holder of Units in the Trust.
Unitholding	the unitholding of a Unitholder in the Trust.
Vacancy	not leased or subject to receipt of income in respect of relevant space. Vacancy is calculated on an income basis.
we	Property Funds Australia.
you	an Investor.

Net Asset/N.T.A. Interpretation

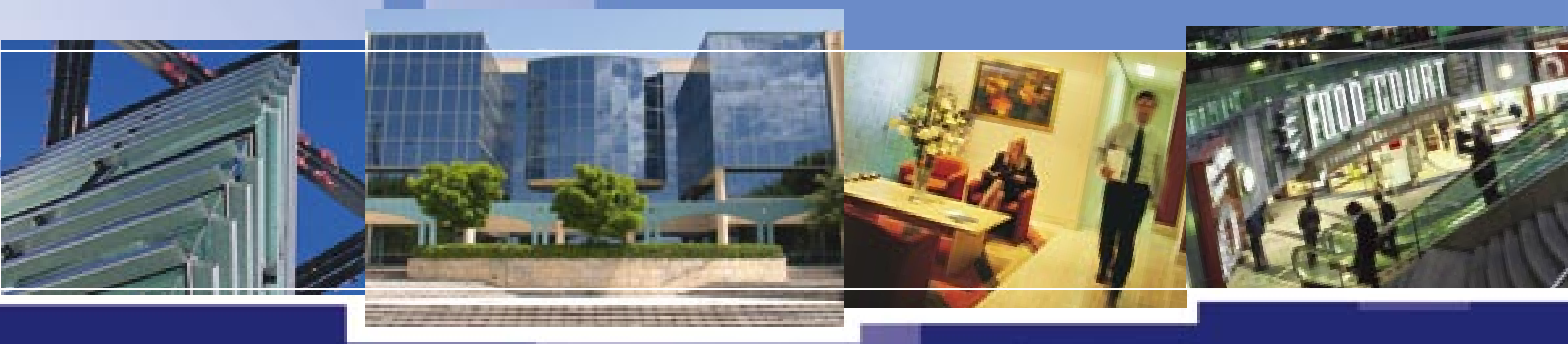
Notwithstanding the treatment under Australian Equivalents to IFRS of Unitholders' equity as a liability of the Trust, unless expressly stated, references to terms and expressions such as 'net assets' and 'net tangible assets' should be interpreted in accordance with Australian Accounting Principles as they stood immediately before 1 January, 2005.

SECTIONS

1 Investment Overview

2 The Portfolio

3 Structure and Strategy



1 Investment Overview

The information set out in this section is a summary only. It should be read in conjunction with the information contained in the remainder of this PDS.

1.1. Introduction

The Trust is a listed Australian unit trust which owns the Portfolio (either directly or through wholly owned subsidiary trusts) and which is currently valued at $341 million. The Portfolio is diversified by property sector, geographic location, tenant profile and lease expiry. The Trust currently has in excess of 3,300 Unitholders.

The Trust has entered into an unconditional contract to acquire a further property being a heritage retail and office building known as 180 Queen Street situated in the Queen Street Mall in the heart of Brisbane's CBD.

The Trust evolved as a consequence of the amalgamation on 1 July, 2003 of all of the entities managed by PFA. The intention of PFA is to continue to expand the Trust through further acquisitions.

The Trust has achieved an excellent trading performance for the financial year ended 30 June, 2005. In particular:-

- during this period, the net tangible asset backing per Unit increased by 15%;
- distributions have occurred in line with published forecasts; and
- revenues increased 20% and net profit (before amortisations) increased 21%.

1.2 The Offer

PFA is offering Investors the opportunity to acquire Units in the Trust by subscribing for up to 18,348,624 Units. PFA reserves the right to accept oversubscriptions. However, in deciding whether to accept oversubscriptions, PFA will have regard to factors including but not limited to the effect (if any) that accepting oversubscriptions has on forecast distributions to Investors.

1.3 Purpose of the Offer

The purpose of the Offer is to issue 18,348,624 Units to raise capital to continue to grow the Trust through property acquisitions in accordance with the investment strategies of the Trust. The proceeds of the Offer will be used to:-

- initially reduce the Trust's debt to enable the financing of future acquisitions; and
- provide cash reserves to enable funding of future acquisitions.

Set out below is a summary source and application of funds for the Trust associated with the Offer:-

Source of Funds

	$'000's
Subscriptions from Unitholders	20,000

Application of Funds

	$'000's
Equity component of assumed future property acquisitions	19,000
Capital raising related costs	1,000
TOTAL	**20,000**

1.4. Minimum investment

The **minimum application for new Investors is $5,000** and thereafter in multiples of $1,000. PFA reserves the right to accept applications for differing amounts at its discretion.

PFA reserves at its absolute discretion the right to waive the minimum application requirements or decline in whole or in part any application. Where any application is declined, the surplus application monies will be refunded, without interest, to the Applicant as soon as practicable.

1.5 Who is able to invest?

Investment in the Trust is appropriate for **private investors, superannuation funds, institutions or property securities funds** seeking any or all of:-

- diversified exposure to the commercial property sector;
- a regular income stream;
- a tax effective income return;
- potential for capital growth.

Investors should however seek their own financial advice.

1.6 Monthly distributions

Income distributions are currently paid monthly directly into a nominated Australian bank, building society or credit union account by electronic funds transfer. The monthly distribution is a reasonably unique feature of the Trust when compared to other similarly diversified and stock exchange listed property trusts. Direct deposit of distributions enables access to funds quickly and with minimal effort. The Application Form contains a provision to nominate relevant account details. Distribution instructions can be changed at any time by notifying the Registry in writing.

1.7 How to apply

Application for Units must be made on the Application Form at the end of this PDS. **Please refer to section 10 for full details on 'How to Invest'**.

1.8 Nature of Units and transferability

Each Unit confers on the Unitholder an equal undivided interest in the assets of the Trust as a whole, subject to the liabilities of the Trust. However, it does not confer an interest in any particular asset of the Trust.

Unitholders may transfer Units, subject to the procedures set out in the Constitution. Unitholders may also trade their Units on the Bendigo Stock Exchange (see section 3.9 for further details on the BSX).

1.9 Limited liability

The Constitution contains provisions designed to limit Unitholders' liability in respect of their investment in the Trust to the assets and undertakings of the Trust. However, Australian courts have not finally determined this issue.

1.10 Current Unitholders' Priority Entitlement

Current Unitholders have a Priority Entitlement under the Offer. This means that Current Unitholders who wish to subscribe for additional Units under this PDS will have a Priority Entitlement to, and be given a priority over, other Applicants. **To receive the benefits of this priority, Current Unitholders must lodge their duly completed Application Forms with Property Funds Australia by 25 November, 2005**.

The Sevenoaks property in Cannington, Perth.

Applications by Current Unitholders lodged with Property Funds Australia after that date will still be processed but will not have priority over other applicants who are not Current Unitholders.

1.11 Relevant current events

Acquisition of 180 Queen Street

The Trust has entered into an agreement for the acquisition of 180 Queen Street for a purchase price of $18 million. Settlement of this property is anticipated to occur on 31 October, 2005. A profile of this property is contained in section 2.

This property is a heritage retail and office building with approximately 60% of its income secured by lease to the fashion retailer Country Road until 2010.

The purchase of 180 Queen Street is being funded from current cash reserves and further funding under the Joint Finance Facility. Capital raised by this PDS will be temporarily used to reduce the debt associated with this acquisition until such time as further properties are acquired.

This PDS has been prepared on the basis that 180 Queen Street is part of the Portfolio. The addition of this property to the Portfolio enhances its diversity, security and lease expiry profile.

Post Office Square Sale

In June 2005, the Trust entered into a put and call option agreement for the sale of Post Office Square for a base sale price of $68.6 million, with settlement anticipated to occur on or about 1 December, 2005.

It is therefore highly probable that the Post Office Square property will not continue as part of the Portfolio after December, 2005.

The eventual sale price is subject to variations depending on the Trust's ability to generate additional revenue streams by certain key milestone dates and certain lease and lease renewal negotiations. The Manager's current best estimate of the eventual sale price is $69.4 million.

Special Distribution

As a consequence of the anticipated sale of Post Office Square, it is the intention of the Manager to make a special distribution of 6.76 cents per Unit, only to those Unitholders on the register of the Trust on 30 June, 2005. Consequently, **Units allotted pursuant to this PDS will not be the subject of this special distribution**.

The special distribution is conditional upon the sale of Post Office Square pursuant to the existing contractual arrangements. The special distribution is to occur 14 days after the settlement of the Post Office Square sale, which settlement is expected to occur between 1 November and 1 December, 2005.

Prior to the special distribution being made, the Manager intends to offer these Unitholders the opportunity to reinvest their special distribution under a distribution reinvestment plan at the Offer Price.

180 Queen Street, Brisbane.

The Portfolio

2

2.1. Introduction

The Portfolio has the following characteristics:-

- **$341 million in property assets over 15 properties;**
- gross revenues of approximately $36.6 million per annum;
- **a strong 6.2 year weighted average lease expiry;**
- **a balanced lease expiry profile**;
- **a 2.8% Vacancy rate**;
- approximately **83% leased to national or government tenants**;
- 133,428m^2 of Net Lettable Area and a 316 bay public car parking facility; and
- **sound diversification**, particularly by reference to sector and tenant, with a material Queensland geographical bias.

Following the anticipated sale of Post Office Square and the assumed purchases which are incorporated into the forecasts within this PDS, the Portfolio is expected to have a value in the vicinity of $375 million.

An Australian property market commentary by independent property researchers and valuers, LandMark White, is contained in section 8.3. This commentary focuses on those property sectors and geographic locations which currently affect the Portfolio and should assist in an understanding of relevant property markets.

Summaries of each of the Properties are set out below, with further details in the property valuation summary reports in section 8.4.

2.2. The Portfolio

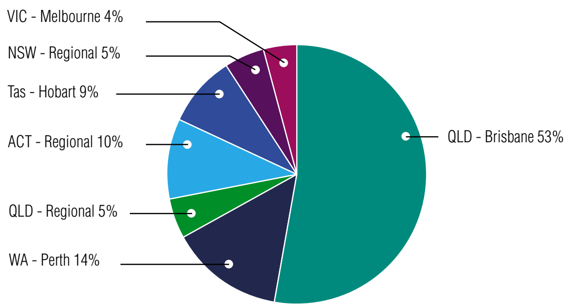
The Portfolio comprises 15 properties, summarised as follows:-

Asset	Sector	Location	% of Portfolio Value	Current Independent Valuation
Post Office Square	Retail/Car Park	Brisbane CBD, Qld	18.03	$61,500,000
Sevenoaks	Office	Cannington, Perth, WA	10.99	$37,500,000
Homeworld Centre	Retail/Office	Tuggeranong, ACT	9.52	$32,500,000
The Lands Building	Office	Hobart, Tas	8.50	$29,000,000
Garden Square	Office	Upper Mt Gravatt, Brisbane, Qld	9.17	$31,300,000
Anzac Square	Office	Brisbane CBD, Qld	7.03	$24,000,000
388 Queen Street	Office	Brisbane CBD, Qld	5.57	$19,000,000
180 Queen Street	Retail/Office	Brisbane CBD, Qld	5.27	$18,000.000
Cairns Hypermart	Retail/Industrial/Office	Cairns, Qld	4.98	$17,000,000
AAPT Centre	Office/Industrial	Richmond, Melbourne, Vic	4.47	$15,250,000
Riverdale Centre	Retail/Entertainment	Dubbo, NSW	4.61	$15,750,000
544 Kessels Road	Retail/Industrial	MacGregor, Brisbane, Qld	3.56	$12,140,000
Centro on James - Stage 3	Retail/Entertainment	Fortitude Valley, Brisbane, Qld	3.22	$11,000,000
The Precinct	Office/Retail	Coorparoo, Brisbane, Qld	3.06	$10,450,000
33 McDowell Street	Industrial	Welshpool, Perth, WA	2.02	$ 6,900,000
			100	**$341,290,000**

2.3. Geographical diversification

The following chart demonstrates the geographical diversification of the Portfolio and its current Queensland geographical bias. Part of the investment strategy of the Trust is to gradually reduce this bias towards Queensland. The chart includes Post Office Square, a Brisbane based property which is anticipated to be sold by December, 2005. Such a sale (depending on its replacement) could reduce the Queensland – Brisbane percentage to approximately 44%.

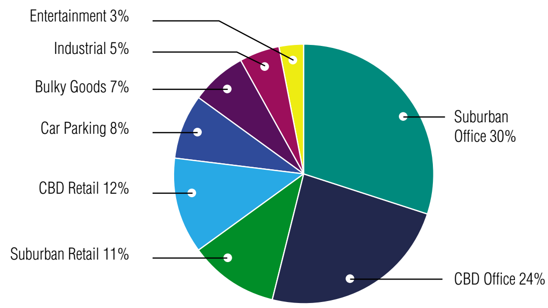
Geographical Diversification (by Gross Income)

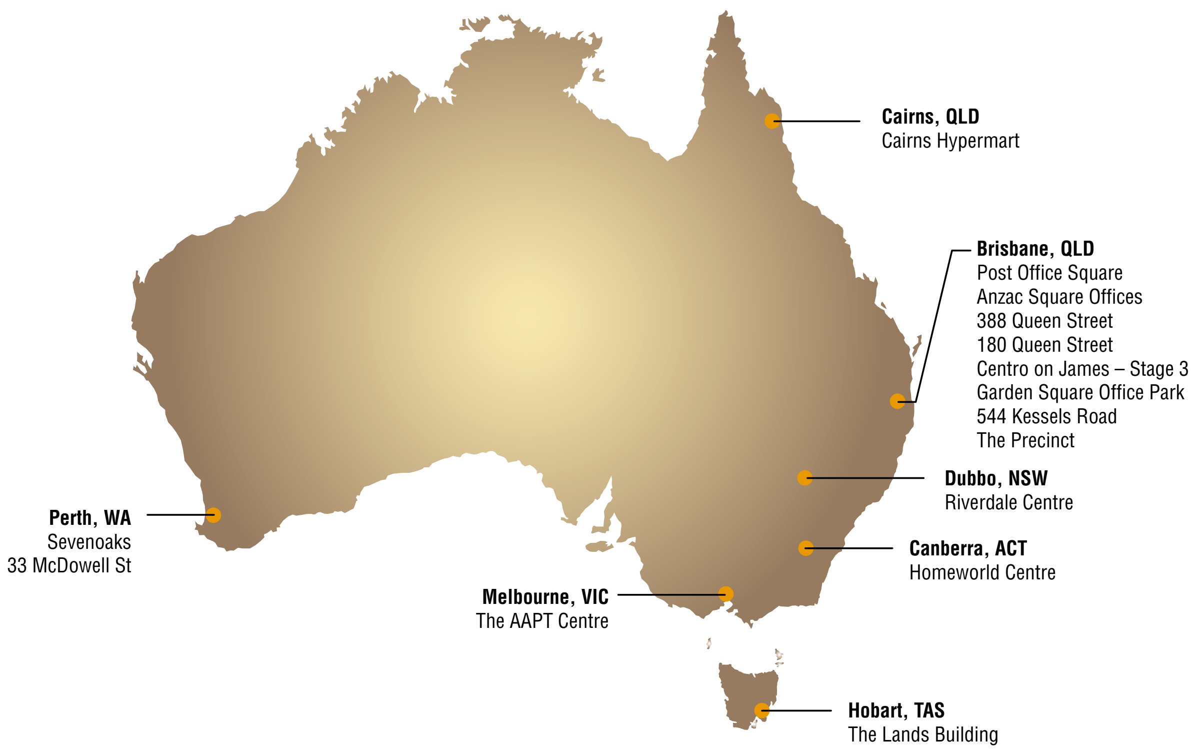


2.4. Property sectors

The following chart demonstrates the break-up of the Portfolio by property sector. The chart includes Post Office Square which is a significant part of the retail and car parking sectors. This property is expected to be sold by December, 2005 and replaced with properties of currently unknown sector classifications.

Property Sectors (by % of Income)





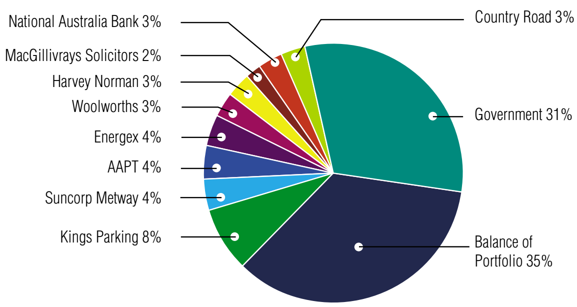
2.5. The tenants

The following chart illustrates the contribution by income (approximately 65%) of the top ten tenants. The subsequent table identifies some of the well known tenants that make up part of the balance of Portfolio income.

The chart incorporates Post Office Square which has Kings Parking as a tenant. This property is expected to be sold and replaced with properties of unknown tenant identity by December, 2005.

Such a sale (even after the property's replacement) would most likely see Kings Parking removed as a tenant of the Portfolio.

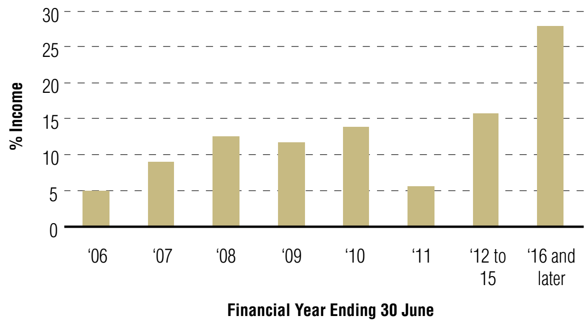
Top 10 Tenants (by % of Income)



Tenant	% of Portfolio Income
Palace Cinemas (a Village Roadshow subsidiary)	1.1%
Freedom Furniture Group (including Capt'n Snooze)	1.1%
ALDI Stores	1.1%
Trendwest Resorts	0.8%
JB Hi-Fi	0.7%
Encel	0.6%
Citibank Limited	0.5%

2.6. Lease expiry, average lease term

The graph below shows the Portfolio's current lease expiry profile. The current Portfolio has a **weighted average lease term of 6.2 years and a Vacancy rate of approximately 2.8%**.



Some of the major tenants of the Portfolio

Sevenoaks

Description

Sevenoaks is a modern four level office building situated in the Perth suburb of Cannington, 11 kilometres south-east of Perth's city centre. It is located across the road from Cannington train station and bus interchange and some 600 metres from the Westfield Carousel regional shopping centre.

Sevenoaks has a large 5,500m^2 floorplate which is highly attractive to government and large corporate tenants due to spatial efficiencies. Two internal atriums within the building enable natural light to penetrate through it.

The building, which was originally built for the Australian Taxation Office, has been constructed to a high government specification. It offers a highly beneficial car parking ratio of one car space per 27m^2.

The building is wholly leased to the State Government of Western Australia with 79% of it leased until 30 June, 2017.

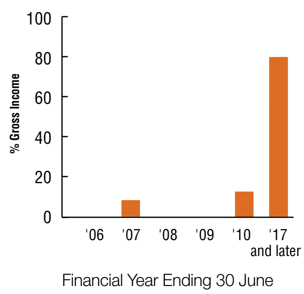
The property comprises approximately two hectares of surplus land which the Manager currently intends to dispose of after its subdivision, and clarification of development issues associated with it.

The building has an attractive entrance area and is undergoing significant refurbishment and new fitout as a consequence of the commencement of the main Western Australian Government lease.

Key Data

Location:	303 Sevenoaks Street, Cannington, WA		
Title:	Freehold	**Principal Use:**	Commercial office
Date Built:	1992	**Date to be Acquired:**	February 2005
Site Area:	5.02 ha	**Car Spaces:**	776
Net Lettable Area:	20,820m^2 office	**Vacancy:**	Nil
	1,382m^2 storage	**Weighted Av. Lease Expiry:**	10.02 years

Lease Expiry



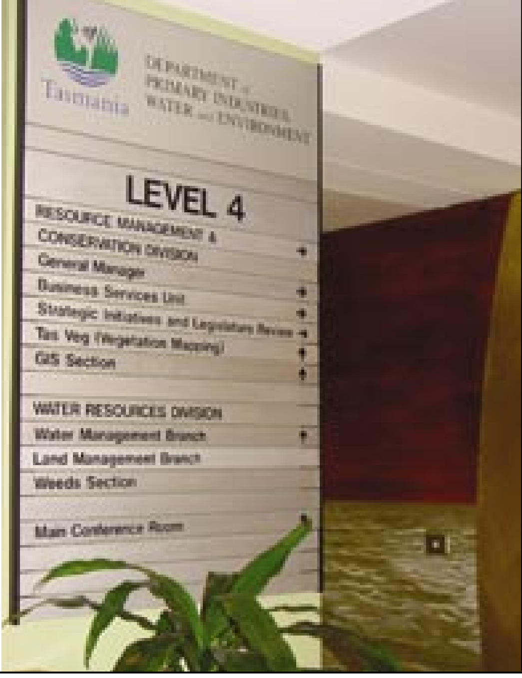
Major Tenants

	% of Income	Lease Expiry
State of Western Australia - Shared Services	79%	30 June 2017
State of Western Australia - Education	13%	30 April 2010

Current Valuation Information

Value	$37.5 million	**Valuation Date**	February 2005	**Valuer**	Knight Frank (WA) Pty Ltd
Market Income (Net)	$3.385 million	**Equated Yield**	8.99%*	**Value/m^2 (NLA)**	$1,729

**Assuming disposal of surplus land at valuer's estimated value.*



The Lands Building

Description

The Lands Building is a ten level office building located in the prime southern precinct of Hobart's CBD. It is one block from the core of Hobart's CBD in an area recognised as the centre of State and Commonwealth Government activity. The precinct is characterised by a concentration of landmark buildings.

The Lands Building offers tenants generous natural light and impressive views over Hobart and its harbour. The building has floor plates of approximately 1,182m^2 and offers quality office accommodation.

The building is fully leased with a 13 year remaining lease term and houses a number of State Government agencies. The ground floor is home to the Tasmanian State Government's customer service centre, known as Service Tasmania.

The building has an attractive entry foyer and in recent years has undergone a substantial refurbishment carried out in consultation with the tenant.

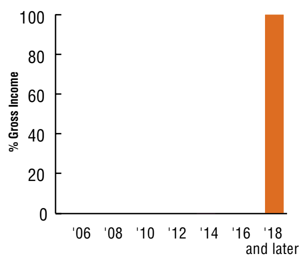
Key Data

Location:	134 Macquarie Street, Hobart, Tas		
Title:	Freehold	**Principal Use:**	Commercial office
Date Built:	1976	**Date Acquired:**	March 2004
Site Area:	1,968m^2	**Car Spaces:**	32
Net Lettable Area:	11,675m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	12.51 years

Major Tenants

	% of Income	Lease Expiry
State of Tasmania	100%	31 March 2018

Lease Expiry



Financial Year Ending 30 June

Current Valuation Information

Value	$ 27.65 million	**Valuation Date**	March 2004	**Valuer**	Knight Frank Valuations*
Market Income (Net)	$ 2.55 million	**Equated Yield**	9.21%	**Value/m^2 (NLA)**	$ 2,368

** Valuation Services (VIC) Pty Ltd trading under licence as Knight Frank Valuations.*

388 Queen Street

Description

388 Queen Street is a modern 14 level office building located on the edge of Brisbane's "Golden Triangle" CBD precinct. It is located 300 metres from the GPO and provides close proximity to both the financial and retail sectors of the CBD. It is positioned approximately 100 metres from the Brisbane River where the majority of the premium office buildings are located and where there has been considerable activity (e.g. refurbishment, new construction, etc.). The property is well positioned and provides good amenity to all transport services.

Suncorp Metway, Australia's sixth largest bank is a significant major tenant.

388 Queen Street is an attractive and well presented office building which features good natural light and two sizes of floors (371m^2 and 700m^2).

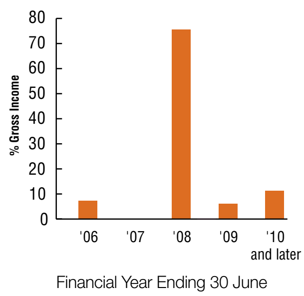
Key Data

Location:	388 Queen Street, Brisbane, Qld		
Title:	Freehold	**Principal Use:**	Commercial office
Date Built:	1988	**Date Acquired:**	December 2001
Site Area:	911m^2	**Car Spaces:**	39
Net Lettable Area:	6,266m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	2.65 years

Major Tenants

	% of Income	Lease Expiry
Suncorp Metway	66%	31 December 2007

Lease Expiry



Current Valuation Information

Value	$ 19.0 million	**Valuation Date**	June 2005	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 1.61 million	**Equated Yield**	7.24%	**Value/m^2 (NLA)**	$ 3,032

Garden Square Office Park

Description

Garden Square is an office park comprising two separate commercial office buildings – one of three levels and the other of four levels. It is located 11 kilometres south-east of the Brisbane CBD and is located within the Garden City commercial and retail centre (one of Brisbane's major regional hubs). The property is ideally located for a regional office development having the benefit of being adjacent to the Garden City regional shopping centre, one of Queensland's largest shopping centres.

The property has a high profile, with frontage to the South East Freeway. The property also offers easy vehicular access, excellent public transport links and a good car parking ratio.

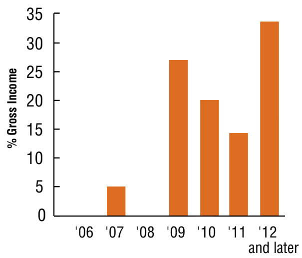
Garden Square has the location and image that has attracted and should continue to attract significant tenants such as Queensland Government and Citibank.

Since the property's acquisition, a capital works program has been completed with improvements including upgrade to the lift foyers and interiors, reconfiguration of the car park, new building signage and entrance statement. The property also has future development opportunities due to the land's size and versatile zoning. This zoning means there is an opportunity to increase improvements on this property by 24,585m^2 of gross floor area.

Key Data

Location:	643 Kessels Road, Upper Mt Gravatt, Qld		
Title:	Freehold	**Principal Use:**	Commercial office
Date Built:	1984	**Date Acquired:**	March 1998
Site Area:	1.665 ha	**Car Spaces:**	418 (approx)
Net Lettable Area:	12,679m^2 (approx)	**Vacancy:**	10%
		Weighted Av. Lease Expiry:	4.63 years

Lease Expiry



Financial Year Ending 30 June

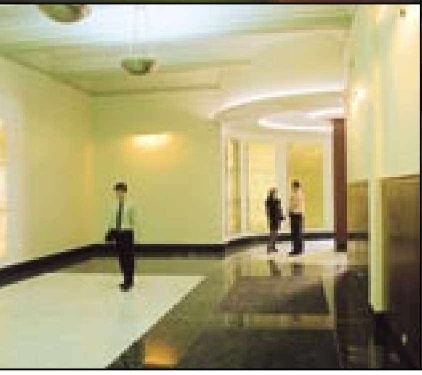
Major Tenants

	% of Income	Lease Expiry
Qld State Govt. – Education	15%	31 January 2009
Qld State Govt. – Smart Services	14%	30 November 2011
Qld State Govt. – Industrial Relations and Employment & Training*	12%	31 August 2010
Qld State Govt. - Disability Services*	10%	30 November 2011
Trendwest	8%	30 June 2009

** Tenants in occupation. Leases unexecuted as at date of issue of this PDS.*

Current Valuation Information

Value	$ 31.3 million	**Valuation Date**	June 2005	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 3.04 million	**Equated Yield**	8.74%	**Value/m^2 (NLA)**	$ 2,468



Anzac Square Offices

Description

Anzac Square Offices is the commercial component of the award-winning Anzac Square heritage complex. This entire complex was successfully refurbished in 1998/1999 and reconfigured to include prestige residential apartments, serviced apartments, retail tenancies and the office component. The office component fundamentally comprises two of the six towers within the Anzac Square development. The Anzac Square Offices occupy a prominent corner location in the heart of the Brisbane CBD and are in close proximity to the Queen Street Mall, Central railway station and bus transport.

Major tenants of the property include Energex and MacGillivrays solicitors. MacGillivrays is a medium sized Brisbane legal firm which employs approximately 130 people. Energex has sublet part of its space to the Commonwealth Government and a major construction company.

The office space provides floor sizes of around 1,200m^2 over five levels.

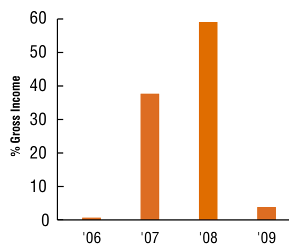
Key Data

Location:	200 Adelaide Street, Brisbane, Qld		
Title:	Freehold volumetric	**Principal Use:**	Commercial office
Date Built:	1933	**Date Acquired:**	April 1999
Site Area:	2,046m^2	**Car Spaces:**	28
Net Lettable Area:	6,180m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	2.41 years

Major Tenants

	% of Income	Lease Expiry
Energex	57%	30 June 2008
MacGillivrays Solicitors	38%	30 April 2007

Lease Expiry



Financial Year Ending 30 June

Current Valuation Information

Value	$ 24.0 million	**Valuation Date**	June 2005	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 1.89 million	**Equated Yield**	7.81%	**Value/m^2 (NLA)**	$ 3,883

AAPT Building

Description

The AAPT Building is an internet data, telecommunications and office administration centre located in the Melbourne CBD eastern fringe suburb of Richmond.

The property comprises basement level carpark, ground floor offices and data storage facility and first floor offices.

The property was acquired in 2005 from AAPT Limited under a sale and leaseback structure with a new 12 year "double net" lease arrangement. The lease provides for the Trust to fund up to $3 million in fitout and refurbishment of the property with an increase in rent based on the acquisition yield.

AAPT is one of Australia's three largest telecommunications carriers and is part of the Telecom New Zealand Group. It provides a range of voice, mobile, data and internet services to business, government, wholesale and residential customers throughout Australia.

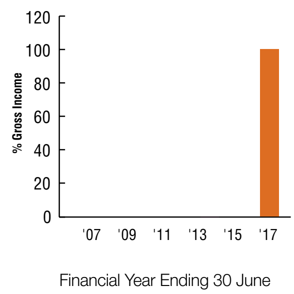
Key Data

Location:	180-188 Burnley Street, Richmond, Vic		
Title:	Freehold	**Principal Use:**	Commercial office and industrial
Date Built:	1978	**Date Acquired:**	June 2005
Site Area:	4,696m^2 (approx)	**Car Spaces:**	121
Net Lettable Area:	5,501m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	11.75 years

Major Tenants

	% of Income	Lease Expiry
AAPT Limited	100%	28 June 2017

Lease Expiry



Current Valuation Information

Value	$ 15.25 million	**Valuation Date**	June 2005	**Valuer**	Knight Frank Valuations*
Market Income (Net)	$ 1.25 million	**Equated Yield**	8.25%	**Value/m^2 (NLA)**	$ 2,772

** Valuation Services (VIC) Pty Ltd trading under licence as Knight Frank Valuations.*

180 Queen Street

Description

180 Queen Street is a heritage listed retail and commercial office building located in the heart of Brisbane's Queen Street Mall. The property has direct frontage to the Queen Street Mall and rear laneway access.

The building was purpose built for the National Australia Bank and was completed in 1930. It underwent extensive refurbishment works in 1990/91.

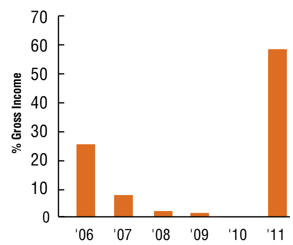
The building comprises nine levels. The ground and mezzanine levels which used to comprise the original banking chamber are now occupied by fashion retailer Country Road. The basement level consists of a safe deposit facility for the National Australia Bank Security Deposit. The upper levels provide commercial office accommodation comprising larger tenancies and reasonably unique heritage style individual suites ranging in size from 15m^2 to 492m^2.

The property is located on the northern end of the Queen Street Mall between David Jones and the Broadway on the Mall retail complex. It is directly across from the significant Wintergarden/Hilton complex. This end of the mall has recently undergone a transformation with the completion of the upmarket retail shopping complex, Queens Plaza, incorporating a new David Jones store. The next stage of the Queens Plaza development is currently under construction.

Key Data

Location:	180 Queen Street, Brisbane, Qld		
Title:	Freehold	**Principal Use:**	Retail and office
Date Built:	1930	**Date to be Acquired:**	October 2005
Site Area:	723m^2	**Car Spaces:**	Nil
Net Lettable Area:	3,645m^2 (approx)	**Vacancy:**	5%
		Weighted Av. Lease Expiry:	3.48 years

Lease Expiry



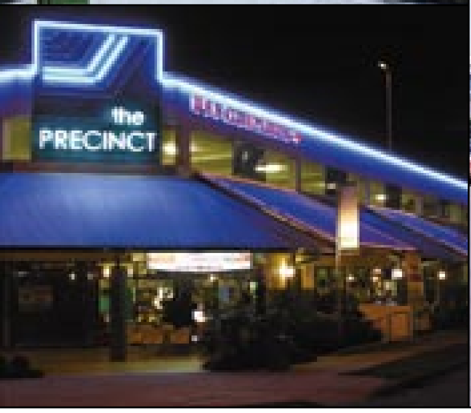
Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Country Road	60%	31 August 2010
National Australia Bank	6%	30 June 2007

Current Valuation Information

Value	$ 18.0 million	**Valuation Date**	September 2005	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 1.49 million	**Equated Yield**	8.07%	**Value/m^2 (NLA)**	$ 4,891



The Precinct

Description

The Precinct is located four kilometres south-east of the Brisbane CBD, in the well established inner city suburb of Coorparoo. Coorparoo comprises a mix of residential, commercial and retail development. The property is conveniently located close to retailers such as Myer Megamart and Coles and is also well served by nearby public transport including bus and rail.

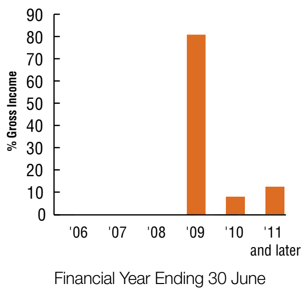
The property's dominant tenant is the National Australia Bank which occupies the ground floor office component of the complex which is principally used as the bank's state mortgage processing centre. Tenants in the retail component of the property which represents 25% of its income include Australia Post, Infront Solutions and four café/restaurant operators.

This area has been further enhanced over recent years with the completion of major multi-residential developments attracted to the area because of its accessibility and close proximity to the Brisbane CBD.

Key Data

Location:	41 Harries Road, Coorparoo, Qld		
Title:	Freehold volumetric	**Principal Use:**	Commercial office and retail
Date Built:	1999	**Date Acquired:**	April 1999
Site Area:	7,955m^2	**Car Spaces:**	127
Net Lettable Area:	4,898m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	3.88 years

Lease Expiry



Major Tenants

	% of Income	Lease Expiry
National Australia Bank	75%	29 April 2009

Current Valuation Information

Value	$ 10.45 million	**Valuation Date**	June 2004	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 0.91 million	**Equated Yield**	8.75%	**Value/m^2 (NLA)**	$ 2,134




Centro On James - Stage 3

Description

Centro on James is an exciting mixed-use property located in the heart of the dynamic urban renewal precinct of Brisbane, two kilometres north-east of the Brisbane CBD. This unique mixed-use property is the third stage of the Centro on James development. The Centro precinct is a fashionable and eclectic mix of office (e.g. Nike, P & O Australia, Wang), showrooms, restaurants, quality warehousing and fresh produce markets producing a village atmosphere.

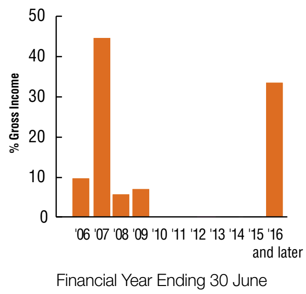
The uses of this property include a popular four screen Palace cinema complex (a Village Roadshow joint venture), attractive office accommodation and ground floor retail component which includes a wine bar, bistro, furniture retail/ showroom, travel agency, real estate agency and hairdressing salon.

The Centro on James development is a unique style of property development within the Brisbane market, particularly given its close proximity to the Brisbane CBD. Furthermore, land costs in the vicinity of the property have significantly increased in recent years making the development of competitive product more difficult.

Key Data

Location:	39 James Street, Fortitude Valley, Qld		
Title:	Freehold and part strata	**Principal Use:**	Retail, entertainment and office
Date Built:	2000	**Date Acquired:**	December 2001
Site Area:	3,301m^2	**Car Spaces:**	49
Net Lettable Area:	3,872m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	4.40 years

Lease Expiry



Major Tenants

	% of Income	Lease Expiry
Palace Cinemas	34%	13 December 2015
Workpac	19%	14 January 2007
Melandas Home Concepts	14%	13 February 2007

Current Valuation Information

Value	$ 11.0 million	**Valuation Date**	June 2004	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 0.91 million	**Equated Yield**	8.26%	**Value/m^2 (NLA)**	$ 2,678

Cairns Hypermart

Description

This mixed-use complex combines a bulky goods retail centre, a warehouse distribution facility and a small office component. The retail component is the largest bulky goods centre in Cairns. The warehouse facility adjoins the retail centre and has been granted council approval to change from warehouse use to retail use.

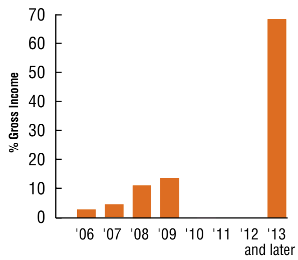
The offices are located over three floors on the northern end of the site. The property is on a major arterial road, Spence Street, linking the Cairns CBD to the north-south highway. Cairns is one of Queensland's major provincial cities with approximately 188,000 residents in the Cairns region. The property is located only 100 metres southwest of Cairns Central, the city's major regional shopping centre.

The Cairns City Council administration centre is directly opposite the property. This local precinct has had developed within it, in recent years, a Bunnings outlet and a new State government office development.

Key Data

Location:	101-103 Spence Street, Cairns, Qld		
Title:	Freehold	**Principal Use:**	Bulky goods retail and office
Date Built:	1995	**Date Acquired:**	December 2001
Site Area:	2.43 ha	**Car Spaces:**	220
Net Lettable Area:	15,307m^2	**Vacancy:**	7%
		Weighted Av. Lease Expiry:	5.97 years

Lease Expiry



Financial Year Ending 30 June

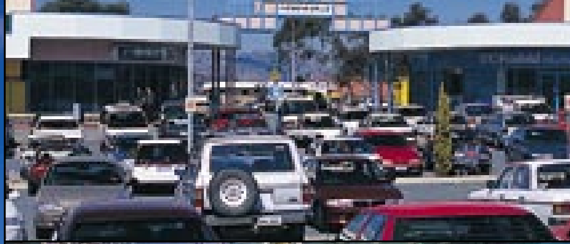
Major Tenants

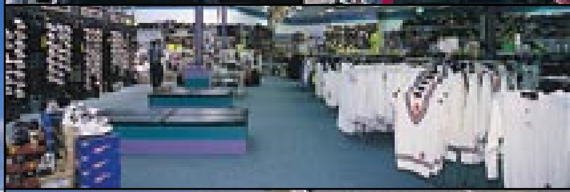
	% of Income	Lease Expiry
Harvey Norman*	52%	30 September 2012
Freedom Furniture	12%	31 July 2015
Capt'n Snooze	8%	31 December 2008

** Tenant in occupation. Lease unexecuted as at the date of this PDS.*

Current Valuation Information

Value	$ 17.0 million	**Valuation Date**	June 2004	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 1.49 million	**Equated Yield**	8.58%	**Value/m^2 (NLA)**	$ 1,058





The Homeworld Centre

Description

This mixed-use property comprises a unique mix of bulky goods and convenience style retail with a first floor office use. It is located at Tuggeranong, approximately 17 kilometres south-west of the centre of Canberra. Tuggeranong is one of the three major town centres within the ACT and has excellent road access (e.g. 15-20 minutes) to the Canberra Civic Centre. Homeworld is adjacent to Tuggeranong's regional shopping centre.

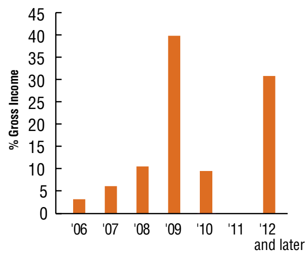
The property has a strong and broad tenancy mix with the office component leased to the ACT Government until 2009. The retail areas are leased to various national chain and local operators including grocery retailer ALDI Stores, Woolworths trading as Dan Murphy's, Dick Smith Electronics, Sportsmans Warehouse and PJ O'Reilly's, a popular Irish pub.

Homeworld is located in a large established population centre which has historically experienced good population growth.

Key Data

Location:	Cnr Anketell Street and Soward Way, Tuggeranong, ACT		
Title:	Crown leasehold	**Principal Use:**	Retail and office
Date Built:	1988	**Date Acquired:**	December 1999
Site Area:	2.19 ha	**Car Spaces:**	338
Net Lettable Area:	8,525m^2 retail	**Vacancy:**	6%
	3,836m^2 office	**Weighted Av. Leasing Expiry:**	5.31 years

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
ACT Government	29%	30 June 2009
Woolworths (Dan Murphy's)	11%	22 December 2017
ALDI Stores	9%	6 February 2017

Current Valuation Information

Value	$ 32.5 million	**Valuation Date**	June 2004	**Valuer**	Jones Lang LaSalle
Market Income (Net)	$ 2.85 million	**Equated Yield**	8.75%	**Value/m^2 (NLA)**	$ 2,629

The Riverdale Centre

Description

The Riverdale Shopping and Entertainment Centre is a quality community shopping and entertainment complex located in the heart of the vibrant, growing and prosperous inland NSW city of Dubbo.

Dubbo has a resident population of 39,000 people. However, the city services the broader geographical population of approximately 120,000 people from the Orana region. The city is strategically located at the intersection of the Brisbane/Melbourne Newell Highway, the Sydney/ Adelaide Mitchell Highway and the major East-West rail link.

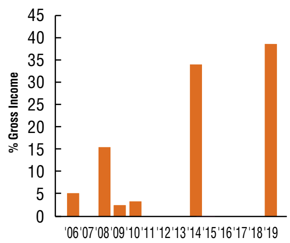
The Riverdale Centre includes a Woolworths supermarket, a successful Readings 5-Plex 1,072 seat cinema complex, a tavern and ten specialty shops. Reading International Inc. operates multiplex cinemas in Australia, New Zealand, the United States and Puerto Rico and is developing further entertainment centres in Australia and New Zealand.

The inclusion of the cinema complex (the only one in Dubbo and its surrounding shires) and tavern provides the centre with a major point of difference over other retail facilities in Dubbo, particularly generating day and evening activity.

Key Data

Location:	49-65 Macquarie Street, Dubbo, NSW		
Title:	Freehold	**Principal Use:**	Retail and entertainment
Date Built:	1974 (expanded 1999)	**Date Acquired:**	September 2002
Site Area:	1.178 ha	**Car Spaces:**	290
Net Lettable Area:	6,159m^2	**Vacancy:**	6%
		Weighted Av. Lease Expiry:	8.82 years

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Woolworths	36%	9 June 2019
Reading Cinemas	32%	8 June 2014
The River Inn Tavern	11%	31 December 2007

Current Valuation Information

Value	$ 15.75 million	**Valuation Date**	June 2004	**Valuer**	Jones Lang LaSalle
Market Income (Net)	$ 1.28 million	**Equated Yield**	8.50%	**Value/m^2 (NLA)**	$ 2,564

544 Kessels Road

Note: Superstore building at rear of site is an artist's impression of a development option discussed below.

Description

544 Kessels Road, MacGregor comprises almost three hectares in one of Brisbane's premier retail warehousing precincts. It is in a prominent, easily accessible location approximately 11 kilometres south of the Brisbane CBD. The immediate area is designated retail/industrial and is home to major retailers and manufacturers such as Clive Peeters, Nick Scali Furniture, Freedom Furniture, Retravision and Super AMart Furniture. The Kessels Road precinct continues to strengthen as a dominant bulky goods precinct with new major retailers continually establishing outlets in the area.

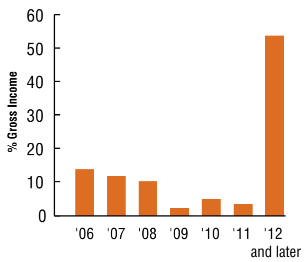
This property currently comprises four separate buildings, operating with a retail/warehousing emphasis. Major tenants include JB Hi-Fi, Encel Stereo (formerly Stereo Supplies), Bob Jane T-Mart and Petwise.

There is an excellent opportunity to add value to this property through staged redevelopment at the rear of the site so as to capitalise on its outstanding retail location. Redevelopment options for a significant part of this property continue to be assessed.

Key Data

Location:	544 Kessels Road, MacGregor, Qld		
Title:	Freehold	**Principal Use:**	Retail
Date Built:	Various	**Date Acquired:**	April 1999
Site Area:	2.764 ha	**Car Spaces:**	212
Net Lettable Area:	8,269m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	4.22 years

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
JB Hi-Fi	20%	12 March 2012
Encel	19%	31 January 2012
Petwise	16%	19 September 2011

Current Valuation Information

Value	$ 12.14 million	**Valuation Date**	June 2004	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 0.98 million	**Equated Yield**	8.06%	**Value/m^2 (NLA)**	$ 1,462

Welshpool

Description

The Welshpool property is a large warehouse and distribution facility located in the industrial suburb of Welshpool, approximately 13 kilometres east of the Perth CBD. The property comprises three warehouses and a free-standing office of 850m^2, a covered loading dock and truck maintenance workshop.

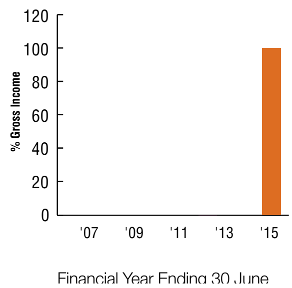
The Kewdale/Welshpool area is one of the prime industrial locations in the Perth metropolitan area. It contains many national and strong local companies and has excellent access to all parts of the metropolitan area via major arteries from this location. It is also in close proximity to the Perth international and domestic air terminals.

The property was acquired from 1st Fleet Pty Ltd under a sale and leaseback structure with a new 10 year "double net" lease arrangement. 1st Fleet Pty Ltd is a national distribution and logistics company providing contract services to businesses including Dairy Farmers, Woolworths, Gordon & Gotch, Network Services and Mitsubishi. It maintains warehouses in all major States and approximately 750 trucks and courier vans.

Key Data

Location:	33 McDowell Street, Welshpool, WA		
Title:	Freehold	**Principal Use:**	Industrial
Date Built:	1985	**Date Acquired:**	June 2005
Site Area:	2.8996 ha	**Car Spaces:**	10
Net Lettable Area:	14,036m^2	**Vacancy:**	Nil
		Weighted Av. Lease Expiry:	9.71 years

Lease Expiry

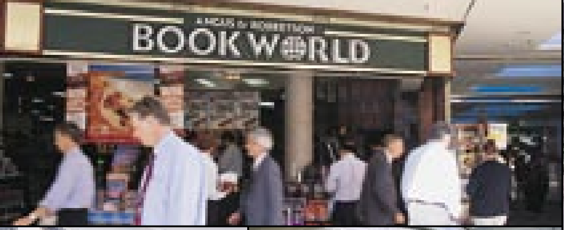


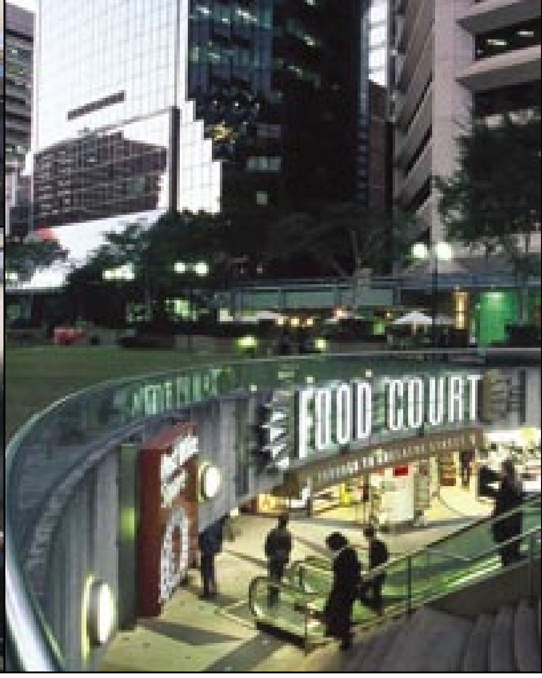
Major Tenants

	% of Income	Lease Expiry
1st Fleet Pty Ltd	100%	15 June 2015

Current Valuation Information

Value	$ 6.9 million	**Valuation Date**	May 2005	**Valuer**	Knight Frank (WA) Pty Ltd
Market Income (Net)	$ 0.62 million	**Equated Yield**	9.0%	**Value/m^2 (NLA)**	$ 1,254



Post Office Square

Note: Post Office Square is located under a civic park across from Brisbane's GPO.

Description

Post Office Square is a landmark property located in the heart of the Brisbane CBD. The property is directly opposite the GPO and 100 metres from Central railway station. It comprises 27 retail shops and a six level underground car park of 316 spaces.

The retail component is predominantly food oriented. The property's food court is located in the CBD office precinct. Post Office Square is essentially the gateway to the "Golden Triangle" premium office precinct of the CBD and Central railway station with high pedestrian traffic passing through the complex.

Tenants include Kings Parking, Flight Centre, Angus & Robertson Bookworld, Muffin Break, Gloria Jeans, Coffee Club and Subway. This property has a well established retail history and offers the diversity of prime CBD retail and car park sector exposure.

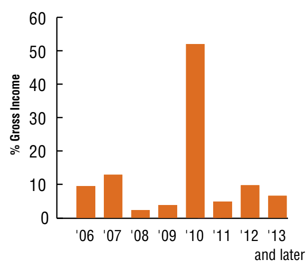
The property, located between Queen and Adelaide Streets, also boasts a civic park above the food court level, which provides a pleasant area for people to relax. The Brisbane City Council holds a lease over this civic park which ensures that it is unable to be developed. The title to the property is expected to revert to the Brisbane City Council in 2059.

A put and call option with respect to the sale of this property has been entered into, anticipated to settle between 1 November and 1 December, 2005.

Key Data

Location:	280 Queen Street, Brisbane, Qld		
Title:	Terminating freehold	**Principal Use:**	CBD retail and car park
Date Built:	1983	**Date Acquired:**	December 1999
Site Area:	3,311m^2	**Car Spaces:**	316
Net Lettable Area:	1,763m^2 retail	**Vacancy:**	2%
	9,245m^2 car park	**Weighted Av. Lease Expiry:**	3.95 years

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Kings Parking	48%	30 November 2009
Angus & Robertson Bookworld	8%	16 October 2005
Coffee Club	2%	25 March 2012

Current Valuation Information

Value	$ 61.5 million	**Valuation Date**	June 2005	**Valuer**	LandMark White (Brisbane) Pty Ltd
Market Income (Net)	$ 4.64 million	**Equated Yield**	7.6%	**Value/m^2 (NLA)**	$ 5,585

Structure and Strategy

3

3.1. Introduction

The Trust is listed on the Bendigo Stock Exchange. Details of that exchange are contained in section 3.9.

The Trust is:-

- operated so as to endeavour to meet the Trust's objectives;
- managed in accordance with the management strategy described below; and
- intended to grow in accordance with the investment strategy using the future acquisitions process described below.

3.2 Structure

The Properties are currently owned by the Trust directly or by wholly owned subsidiary trusts.

Any new properties will be owned either directly by the Trust or via a subsidiary trust, providing maximum flexibility for subsequent on-sale.

3.3 The objectives

The objectives of the Trust are to:-

- provide stable distributions to Unitholders;
- deliver sound growth in the value of the Portfolio;
- grow the Trust by the acquisition of additional properties through associated capital raising so as to enhance the diversification of the Trust and thereby lower Unitholders' risk. PFA sees growth in the Trust as being beneficial to Unitholders from the viewpoint of both enhancing stability of return and underpinning of the Trust's value; and
- maximise the total returns to Unitholders.

3.4 Investment strategy

The investment strategy of the Trust includes investing:-

- to create a portfolio of quality properties which are diversified by property sector, geographic location, tenant profile and lease expiry;
- in sectors and locations PFA considers will deliver the best overall performance recognising that at times it may be necessary to increase weightings in certain sectors and geographic locations that may be expected to outperform;

Garden Square Office Park

The Homeworld Centre

- in properties (either directly or indirectly) generally in the price range of $10 million to $50 million; and
- so as to avoid having a large exposure to any particular market sector, property or tenant.

PFA may approve investments which do not meet the above criteria if it considers this to be in the best interests of Unitholders.

PFA may also determine to divest properties which are no longer considered appropriate or strategic to continue to hold. For example, the Trust has entered into a put and call option agreement for the sale of Post Office Square, settlement of which is anticipated to occur in November/December 2005. PFA monitors constantly the most appropriate strategy for all properties in the Portfolio. Divestment of other properties over the next 6-18 months may be the optimal strategy for other properties in the context of PFA's objectives for the Trust.

Properties may actually be divested during the life of this PDS. Any funds raised from asset sales may be used to acquire other assets, fund working capital requirements or reduce debt.

No divestments have been included in the financial forecasts other than the sale of Post Office Square. In the event that a property is divested at any time, information relating to it will be available via PFA's website (see www.pfaltd.com.au), the announcements section of the BSX website relating to the Trust (see www.bsx.com.au and use BSX code PFD) or otherwise as required by law.

3.5 Future acquisition process

It is PFA's current intention to acquire future properties, and in doing so, these acquisitions will be:-

- subject to independent valuation to be carried out by reputable valuers prior to acquisition to determine fair market value;
- subject to PFA's usual extensive due diligence investigations;
- considered after due regard to other factors including:-
  - impact on distributions;
  - impact on future stability of distributions;
  - the property's forecast income and growth potential; and
- funded through cash reserves, debt or additional capital raisings.

No acquisitions have been included in the financial forecasts other than the acquisition of 180 Queen Street and the proposed acquisition of two additional properties anticipated to be acquired in December, 2005 and February, 2006. In the event that a new property is acquired at any time updated information will be available via PFA's website (see www.pfaltd.com.au), the announcements section of the BSX website relating to the Trust (see www.bsx.com.au and use BSX code PFD) and otherwise as required by law.

3.6 Management strategy

PFA's management strategy is to:-

- maintain and actively manage the Portfolio with a focus on enhancing the income stream;
- maintain and develop relationships with tenants to meet their current and future requirements;
- add value to the existing Portfolio through timely redevelopment or refurbishment;
- dispose of Properties when they no longer satisfy the long term objectives of the Trust;
- manage interest rate exposures; and
- focus on the management of the cost of capital to the Trust.

3.7 Future equity raisings

It is PFA's current intention to undertake future equity raisings so as to facilitate growth in the assets of the Trust or reduction in debt. Whilst it is PFA's current intention to give existing Unitholders priority in any future public equity raisings, it may raise equity for the Trust in other ways, for example, private placements, where it considers it is in the best interests of Unitholders to do so.

PFA may place Units via private placement during the life of this PDS (and at a price less than the Offer Price) if PFA is of the view that it is in the best interests of Unitholders to do so.

All future equity raisings will be undertaken in accordance with the Constitution and the law and in particular within the parameters established for issue price in the Constitution (refer section 9.1).

Any future equity raisings may impact the distributions and Tax Deferred portions of the distributions from the Trust.

388 Queen Street, Brisbane.

The Country Road tenancy at 180 Queen Street, Brisbane.

3.8 Debt policy

Specific details on the debt profile and the debt policy for the Trust are set out in section 6.5.6.

3.9 Liquidity

The Trust is listed on the Bendigo Stock Exchange ("BSX"). The Trust currently has in excess of 3,300 Unitholders. Application will be made to the BSX within seven days of the date of this PDS to list the Units issued under this PDS on the BSX. Liquidity is not guaranteed. The size of a trust and its number of unitholders are influencing factors in enhancing interest in market activity.

The Bendigo Stock Exchange began trading in 2001. In February, 2003 it announced the establishment of a specialist property market within its exchange.

Since the Trust listed on the BSX on 1 July, 2003, trading of Units in the Trust on the BSX has equated on an annualised basis to an average of approximately 2.5% per annum of equity. Historical trading volumes may not be indicative of future turnover on the BSX.

From 1 July, 2005 to 1 October, 2005, the weighted average price per Unit that has traded on the BSX has been $1.08.

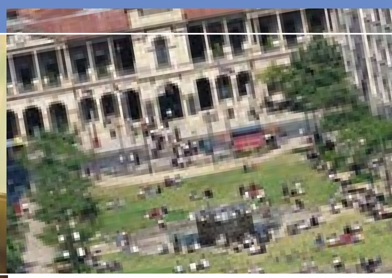
The trading price of Units on the BSX may vary from the historical pricing for a range of reasons.

SECTIONS

4 Investment Services

5 Management



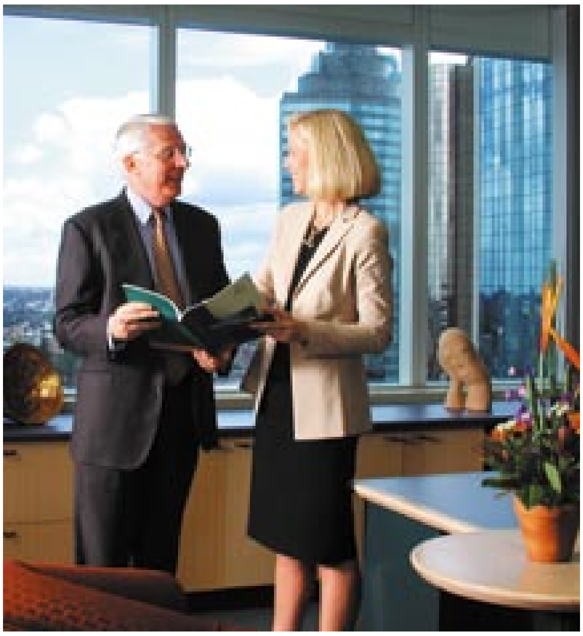
4 Investment Services

4.1. Who to contact

PFA prides itself on the quality of reporting and service it provides to Unitholders. All Unitholders' enquiries, both telephone and written are promptly answered by PFA's experienced investment services personnel.

For further information on your Investment, you or your financial adviser can contact our investment services personnel on:-

Telephone:	(07) 3221 7170
Toll Free:	1800 687 170
Facsimile:	(07) 3221 6729
Email:	info@pfaltd.com.au
Website:	www.pfaltd.com.au
Postal:	PO Box 10398 Brisbane Adelaide Street Qld 4000



4.2 What you will receive

As a Unitholder in the Trust you will receive:-

- A **Unitholder Statement** confirming your Unitholding.
- **Monthly distributions** paid by electronic funds transfer into your nominated bank account.
- A **six monthly Investor update** advising of issues relating to your Investment and the Portfolio generally.
- An **annual report** and audited accounts for your Investment. These reports are sent to Unitholders within 90 days of the end of each financial year. Half-yearly accounts and Manager's report are available on request.
- An **annual statement of distributions** and taxation details for the completion of your tax return. **You should not lodge your tax return until this information is received**.
- Confirmation of any changes made to your account details including your bank account or address, following notification to us of such changes.

4.3 Your rights as a Unitholder

The rights of Unitholders are set out in the Constitution. Further rights are provided by the Corporations Act. Briefly, your rights include:-

- the right to receive a Unitholder Statement confirming your Investment;
- the right to receive distributions proportionate to your Unitholding;
- the right to receive regular reports and accounts;
- the right to have the Manager perform its duties with diligence and vigilance in a proper and efficient manner;
- the right to request the convening of meetings;
- the right to vote at meetings;
- the right to have the Manager removed under the terms of the Constitution; and
- the right to sell or transfer your Units.

4.4 Your privacy

When you apply to invest, we collect personal information about you. Our privacy policy is available on www.pfaltd.com.au or alternatively you can contact PFA's investment services personnel to request a copy free of charge. This will enable you to understand your rights, PFA's obligations and what PFA does with this personal information and any other information it collects about you during the course of your Investment.

4.5 Complaints

The Constitution establishes a procedure for the Directors of the Manager to receive, consider, investigate and respond to complaints by Unitholders dissatisfied with the management or administration of the Trust.

Complaints should be addressed to:-

The Dispute Resolution Officer
Property Funds Australia Limited
PO Box 10398
Brisbane Adelaide Street Qld 4000
Toll Free: 1800 687 170

PFA is also a member of the Financial Industry Complaints Services, an external complaints resolution service which has been approved by ASIC.

Part of the Anzac Square Complex (right) the office component of which is an asset of the Trust.

5 Management

5.1. The Manager/Responsible Entity

Property Funds Australia Limited

Property Funds Australia is the responsible entity of the Trust. It holds an Australian Financial Services Licence No. 224106 issued by ASIC which permits it to be a responsible entity and manage property trusts of the nature of the Trust.

PFA's Directors and officers have a wide variety of background skills and experience in areas critical to the successful acquisition, management and sale of the assets of the Trust including property acquisition, valuation, financial analysis, property law, real estate agency, funds and asset management, accounting and development management. These skills and experience assist in maximising performance.

PFA is 50% owned by a wholly owned subsidiary of Mirvac Group – a leading diversified property group – listed on the Australian Stock Exchange with a market capitalisation of $3.5 billion.

The Manager's Role

PFA's role is to be responsible for the efficient management of the Trust. PFA has a range of duties, responsibilities and powers, which are set out in the Constitution. It must also comply with the various requirements of the Corporations Act. As Manager, PFA is required to act in the best interests of the Unitholders.

In addition to carrying out the asset management of the Properties and causing the collection of income from the Properties, PFA's role is to supervise, arrange or manage:-

- the borrowings of the Trust;
- the purchase of additional properties;
- the maintenance of accounting and taxation records;
- distributions;
- preparation of reports to Unitholders;
- maintenance of the Unitholders' register;
- general business affairs of the Trust;
- compliance with BSX listing rules and the Corporations Act reporting obligations.

A summary of the remuneration arrangements of Property Funds Australia for the performance of its role is in section 6.6.

Property Management

Day to day physical property management and rent collection duties are currently carried out by property managers external to PFA, although PFA or related entities to it may carry out those duties in due course and receive appropriate market rate fees.

Change in the Manager

If unsatisfied with PFA's performance, the Unitholders may remove it as responsible entity by the requisite resolution at a Unitholders' meeting. PFA may also retire providing Unitholders are given an opportunity to appoint a replacement responsible entity. The procedures for calling a meeting and voting are set out in the Constitution.

Manager's Insurance

PFA has professional indemnity and fraud insurance cover effected with a reputable insurer as required by its Australian Financial Services Licence.

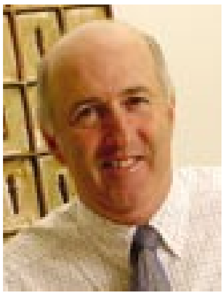
The Board of Directors

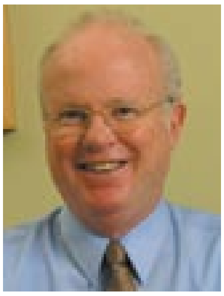
The board of Directors sets the strategic direction of the Trust and has ultimate responsibility for the performance of the Trust. The board currently comprises five Directors, three of whom are non-executive Directors and two of whom are executive Directors.

It is the current policy of PFA that the membership of the board reflect an appropriate balance between executives who possess extensive direct experience and expertise in the Trust's core activities, and non-executive members who bring to the board a range of general commercial expertise and experience.

Board meetings are held regularly throughout the year.


Greg Paramor
Non-Executive Chairman


Chris Morton
Managing Director


David Conquest
Executive Director


Dennis Wildenburg
Non-Executive Director


Nicholas Collishaw
Non-Executive Director

Directors of Property Funds Australia

Gregory James Paramor

Non-Executive Chairman

Greg Paramor is managing director of Mirvac Group. Greg was a co-founder and managing director of the James Fielding Group which managed funds totalling $1.8 billion. In December 2004, James Fielding Group was acquired by Mirvac Group creating a diversified property group which has $15 billion worth of assets under its control and a market capitalisation of approximately $3.5 billion.

He has been involved in the real estate and funds management industry for the past 30 years. He has participated in forming property vehicles for public investment since 1981, with direct involvement in the organisation of approximately $6 billion worth of commercial, retail and industrial projects and property securities.

Greg is a past president of the Property Council of Australia, a former chairman of the Investment Funds Association of Australia Limited and a Fellow of the Australian Property Institute. He is a director of a number of organisations and companies, including the Garvan Institute of Medical Research and Leighton Properties Pty Limited.

Christopher Arthur Morton

Managing Director

Chris Morton holds the degrees of Bachelor of Commerce and Bachelor of Laws from the University of Queensland and a Master of Laws from Cambridge University (United Kingdom). He has been admitted as a solicitor for over 23 years. As a solicitor, he was a partner of the national legal firm Phillips Fox where towards the end of his legal career, he headed the property division and was one of the management executives of that firm's Brisbane office. In his legal capacity, he was involved in some of the larger property developments in South East Queensland.

Chris has established and managed successful development and investment syndicates and trusts since 1994. Chris has also in his career held an accounting position and was an Associate to a Supreme Court Judge. Chris is the immediate past president of the Property Council of Australia (Queensland Division) and a member of the Queensland Heritage Council. He is also a past president of the Australian Direct Property Investment Association (ADPIA). He is a member of the Australian Institute of Company Directors and the Securities Institute of Australia.

David John Conquest

Executive Director

David has been involved in the property and financial services industry for over 28 years. He has previously held senior executive positions with Growth Equities Mutual (GEM), Lend Lease, Suncorp Metway and Deutsche Bank.

David is a former property lecturer for the Securities Institute of Australia. He has had considerable experience with a range of financial products offered by the Australian funds management industry, with a particular focus on property products. David is well respected by financial intermediaries throughout Australia.

David provides an innate understanding of the needs of the users of investment products and their advisers' requirements.

Dennis Wayne Wildenburg

Non-Executive Director

Dennis brings to the board over 20 years experience in the financial services and funds management industry.

He has been a director of MLC Funds Management Limited and was an associate director of Hill Samuel Australia (now Macquarie Bank Limited).

Dennis is currently a compliance committee member of State Street Services Limited and State Street Global Advisors, Australia Services Limited. Dennis has been consulting to the financial services industry for over a decade and has significant national and international fund managers as clients.

Dennis' broad experience includes professional accounting, development of superannuation and unit trust products and financial services marketing.

Nicholas Roland Collishaw

Non-Executive Director

Nicholas Collishaw has been involved in property and property funds management for more than 20 years. He has extensive experience in commercial, retail and industrial property throughout Australia. He heads Mirvac Group's investment division and managed James Fielding Group's property assets and trust funds prior to the Group's acquisition by Mirvac. In various roles, he has co-ordinated and implemented portfolio sales programs from $30 million to $300 million. Nicholas has managed many large industrial, retail and commercial acquisitions.

He has an Associate Diploma in Business (Valuations) from the Sydney Institute of Technology and a Diploma in Financial Markets from the Securities Institute of Australia. He held senior positions with Deutsche Asset Management, Paladin Australia Limited and Schroders Australia.

The Compliance Committee

There is a compliance plan for the Trust. A summary of the key features of the compliance plan are set out in section 9.2.

Compliance issues are monitored and managed by the compliance committee which currently consists of Bede King (Chairman), Ray Kellerman and PFA's managing director, Chris Morton. Bede King is a senior legal practitioner practising in corporate and property areas of the law. He is a partner of the legal firm Tobin King Lateef.

Ray Kellerman is a former Head of Compliance Services, Corporate Trust division, at Perpetual Trustees Australia Limited and now specialises in the provision of compliance services as a compliance committee member for a number of significant managed investment schemes.

Bede King and Ray Kellerman are 'external members' of the compliance committee as required by the Corporations Act.

The compliance committee reports to the board of Property Funds Australia in relation to compliance issues.

5.2. Custodian

Trust Company of Australia

Trust Company of Australia Limited is a statutory trustee company. It is a public company listed on the Australian Stock Exchange.

Trust Company of Australia Limited is one of the oldest independent statutory trustee companies in Australia, having been incorporated in 1885. It operates on the eastern seaboard of Australia with offices in Melbourne, Sydney, Brisbane and Townsville.

The Custodian's role

The Custodian holds the legal title to the Properties and any other assets of the Trust (e.g. bank accounts) and undertakes other duties as the nominee of the Manager.

The Custodian's remuneration

The Custodian is entitled to receive an annual fee of $70,796 per annum exclusive of GST and indexed to CPI annually. This fee will increase in the event that further properties are acquired. It is entitled to be reimbursed for legal fees or any other costs and expenses it incurs in relation to the Trust.

Changing the Custodian

The Manager may require the Custodian to retire upon giving three months' notice.

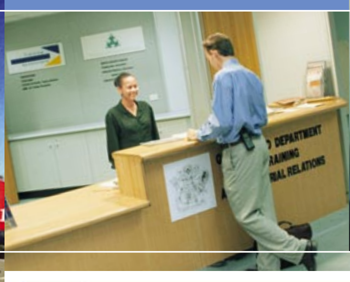
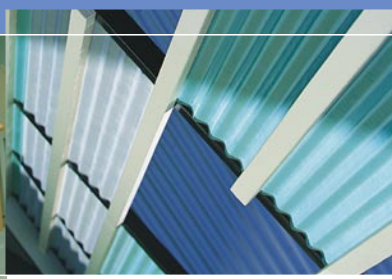
Other Comments

The Custodian has not been involved in the preparation of this PDS. Although referred to in this PDS, the Custodian has not authorised the issue of it. Specifically, the Custodian does not guarantee the performance of the Trust.

SECTIONS

6 Financial Information

7 Risks

6

Financial Information

6.1 Introduction

This section sets out financial information (including forecast financial information for the Trust) as well as information relating to the Trust's borrowings and the Manager's fees and entitlements.

The financial information set out in this section 6 consists of:-

- actual consolidated earnings and distribution statement for the year ended 30 June, 2005;
- a forecast consolidated earnings and distribution statement for the year ending 30 June, 2006 ('the Forecast Period');
- actual and pro forma consolidated Balance Sheets as at 30 June, 2005;
- actual and pro forma consolidated Balance Sheets as at 30 June, 2005 adopting Australian Equivalents to International Financial Reporting Standards ('IFRS');
- a source and application of funds.

The forecast financial information must be read in conjunction with the assumptions and risk factors set out in this PDS. Whilst the Directors believe that the assumptions and risk factors are appropriate and reasonable as at the date of this PDS, some factors that affect the actual results cannot be foreseen and accurately predicted. Many of these factors are beyond the control of the Manager. Consequently, the Manager cannot guarantee that the results in the forecast financial information will be achieved. Investors are advised to consider assumptions, sensitivities and risk factors carefully when reading the forecast financial information and the likely future performance of the Trust.

Although the actual and pro forma consolidated Balance Sheets adopting Australian Equivalents to IFRS are based on the Manager's best knowledge of expected standards and interpretations, and current facts and circumstances, these may vary.

BDO Kendalls Securities Limited has reviewed the historical and forecast financial statements contained in this section and has prepared an investigating accountants' report as set out in section 8.2. Investors should note that the comments in relation to the scope and limitations of this review are set out in that report.

Key assumptions used by the Manager in preparing the financial information include:-

- the Offer is implemented as proposed and $20 million in capital is raised with allotments occurring as follows: 1 November, 2005 ($2 million), 1 December, 2005 ($5 million), 1 January, 2006 ($5 million), 1 February, 2006 ($3 million), 1 March, 2006 ($5 million);
- the proceeds of the Offer are used in accordance with the source and application of funds contained in this section;
- no other capital is raised during the Forecast Period. Investors should be aware, however that the Manager may seek to raise further capital or carry out placements during the Forecast Period;
- the acquisition of the 180 Queen Street property for a purchase price of $18 million occurs in accordance with its contractual terms. The acquisition is to be funded from existing cash reserves and debt;
- the sale of Post Office Square occurs for a price of $69.4 million and is settled in December, 2005;
- a replacement property/ies for Post Office Square is/are acquired by the Trust subsequent to the sale of Post Office Square in December, 2005 for a purchase price of $55 million at an income yield of 7.5% per annum from its acquisition date until the end of the Forecast Period with leases on a net basis;
- other than the sale of Post Office Square, no existing properties in the Portfolio are sold during the Forecast Period;
- as a consequence of the sale of Post Office Square a $10 million special distribution at 6.76 cents per Unit is paid to those Unitholders on the register as at 30 June, 2005 in December, 2005;
- a new property/ies is/are acquired by the Trust in February, 2006 for a purchase price of $40 million at an income yield of 8.5% per annum from its acquisition date until the end of the Forecast Period with leases on a net basis; and
- a contract to sell units in the S8 Property Trust ARSN 113 542 733 settles in accordance with its terms.

Potential investors should be aware that PFA continues to actively source and secure value added investment opportunities on behalf of the Trust. Accordingly, it is likely that events will occur during the life of the PDS and the Forecast Period which will change the identity of the properties in the Portfolio. The financial impact of these potential events is not able to be quantified and accordingly have not been included in the financial forecasts.

The information in this section has been prepared and presented in an abbreviated form. It does include disclosures required by the Australian Accounting Standards and the Australian Equivalents to IFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

All numbers have been rounded to the nearest thousand.

6.2 Consolidated statement of earnings and distribution

Set out below is a historical and forecast pro forma consolidated statement of earnings and distribution for the Trust. It has been prepared on an accrual basis, but excludes amortisation of other assets. It also does not include capital expenditure items which are to be funded out of existing cash and debt. Other than these exclusions, the actual results for the year ended 30 June, 2005 and the forecast results for the year ending 30 June, 2006, have been prepared in accordance with Australian Accounting Standards.

Forecasts have not been prepared beyond 30 June, 2006, as the Manager believes that the Trust may be subject to changing circumstances beyond that time (e.g. in terms of debt reduction, asset sales and capital raising to fund further acquisitions and other management initiatives) which make such forecasts uncertain.

		Actual Year ended 30 June 2005*	Forecast Year ending 30 June 2006
	Note	**$ '000**	**$ '000**
	1		
REVENUE			
Gross property income	2	30,092	37,681
Property expenses	3	(7,054)	(8,195)
NET PROPERTY INCOME		23,038	29,486
EXPENSES			
Operating expenses	4	1,083	1,046
Manager's fee	5	1,675	2,233
Compliance/Custodian costs	6	120	124
Interest expenses	7	9,998	13,347
TOTAL FUND EXPENSES		12,876	16,750
OTHER INCOME			
Distributions received		312	231
Interest income		336	191
TOTAL OTHER INCOME		648	422
DISTRIBUTABLE INCOME		10,810	13,158
Net proceeds from sale of Post Office Square		-	11,800
CASH AVAILABLE FOR DISTRIBUTION	8	10,810	24,958
FORECAST DISTRIBUTIONS			
Special distribution		-	10,000
Monthly distributions	9	11,183	14,859
TOTAL FORECAST DISTRIBUTIONS		11,183	24,859
Surplus (Deficit)	10	(373)	99
CASH AVAILABLE FOR DISTRIBUTION		10,810	24,958
WEIGHTED AVERAGED ISSUED UNITS ('000)	11	121,209	156,741
SPECIAL DISTRIBUTION PER UNIT (cents per Unit)		-	6.76
MONTHLY DISTRIBUTION PER UNIT (cents per Unit on an annualised basis)		9.48	9.48
TAX DEFERRED COMPONENT	12	69%	61%

**The consolidated statement of earnings and distribution for the year ended 30 June, 2005 has been extracted from the audited financial report for the year ended 30 June, 2005.*

Note 1 - Best Estimate Assumptions

The forecasts have been prepared on the basis of the best estimate assumptions set out in this section of the PDS. All figures are shown net of GST effect. The Manager considers the assumptions to be reasonable given the current state of knowledge regarding each assumption as at the date of this PDS.

The following general assumptions for the Forecast Period have been made:-

- nothing will occur that will have a materially detrimental impact on the economic climate in Australia;
- the profitability of the Trust's operations will not be adversely affected by any changes to the regulations governing the funds management industry;
- the acquisition of the 180 Queen Street property occurs in accordance with its contractual terms;
- the sale of Post Office Square occurs for a price of $69.4 million and is settled in December 2005;
- a replacement property/ies for Post Office Square is/are acquired by the Trust subsequent to the sale of Post Office Square in December, 2005 for a purchase price of $55 million at an income yield of 7.5% per annum from its acquisition date until the end of the Forecast Period;
- as a consequence of the sale of Post Office Square a $10 million special distribution at 6.76 cents per Unit is paid to Unitholders on the register as at 30 June, 2005 in December, 2005;
- a new property/ies is/are acquired by the Trust in February, 2006 for a purchase price of $40 million at an income yield of 8.5% per annum from its acquisition date until the end of the Forecast Period with lease/s on a net basis;
- $20 million of capital will be raised under this PDS at an Offer Price of $1.09 per Unit with no further equity being raised by the Trust during the Forecast Period;
- a contract to sell units in the S8 Property Trust ARSN 113 542 733 settles in accordance with its contractual terms; and
- there will be no material change in Australian income tax legislation or other legislation that may affect the Trust.

Note 2 - Gross Property Income

Gross property income is the total income generated by all the Properties. Gross property income for the Forecast Period is based on current leases and where applicable, the expectations for any change associated with lease renewals, rent reviews and leasing of currently vacant space.

In the case of existing leases, it is assumed that the tenants will fulfill their obligations in accordance with their leases.

In the case of current vacancies and leases that expire in the Forecast Period, the assumptions relating to vacancies (detailed below) have been applied.

Forecast rental income is based on current leases and management forecasts having regard to the views of Knight Frank (Qld) Pty Ltd, Knight Frank (Canberra) Pty Ltd and LandMark White (Brisbane) Pty Ltd in relation to leases that are subject to rental review or expiry during the Forecast Period.

Where detailed heads of agreement have been finalised relating to the lease of premises within the Portfolio, it has been assumed that enforceable lease documentation will be executed between the relevant parties which gives due effect to those heads of agreement.

Rent Reviews

Increases or decreases in rental income upon rent reviews or new leases have been calculated in accordance with the following assumptions made by the Manager where:-

- a fixed rate is stipulated in the lease, at the stated rate;
- rent is increased by reference to CPI, the CPI growth assumed is 3% per annum during the Forecast Period. This rate is at the top end of the Reserve Bank of Australia's published target rate of 2% - 3% per annum; and
- rent is varied by reference to the current market rental value of the tenancy, the Manager has made an estimate of the current market rental value having regard to the views of Knight Frank (Qld) Pty Ltd, Knight Frank (Canberra) Pty Ltd and LandMark White (Brisbane) Pty Ltd.

Vacancies - Generally

Where a tenancy is currently vacant or where a lease expires during the Forecast Period, the Manager has made assumptions as to:-

- the likelihood of a tenant renewing its lease or vacating;
- the time it would take to re-let the space after a tenant has vacated;
- the market rent that would be agreed on re-letting; and
- the period of rent free and/or incentive needed to secure a new tenant.

The assumptions vary from property to property and from tenancy to tenancy. The Manager has made its assumptions on these factors having regard to the views of LandMark White (Brisbane) Pty Ltd, Knight Frank (Qld) Pty Ltd and Knight Frank (Canberra) Pty Ltd. The Manager intends to fund the costs of re-letting and related incentives from capital.

Vacancies - Garden Square

Two detailed heads of agreement have been reached with two different Queensland government departments relating to leases totalling approximately 2,335m² of the Garden Square property. It has been assumed that enforceable leases will be executed with the Queensland government in accordance with those heads of agreement.

In respect of the balance space in that property, it has been assumed that new leases with commencement dates of 1 December, 2005 (500m²) and 1 January, 2006 (905m²) with rents of $280m² gross and $290m² gross respectively will be executed. LandMark White (Brisbane) Pty Ltd has reviewed these assumptions and supports the reasonableness of these assumptions. An active program to lease these areas has commenced.

Outgoings

Where applicable, included in the gross property income is the recovery from tenants of outgoings in accordance with relevant leases.

Sensitivity Analysis

The timing and yield on purchase price of the assumed purchase of a $55 million and $40 million property or properties is a significant sensitivity factor in the distribution profile of the Trust.

The impact of the assumed $55 million property or properties purchase yield differing from the 7.5% net yield which has been assumed would be as follows:-

Variation from assumed net yield	Equivalent Distribution Movement (cents per Unit per annum)
	12 month period to 30/06/06
+ 0.5%	+ 0.10
+ 0.25%	+ 0.05
- 0.25%	- 0.06
- 0.5%	- 0.11

The impact of the assumed $40 million property or properties purchase yield differing from the 8.5% net yield which has been assumed would be as follows:-

Variation from assumed net yield	Equivalent Distribution Movement (cents per Unit per annum)
	12 month period to 30/06/06
+0.5%	+ 0.05
+0.25%	+ 0.02
-0.25%	- 0.03
-0.5%	- 0.06

The impact of the assumed $55 million property or properties acquisition timing varying from the December, 2005 acquisition date which has been assumed would be as follows:-

Variation from assumed acquistion date	Equivalent Distribution Movement (cents per Unit per annum)
	12 month period to 30/06/06
1 month later	- 0.06
2 months later	- 0.11

The impact of the assumed $40 million property or properties acquisition timing varying from the February, 2006 acquisition date which has been assumed would be as follows:-

Variation from assumed acquistion date	Equivalent Distribution Movement (cents per Unit per annum)
	12 month period to 30/06/06
1 month earlier	+ 0.04
1 month later	- 0.05
2 months later	- 0.09

The impacts above may not necessarily result in a change to the distribution policy of the Trust during the Forecast Period. Investors should note that the sensitivity analysis is intended to be a guide only and that movements in other assumptions may assist or compound any one variable.

Note 3 - Property expenses

Property expenses include all recoverable and non-recoverable expenses.

Expenses are based on current expenses and management forecasts. Statutory expenses relating to properties (e.g. municipal rates and charges and land tax) have been assumed to increase between 3% and 5% per annum (depending on the location of the relevant property) during the Forecast Period.

Note 4 - Operating expenses

With the exception of the expenditure outlined in notes 5, 6 and 7 below, operating expenses include all expenditure items incurred in the operation of the Trust, excluding amortisation, accruals and prepayments.

Operating expenses include but are not limited to accounting, audit, valuation, administration and reporting costs. It does not include costs associated with management, Custodian and compliance committee fees.

Note 5 - Manager's fee

Property Funds Australia as the Manager of the Trust is entitled to receive a fee of 0.6% of the Trust 'scheme value' per annum. In addition, the Manager receives fees for providing registry and accounting services to the Trust.

Note 6 - Compliance/Custodian costs

The costs include Custodian fees and costs associated with the compliance committee and its members and have been based on existing agreements and historical expenditure.

Note 7 - Interest expenses

The finance arrangements of the Trust are a combination of fixed, hedged and variable rate facilities. For further details please refer to section 6.5.

The overall weighted average interest rate (inclusive of the Financiers' margins) used in relation to term debt during the Forecast Period is 6.68% per annum. This represents the weighted average interest rate based on the Joint Finance Facility.

The weighted average variable interest rate (inclusive of Financiers' margins) used for the Forecast Period is 6.85% per annum. This consists of the relevant variable interest rates applicable under the terms of the Joint Finance Facility current as at 1 October, 2005, and the relevant Financier's margins. From 1 January, 2006 a further 0.25% per annum contingency has been incorporated into the assumed interest rate applicable for the variable interest rate component to take into account possible market interest rate increases.

The weighted average of the fixed and/or hedged interest rates (inclusive of Financiers' margins) is 6.64% per annum.

Where components of the Joint Finance Facility are:-

- subject to fixed interest rates, then the relevant fixed interest rate has been assumed;
- subject to 'cap and collar' arrangements, then the highest possible rate (i.e. the cap) has been assumed.

Interest rate movements are a significant sensitivity factor in the distribution profile of the Trust. The impact of a change in interest rate from that rate already assumed when applied to the variable component of the Joint Finance Facility would be as follows:-

Movement in variable interest rate above current rates	Equivalent Distribution Movement (cents per Unit per annum)	
	Rate Increase	Rate Decrease
	Period to 30/06/06	Period to 30/06/06
0.25%	- 0.05	+ 0.04
0.5%	- 0.10	+ 0.09

The 'current rates' referred to in the above table are those rates that apply to the variable component of the Trust's debt as at 1 October, 2005.

The impacts above may not necessarily result in a change to the distribution policy of the Trust during the Forecast Period. Investors should note that the sensitivity analysis is intended to be a guide only and that movements in other assumptions may assist or compound any one variable.

Note 8 - Cash available for distribution

This is the net cash generated by the Trust from all trading activities, including proceeds from the sale of Properties, available for distribution to Unitholders. The Manager may elect not to distribute the entire amount or elect to distribute more than the cash available for distribution in accordance with its distribution policy from time to time.

Note 9 - Forecast Distributions

Distributions are forecast to be paid monthly in accordance with the current distribution policy of the Manager.

Note 10 - Surplus (deficit)

This represents the amount of the forecast distribution which is in excess of, or less than, the amount available for distribution.

Note 11 - Weighted Average Issued Units

This is the aggregate of the number of Units on issue at the end of each month during each financial year divided by the number of months in the relevant financial year.

Note 12 - Tax Deferred Component of Distribution

This is the estimated percentage of cash distributed to Unitholders that is Tax Deferred in the year received. The Tax Deferred component of the proposed distribution to Unitholders is that part of any non-taxable distribution to Unitholders attributable to such factors as building allowances, the depreciation of plant and equipment and the amortisation of business establishment, capital raising and borrowing costs. Note that the Tax Deferred components reduce the cost base of Units. Please read the tax report in section 8.1.

In respect of the properties assumed to be purchased in the Forecast Period, depreciation and building allowance entitlements similar to the average provided by the Portfolio have been assumed.

6.3 Historical and pro forma consolidated Balance Sheets

Set out on the next page is the historical and a pro forma consolidated Balance Sheet for the Trust as at 30 June, 2005. The pro forma Balance Sheet incorporates the following transactions as if they had been finalised as at 30 June, 2005 and notwithstanding that they occur or may occur at times subsequent to 30 June, 2005:-

- the issue of 18,348,624 Units at $1.09 per Unit collectively raising $20 million;
- the acquisition of the 180 Queen Street property and as a consequence an increase in debt of $10.8 million;
- the acquisition of $95 million of property in addition to the 180 Queen Street property and a consequent increase in debt of $34 million associated with those assumed purchases;
- debt reduction of $2.4 million as a result of cash reserves as at 1 July, 2005;
- the sale of Post Office Square for $69.4 million;
- as a consequence of the sale of Post Office Square a $10 million special distribution is paid to certain Unitholders;
- a contract to sell units in the S8 Property Trust ARSN 113 542 733 settles in accordance with its contractual terms; and
- the payment of costs of the Offer is offset against capital raised.

	Actual[1] as at 30 June, 2005 (under AGAAP[2])	Pro forma as at 30 June, 2005 (under AGAAP[2])	Actual as at 30 June, 2005 (under Australian Equivalents to IFRS)	Pro forma as at 30 June, 2005 (under Australian Equivalents to IFRS)
	$ '000	$ '000	$ '000	$ '000
CURRENT ASSETS				
Cash assets	468	6,874	468	6,874
Receivables	2,218	2,218	2,218	2,218
Other assets	832	832	832	832
TOTAL CURRENT ASSETS	3,518	9,924	3,518	9,924
NON-CURRENT ASSETS				
Investment – property	330,390	390,200	330,390	390,200
Other financial assets	10,000	-	10,000	-
Intangible assets	6,634	6,634	-	-
Other assets	3,131	3,579	-	-
TOTAL NON-CURRENT ASSETS	350,155	400,413	340,390	390,200
TOTAL ASSETS	353,673	410,337	343,908	400,124
CURRENT LIABILITIES				
Payables	2,380	2,380	2,380	2,380
Other liabilities	-	-	165,030	179,330
Interest bearing liabilities	2,436	-	2,436	-
TOTAL CURRENT LIABILITIES	4,816	2,380	169,846	181,710
NON-CURRENT LIABILITIES				
Interest bearing liabilities	175,094	219,894	174,062	218,414
TOTAL NON-CURRENT LIABILITIES	175,094	219,894	174,062	218,414
TOTAL LIABILITIES	179,910	222,274	343,908	400,124
NET ASSETS	173,763	188,063	-	-
EQUITY				
Unitholders' equity	143,149	157,449	-	-
Reserves	30,614	30,614	-	-
TOTAL EQUITY	173,763	188,063	-	-
No. of Units on issue ('000)	147,872	166,211	147,872	166,211
Net asset backing per Unit[3]	$1.175	$1.131		
Net tangible asset backing per Unit[4]	$1.109	$1.070		

1 The actual consolidated Balance Sheet as at 30 June, 2005 is an audited statement.
2 Australian Generally Accepted Accounting Principles.
3 Net asset backing per Unit is net assets divided by the total number of Units on issue or assumed to be on issue.
4 Net tangible asset backing per Unit is net tangible assets divided by the number of Units on issue or assumed to be on issue.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Statement of Significant Accounting Policies

The actual and pro forma consolidated Balance Sheets as at 30 June, 2005 have been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act and the terms of the constitutions.

The consolidated actual and pro forma Balance Sheets as at 30 June, 2005 have also been prepared in accordance with Australian Equivalents to IFRS.

The consolidated Balance Sheets have been prepared on an accruals basis and are based on historical costs and do not take into consideration changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Trust in the preparation of the consolidated Balance Sheets.

Principles of Consolidation

A controlled entity is any entity controlled by the Trust. Control exists where the Trust has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Trust to achieve the objectives of the Trust.

All inter-entity balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Investment - Property

Property consists of investments in property, primarily of land, buildings and improvements to land and buildings. Investment property is measured on a fair value basis. All investment properties have been independently valued and are recorded at cost or independent valuation.

The Manager reviews the valuations on an ongoing basis with confirmation of previous valuations obtained on at least an annual basis.

A revaluation will be based on market value that represents the price at which the property can be sold at the date of the revaluation assuming a reasonable exposure to the market and settlement period.

Where a material variance arises, a revaluation is required to align the carrying amount of investment property with its fair value. Revaluation increments are recognised as increases to the asset revaluation reserve, except to the extent that they represent reversals of prior revaluation decrements. Reversals of prior year revaluation decrements are recognised in the income statement as revenue to the extent of the prior revaluation decrements. Revaluation decrements are recognised as expenses in the income statement, except to the extent that they represent reversals of prior revaluation increments. Reversals of prior revaluation increments are recognised as decreases to the asset revaluation reserve to the extent of the prior revaluation increments.

A revaluation does not take into account any potential capital gains tax on assets acquired after the introduction of capital gains tax.

Investment property as at 30 June, 2005 is not depreciated as it is held as an investment where the value of the land, buildings and improvements is expected to appreciate over time.

Non-Current Assets – Other Assets

Other assets consist of establishment costs including merger costs and borrowing costs. These costs are capitalised to the extent of the future economic benefits expected to be derived from their initial incurrence.

The borrowing costs are amortised on a straight-line basis over the term of the loan.

Establishment costs are amortised over the period the relevant trust or sub-trust was initially expected to be operational.

Income Tax

The Trust adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for income tax as it is unlikely that any income tax will be payable by the Trust in the Forecast Period.

Distributions

Distributions are recognised when paid. No accrual for distribution entitlements is recognised.

Australian Equivalents to IFRS

From 1 July, 2005 Australian Equivalents to IFRS are applicable. The Trust has identified the following key differences in accounting policies that arise from adopting Australian Equivalents to IFRS and which materially impact results in the future. The financial information in this section 6.3 of the PDS has been adjusted to address the impact of Australian Equivalents to IFRS.

Intangible Assets

Goodwill acquired in a business, such as the Trust's acquisition of subsidiary trusts, will not require amortisation, but instead be subject to impairment testing at least annually. If there is any impairment, it will be recognised immediately in the income statement. This will result in lower amortisation expenses, and therefore higher earnings on an annual basis, but increased volatility of results in the event of impairment.

Capitalisation of Borrowing Costs

Borrowing costs can no longer be capitalised as an asset as AASB 123 Borrowing Costs does not allow these costs to be capitalised for non-qualifying assets. However, borrowing costs can be recognised as a reduction in the interest bearing liabilities using the effective interest method in accordance with AASB 139 Financial Instruments: Recognition and Measurement. This amount is expensed over the period of the loan and will not result in any significant changes to implementation of Australian Equivalents to IFRS.

Distributions

The amounts paid to Unitholders for accounting purposes are treated as a borrowing cost expense.

Under Australian Equivalents to IFRS, distribution entitlements will be recognised on an accrual basis.

Non-Current - Other Assets

Establishment costs have previously been recognised in the Balance Sheet at cost less accumulated amortisation. The Directors are of the view that these intangible assets will have to be written off on adoption of Australian Equivalents to IFRS.

Other Liabilities

Other liabilities represent Unitholders' funds contributed to the Trust. The recognition of Unitholders' funds as liabilities for accounting purposes does not impact on the taxation treatment of these amounts. The amounts paid to Unitholders for accounting purposes will be treated as a borrowing cost expense. For taxation purposes, these payments continue to represent distributions under Income Tax Assessment Act 1997. Borrowing costs on Unitholders' funds for accounting purposes are accrued once the amounts are declared to the market.

Unitholders' Equity

Funds raised from Unitholders have previously been recognised as equity of the Trust. Under Australian Equivalents to IFRS, these funds will be treated as a liability. The variation in this accounting treatment arises because the Trust has a fixed and determinate life and funds previously raised from Unitholders must be returned on the vesting date of the Trust.

Derivative Financial Instruments

The Trust currently does not recognise derivative financial instruments, including embedded derivatives, in the financial statements. Under Australian Equivalents to IFRS, derivative financial instruments are recognised in the Balance Sheet at fair value with unrealised gains or losses recognised in income if they do not qualify for hedge accounting. This results in new assets and liabilities being recognised and an increased volatility in future earnings.

Hedging

All derivatives contracts, whether used as hedging instruments or otherwise, are carried at fair value. Australian Equivalents to IFRS recognise fair value hedge accounting, cash flow hedge accounting, and hedges of investments in foreign operations. Fair value and cash flow hedge accounting can only be considered where effectiveness tests are met.

Ineffectiveness outside the prescribed range precludes the use of hedge accounting and can result in significant volatility in the income statement. The Trust expects to predominantly use cash flow hedging in respect of its interest rate risk hedges, which will create volatility in equity reserve balances.

The hedging rules impact the way the Trust accounts for hedges of its funding and this results in new assets and liabilities being recognised, and potential increased volatility in future earnings.

Investment Property

The Trust's investment properties have been carried at cost or a revalued amount, with changes in the revalued amount recognised in asset revaluation reserves. Australian Equivalents to IFRS permit a choice for subsequent measurement at fair value or at cost, less accumulated depreciation and impairment losses. If measured at fair value, changes in fair value are recognised in the net profit or loss in the period in which they occur which results in an increased volatility of future earnings. Use of fair value will also have an initial impact on opening balances of retained earnings at 1 July, 2005 because existing balances of asset revaluation reserves will be transferred to opening balances of Unitholders' equity.

6.4 Source and application of funds

Set out below is a source and application of funds for the Trust associated with the Offer:-

Source of Funds

	$'000's
Subscriptions from Unitholders	20,000

Application of Funds

	$'000's
Equity component of assumed future property acquisitions	19,000
Capital raising costs	
- Legal fees and outlays	63
- Independent expert reports	108
- Printing and associated costs	50
- Manager's capital raising fees	700
Contingency	79
TOTAL	20,000

6.5 Borrowings

6.5.1 Introduction

Borrowing arrangements are an important and integral part of the Trust. The principal reason for borrowing money to "partly" fund the ownership of the Properties is to enhance the likely return to Unitholders as interest rates are currently below the yields expected to be generated from the Properties. Furthermore, assuming the value of the Portfolio increases and the debt level remains unchanged, the underlying net tangible asset value of the Units should increase. The opposite applies if the value of the Portfolio drops or the debt level increases.

6.5.2 Current Finance Arrangements

The Trust's borrowings are financed via a joint finance facility between the Commonwealth Bank of Australia ("CBA") and mortgage funds managed by ING Management Limited ("ING"). Under this Joint Finance Facility, the total borrowings are currently $176,005,490.

The Financiers provide additional funding under the Joint Finance Facility on a property by property basis, subject to the property being acquired meeting the Financiers' valuation and other financing criteria. No upper limit has been established by the Financiers on the funding they may make available under the facility.

An additional $10.8 million will be drawn down on the settlement of the 180 Queen Street property.

CBA lends funds equivalent to the first 40% of the Financiers' valuation of the Portfolio and ING lends that component above 40% and up to 60% of the Financiers' valuation. ING may agree to this 60% limit being exceeded from time to time on certain terms and on a short term basis (e.g. to enable acquisitions, with capital to be raised subsequently so as to reduce borrowings). The Financiers' LVR will be 56% after the draw down of the additional funds associated with the 180 Queen Street property acquisition.

After the assumed acquisition of $95 million in property, and drawdown of related borrowings, the sale of Post Office Square and the completion of the $20 million capital raising pursuant to this Offer, the Financiers' LVR will be 60%.

It is assumed that the settlement of the sale of Post Office Square will occur prior to the acquisition of the new $55 million property. A cash deposit will be made to 'top-up' the security of the loan facility between the sale of Post Office Square and the giving to the Financiers of mortgage security over the new property.

The major terms of the Joint Finance Facility are:-

Term

Five years from 6 November, 2003

Lender's Margin

CBA: 0.6% per annum up to 40% LVR; and

ING: 1.38% per annum above 40% LVR and up to 60% LVR;

1.80% per annum above 60% LVR.

(At 60% LVR, the weighted average Financiers' margin is 0.87% per annum across the total facility.)

Interest Cover

The Trust's earnings before interest, tax, depreciation and amortisation is to remain at or above 1.75 times interest costs.

Security

Securities were provided to the Financiers including registered first mortgages over all Properties in the Portfolio and charges over the assets and income of the Trust and its sub-trusts.

Temporary Repayments

In accordance with the finance facility, the Trust is able to make temporary repayments of up to $20 million or 50% of the ING provided borrowings (whichever is the greater) in any 12 month period at a cost of 0.75% of the repaid sum. These temporary repayments are able to be redrawn in the event that funds are required (e.g. to fund an acquisition).

6.5.3 Hedging

Currently, 97% of the Trust's borrowings have fixed interest rates or are hedged with the balance being on variable rates. Upon completion of the acquisition of the 180 Queen Street property, if the whole of that related further advance was to be on a variable interest rate basis, then 91% of the Trust's borrowings would have fixed interest rates or be hedged with the balance being on variable interest rates. PFA believes, based on current markets, that it is appropriate to maintain the fixed/hedged percentage of the Trust's borrowings above 70%. PFA regularly monitors the interest rate market for opportunities to purchase a hedging product at appropriate pricing.

The table below outlines the various fixed or hedged portions of the borrowings referenced against the hedge expiry date, and the fixed interest rate or maximum interest rate for those facilities that have a 'cap and collar' arrangement. All rates in the table are inclusive of interest rate margin or other related costs.

6.5.4 Interest Rates

The weighted average interest rate of the Trust (including Financiers' margins) as at 1 October, 2005 was approximately 6.65% per annum. However, this is indicative only and will change in line with fluctuations in the interest rate market and expiry of any fixed rate arrangements or existing hedging products. A higher rate has been assumed in the financial forecasts (see section 6.2 Note 7).

6.5.5 Other Finance Arrangements

The Trust has an overdraft facility of up to $4 million which is used to fund capital expenditures required from time to time and to ensure consistent distributions between periods.

The Trust has entered into an agreement with the Anthony Moreton Group ("AMG") for initially procuring and subsequently managing the Joint Finance Facility. This agreement entitles AMG to an ongoing fee of 0.10% per annum of the total facility amount from time to time including further advances.

6.5.6 Gearing Levels

PFA believes that in a low interest rate environment (as has existed for almost a decade), it is not necessary for a property trust to be geared to relatively low levels. PFA also recognises that the borrowing profile must take into consideration the tenancy profile and the properties used as security.

The Constitution provides flexibility to increase gearing up to 75% of the value of total property assets. The gearing will fluctuate depending on the circumstances and opportunities from time to time. It is PFA's intention to temporarily increase gearing for specific property acquisitions.

6.5.7 Changing Finance Arrangements

PFA regularly monitors and reviews the finance arrangements of the Trust to achieve optimal finance management and pricing for the benefit of the Unitholders. Accordingly, it is possible that finance arrangements may change during the life of this PDS and the Forecast Period.

PFA may, for example, refinance from the Financiers or cause the Trust to issue Commercial Mortgage Backed Securities ('CMBS') to the capital markets. PFA would only contemplate such actions if it were to the benefit of the Trust and the Unitholders to do so.

Fixed/hedged to:	Oct-06 $'000	Dec-06 $'000	Jun-07 $'000	Sep-07 $'000	Dec-07 $'000	Oct-08 $'000	Nov-08 $'000	Nov-09 $'000	Jun-10 $'000	Jul-10 $'000	Sep-10 $'000	Total $'000
Fixed/hedged amount	$9,100	$15,885	$10,000	$9,270	$26,477	$20,000	$9,152	$10,000	$20,000	$20,000	$20,000	$169,884
Fixed/hedged interest rate p.a.	5.70%	6.72%	6.39%	5.90%	6.97%	7.03%	6.45%	7.47%	6.65%	6.27%	6.65%	6.64%*

* *a weighted average interest rate per annum*

6.6 Fees and Other Costs

This section and the table below set out the fees and other costs that Investors may be charged. These fees and costs may be deducted from application monies, from investment returns, or from the assets of the Trust. Fees and expenses do not include tax an Investor must pay on any returns from the Trust, as this remains the responsibility of the Investor.

Investors should read all of the information about fees and costs, as it is important to understand their impact upon an investment in the Trust.

The Manager reserves the right to waive or defer payment of its fees. Where payment is deferred, the Manager's fees will accrue until duly paid.

The fees described in the following table (other than the adviser service fee) do not include GST. If the Manager becomes liable to pay GST in respect of any matter arising under the Constitution, then in addition to any other amount to which the Manager is entitled, the Manager is also entitled to be paid or reimbursed an amount equal to the amount of the GST liability.

6.6.1 Table of Fees and Costs

Type of Fee or Cost	Amount	How and when paid
Fees when your money moves in or out of the Trust		
Establishment fee: This is the fee to set up your initial investment.	Nil	Not applicable.
Contribution fee: This is the fee for the initial and every subsequent investment you make (or that may be made on your behalf, e.g. by an employer).	Nil	Not applicable.
Withdrawal fee: This is the fee charged for each withdrawal you make (including any instalment payments and your final payment).	Nil	Not applicable.
Termination fee: This is the fee when you close your investment.	2% of any buyback amount (e.g. $20 per $1,000 of buyback amount). Nil in all other circumstances.	Paid out of the buyback amount payable to a Unitholder accepting a buyback offer. This fee is deducted at the time of payment of the buyback amount to the Unitholder.
Management Costs		
Administration Costs are the fees and costs for operating the Trust. They include administration and other fees charged by the Manager, distribution costs and other expenses[1] incurred in operating the Trust[2].	• Investment management fee payable to the Manager of 0.6% per annum of the "scheme value" (as defined in the Constitution) (e.g. $60,000 p.a. per $10 million of scheme value)[3], plus	Payable to the Manager monthly in advance by the Trust.
	• Incidental out of pocket expenses of the Manager estimated at around 0.04% per annum of total assets of the Trust (e.g. $4,000 p.a. per $10 million of assets of the Trust)[4].	Recovered by the Manager as and when incurred and payable by the Trust.
	• Other operational expenses[5] recurring annually and currently estimated at around 0.32% per annum of the total assets of the Trust[6].	As and when incurred and payable to the relevant service provider by the Trust.
	Distribution Costs:	
	• Capital raising fee of 3% of the capital raised under this PDS[7], from which a 2% handling fee is paid to advisers and brokers[8].	Payable by the Trust to the Manager on allotment of the relevant Units.
	• Financial analysis and documentation services fee of $100,000[9] plus an estimated $221,000 in other capital raising costs[10].	Documentation services fee payable by the Trust to the Manager on the issue of this PDS and other capital raising costs payable to the relevant service provider as and when incurred.

Type of Fee or Cost	Amount	How and when paid
Management Costs continued		
Investment Costs are the fees and costs for investing the assets. They include fees charged by the Manager, fees paid to external investment managers and other expenses incurred in investing the assets (excluding transaction costs)	Acquisition fee of 2% of the gross purchase price of any property acquired by the Trust. (e.g. $200,000 per $10 million of gross purchase price of property acquired)[11]	Payable to the Manager by the Trust on completion of the acquisition of the Property from the assets of the Trust.
Additional Service Fees		
Switching fee: This is the fee for when you switch between investment options.	Nil	Not applicable.
Adviser service fee: This is the fee for extra advice from your adviser about your investment. (An adviser may also be paid other amounts as commission out of one or more of the fees listed above.)	Amount (if any) as negotiated between you and your adviser.	Paid to your adviser as directed by you on the Application Form and payable upon allotment of Units[12].

1. *See section 6.6.2 for further details.*
2. *This fee does not include an amount payable to an adviser for advice about this product. See sections 6.6.7 and 6.6.8 for further details on adviser remuneration.*
3. *As at 30 June 2005, the scheme value was $333,758,457. In brief, "scheme value" is the aggregate of the market values of the Trust's assets including its real estate and other property (e.g. cash).*
4. *As at 30 June 2005, the total assets of the Trust were $353,673,758. See section 6.6.4 for further details.*
5. *These expenses include accounting, audit, valuation, administration and reporting, Custodian and compliance costs and other such costs. See sections 6.6.2 and 6.6.3 for further details.*
6. *As at 30 June 2005, the total assets of the Trust were $353,673,758.*
7. *The capital anticipated to be raised under this PDS is $20 million. See section 6.6.2(ii) for further details.*
8. *See section 6.6.7 for details regarding the handling fee.*
9. *See section 6.6.2(i) for further details.*
10. *These capital raising costs include legal fees, independent experts' reports and printing costs. See section 6.4.*
11. *The gross purchase price of the 180 Queen Street property to be acquired is $18 million.*
12. *See section 6.6.8 for further details.*

Important Additional Disclosure Items

6.6.2 Other Manager Services and Fees

The Manager (or any associate of it) may carry out functions and roles that could be carried out by external parties (e.g. leasing, property management, development management, capital raising, underwriting, accounting, registry, finance procuration, etc.). If this occurs, the Manager (or any associate of it) is entitled to charge fees in respect of such services and work of this nature at the rate normally charged. All capital raising fees in respect of capital raisings will be disclosed in the relevant fund raising document (i.e. the PDS). These fees will include work relating to financial analysis, due diligence, documentation services, capital raising as well as fees payable to financial intermediaries.

In respect of the capital raising pursuant to this PDS, the Manager is charging the Trust:-

(i) in respect of financial analysis, due diligence and documentation services the sum of $100,000 (plus GST) payable upon issue of this PDS; and

(ii) in respect of the co-ordination, management and promotion of the capital raising the sum of 3% (plus GST) of the capital raised under this PDS and payable upon allotment of the relevant Units. From this fee, the Manager may pay to financial advisers and stockbrokers a handling fee.

The Manager is currently providing registry and accounting services to the Trust. The amounts payable to the Manager for providing these services are anticipated to be $27,000 and $92,700 respectively during the Forecast Period. These fees are within the range which would be paid to external service providers.

6.6.3 Cost reimbursement

The Manager is entitled to be reimbursed for any costs or expenses incurred on behalf of the Trust.

6.6.4 Expense Recoveries

0.04% of total assets of the Trust is the Manager's estimate of the out of pocket expenses (e.g. travel, postage, compliance committee costs, etc.) the Manager is entitled to recover from the Trust during the Forecast Period. This estimate does not include costs or expenses that PFA anticipates will be incurred directly by the Trust.

6.6.5 Disposal fee payable to the Manager (fee on sale of a Property)

The Manager is entitled to receive a disposal fee from the Trust in respect of the sale of any Property equal to 2% of the gross sale price achieved.

If the sale of a Property results in a gross sale price above the original gross purchase price, the Manager is entitled to an additional performance fee as follows:-

- 2.5% of the gross sale price (if gross sale price is more than 50% of original gross purchase price);
- 1.5% of the gross sale price (if gross sale price is between 30% and 50% more than the original gross purchase price).

Original gross purchase price includes that purchase price paid by any sub-trusts of the Trust.

6.6.6 Removal fee

If the Manager is removed as responsible entity of the Trust (other than for its gross negligence or a material fiduciary breach), then it is entitled to be paid 2% of the "scheme value" as at the time of the removal.

6.6.7 Handling fees paid to advisers and brokers

From the capital raising fee paid to the Manager by the Trust (see section 6.6.2(ii)), the Manager will pay a 2% handling fee calculated on the application amount in respect of those Application Forms which bear a broker's/adviser's stamp to those persons who hold an Australian Financial Services Licence or are otherwise permitted at law to receive such payments. This handling fee is paid for processing applications for Units. This fee is only paid in respect of that component of application amounts subject to allotment. For example, upon allotment of $10,000 of Units, pursuant to an application which bears the appropriate stamp, the Manager will pay from its own funds $200 in handling fees to the broker/adviser. This is not paid from the assets of the Trust or the Investor's own application monies.

6.6.8 Adviser Service Fee

At the election of the Investor, the Manager will deduct from the Investor's own application monies the Investor's nominated percentage on the Application Form from 0% to 4% (or such other nominated amount) as an adviser service fee. The resultant amount will be treated as inclusive of GST. Investors are responsible for agreeing any adviser service fee with their adviser and the nomination of the applicable percentage on the Application Form.

The Manager will forward the full amount deducted to the adviser whose stamp or notification appears on the Application Form, once the relevant Units have been allotted. An adviser may receive this adviser service fee as well as the handling fee referred to in section 6.6.7.

6.6.9 Custodian fee

The Custodian, Trust Company of Australia Limited, is entitled to be paid an annual fee of $70,796 (plus GST) for its custodial services to the Trust (refer to section 5.2).

6.6.10 Management Expense Ratio (MER)

The MER is a useful measure for comparing ongoing fees and normal overhead expenses incurred by the Trust with other investment options. The MER for the financial year ending 30 June, 2005 was 0.79%.

It is forecast to be at or below this percentage during the Forecast Period.

The above MER calculation expresses the ongoing operational costs of the Trust as a percentage of the total assets of the Trust.

The calculation above excludes the costs associated with acquiring or disposing of assets of the Trust, capital raisings and other costs not normally part of the regular overheads of the ongoing management and operation of the Trust.

Risks

7

Investors should be aware that the future level of income and capital distributions and Unitholder's total returns from the Trust may be influenced by a number of factors, some of which may be outside the Manager's control. There are general risks associated with most property related investments and other more specific risks. Set out below are examples of some of these factors or risks.

7.1 General risks

Economic Conditions

The performance of any individual property or the Portfolio in general may be affected by many factors including:-

- consumer spending;
- employment levels;
- inflation;
- interest rates;
- taxation;
- investment market performances generally;
- tourism.

The demand for property by both tenants and investors may be affected by the general economic conditions relevant to any individual property or the Portfolio in total.

Competition, socio-economic and demographic factors

The entry of new competing properties into the market where the Properties within the Portfolio are located may cause adverse effects, such as greater difficulty in reletting or a reduction in growth or fall of rents. Similarly, changes to the socio-economic and demographic make-up of the locations in which the Properties are situated may also cause an adverse effect, particularly for a retail property.

Taxation Law

There is a range of tax reform proposals being constantly considered by the Government. Tax reforms could impact upon the distributions from the Trust and the value of the Units.

Investors should note that Australian tax laws are complex and are constantly subject to change. For example, the Australian government is currently considering the structure and effect of the laws associated with depreciation as they relate to property assets. The views and the financial forecasts in this PDS are based on law current at the date of this PDS.

The taxation comments in this PDS are general in nature by necessity. They do not, for example, apply to non-residents or those who carry on a business in trading in Units or take into consideration individual characteristics of Investors.

Tax liabilities are the responsibility of each Unitholder and the Manager is not responsible for taxation or penalties incurred by Unitholders.

Insurance Risk

While PFA remains confident of arranging proper insurance for the risks associated with ownership of the Properties, there is no certainty that such insurance will continue to be available or that the cost of insurance premiums will not continue to rise. This may affect the forecast incomes from the Portfolio.

Property

The risks commonly associated with commercial property investment apply equally to Units in the Trust.

The Portfolio comprises 15 Properties. This diversification assists to mitigate the effect of the following property specific risks which may impact both on the underlying Properties' value and also Unitholders' distribution levels:-

- tenant vacancy;
- operating expense increases;
- tenant performance;
- abatement of rent by tenants due to lack of performance of the property or its plant and equipment;
- capital expenditure requirements greater than expected;
- development and refurbishment risk.

Legal

Adverse consequences to investments can occur because of amendments to statutes and regulations affecting them. The law may be changed or new decisions or determinations may alter the way the law is generally interpreted.

7.2 Specific risks

There are a number of specific risks associated with an investment in the Trust.

Borrowings

The current borrowings of the Trust are at comparatively high levels with loan to valuation ratios around 60% during the Forecast Period. The use of borrowings at this level in an investment is referred to as 'gearing' or 'leveraging'. It enhances the potential for capital gain if the Properties increase in value. However, it may also increase any capital loss in the event that the value of the Properties fall compared to an investment in a property investment vehicle which has no borrowings.

The Trust will continue for longer than the current loan facilities. There is no guarantee that the Trust will be able to refinance those facilities. Further, if the loans are refinanced the interest rate margin payable may be higher than is currently the case. If a number of tenants fail to pay rental due under their leases, or there are extended vacancies, the income of the Trust may not be sufficient to meet interest payments under the loans. If there is a default in paying interest, the financier may be entitled to enforce its security.

As at the date of this PDS, 97% of the current borrowings have fixed interest rates or are supported by interest rate hedging arrangements. The balance of the borrowings has a variable interest rate which carries the risk of adverse interest rate movements during the term of the facilities. Depending on whether further borrowings associated with the 180 Queen Street property and the assumed purchase of $95 million in property are fixed or hedged, then the variable interest rate component could increase up to 23% of the total borrowings. The financial forecasts in section 6 assume variable interest rates which are 0.25% per annum higher than variable interest rates as at 1 October, 2005 from 1 January, 2006 until the end of the Forecast Period.

Under the terms of the Joint Finance Facility, should as part of a property acquisition, the Trust exceed an LVR of 60%, the Trust is required to return the LVR of the Trust to 60% or below within six months of that further advance. If this does not occur, then the Trust would be in default under the terms of the Joint Finance Facility.

Valuation Risk

Adverse movements in capitalisation rates for various Properties/sectors may adversely affect the value of Properties within the Portfolio. This may have the effect of lowering the net tangible asset value per Unit.

Leasing Risk

Based on the Portfolio, the lease expiries in periods after the Forecast Period may mean that distribution levels can not be maintained at the same levels as in the Forecast Period. Lease expiries in the financial years ending 30 June, 2007 and 30 June, 2008 represent approximately 9% and 12% of the income of the Portfolio respectively. Future distribution levels from the Trust are fundamentally affected by lease renewals. Should key or significant tenants not renew their current leases or replacement tenants not be sourced promptly, then distributions may be materially affected.

The financial forecasts assume that certain tenants will execute enforceable lease documentation which will give due effect to heads of agreement concluded between the Manager on behalf of the Trust and those prospective tenants. Those tenants are in occupation of the Properties to which these leases relate due to prior leasing arrangements. Should those tenants not execute such enforceable legal documentation then the distributable income during the Forecast Period may be materially affected.

Environmental Risk

The Portfolio may be affected by contamination or other environmental issues which may not have previously been identified during due diligence at the time of acquisition. This raises a number of risks including:-

- the requirement of unbudgeted additional expenditure to remediate the issues; and
- the adverse impact on the financial position of tenants caused by the issues and affecting their ability to trade and meet their lease obligations.

Unitholders' Liability is Limited

Unitholders cannot be required to pay more than their Subscription. Unitholders are not financially responsible for the obligations of any other Unitholder in the Trust. In the event of default on a loan to the Trust, the Financiers' recourse is currently only limited to the assets of the Trust. However, PFA cannot guarantee that liability is limited in all circumstances, as such decisions lie with the courts.

Term and Exiting Investment

Unitholders will have no contractual right to the return of capital upon the sale of any particular Property. Trading of Units is the principal means of exit from the Trust and therefore the liquidity of Units may become relevant should an Investor seek a timely exit from their Investment.

The Trust is a $341 million property trust with more than 3,300 Investors and is listed on the Bendigo Stock Exchange. The size of the Trust and number of Investors in it assists interest in the Trust and liquidity. However, liquidity is not assured. There is no guarantee that Unitholders will be able to realise their Investment in the Trust at a price or at a time that meets their expectation.

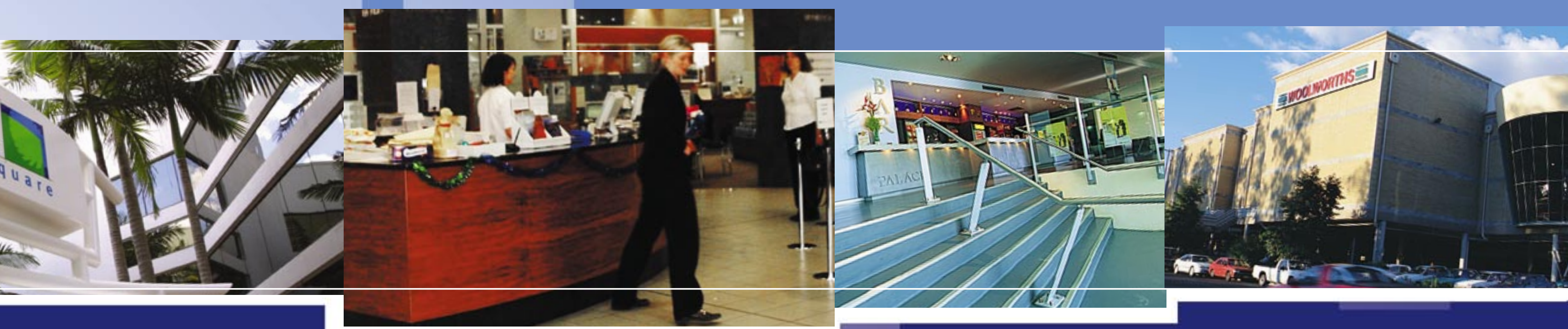
Market Price

Application will be made to the BSX to have the Units issued under this Offer listed on the BSX. PFA is unable to forecast the market price of Units, which may fluctuate, including trading below the Offer Price or the net tangible asset value of the Trust, due to various factors, including changes or movements in:-

- local and world economic conditions;
- government legislation, intervention or taxation;
- inflation or inflationary expectations;
- world political events; and
- market sentiment.

SECTION

8 Independent Reports



8.1 Taxation Report

BDO Kendalls
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20 October, 2005

The Directors
Property Funds Australia Limited
Level 3
200 Adelaide Street
BRISBANE QLD 4000

Dear Directors

INDEPENDENT TAXATION REPORT – PFA DIVERSIFIED PROPERTY TRUST

1. INTRODUCTION

In accordance with your request, this taxation report ("Report") has been prepared for inclusion in a Product Disclosure Statement ("PDS") to be dated 20 October 2005 relating to the issue of approximately 18.35 million Units at an Offer Price of $1.09 per Unit in the PFA Diversified Property Trust ARSN 097 860 690 ("the Trust").

The expressions defined in the Defined Terms section of the PDS have the same meaning in this Report.

2. BACKGROUND

The Trust is a listed trust that invests in a range of office, retail, industrial and other properties. It currently holds 14 properties with a further property known as 180 Queen Street currently under contract. It intends to use the proceeds of the Offer to fund future acquisitions.

3. LIMITED SCOPE OF REPORT

This Report outlines the Australian taxation implications for Australian resident Investors of acquiring Units on capital account pursuant to this PDS and is based upon the legislation applicable at the time of its preparation. The taxation implications for other Investors may differ substantially from those outlined.

The Australian taxation laws are complex and hence, the comments provided below are necessarily general in nature. Unitholders should be aware that they might be affected by changes in taxation laws or their interpretation as well as changes in the administrative practices of the revenue authorities. Unitholders should obtain and rely upon their own taxation advice.

4. TAXATION OF THE TRUST

The Trust should not be subject to taxation on net income derived for tax purposes provided that it is fully distributed or reinvested on a Unitholder's behalf.

5. TAXATION OF UNITHOLDERS

5.1 Distributions from the Trust

Distributions to, or reinvestments on behalf of, Unitholders will have taxation implications for Unitholders in the year ended 30 June in which their entitlement arises.

Distributions from the Trust will potentially include a number of different categories, which receive different taxation treatments. The categories may include tax assessable income, Tax Deferred income, net capital gains and discount capital gains. Unitholders will be able to identify the categories of distributions from the distribution statement that will be issued by the Manager for the year of income.

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5.2 Tax Assessable Income

Tax assessable income is simply the taxable income component of the income of the Trust to which a Unitholder is entitled. This amount will be included in the Unitholder's assessable income.

5.3 Tax Deferred Income

Tax Deferred income relates primarily to non-taxable distributions associated with favourable tax timing differences. As a result of these timing differences, taxable income is less than accounting income. In the circumstances of the Trust, these timing differences may include, in particular, those relating to building allowances and capital allowances in respect of depreciating assets forming part of the Portfolio, as well as deductible capital expenditure to raise equity for and establish the business of the Trust and borrowing costs.

That part of a Unitholder's distribution that relates to Tax Deferred income will not ordinarily be included in a Unitholder's assessable income.

It may, however, have capital gains tax ("CGT") implications in certain circumstances such as:

a) Tax Deferred income distributed to Unitholders reduces the cost base of their Units. This results in a relatively greater capital gain when the Units are disposed of in the future; and
b) A capital gain will arise to the extent that the total Tax Deferred distributions, during the period of ownership of a Unit, exceed the cost base (or reduced cost base) of the Unit. The capital gain to be included in a Unitholder's assessable income may be reduced if the CGT discount is available (refer section 6.1 of this Report).

The Unitholder should keep a record of the Tax Deferred distributions received for CGT purposes.

5.4 Net Capital Gains

If the Trust sells a capital asset which it has not held for at least 12 months, any capital gain arising on disposal will be included in the calculation of the net capital gain of the Trust available for distribution.

The net capital gain component of the distribution will be included in the Unitholder's assessable income.

5.5 Discount Capital Gains

If the Trust sells a capital asset that it has held for at least 12 months, any capital gain arising on disposal may ordinarily be reduced by 50% for the purposes of calculating the net capital gain of the Trust available for distribution.

The discount capital gain component of a distribution should be grossed up by the amount of the discount (that is, to the amount of the original capital gain realised by the Trust) for the purposes of calculating a Unitholder's net capital gain. Unitholders may then be able to claim a discount in their own right according to their circumstances (refer section 6.1 of this Report).

The discount capital gain component of a distribution does not result in a reduction in the cost base of the Units.

5.6 Disposal of Units in the Trust

The most likely method of disposal of Units in the Trust during the term of the investment is by way of sale or transfer of the Units.

Capital gains may arise on the disposal of Units in the Trust. For CGT purposes, Units in the Trust will be taken to have been acquired by Investors acquiring pursuant to the Offer on the date they are issued, for a cost base equal to the Offer Price plus any incidental costs of acquisition.

Capital gains will generally equal the excess (if any) of the consideration received for disposal of Units over the cost base. As noted above, Tax Deferred distributions received by the Unitholder will reduce the cost base of Units.

The amount of the capital gain to be included in a Unitholder's assessable income may be reduced where the CGT discount is available (refer section 6.1 of this Report).

A capital loss may arise where the reduced cost base exceeds the consideration received upon disposal.

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6. OTHER

6.1 CGT Discount

If a Unitholder is an individual, a trust or a complying superannuation entity that has owned the Unit for at least 12 months, a CGT discount may be available. In this case, the amount of the capital gain to be included in the Unitholder's assessable income may be reduced by 50% for individuals and trusts and 33⅓% for complying superannuation entities.

However, the Unitholder must first offset any capital losses against the gain, before calculating the discount.

A company is not entitled to the CGT discount.

6.2 Trust Losses

Revenue losses or net capital losses incurred by the Trust cannot be distributed to Unitholders. Net capital losses may, however, be available to offset future capital gains of the Trust. The availability of revenue losses to offset future assessable income of the Trust may be restricted, in particular, if the "50% stake test" (effectively a continuity of ownership test), and the "income injection test" are not satisfied.

6.3 Complying Superannuation Entities

A number of restrictions are placed upon the types of investments that a complying superannuation entity may make. These restrictions should not ordinarily prevent or limit an investment in the Trust.

6.4 Indirect Taxes

The acquisition of Units pursuant to the Offer should not attract stamp duty or the Goods and Services Tax.

6.5 Tax File Numbers

Unitholders who have not provided a tax file number or details of exemption, may have tax deducted at the highest individual marginal tax rate plus Medicare levy from their income distributions. Such deductions will be indicated on the Unitholder's distribution statement.

Yours faithfully
BDO Kendalls

Brian Richards
Partner

8.2 Independent Accountant's Report of Financial Forecasts

BDO Kendalls

BDO Kendalls Securities Ltd
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20 October, 2005

The Directors
Property Funds Australia Limited
Level 3
200 Adelaide Street
BRISBANE Q 4000

Dear Directors

INDEPENDENT ACCOUNTANT'S REPORT OF FORECAST FINANCIAL INFORMATION

1. Introduction

In accordance with your request, this report has been prepared for inclusion in a product disclosure statement ("PDS") in relation to the issue of 18,348,624 units in the PFA Diversified Property Trust ("the Trust"). This report has been prepared in accordance with *AUS 804 The Audit of Prospective Financial Information* and *ASIC Policy Statement 170 Prospective Financial Information.*

The nature of this report is such that it can be given only by an entity which holds an appropriate Australian Financial Services Licence ('AFSL'). BDO Kendalls Securities Ltd holds the appropriate AFSL under the *Corporations Act 2001*.

The expressions in the Defined Terms section of the PDS have the same meaning in this report.

2. Background

The Trust is a listed trust that invests directly and indirectly in a range of office, retail, industrial and other properties. It currently holds 14 properties with a further property, 180 Queen Street, currently under contract. It intends to use the proceeds of the Offer to fund the acquisition of future property acquisitions.

3. Scope of Examination

You have requested BDO Kendalls Securities Ltd to prepare a report covering the following information:

(a) forecast consolidated statements of earnings and distribution of the Trust for the financial year ending 30 June 2006; and

(b) a pro forma consolidated Balance Sheet of the Trust as at 30 June 2005, which assumes the transactions disclosed in section 6.3 of the PDS had been finalised as at 30 June 2005 notwithstanding that they occur or may occur at times subsequent to 30 June 2005; and

(c) a source and application of funds,

collectively referred to as "the Forecasts".

The Directors of the responsible entity, Property Funds Australia Limited, are responsible for the preparation and presentation of the Forecasts, including the best-estimate assumptions, which include the pro forma transactions, on which they are based. The Forecasts have been prepared for inclusion in the PDS. We disclaim any assumption of responsibility for any reliance on this report or on the Forecasts to which it relates for any purposes other than for which it was prepared.

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Review of The Manager's Best-Estimate Assumptions

Our review of the best-estimate assumptions underlying the Manager's forecasts was conducted in accordance with the Australian Auditing and Assurance Standard *AUS 902 Review of Financial Reports*.

Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with some of the Directors and management of the Manager and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that:-

- the best-estimate assumptions do not provide a reasonable basis for the preparation of the Forecasts; and
- in all material respects, the Forecasts are not properly prepared on the basis of the best-estimate assumptions and are not presented fairly in accordance with the recognition and measurement principles prescribed in:
  - Australian Accounting Standards for the forecast consolidated statement of earnings and distribution for the year ending 30 June 2006 and pro forma consolidated Balance Sheet as at 30 June 2005;
  - Australian Equivalents to International Financial Reporting Standards for the forecast consolidated Balance Sheet as at 30 June 2005;
  - other mandatory professional reporting requirements in Australia; and
  - the accounting policies of the Trust disclosed in section 6.3 of the PDS so as to present a view of the Trust which is consistent with our understanding of the Trust's past, current and future operations.

The Forecasts have been prepared by the Manager to provide Investors with a guide to the Trust's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgment involved in the preparation of the Forecasts. Actual results may vary materially from those forecast and the variation may be materially positive or negative. Accordingly, Investors should have regard to the investment risks and sensitivities set out in section 7 of the PDS.

Our review of the Forecasts, which are based on best-estimate assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the PDS.

4. Review Statement on the Forecasts

Based on our review of the Forecasts, which is not an audit, and based on an investigation of the reasonableness of the Manager's best-estimate assumptions giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:

(a) the Manager's best-estimate assumptions set out in section 6.2 of the PDS do not provide reasonable grounds for the preparation of the Forecasts;

(b) the Forecasts are not properly compiled on the basis of the Manager's best-estimate assumptions and are not presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and Australian Equivalents to International Financial Reporting Standards for the respective periods, and the accounting policies adopted by the Trust disclosed in section 6.3 of the PDS;

(c) the Forecasts are unreasonable; and

(d) the pro forma consolidated Balance Sheet has not been properly prepared on the basis of the pro forma transactions.

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The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Manager of the Trust. If events do not occur as assumed, actual results and distributions achieved by the Trust may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

5. Subsequent Events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Trust have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

6. Disclosure of Interests

The only pecuniary or other interest that BDO Kendalls Securities Ltd has in relation to this PDS arises from the right to receive a professional fee for the preparation of this report and other related advice. This is disclosed in section 9.5 of the PDS.

BDO Kendalls Securities Ltd was not involved in the preparation of any other part of this PDS. Accordingly, BDO Kendalls Securities Ltd makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the PDS.

Yours faithfully

BDO Kendalls Securities Ltd

Paul Gallagher

Paul Gallagher

Director & Authorised Representative

BDO Kendalls

Financial Services Guide

This Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act and includes important information regarding the general financial product advice contained in the attached Report. The FSG also includes general information about BDO Kendalls Securities Limited ('BDO KSL' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO KSL holds an Australian Financial Services Licence to provide the following services:

(a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and

(b) Arranging to deal in financial products mentioned in 1 above, with the exception of derivatives.

General Financial Product Advice

The following Report sets out what is described as general financial product advice. The Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Kendalls Securities Ltd ABN 54 010 185 725, Australian Financial Services License No 245513 has been engaged by Property Funds Australia Limited to provide general financial product advice in the form of an Independent Expert Report ('the report') in relation to the financial product of another entity, PFA Diversified Property Trust. This report is to be included in documentation being sent to you by that entity.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. Details of those fees are set out in our report. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party.

Except for the fees set out in the report, neither BDO KSL, nor any of its partners, employees or related entities, receives any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Directors of BDO KSL may receive a share in the profits of BDO Kendalls, a related entity of BDO KSL. All our directors and employees of BDO KSL are entitled to receive a salary. Where a director of BDO KSL is a partner of BDO Kendalls the person is entitled to some share in the profits of BDO Kendalls.

Associations and relationships

From time to time BDO KSL or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. The signatory to the report does not hold any units in PFA Diversified Property Trust and no such shares have been held for any time over the last two years.

Property Funds Australia Limited has previously requested BDO Kendalls Securities Limited to provide an Investigating Accountants Report to Unitholders in relation to the issue of a Product Disclosure Statement for the PFA Diversified Property Trust.

BDO Kendalls

Complaints

We are members of the Finance Industry Complaints Service. Any complaint about our service should be in writing and sent to BDO Kendalls Securities Limited, GPO Box 457, Brisbane Qld 4001. We will endeavour to resolve the complaint quickly and fairly.

If the complaint cannot be satisfied within 45 days of written notification, there is a right to complain to the Financial Industry Complaints Service (FICS). They can be contacted on 1800 335 405. This service is provided free of charge.

If the complaint involves ethical conduct a complaint may be lodged in writing with the Institute of Chartered Accountants, Level 1, 200 Mary Street, Brisbane Qld 4001.

The Australian Securities and Investment Commission (ASIC) also has a free call Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact details:

BDO Kendalls Securities Limited

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300 Queen Street
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8.3 Property Market Commentary Report

20 October, 2005

LandMark White

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Set out below is a general market commentary relating to the CBD retail, grocery based-retail, bulky goods retail, CBD commercial and car parking property sectors in Australia.

ECONOMIC ENVIRONMENT

The Australian economy continued to perform well during 2004/05 with the latest official GDP data showing annual growth of 2.0% as at the June quarter 2005. Forecasts for the full calendar year are stronger with Access Economics forecasting growth of 2.2% over the 2005 calendar year. Growth drivers of the Australian economy have been the non-residential construction sector and the resources sector, which has benefited from a strengthening global economy. Growth in the domestic household sector is slowing partly due to higher, and what appears to be, sustained petrol prices. However, this slowing is not anticipated to be dramatic due to the stable interest rate environment. Despite the identifiable negative factors the rate of economic growth is forecast to be relatively strong over the five year period from 2006 to 2011 at 3.3%.

Set out below are forecasts of economic indicators by Access Economics, recognised economists.

table 1 - summary of economic indicators June 2005 – June 2009

	June 2005	June 2006 (f)	June 2006-June 2009 (f)
inflation	2.5%	2.9%	2.4%
cash rate (period average)	5.5%	5.4%*	5.56%*
10 year T bond rate	5.7%	5.5%	5.7%
unemployment (period average)	5.2%	5.2%	5.3%
economic growth	2.7%	3.3%	3.3%

Source: Access Economics June 2005 *extrapolated from the 90 day bill rate

Despite a resurging investor interest in the stock market during the last 18 months, investor demand for commercial property has increased over 2005. Under the general weight of funds the yields for most classes of non-residential property firmed during the past 12 months. Across the broader market there is considered to be little room for yields to firm further.

CBD RETAIL

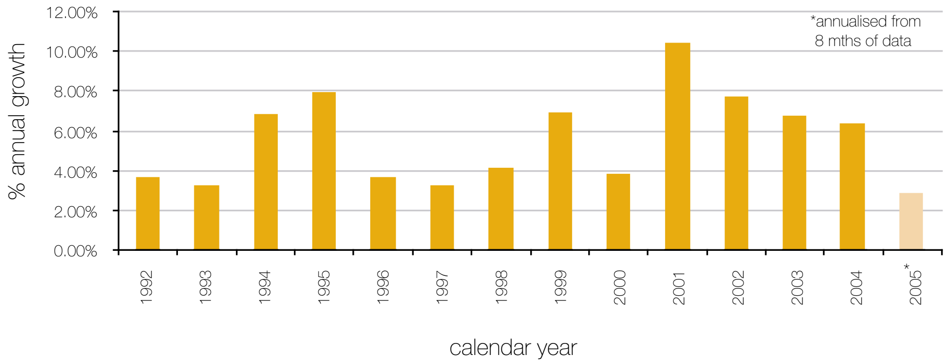
The CBD retail asset class encompasses the mix of retail facilities in and around the CBD. Often they are concentrated around the mall retail hubs, in tandem with major transport infrastructure or located along pedestrian trails, often referred to as ant tracks, between transport links and the major office buildings. Traditionally a market characterised by discretionary spending based around large department stores, the retail market within the CBD areas has changed dramatically over recent years.

The tenant base of CBD retail assets has continued to broaden with both additional international brand name specialty stores establishing an Australian (or more than one Australian) presence at the top end of the market. At the same time, increasing attention is being paid to the lower order retail needs of the workforce (semi-resident) and city dwelling (resident) populations, with supermarkets firmly entrenched again as part of the CBD retail landscape.

The tenancy composition of the CBD retail market is now more aligned with meeting the needs of the CBD workforce and the increasing resident population rather than solely focussing exclusively on the 'big day out' shopping trip. Accordingly, the tenant base has broadened with greater emphasis on food courts, coffee shops and convenience/grocery outlets to service the needs of both the office worker and the increasing resident population.

The underlying base of workers within the CBD of any city provides a stable, and continuously growing catchment for CBD retailers. The strength of a CBD retail centre remains largely linked to the state of the economy and to consumer spending growth. Retail spending growth has steadied over the past four years with the annualised 2005 figure being 2.9%. It is noted, however, that the annualised 2005 figure is still higher than the inflation rate of 2.5% for the 12 months to June 2005. Reasons for a slowing in retail spending relate to an increase in interest rates in the early part of the year and increased fuel prices in the latter part of 2005.

australia total retail turnover annual growth



LandMark White Research *Source: ABS 8501.0 trend*

While there appears to be a significant fall in overall retail spending growth for 2005, this is partly offset by growth in the number of workers and residents in the country's CBDs. Brisbane's CBD offers limited opportunities for retailers due to its small geographic area coupled with its tightly held ownership profile. Further, the Brisbane CBD retail market is currently in a construction phase with the recent opening of Queens Plaza, the refurbishment of the former David Jones, and an extension of the Queen Street Mall west with the Brisbane Square development opposite Treasury Casino.

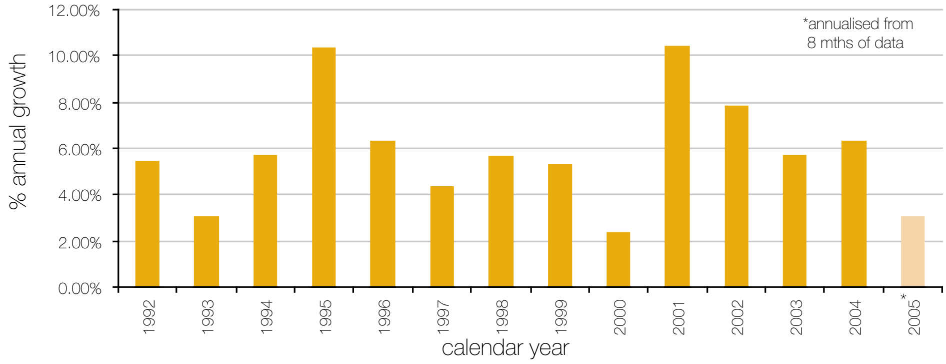
GROCERY-BASED RETAIL

A neighbourhood retail centre provides for the basic retail needs of a local catchment area. The centre will typically contain one supermarket tenant and be surrounded by a cluster of complementary specialty stores (newsagent, butcher, bakery, deli, florist etc). The success of a neighbourhood centre is based on being able to successfully meet the everyday shopping needs of the catchment population by providing a mix of convenience and a wide enough range of products and services.

Following the shake-up of the supermarket sector after the demise of Franklins in 2002, the sector has continued to see strong retail additions with Metcash and ALDI increasing their presence in the Australian market. At the same time, the existing majors of Coles and Woolworths continue their expansion plans with smaller stores and smaller catchments, a product of the increasing competition within the market. This has seen the design of many centres change slightly with fewer specialty stores generally seen in the more modern neighbourhood centres.

The net rental income of a neighbourhood centre should in general be dominated by the rental from the supermarket tenant (typically a strong covenant such as Coles or Woolworths) providing a degree of surety to the income typically over a long lease term. The majority of year on year rental growth arises from turnover rental when the supermarket meets and exceeds the turnover threshold level identified within the lease. While there has been improved growth in specialty tenancy rentals over the past 2 years, it is the turnover rental growth of the supermarkets which provides the majority of potential upside to the income of these centres over the life of an investment.

australia food retail turnover annual growth



LandMark White Research *Source: ABS 8501.0 trend*

Although grocery spending generally is considered as a relatively inelastic portion of consumer spending, the sector is still subject to fluctuations in the economy and retail spending levels, as shown in the graph above. The increasing level of value-added and ready to eat foods available in supermarkets has been a large factor in the steady increase in the grocery spend over the past four years. Household budget constraints may see a reduction in the purchase of these higher value grocery items over time. The annualised 2005 growth is somewhat lower than the previous four years largely due to higher petrol prices over much of the current year. Even in steadying economic conditions grocery based shopping centres are expected to fare well in comparison to other retail shops due to the primary nature of their business.

The neighbourhood centres are generally at a purchase price level that attracts investor interest from a broad range of private, syndicates and specialised trusts. Demand for such opportunities continues to be strong with new centres attracting yields in the region of 7.00% - 7.75%. Whilst older centres generally remain up to 150 basis points higher, the gap between new and older centres has reduced over recent years. This has been due to increased demand coupled with investors being less discerning about the critical factors that impact on value/price.

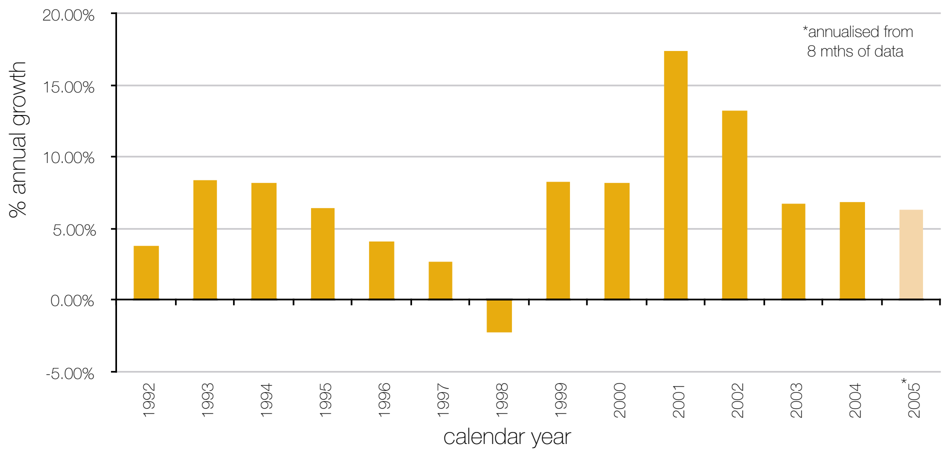
BULKY GOODS CENTRES

Bulky goods retailing is now a mature market sector within the retail industry in Australia, having developed over the past five to ten years. This type of trading is well established in the United States and United Kingdom where it is referred to as power centres or homemaker centres.

Bulky goods centres comprise both stand alone single tenant properties and large facilities containing a number of tenants, not necessarily with a dominant or anchor tenant. The focus is typically upon homewares such as furnishings, electrical and white goods, bedding and decorator items.

At the same time, the continued link between home improvement and lifestyle/entertainment has assisted in the evolution of the bulky goods centre as offering a diverse and improved range of retailers. Examples of this refining of tenancy mix includes the addition of cafes, service providers, and other recreational tenants. Increasingly it is being considered as a form of destination retail rather than a goal oriented retail experience. In time, it is anticipated that the continued expansion of the type of retailers in these centres will become a challenge to, and only limited by, the local government planning controls.

australia household goods retail turnover annual growth



LandMark White Research *Source: ABS 8501.0 trend*

In terms of annual turnover, the bulky goods retail industry is valued at approximately $28 billion across Australia, which accounts for somewhere in the vicinity of 14.5% of total retail spending. A buoyant housing market is a positive for bulky goods retailing, but given the nature of the products involved, other key market drivers will continue to support the sector. Although the rate of growth for household retail spending is now slowing, the sector is expected to weather the reduction in spending which arises directly from residential development relatively well.

Bulky goods centres tend to proliferate in regions of elevated population growth and a high incidence of new housing construction, typically on the fringe of metropolitan areas. Suburbs that have sufficient land availability or existing properties suitable for redevelopment have seen construction occur.

Bulky goods retail centres provide another dimension to traditional retail investments, and are increasingly in demand by a range of investors including property trusts, syndicators and high net worth individuals. Yields and rental levels for the bulky goods retail sector have improved from the levels associated with industrial property in the early to mid nineties, towards the levels of the mainstream retail market and in the region of 7.0% - 8.5%.

CBD COMMERCIAL

The commercial office property market comprises CBD, near CBD and suburban business centres across all major cities of Australia. While individual demand/supply balance conditions vary from city to city certain fundamentals are common to all commercial markets.

The demand for office accommodation is largely determined by the number of white collar workers within a region, excluding retail workers and medical employees. White collar employment growth as it relates to the office market is predominantly influenced by the employment levels in the four sectors of Communications, Finance & Insurance, Property & Business Services and Public Administration. Access Economics have produced a series by which they estimate the base office worker numbers for the major cities and CBDs across Australia. A summary of the underlying office worker growth across selected Australian office markets is shown below:

table 2 – base office worker growth, selected markets - australia

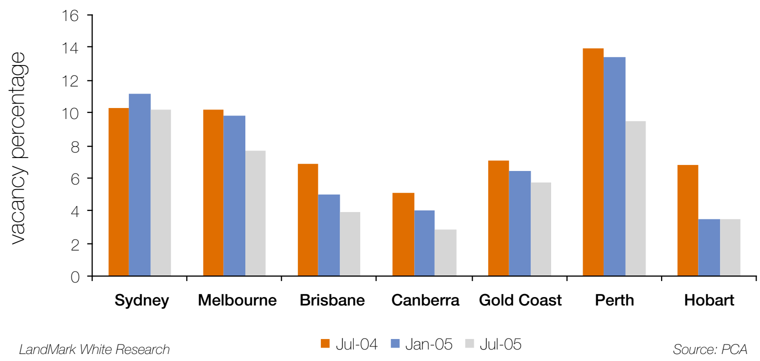
	2003	2004	2005	2006	2007	2008	2009	2010
Sydney CBD	-0.4%	-0.2%	1.9%	3.4%	1.3%	2.6%	1.6%	0.6%
Melbourne CBD	-1.3%	3.9%	4.6%	-1.4%	0.4%	1.7%	1.1%	0.2%
Brisbane CBD	3.8%	3.9%	4.4%	3.9%	1.3%	2.4%	2.2%	1.3%
ACT	0.9%	1.9%	2.7%	1.2%	1.0%	2.0%	1.3%	0.2%
Tasmania	2.7%	4.9%	2.8%	1.3%	1.0%	1.5%	0.7%	-0.2%
Perth CBD	3.5%	1.5%	6.2%	1.6%	1.7%	2.6%	2.6%	2.0%

Source: Access Economics June 2005 White Collar Employment Series

The strongest expectation for worker growth in 2005 is forecast in the Brisbane and Sydney CBDs, while the Melbourne CBD is forecast to return to positive growth through 2007 and stronger into 2008. There is anecdotal evidence that this is occurring in the short term.

The market rental for office accommodation is determined by its location, the quality of accommodation and the particular demand/supply pressures within the market in question. The relationship between demand and supply is measured by the Property Council of Australia which publishes surveyed vacancy rates across the major office markets on a six-monthly basis. A graph of selected major commercial markets is shown opposite. A lower vacancy rate translates to higher competition between tenants for available accommodation, which in turn provides the best conditions for market rental growth.

australian cbd office markets



The data for the July 2005 office vacancy levels has shown a continued improvement in vacancy conditions within all of the above markets (except Hobart which remained steady) with demand stronger than previously anticipated within the Sydney, Melbourne and Brisbane markets. Meanwhile the current resources boom has positively impacted office demand within Perth.

As a traditional investment alternative, particularly for the larger institutional investors and listed property trusts, the office sector has generally been tightly held with limited investment opportunities. With the current weight of money within the property investment sector, office yields have continued to be firm during 2005 with yields anticipated to be relatively stable during 2006.

CAR PARKS

From a property investment perspective a car park is generally located within the CBD or near city areas and is leased or licensed to a car parking operator, who then provides a mix of casual and permanent parking services to consumers. There have been strong signs of an increasing turnover and profitability within the car park industry evidenced by continuing tariff increases imposed in the prominent CBD car parks. Additionally, a number of major car parks which have been put to tender have been the subject of strong interest from major car park operators.

The health of the CBD car park industry is directly influenced by the state of the CBD office markets and the general retail market. While these two markets are performing, consumers and office workers will utilise the limited number of car parks available within any CBD.

Car parking is subject to influence by political decisions and has often been an active political issue as regulators attempt to reduce the amount of commuter traffic entering a city on each day and to encourage the use of public transport. Local governments have imposed, or proposed car park levies; actively discouraged the development of any further public car parking facilities; endeavoured to close down any unlicensed car park operations on vacant land; and strictly applied a reduced allocation of car bays to new office and retail developments.

Accordingly, this political pressure to restrict any further car parking facilities has the effect of reducing or restricting future competition in this asset class, giving existing assets the benefit of scarcity. The restriction of supply of further bays, in a neutral regulatory environment, provides the opportunity for rental growth within existing assets.

8.4 Valuation Summary Reports

Summaries of the most recent valuation reports for each of the properties within the Portfolio are set out below.

8.4.1 Cairns Hypermart, Post Office Square, Anzac Square and Centro on James - Stage 3, The Precinct, 180 Queen Street, 388 Queen Street, 544 Kessels Road, Garden Square Office Complex

LandMark White

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20 October, 2005

The Directors
Property Funds Australia Limited
Responsible Entity of the PFA Diversified Property Trust
Level 3, 200 Adelaide Street
Brisbane Qld 4000

Dear Sirs

PFA DIVERSIFIED PROPERTY TRUST

1. Instructions

We refer to your recent instructions requesting a summary of the formal valuation reports for certain properties forming part of the portfolio of the PFA Diversified Property Trust for the purposes of inclusion in a product disclosure statement ('PDS'). This letter provides a summary of the full valuation reports for Cairns Hypermart, Post Office Square, Anzac Square, Centro on James - Stage 3, The Precinct, 180 Queen Street, 388 Queen Street, 544 Kessels Road, and Garden Square, detailing the principal factors that were considered in reaching our opinion of market value for each property as at the valuation date stated in section 6 of this letter. The description of the properties, the tenancy details and market commentary are as they existed as at the relevant valuation date. For further detailed information, reference should be made to the full valuation reports.

2. Brief Description

Cairns Hypermart, 101-113 Spence Street, Cairns Qld 4570

The property comprises a mixed-use development with a net lettable area of 16,064 square metres situated on a site of 24,309 square metres. It provides a total of five bulky retail tenancies anchored by Harvey Norman and Freedom Furniture, together with a freestanding distribution centre leased to Carlton United Breweries. A third component of the complex provides nine individual office suites over three levels.

The property is located on the corner of Spence and Draper Streets in the suburb of Portsmith and extends as far as the intersection of Hartley Street. It lies approximately 100 metres to the south west of "Cairns Central" regional shopping centre and the Cairns railway station.

Post Office Square, 280 Queen Street, Brisbane Qld 4000

This property is located in the heart of the Brisbane CBD and has frontage to the northern side of Queen Street, directly opposite the Brisbane GPO and the southern side of Adelaide Street.

The property comprises 3,311 square metres of land, improved by a civic square at ground level, a shopping precinct at lower ground level (configured into 27 retail tenancy areas and two ATMs) and a three level car park at basement level, which provides 316 bays.

Anzac Square, 200 Adelaide Street, Brisbane Qld 4000

This property is located in the heart of the Brisbane CBD and has frontage to the northern side of Adelaide Street, and the eastern side of Edward Street.

The Anzac Square Commercial component is part of a larger mixed use complex configured as a community title scheme consisting of 6 floors in two pods at the corner of Adelaide and Edward Streets. The property comprises 6,180 square metres of lettable area, of which 99 square metres is retail. The office accommodation consists of A grade accommodation with a point of difference being that it is located within a 70 year old landmark heritage listed building.

Centro on James - Stage 3, James Street, Fortitude Valley Qld 4006

Stage 3 of the Centro on James development was built in 1998/99 and comprises two buildings. The buildings currently provide retail/commercial accommodation for 12 tenants in a well presented complex. The main tenant is the Palace Cinema complex which is a four screen theatre with 800 seats. Additionally this valuation incorporates a separate title encompassing 30 basement car parks in the East Village apartment building at the back of the Centro on James complex.

The property is situated on a regular shaped allotment of 3,301 square metres of land that has two street frontages to James Street and Robertson Street, Fortitude Valley. The car park in the basement of the East Village complex is accessed via Stage 2 of Centro on James. All of these areas are connected with reciprocal rights of way driveways.

The Precinct, Corner Harries Road and Holdsworth Street, Coorparoo Qld 4151

Erected on this property is a mixed use complex comprising of retail and office accommodation located at Coorparoo, which is 5 radial kilometres south east of the Brisbane CBD. The parent property is located on the corner of Harries Road and Holdsworth Street and has ground floor retail and office accommodation, with two levels of car parking above. The total net lettable area is 4,898 square metres.

180 Queen Street, Brisbane Qld 4000

A 1930 heritage listed nine level retail and commercial building of sandstone, concrete and masonry construction. It has a total lettable area of 3,681 square metres upon a site area of 723 square metres. The premises provide accommodation over ground level, mezzanine level, basement level and six floors of upper level commercial accommodation. The property is located in a prime position in the Queen Street Mall, with direct frontage to the Mall of circa 16 metres and rear laneway access.

388 Queen Street, Brisbane Qld 4000

388 Queen Street is located toward the northern end of the Brisbane CBD. It is improved with a 14-storey commercial office building constructed in 1988. It has a total net lettable area of 6,266 square metres upon a site of 911 square metres.

544 Kessels Road, MacGregor Qld 4109

This property is located in the Brisbane suburb of MacGregor, approximately 11 radial kilometres south of the Brisbane CBD. The site is largely a rectangular shaped, undulating allotment. The improvements erected upon the property are four detached retail/commercial buildings with sealed open car parking.

Garden Square Office Park, 643 Kessels Road, Upper Mount Gravatt Qld 4122

This property is located approximately 12 radial kilometres south of the Brisbane CBD and is bound by Kessels Road, MacGregor Street and the South East Freeway. The property is improved with two separate commercial office buildings, each considered to be of B Grade quality. They have a total NLA of 12,681 square metres with 193 undercover car parking bays and a further 225 open bays.

3. Tenancy Details

Cairns Hypermart

At the date of inspection in June 2004, the property had a single vacant ground floor office tenancy of 162 square metres. While there were also two imminent lease expiries within the office component (Davis Langdon and Gayler Cleland Towne), both tenants were anticipated to renew their leases.

The bulky goods tenancies rentals within the subject range from approximately $121 per square metre gross up to $154 per square metre gross, with the majority lying within a range between $121 and $138 per square metre gross. These rentals were considered to be at market levels.

The current passing rental applicable to the industrial component of the complex, namely the ex-Carlton United distribution centre is equivalent to approximately $101 per square metre gross, which was considered to be well above prevailing market levels, notwithstanding the high quality of the building and its substantial office component. The CUB lease expired in March 2005, although it should be noted that CUB had already vacated the premises and subleased the space to Harvey Norman and a dive operator.

The office rentals within the subject building generally range between $140 to $170 per square metre gross for the upper levels and up to $200 per square metre gross on the ground floor levels which have street front exposure, and while at the lower end of the range were considered to be at market.

The weighted average lease expiry profile was 5.9 years, based on the agreement by Freedom Furniture to extend its lease for a further ten year term.

The net annual passing and market income was calculated at $1,694,045 and $1,488,520 respectively.

Post Office Square

At the date of inspection in June 2005, the property had two vacant retail tenancies, being shop 10a and shop 25 equivalent to 5.61% of the specialty area.

The retail tenancy rentals within the subject (excluding ATMs and storage) range from $803 per square metre gross to $3,889 per square metre gross (excluding promotion contribution). As detailed in the full report, three tenancies were considered to be somewhat over-rented, however, conversely, two were considered to be under-rented.

The car park rental was considered to have been set at an above market level at the outset of the lease. It was somewhat difficult to determine what the current market rental level should have been, in the absence of turnover figures. However, the rental was considered to be above market levels at that time, based on the analysis undertaken in the full valuation report.

The complex had a weighted average lease expiry profile of 4.58 years, which was considered good for a building of this nature. Kings Parking's lease expires on 30 November 2009, approximately 4.4 years from the date of valuation, but has a further five year option. The car park comprises approximately 84% of the total complex area and 48% of the total gross passing income.

Anzac Square

At the date of inspection in June 2005, the property had no vacant tenancies. The property was fully leased to two commercial tenants (Energex and MacGillivrays Solicitors) which together have accommodation over five levels (from floors 2 to 6). In addition there were two retail tenants at ground level fronting Adelaide Street.

The two commercial tenancies expire in 2007 and 2008 respectively. The Energex lease covers floors 4 to 7. Floors 5 and 6 have been subleased to FACS (Commonwealth Government and Family Services) with the sublease coinciding with the Energex lease expiring on 19 June 2008. Level 4 is subleased to Roberts and Schaefer on a relatively new lease which commenced in October 2004.

The complex has a weighted average lease expiry profile of 2.62 years, which was considered to be slightly below average for a property of this nature.

The retail tenancy rentals within the subject range from $644 per square metre gross to $1,287 per square metre gross and were considered to be at market. The commercial tenancies range from $292 per square metre gross to $362 per square metre gross and as detailed in the full report, one tenancy was considered to be somewhat over-rented. However, conversely, three were considered to be under-rented in the context of our assessed market rental of $350 per square metre gross. The car park rentals were considered to lie at the upper end of an acceptable market range.

The net annual passing and market income were calculated at $1,991,852 and $1,893,820 respectively.

Centro on James

There were 12 tenants plus an ATM under the current configuration, with the complex having the potential to be rearranged to provide more or less suites/shops based on tenant requirements.

At the date of inspection in June 2004, the property had no vacant retail tenancies. However, five tenancies comprising 265 square metres expire during the year ending June 2006.

The retail tenancy rentals within the property (excluding the ATM) range from $318 per square metre net to $554 per square metre net and were considered to be at market, as were the commercial and car park tenancies.

The cinema rental (major tenant) equates to $177 per square metre or $386 per seat.

The complex had a weighted average lease expiry profile of 5.7 years, which was considered good. The major tenant is the Palace Cinemas complex under lease for a 15 year initial term expiring 13 December 2015. It comprised circa 45% of the centre's income or 34% by area.

The net annual passing and market income were calculated at $945,385 and $912,527 respectively.

The Precinct

At the date of valuation, this property's occupancy rate was at 98.84% by NLA. There were a total of 9 tenancy areas, of which 7 were retail tenancies, one office tenancy and one retail vacancy. The lease terms range from 5 to 10 years in duration with a weighted average remaining lease term of 4.78 years.

National Australia Bank is the major lease covenant and accounted for 77.25% of passing gross income. It is committed until April 2009 with a five year option period thereafter.

Rent reviews are fixed annually between 3.5% and 5.0% and revert to market at the take up of any future option period. All leases, with the exception of the National Australia Bank lease and Australia Post Office, typically have bank, personal and/or director guarantees.

The net annual passing and market income were calculated at $919,595 and $908,214 respectively.

180 Queen Street

The value of this property is significantly underpinned by the retail tenancy fronting the Queen Street Mall, under lease to Country Road, which represents 60.4% of the gross passing income, whilst only representing 23.5% of NLA. It has a residual lease term of 5 years. The initial term of 10 years expires in September 2010. The passing rent for this tenancy is $1,187,686 per annum gross, which equates to $1,371 per square metre gross.

The National Australia Bank is in its first 5 year lease term with a June 2007 expiry date. The basement level is a security deposit facility, presently at a rental of $255 per square metre gross.

There are 45 commercial office tenancies in the upper levels of the building. Of these, there are 37 small office suites which range in size from 11 square metres to 49 square metres. The passing rental rates for tenancies under 100 square metres range from $269 to $412 per square metre gross. The property has a weighted average lease expiry of 3.24 years. There are four vacant tenancies which are covered by a rent guarantee.

The net annual passing and market income were calculated at $1,471,677 and $1,494,790 respectively.

388 Queen Street

At the date of inspection, this property had one vacant retail tenancy at ground level. However, this area was to be leased to Westpac from 15 August 2005. The valuation accounted for this new tenant and assumed the property was to be fully occupied from that date.

The property's lease and occupancy profile is dominated by Suncorp, with the balance leased to local businesses. Suncorp accounts for 78% of total NLA over levels 1 – 7, 9 and 12, and 75.6% of gross passing income.

The property has a total of 7 tenants excluding car park and communications service providers. The overall weighted average lease expiry is 2.9 years, reflecting the dominating lease expiry of Suncorp.

The net annual passing and market income were calculated at $1,761,528 and $1,618,001 respectively.

544 Kessels Road

At the date of valuation, this property was fully leased. There were a total of 11 tenants on leases ranging from 2 to 10 years in duration, with an average remaining lease duration of 5.73 years.

The major lease exposures included Petwise who is committed until September 2011, as well as Encel Stereo and JB Hi Fi who are committed until January 2012 and March 2012 respectively.

Of the 11 leases, 10 have fixed reviews on their anniversary ranging approximately from 3.0% to 4.0% and revert to market at the take up of any future option period. The remaining lease has CPI increases per annum and reverts to market at the commencement of any future option period. All leases excluding the Bob Jane T-Mart lease typically have bank, personal and/or director guarantees.

The net annual passing and market income were calculated at $1,008,368 and $978,245 respectively.

Garden Square Office Park

At the date of valuation, this property had a vacancy of 3,744 square metres or 29.5% by NLA. After 1 December 2005 (ie upon the Queensland Government Smart Services lease commencement), the vacancy should be 905 square metres or 7.10% of total NLA.

The Department of Education and Queensland Government Smart Services account for the largest tenancies by area (1,902 square metres each) and by income ($537,600 per annum each). The leases are due for expiry in February 2009 and December 2011 respectively. The property has a sound lease expiry profile with a spread of expiries in the four year period from 2009 to 2012.

The net annual passing and market income were calculated at $1,988,545 and $3,047,198 respectively.

Passing rents range between $190 and $306 gross per square metre per annum. The current passing income from car parking is $285,300 per annum, which reflects circa $75 per bay per calendar month.

4. Market Commentary

The bulky goods sector in Queensland (Cairns Hypermart and 544 Kessels Road)

The bulky goods sector in Queensland was still in ‘expansion’ mode with new supply being absorbed in a climate where bulky goods rentals outstripped traditional retail rents and yields have firmed considerably.

Much of the expansion and new supply was driven by retailers (Harvey Norman, Freedom, the hardware chains) seeking a presence within catchment areas. In Queensland, Clive Peeters, JB Hi Fi, WOW Sight & Sound, The Warehouse and KMart Garden Super Centre entered and expanded into the market. Much of the focus of the bulky goods developments shifted to the outer-lying and expanding areas of population and into regional towns.

At the same time, the continued tie-in between home improvement and lifestyle/entertainment assisted in the evolution of the bulky goods centre as an increasingly diverse offering, more and more seen as a retail shopping destination rather than a goal oriented retail experience. This redefined the bulky goods centres to encompass cafes, and other recreational retail and service retail premises. While not expected to again reach the double-digit rental growth seen during 1999/2000, the bulky goods sector was nevertheless expected to see continual and steady rental growth appreciation over our forecast period. While tenant demand for the additional bulky goods space coming onto the market may be fragile in a household expenditure downturn, at the date of valuation, the indications of increased focus on “lifestyle” and the lower quantum of dollars for the rental in bulky goods sector was expected to keep rental growing at a fairly stable rate – even if this involved a continuing expansion of the type of retailers present in these centres.

The Brisbane CBD Retail Market (Post Office Square)

The retail market has displayed evidence of firming yields over the past two to three years. This is a reflection of a number of factors, including the continued low interest rate environment, the perceived lack of alternate investment options, the limited supply of investment properties and, in many cases, the perception of southern buyers that the Queensland market is value for money, following a substantial tightening in investment yields in New South Wales and Victoria.

The CBD retail investment market is performing well (in tandem with the retail market generally) and opportunities to enter the market are scarce.

The retail leasing market is strong in the CBD, particularly in the Queen Street Mall. The precipitation of the supply of new and proposed developments is based on this tenant led demand. However in the short term, there is the prospect of increased vacancy as a result of the changes described below.

The CBD retail market is undergoing a dynamic phase, with the MacArthur Central retail complex, anchored by Woolworths and Big W and the recently opened Queens Plaza considered to have strengthened the profile of the mid-northern section of Queen Street.

The recent opening of Queens Plaza is anticipated to provide additional competition for the subject, particularly for the food court and car parking components. However, it is too early to tell the extent and effects that this competition will have.

The Brisbane CBD and Suburban Office Market (Anzac Square, 180 Queen Street, 388 Queen Street, Garden Square Office Park)

The Brisbane CBD office market has strengthened considerably over the last 12 months from both a leasing and investment perspective.

Rental growth is currently a reality. Reasons for rental growth stem from a contracting vacancy rate coupled with business expansion. Historically, rental growth in Brisbane's CBD has been sporadic and short-lived. This is due to the lag time associated with new development, resulting in the market's inefficiency in meeting demand as it is generated. Rental growth for leased car parks is becoming evident on the back of strong tenant demand for associated office space.

The total vacancy rate as at January 2005 was 5.0%, while the A-grade sector recorded 3.3% and B-grade 5.3%. The total vacancy rate as at July 2005 was 3.9%, while the B-grade sector recorded 2.9% and C-grade 9.7%.

The total vacancy rate for Brisbane near city as at January 2005 was 7.5%, while the Mount Gravatt sub-market recorded 7.1%.

Investment market conditions at present are particularly strong, with agents and purchasers reporting unprecedented levels of inquiry for purchasing commercial property assets. These conditions are being further compounded by current owners resisting overtures to sell as rental growth gains momentum and current owners realise enhanced returns.

In our opinion, yields for commercial property are considered to be at their lowest point and are unlikely to firm further. Capital growth over the near term is a possibility. However, this is likely to be due to rental growth rather that any further firming in yields.

Centro on James - Stage 3

The low interest rate environment fuelled investment demand, which was also supported by the "weight" of money entering the property market and the lack of investment opportunities.

The 'near city' retail market was strong over the previous 18 months to two years, with opportunities to invest particularly scarce. New supply was readily taken up in the areas of Fortitude Valley and Newstead.

Vacancies in the 'near city' office market fell in the previous six months from 12.8% to 12%. The urban renewal precinct also performed better with vacancies being 13.4% as at January 2004, compared to 13.7% in July 2003 and 16.6% in January 2003. The vacancy rate in this precinct has always been traditionally higher than other markets as it contains a substantial degree of older style accommodation. The newer accommodation throughout Fortitude Valley displays a lower vacancy rate, in line with the overall 'near city' market, in which the latest figures at that time showing A Grade space had a vacancy rate of 10% versus B and C Grades at much higher levels.

The urban renewal area contributed a large amount of additional space to the near city market. There was positive net absorption for the urban renewal area of 8,138 square metres, whilst new supply additions for the previous 6 months was 2,869 square metres.

Market rental growth was considered reasonably strong in the James Street precinct for both the office and retail sectors.

Due to the Brisbane City Council's urban renewal project, population growth was strong in the inner city suburbs of Fortitude Valley and New Farm, which benefited the retail component.

5. Valuation Rationale

The current market value, subject to the existing tenancies, has been determined via reconciliation between the capitalisation, discounted cash flow and direct comparison methods of valuation.

For individual valuation calculations, reference should be made to the full valuation reports.

6. Valuation Summary

Subject to the qualifications and assumptions contained within the body of our full valuation reports, the market value of the fee simple interest in possession of the properties, subject to the existing tenancies, is assessed to be:

Property	Date of Valuation	Valuation*
Cairns Hypermart	30 June 2004	$17,000,000
Post Office Square	30 June 2005	$61,500,000
Centro on James – Stage 3	30 June 2004	$11,000,000
Anzac Square	30 June 2005	$24,000,000
The Precinct	30 June 2004	$10,450,000
180 Queen Street	7 September 2005	$18,000,000
388 Queen Street	30 June 2005	$19,000,000
544 Kessels Road	30 June 2004	$12,140,000
Garden Square Office Park	30 June 2005	$31,300,000

* These figures are exclusive of GST.

7. Disclaimer

LandMark White (Brisbane) Pty Ltd has prepared this summary which appears in the PDS. LandMark White (Brisbane) Pty Ltd was involved only in the preparation of this summary and the valuation reports referred to herein and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement included in the PDS, other than in respect of the valuations and this summary.

In preparing our valuations, we relied upon various financial and other information submitted by Property Funds Australia Limited. Where possible, within the scope of our retainer and limited to our expertise as valuers, we reviewed this information including by analysis against industry standards. Based upon that review, LandMark White has no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, LandMark White's enquiries are necessarily limited by the nature of its role and LandMark White does not warrant that its enquiries have identified or verified all of the matters which a full audit, extensive examination or due diligence investigation might disclose. For the purpose of our valuation assessment, we have assumed that this information is correct.

We confirm that this summary may be used in the PDS.

The valuations of each of the properties described in this summary are current at the date of valuation only. The values assessed herein may change significantly and unexpectedly over a relatively short period including as a result of general market movements or factors specific to the particular properties. We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where the valuation is relied upon as providing a valuation of the property as at a date later than the date of valuation.

LandMark White (Brisbane) Pty Ltd confirms that it does not have a pecuniary interest that could conflict with its valuation of the properties.

The opinions of value expressed in this summary are that of the valuer who is the prime signatory to the summary. The countersignatory verifies that the summary and associated full report is genuine and authorised by LandMark White (Brisbane) Pty Ltd.

Neither LandMark White (Brisbane) Pty Ltd, nor the valuer signing below have acted under an Australian Financial Services licence in providing the valuations or this summary.

Yours faithfully

LandMark White (Brisbane) Pty Ltd

Nicholas Wordsworth FRICS AAPI ASIA
Certified Practising Valuer
DIRECTOR
Registered Valuer No. 1495 Qld

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MANAGING QLD STATE DIRECTOR

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8.4.2 Sevenoaks and Welshpool Properties

20 October, 2005

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Dear Sirs

PFA DIVERSIFIED PROPERTY TRUST

1. Instructions

We refer to your recent instructions requesting a summary of our valuation reports in respect of the properties situated at 303 Sevenoaks Street, Cannington, and 33 McDowell Street, Welshpool, in Western Australia.

This letter has been prepared for inclusion in the PFA Diversified Property Trust Product Disclosure Statement, and provides a summary of our full valuation reports, including the main market related factors taken into consideration in reaching our opinion of market value, as at the relevant valuation dates stated in section 6 of this letter. The descriptions of the properties, the tenancy details, and market commentary are as they existed as at the relevant valuation dates.

This summary is not to be considered as a re-valuation of the property portfolio. For further detailed information, reference should be made to the full valuation reports.

2. Brief Description

303 Sevenoaks Street, Cannington

This property is situated at the corner of Sevenoaks Street and Cecil Avenue, approximately 11 kilometres south east of the Perth City Centre.

The property has a total site area of 5.0216 hectares and is improved with a modern, four-level office development completed in 1992 which has a lettable area of 20,817.2 square metres, together with basement storage area of 1,145.1 square metres and an area used for a gymnasium.

Parking is provided for a total of 776 vehicles, comprising 100 secured undercover vehicle bays at the western end of the building and a further 676 open bitumen-paved car bays with access off Grose Street. The property also has surplus land of over 1.9 hectares that could be developed for residential uses.

33 McDowell Street, Welshpool

33 McDowall Street, Welshpool comprises a large warehouse and distribution facility located in the industrial suburb of Welshpool. The property has a building area of approximately 14,037 square metres comprising free-standing offices of 851 square metres, 3 adjoining warehouses of 11,250 square metres, a covered loading dock of 1,812 square metres and truck maintenance workshop of 124 square metres. The site area is 2.8996 hectares.

3. Tenancy Details

303 Sevenoaks Street

The property is subject to leases to Western Australian Government authorities and, as at 1 July 2005, was expected to be over 99% leased, except for an area of 143.1 square metres on part of the ground floor.

There are three main leases over the property to:

- The Minister for Works over part of the ground, first, second and third floors and occupying an area of 17,280.3 square metres. The lease term is for 12 years from 1 July 2005 at a rental of $2,419,242 per annum.
- Family and Children's Services over part of the ground floor comprising an area of 1,249.3 square metres. The lease term is for 5 years commencing 1 July 2002. The rental from 1 July 2004 to 30 June 2005 was $256,107 per annum.
- The Department of Education over part of the ground floor with an area of 2,144.5 square metres on a 7 year lease commencing 1 May 2003. The annual rental from 1 May 2004 was $407,047.55 for the office space and $18,468 for the basement storage area.

As at 15 February 2005 and based on the current lease and rental structure for 303 Sevenoaks Street, the property had a net passing income of $3,217,297 per annum. This income included an income guarantee applicable to the Minister for Works lease which commenced 1 July 2005 so that there was not any rental shortfall from this tenancy.

The 2004/2005 outgoings budget adopted for valuation purposes and based on advice prepared by the managing agent, C B Richard Ellis, amounted to $1,242,510 per annum, reflecting an overall outgoings rate of $59.69 per square metre per annum, exclusive of tenancy cleaning.

A market rental income for the property was calculated at $3,285,013 per annum based on a market rental for offices at $155 per square metre per annum, a market rental for undercover bays at $75 per bay per calendar month and a market rental for storage areas of $59.69 per square metre per annum.

33 McDowell Street, Welshpool

The property was expected to be leased for 10 years at a commencing rental of $620,000 per annum plus all outgoings. Rental reviews were fixed at 3% per annum. The tenant was 1st Fleet Pty Ltd.

We were, at the time of valuation, provided with a draft lease that will cover the whole property. The terms and conditions are summarised as follows.

Lessee:	1st Fleet Pty Ltd.
Term:	10 years.
Commencement Date:	On settlement (expected 30 June 2005).
Commencing Rental:	$620,000 per annum plus GST.
Rent Reviews:	Annual rent reviews are fixed at 3%, with a market review after 5 years
Outgoings:	All normal property outgoings are payable by the tenant including rates, taxes, all insurances, repairs and maintenance and management.

The lease also refers to "Additional Land" which is the railway reserve adjoining the site. In the event this land (5,488 square metres) is acquired, a rental of 9% of the capital value will be paid by the lessee.

4. Market Commentary

As at May 2005, the general real estate market remained strong, with little evidence of activity easing in any sector except perhaps the residential market. The commercial and industrial markets remained characterised by a high demand for securely leased properties, with many sales continuing to happen "off market". The availability of stock in the market remained in short supply, with vendors only selling if they believed they were able to achieve a premium price.

The general yield range for commercial/industrial properties was in the order of 8% to 10%, although it was not uncommon for yields above and below this range, particularly in the commercial sector, to be achieved for secondary and prime investments respectively.

Commercial

The commercial market and, in particular, the suburban office market, had been limited to inner suburban locations such as West Perth, Subiaco, Nedlands, Belmont and South Perth. The Herdsman area in Osborne Park had also firmly established itself as a commercial office precinct as well as having buildings with combined office/warehouse uses. The prime suburban office areas, however, remained West Perth and Subiaco.

Yields fell by 1% to 2% over the previous 24-36 months, and over the previous 12 months there had been some further reweighting of yields downwards, particularly in the upper end of the commercial and retail markets.

As at December 2004, Knight Frank's research indicated an overall Perth CBD vacancy of 15.1% and a West Perth vacancy of 6.8%. Our research is based on office space available for lease in the market rather than Property Council of Australia research which refers to actual vacant areas. Our research also indicated vacancy rates at December 2003 of 17.8% in the CBD and 9% in West Perth, indicating considerable positive reduction in supply levels over the previous 12 months.

There was a distinct absence of office accommodation within all markets for large space users which, given the leasing to the Minister for Works at 303 Sevenoaks Street, has been a strong advantage for this style of building in the marketplace.

Industrial

In the industrial market in the Perth metropolitan area, rental levels have been fairly static over the previous 3 to 4 years. There are signs that rental rates may be increasing – particularly in the engineering sector where there has been large tenders let from the resource sector with a shortage of available workshop space. Large design and construct projects are achieving rentals above general market levels resulting in a 2-tiered structure. The buoyant economic activity and increases in industrial land prices would appear to be now having a resultant effect on increasing market rentals for general industrial properties.

The prime industrial areas such as Kewdale/Welshpool, Canning Vale and Osborne Park have retained their status although areas such as Malaga, O'Connor and Wangara have seen strong development over the last few years which is an indication of the lack of supply in the prime industrial areas for larger development sites. There was a strong increase in land values approximately 2 years ago, and a resurgence in prices occurred over recent months prior to the valuation.

The outlook for the industrial market remains positive with the huge resource industry being oil, gas and mining poised to undergo a large expansion phase over the next few years. In particular, the North West Shelf including other developments will stimulate engineering facilities. The effects will be felt in the Perth metropolitan area, which should impact on increased demand and accordingly increased rental levels over the medium term.

5. Valuation Rationale

Market value for the property portfolio has been calculated by the capitalisation and discounted cash flow methods of valuation.

For individual calculations, reference should be made to the detailed valuation reports.

6. Valuation Summary

Subject to the qualifications and assumptions contained in the full valuation reports, we confirm that in our opinion, the market value exclusive of GST of the freehold interest in each property is as follows:

Address	Valuer	Date of Valuation	Valuation
303 Sevenoaks Street, Cannington, Western Australia	Marc Crowe	15 February 2005	$37,500,000
33 McDowell Street, Welshpool, Western Australia	Geoff Wilkinson	26 May 2005	$6,900,000

7. Disclaimer

Knight Frank (WA) Pty Ltd has prepared this summary which appears in the Product Disclosure Statement. Knight Frank (WA) Pty Ltd was involved only in the preparation of this summary and the valuation reports referred to herein and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the Product Disclosure Statement or other document, other than in respect of the valuations and this summary.

We confirm that this summary may be used in this Product Disclosure Statement.

This valuation summary and our full reports and valuations are as at the dates of valuation shown in the table above. Knight Frank (WA) Pty Ltd has not undertaken any further analysis or expressed any opinion about the value of the properties after the dates specified. This summary of our valuations is not to be considered as a re-valuation of the properties. These valuations represent our opinion of value as at the dates of valuation shown in the table.

It must be recognised that the real estate market fluctuates with internal and external influences and the risk that a property's value may change under varying market conditions is a fact that should be understood and accepted. It is advisable that the valuation is reviewed at regular intervals.

Knight Frank (WA) Pty Ltd is not providing advice about a financial product, nor the suitability of the investments set out in this product disclosure statement. Such an opinion can only be provided by a person that holds an Australian Financial Services licence. Knight Frank (WA) Pty Ltd does not hold such a licence and is not operating under any such licence in providing its opinion as to the values of the properties set out above.

Knight Frank (WA) Pty Ltd confirms that it does not have a pecuniary interest that could conflict with the valuation of the properties.

Yours sincerely

MARC CROWE AAPI
Certified Practising Valuer
Licensed Valuer No. 410
Director – Consulting Services

G R WILKINSON AAPI
Certified Practising Valuer
Licensed Valuer No. 127
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8.4.3 Richmond and Hobart properties

20 October, 2005

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The Directors
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Dear Sirs,

PFA DIVERSIFIED PROPERTY TRUST

1. Instructions

We refer to your recent instructions requesting a summary of our valuations of 180-188 Burnley Street, Richmond, Victoria ('Richmond property') which was undertaken as at 30 June 2005, and 134 Macquarie Street, Hobart, Tasmania ('Hobart property'), which was undertaken as at 27 March 2004.

We understand that a summary is required for inclusion in a Product Disclosure Statement. This letter provides a summary of our full valuation reports and outlines the main market related factors taken into consideration in order to assess the market values of the properties as at the relevant valuation date stated in section 6 of this letter. The descriptions of the properties, the tenancy details, and market commentary are as they existed as at the relevant valuation date.

We stress that this summary is not in any shape or form to be considered as a re-valuation of the properties.

For further detailed information, reference should be made to our full report and valuation for each of these properties of 30 June 2005 and 27 March 2004, which were prepared for Property Funds Australia Limited.

2. Brief Description

180-188 Burnley Street, Richmond, Victoria

This property comprises a large office and data warehouse centre located in the inner Melbourne suburb of Richmond. The property has a gross building area of approximately 5,501 square metres comprising offices over two levels of 3,276 square metres and 2,225 square metres on the ground floor of the data warehouse centre. There are some 67 basement car parks with an additional 54 car parks on grade. The site area is 4,696 square metres.

As at the time of valuation, the property was to be leased for 12 years at a commencing rental of $1,258,125 per annum plus all outgoings with some capping. Rental reviews were to be fixed at 3.5% per annum. The tenant was AAPT Limited.

134 Macquarie Street, Hobart, Tasmania

The Lands Building is a multi-level office building incorporating basement, ground floor and nine upper levels of office accommodation with a roof top plant room. The building was originally constructed in two stages during the 1970's and a substantial refurbishment of the building was recently completed in close consultation with the tenant. The building is fully air-conditioned with a refurbished air handling system. Four refurbished lifts service the basement to nineth floor. The net lettable area of the offices is approximately 11,676 square metres over ten levels with the basement originally designed for car parking of 32 vehicles (Note: the tenant has partially converted approximately 50% of this area to a record storage facility).

The State Government of Tasmania fully occupies the Hobart property under a fifteen year lease agreement from 1 July 2003.

3. Tenancy Details

180 - 188 Burnley Street, Richmond, Victoria

We were provided with a draft lease that covered the whole property. The terms and conditions are summarised as follows.

Lessee:	AAPT Limited.
Term:	12 years.
Commencement Date:	On settlement (expected to occur on 30 June 2005).
Commencing Rental:	$1,258,125 per annum plus GST.
Rent Reviews:	Annual rent reviews are fixed at 3.5%, with a market review at option capped at 3.5%.
Outgoings:	All normal property outgoings are payable by the tenant including rates, taxes, all insurances, repairs and maintenance and management (capped at $5,000 per annum).

The lease also refers to "Refurbishment" with the landlord to fund up to $3,000,000 to be drawn down within two years. In the event these works are undertaken an additional rental equal to the initial yield (8.25%) of the "Refurbishment" will be paid by the lessee.

134 Macquarie Street, Hobart, Tasmania

We were provided with a copy of the lease that covered the whole property. The terms and conditions are summarised as follows.

Lessee:	The Crown in Right of the State of Tasmania.
Term:	15 years with 5 year option.
Commencement Date:	1 July 2003.
Commencing Rental:	$2,547,082.50 per annum plus GST.
Rent Reviews:	Two yearly to market. Review can only be triggered by lessor and rent cannot be less than previous year.
Outgoings:	All normal property outgoings are payable by the tenant including rates, taxes, all insurances, repairs and maintenance and management.
Carpet Replacement:	Lessor to recarpet in approximately 2008 and at exercise of option.
Equipment Lease:	The rental for the tenancy fitout and equipment as at 1 July 2003 was $1,683,809.79 with reviews two yearly to the three year indicator rate for Commonwealth Bonds.

4. Market Commentary

180 - 188 Burnley Street

The total suburban market has its supply weighted in the east and south eastern sectors, and this has occurred as a result of the locality demand profile driving development.

Broadly speaking, the suburban office market has performed better than the more traditional locations in the CBD, St Kilda Road and Southbank. This can be attributed to a few fundamental factors. These fundamentals apply more to the inner suburban market, in areas such as Richmond and Hawthorn – with the outer south eastern market holding greater development opportunities.

Occupancy trends also offer a sound fundamental for steady growth for the sector.

In addition, the suburban market (both inner and outer) has a competitive cost advantage which protects it from the effects of the downturn in the CBD market – albeit that a number of CBD A grade buildings are now achieving as low as $300 per square metre gross, but with parking exceeding $400 per calendar month in many areas.

Suburban office rentals have firmed slightly in prime areas such as Hawthorn and Camberwell, partly as a result of low vacancy rates and a genuine tenant demand. We also note that the demand in the investment community for suburban office investment, which primarily focuses on the eastern and south eastern precincts, remains firm. Good quality office accommodation within the prime inner eastern and south eastern regions continues to be well sought after. Whilst there has been limited rental growth over the last few years, the market is taking a broader view and is still willing to pay for good quality accommodation in the prime locations, as evidenced by the continuation of firm yields within these regions.

It is evident that a key factor driving market yields and value levels across the board is the low alternative cash rates, the arbitrage available (in most instances) between property yields and lending rates, and a perception among many purchasers, rightly or wrongly, that low interest rates are likely to remain for the medium term, and that the market still holds potential for significant growth over the long term.

134 Macquarie Street

At the time of valuation, the market for office accommodation in the Hobart CBD had seen an uptake of previously vacant space with some sitting tenants leasing requirements expanding and relocating tenants upgrading their office requirements both assisting in the uptake of office stock in the Hobart market.

The January 2003 Property Council of Australia research indicated a total vacancy of 9.5% down from 10.5% for the corresponding period in the previous year on a total stock of 321,358 square metres of office space, which was slightly up from the 320,027 square metres for 2002. Based on our research data, modern "A" Grade office stock available for lease and considered to be the major competition to the subject building for future letting, accounted for approximately 130,000 square metres of total office space. However, according to the PCA, only 105,962 square metres of this is classified as "A" grade. This may be due to the present refurbishment of the subject property and its non inclusion in the PCA figures. The majority of this office space was committed on medium and long term arrangements with lease expiry profiles at variance to the subject property.

The vacancy factor estimated by the PCA continued to decrease from 14.3% in January 2000 and 15.7% in January 1999. We attribute this uptake to an increasing awareness by building owners of the sensitivity and market rental rates and the resultant requirements to offer lower face rentals than substantial lease incentives. There have been no major examples of recent substantial leasing incentives for quality "A" grade space as an inducement to entice office tenants into new leasing activity. Effective face rentals are the preferred option with the tenant normally given right of access to allow for the integration of fitout to coincide with the upgrading of any base building works.

5. Valuation Rationale

The current market values of the properties (subject to the existing tenancies) have been determined via reconciliation between the capitalisation and discounted cash flow methods of valuation.

6. Valuation Summary

Acting under instructions from Property Funds Australia Limited, we confirm that, in our opinion, the market values of the freehold interest in the Richmond property and the Hobart property based on the available evidence and subject to the qualifications and assumptions contained within the body of our full reports and valuations, exclusive of GST, are assessed to be:

Property	Date of valuation	Valuation
180-188 Burnley Street, Richmond, Victoria	30 June 2005	$15,250,000
134 Macquarie Street, Hobart, Tasmania	27 March 2004	$27,650,000

7. Disclaimer

Valuations Services (Vic) Pty Ltd, trading under the licence as Knight Frank Valuations has prepared this summary which appears in the Product Disclosure Statement. Valuations Services (Vic) Pty Ltd, trading under the licence as Knight Frank Valuations was involved only in the preparation of this summary and the valuation reports referred to herein and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement included in the Product Disclosure Statement or other document, other than in respect of the valuations and this summary.

We confirm that this summary may be used in this Product Disclosure Statement.

This valuation summary and our full reports and valuations are as at the dates of valuation only. Valuations Services (Vic) Pty Ltd, trading under the licence as Knight Frank Valuations has not undertaken any further analysis or expressed any opinion about the value of the properties after the dates specified. This summary of our valuations is not to be considered in any shape or form as a re-valuation of the properties.

It must be recognised that the real estate market fluctuates with internal and external influences and the risk that the properties' values may change under varying market conditions is a fact that should be understood and accepted. It is advisable that the valuations are reviewed at regular intervals.

Valuations Services (Vic) Pty Ltd, trading under the licence as Knight Frank Valuations is not providing advice about a financial product, nor the suitability of the investments set out in this product disclosure statement. Such an opinion can only be provided by a person that holds an Australian Financial Services licence. Valuations Services (Vic) Pty Ltd, trading under the licence as Knight Frank Valuations, does not hold such a licence and is not operating under any such licence in providing its opinion as to the values of the properties set out above.

Valuations Services (Vic) Pty Ltd, trading under the licence as Knight Frank Valuations confirms that it does not have a pecuniary interest that could conflict with the valuations of the properties.

Yours sincerely,

BERNARD L. SMITH FAPI

Director & Certified Practising Valuer

8.4.4 Riverdale Centre and the Homeworld Centre

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20 October, 2005

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Dear Sirs

PFA DIVERSIFIED PROPERTY TRUST

1. Instructions

We refer to your written instructions requesting a formal valuation report in respect of the Riverdale Centre, Macquarie Street, Dubbo and the Homeworld Centre, Tuggeranong Town Centre, ACT, for the purpose of inclusion in a product disclosure statement. This letter provides a summary of the full valuation reports, detailing the principal factors that have been considered to reach our opinion of market value for each property as at the relevant valuation date stated in section 6 of this letter. The descriptions of the properties, the tenancy details, and market commentary are as they existed as at the relevant valuation date.

This summary letter is to be read in conjunction with the full reports for each property dated 30 June 2004 which list full descriptive details, comments, qualifications and valuation rationale.

2. Brief Description

The Riverdale Centre

The Riverdale Centre is located in the Central Business District of the major provincial city of Dubbo on Macquarie Street near its intersection with Talbragar Street, within the retail and commercial centre of Dubbo.

The Riverdale Centre is a predominantly single level neighbourhood shopping centre, anchored by a Woolworths supermarket and Reading Cinema complex together with approximately 14 specialty stores (inclusive of ATMs and The River Inn Tavern). Originally constructed in 1974, the centre was extensively redeveloped and extended in 1999. The complex provides a total gross lettable area of approximately 6,143.3 square metres, and is serviced by an undercover basement and on-grade parking area providing some 299 parking spaces. The improvements are situated on a site of some 11,780 square metres.

The Homeworld Centre

The Homeworld Centre is located in the suburb of Greenway within the Tuggeranong Town Centre which is some 22 kilometres to the south-west of the Canberra CBD. The Tuggeranong area is a developing satellite township of Canberra, the southern-most of Canberra's six urban districts.

Erected upon the site is a single and part two storey mixed-use complex of bulky goods and convenience style retail and suburban office accommodation. The retail mix is rather unique for a property with generally a bulky goods classification and is anchored by an ALDI supermarket, Dan Murphy's Liquor and P J O'Reilly's, a licensed Irish theme pub. The office accommodation is on the first floor and leased to ACT government. The complex provides a total lettable area of 12,360.54 square metres comprising some 8,524.84 square metres of retail gross lettable area over 34 tenancies being situated on a site of some 2.195 hectares. The centre is serviced by on-grade parking for some 335 cars.

3. Tenancy Details

The Riverdale Centre

The lease to Woolworths expires in June 2019 with four further terms of five years each. Woolworths' turnover is in line with industry benchmarks. We considered the tenant's occupancy cost ratio which at 2.6% appears reasonable in comparison to similar stores within sub-regional and neighbourhood centres.

The lease to Reading Cinemas expires in June 2014 with two further terms of five years each. The sales turnover performance of the cinema appeared in line with comparable businesses, although we note that the occupancy cost ratio of 21.9% was slightly above the average.

At the time of inspection, the centre suffered a high level of vacancy with four vacant shops (totalling 500.6 square metres of gross lettable area) reflecting a vacancy rate on specialty area of approximately 37%. As at the date of valuation, the total average passing base rent for the specialty shops was in the order of $669/square metre, with a gross rental of approximately $797/square metre (exclusive of vacant areas and miscellaneous tenancies such as The River Inn and ATM). Given our enquiries and comparison to industry benchmarks, we considered the rent levels reasonable.

The Homeworld Centre

The lease to ALDI Foods Pty Limited expires in February 2017 with two further terms of five years each. ALDI pays a gross rent and annual reviews are to CPI with a market review in 2007 and 2011.

The lease to Woolworths Limited trading as Dan Murphy's Liquor expires in December 2017 with one further term of five years. We considered the tenant's occupancy cost ratio which at 4.4% appeared reasonable in comparison to similar stores. While the lease allowed for the recovery of a turnover rent, sales turnover at the time had not reached the threshold for this income to be recovered.

The lease to ACT Government expires in June 2009 with no option periods. Rent reviews are every two years to market with no ratchet clause. Passing rent at the time equated to $272/square metre per annum gross and contributed to 31% of the Centre's total gross base income. Passing income was considered to be above market levels.

P J O'Reilly's lease expires in April 2009 while other mini-major tenants at the time included Dick Smith Electronics whose lease was due to expire in April 2008 and Sportsman Warehouse in June 2010. At the time of inspection, the Centre suffered some vacancies with six vacant shops (totalling 713.5 square metres of gross lettable area) reflecting a vacancy rate on specialty area of approximately 13%. The total average passing base rent for the specialty shops was in the order of $318/square metre gross. Excluding the Sportsman Warehouse and Dick Smith Electronics, the average passing base rent was $344/square metre gross. Given our enquiries and comparison to industry benchmarks, we considered the rent levels reasonable.

4. Market Commentary

The demand for shopping centres has been particularly buoyant over the past number of years and has been driven in part by a low interest rate environment and the weight of capital available for quality investments. There has been a continual interest in shopping centres with investment yields having firmed in recent years.

5. Valuation Rationale

The market value for each of the properties, subject to existing tenancies, was determined via reconciliation between the capitalisation of net income approach and the discounted cash flow method. Valuation parameters adopted were:

Address	Core capitalisation rate	Target discount rate
The Riverdale Centre	8.50%	10.50%
The Homeworld Centre	8.75%	10.25%

For further details, reference should be made to the full valuation reports.

6. Valuation Summary

Subject to the qualifications and assumptions contained within the body of our full valuation reports, we are of the opinion that the open market value of the properties, subject to the existing leases and assuming that the properties are free of encumbrances, restrictions or other impediments of an onerous nature which would affect value, are as follows:

Address	Date of Valuation	Valuation
The Riverdale Centre, Macquarie Street, Dubbo	30 June 2004	$15,750,000
The Homeworld Centre, Tuggeranong Town Centre, ACT	30 June 2004	$32,500,000

Our opinion of value excludes any GST which the vendor may have to charge on top of the sale price.

7. Disclaimer

Jones Lang LaSalle has prepared this summary which appears in the Product Disclosure Statement. Jones Lang LaSalle was involved only in the preparation of that part of this summary and the valuation reports referred to herein and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the Product Disclosure Statement or other document, other than in respect of the valuations and this summary.

In preparing our valuations we have relied upon various financial and other information submitted by Property Funds Australia Limited. Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information by analysis against industry standards. Based upon that review, Jones Lang LaSalle has no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, Jones Lang LaSalle's enquiries are necessarily limited by the nature of its role and, Jones Lang LaSalle does not warrant that its enquiries have identified or verified all of the matters which a full audit, extensive examination or due diligence investigation might disclose. For the purpose of our valuation assessments, we have assumed that this information is correct.

We confirm that this summary may be used in this Product Disclosure Statement.

It is important to note that these valuations were prepared over 12 months ago (i.e. as at 30 June 2004) and each valuation is current as at the date of the valuation only. The values assessed herein may change significantly and unexpectedly over a relatively short period including as a result of general market movements or factors specific to the particular property. We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where these valuations are relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Jones Lang LaSalle confirmed that it does not have a pecuniary interest that would conflict with its valuation of the properties.

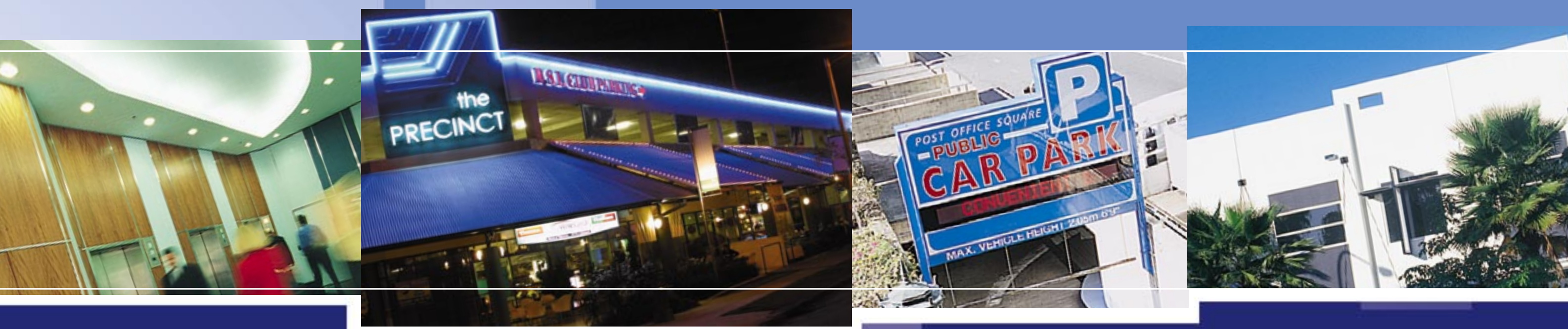
Jones Lang LaSalle is not providing advice about a financial product, nor the suitability of the investment set out in the Product Disclosure Statement. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Jones Lang LaSalle Advisory Pty Limited does not hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the properties detailed in this report.

Yours faithfully
Jones Lang LaSalle

I David McLennan AAPI
Certified Practising Valuer (Reg No. 5023)
Associate Director, Advisory

Richard J Lawrie AAPI
Certified Practising Valuer (Reg No. 3826)
Associate Director, Advisory

SECTION 9 Additional Information



9 Additional Information

9.1 Trust Constitution

The Constitution is the primary document which governs the Trust. The responsibilities of the Manager, together with all duties, obligations and rights pertaining to the Trust, are set out in the Constitution.

Property Funds Australia is the responsible entity and trustee of the Trust. It is responsible for the management of the Properties and the funds of the Trust on behalf of the Unitholders.

Investors may obtain a copy of the Constitution free of charge from PFA. The provisions of the Corporations Act as well as the Listing Rules of Bendigo Stock Exchange affect the operation of the Trust.

Amendment

The Constitution may be amended:-

- by the Manager where the Manager reasonably believes that the rights of Unitholders would not be adversely affected by the amendment; or
- unless otherwise stated, by special resolution of Unitholders.

Manager

The Manager is charged with responsibility for managing the Trust property. To do this, it is empowered under the Constitution to manage the Properties and the Trust property as if it were the owner. The Constitution and the Corporations Act detail the Manager's obligations.

In administering the Trust, the Manager may deal with itself in any capacity, including holding Units, buying scheme property, underwriting issues and having an interest in other transactions.

The Manager is entitled to be indemnified out of scheme property for loss it suffers in properly administering the Trust, in addition to its right to reimbursement of expenses (discussed further below).

Borrowings

The Manager may borrow, using scheme property, on such terms as it thinks fit, up to a maximum LVR of 75%.

All loans will be on a limited recourse basis and a financier will only have access to the assets of the Trust. Any financier will not have access to assets of the Unitholders.

Sale of Properties

As indicated above, the Manager is empowered to manage the scheme property as if it were its own. The Manager may therefore sell Properties at any time.

Remuneration of the Manager

The Manager is entitled to receive the fees as set out in section 6.6. The Manager is also entitled to be indemnified out of the scheme property for all costs, charges and expenses properly incurred in connection with the establishment and administration of the Trust.

Retirement of the Manager

The Manager will retire as responsible entity of the Trust if Unitholders, by extraordinary resolution, resolve at a meeting to remove the Manager. Whilst the listing rules of BSX so require (and this is currently the case), the Manager will retire upon an ordinary resolution of Unitholders.

The quorum necessary to pass an extraordinary resolution, or any resolution (regardless of type e.g. ordinary) to remove the Manager is at least four persons holding or representing in person, by proxy or attorney at least 51% of the Units by value. Such a quorum must also be present to pass any resolution to amend this quorum provision.

Unitholders

Under the Constitution, no Unitholder will be under any obligation to personally indemnify the Manager in respect of the liabilities or obligations in connection with the Trust to any extent beyond their initial Subscriptions.

The Constitution provides that the Manager may refuse to register a transfer of Units, and when the Trust is listed, may only do so if required by law or the listing rules of the exchange.

The Constitution also provides that the Manager may at its discretion limit the maximum relevant interest any person may hold in the Trust at 15%. Where a person acquires a relevant interest in more than 15% of the Units of the Trust without the Manager's prior approval, the Manager may (at its discretion) force that person to sell part of their Units.

Voting

The Constitution provides that each Unitholder shall have one vote for each one dollar of the value of Units held. Voting will generally be by a show of hands unless a poll is demanded. Unitholders will receive notification of meetings. Only those Unitholders that are entered on the register shall be entitled to vote at any meeting of Unitholders.

Options

The Manager is empowered to issue options to acquire Units, on pricing terms set out in the Constitution.

Future Issues

The Manager may create and issue new Units, including different classes of Units, and issue Units as partly paid. Under current exchange restrictions, the Trust cannot issue more than 15% of the value of Units on issue over a rolling 12 month period without obtaining Unitholder consent by way of an ordinary resolution, subject to certain exceptions.

The Manager must issue Units at a price no less than the 'issue price' determined in accordance with the Constitution, subject to the exceptions detailed below. The 'issue price' will be:-

- while the Units are not officially quoted, the Unit value (as defined in the Constitution which defines it as essentially NTA based) plus issue costs (e.g. capital raising costs);
- while the Units are officially quoted, the lower of:-
  - Unit value plus issue costs; or
  - current market price.

There are provisions in the Constitution for determining current market price should the relevant recent trading history not provide a fair reflection of current market value.

The Manager may also issue Units through a rights issue or placement and by way of a reinvestment plan.

At the Manager's discretion, Units may be issued:-

- at a discount to 'issue price' in the following circumstances:-
  - rights issues - at a discount of up to 40%;
  - other issues, reinvestment plans and placements - at a discount of up to 10%;
- at a premium to 'issue price' by up to 50%.

Buybacks

The Constitution establishes a mechanism by which buybacks can be conducted via periodic buyback offers made from time to time. In the absence of a current buyback offer, there is no right for a Unitholder to have their Units bought back.

Buybacks from Unitholders will be made at the buyback price determined in accordance with the Constitution, and this will be:-

- while the Units are not officially quoted, the Unit value (as defined in the Constitution which defines it as essentially NTA based) less buyback costs (e.g. costs related to the buyback);
- while the Units are officially quoted, the higher of the following (less buyback costs):-
  - Unit value; or
  - current market price of Units; or
  - last price at which units were issued under a 'recent' public offer document.

The Manager may buyback at a price which is less than the buyback price (as referred to above) by up to 10% at its discretion.

The Manager may charge a buyback fee of up to 2% to Unitholders calculated upon and out of the buyback amount payable to the Unitholder.

In addition, the Manager may purchase Units on market on behalf of the Trust, following which they must be cancelled.

Distribution of Income

Under the Constitution, the Manager is charged with the responsibility of collecting the income of the Properties and the Trust and distributing it to Unitholders.

The Constitution provides that the Manager has complete discretion in determining whether an item for distribution will be income or capital. The Manager may equalise or even out distributions between distribution periods.

Unitholders will be provided with a distribution statement each financial year.

Impact of International Financial Reporting Standards

The Constitution provides that, when interpreting a variety of terms and expressions such as 'Redemption Price', 'Issue Price', 'Unit Value' and 'Scheme Value', the generally accepted accounting standards in force in Australia immediately before 1 January, 2005 shall apply.

Duration and Termination of the Trust

The Trust continues for a period of eighty years from 14 August, 2001.

The Constitution provides that the Trust may be terminated earlier by the Manager, or in accordance with the Corporations Act (e.g. if the Unitholders resolve by an extraordinary resolution to wind up the Trust or if the office of the Manager becomes vacant and a replacement responsible entity is not appointed at a meeting of Unitholders).

Upon termination, the Manager is required to distribute all proceeds from realisation of scheme property as soon as possible to Unitholders in proportion to their Unitholding.

9.2 Compliance plan

Property Funds Australia has established a compliance plan for the Trust which is monitored by the Directors of PFA and its compliance committee. The compliance plan outlines the principles and procedures PFA will invoke to ensure it complies with the provisions of the Corporations Act, ASIC policy, Bendigo Stock Exchange listing rules and the Constitution. It focuses on the systems in place to assist in competent management of the Trust by the Manager. The compliance plan has been lodged with ASIC.

Issues covered by the compliance plan include procedures for complaints handling, applications, distributions, monitoring and resolution of suspected breaches of the Corporations Act, accounts and record keeping, valuations, registry, audits, fees, related party transactions, conflicts of interest and disclosure and reporting requirements.

9.3 Custody agreement

PFA and the Custodian have entered into a custody agreement, under which the Custodian acts as the custodian in respect of the assets of the Trust. There are similar custody agreements in place with the Custodian in respect of the assets of the wholly owned sub-trusts of the Trust.

The Custodian's duties include:-

- entering into contracts to purchase properties;
- holding the assets;
- maintaining bank accounts to hold application monies, rents and other income and issuing cheques; and
- entering into leases of the Properties.

The assets are held in the Custodian's name.

The Custodian must not effect any transactions involving the assets of the Trust unless it has received proper instructions from PFA.

The Custodian must keep accurate and detailed accounts of all receipts, disbursements and transactions.

The Custodian may only withdraw money from the relevant bank accounts in accordance with the custody agreement.

The Custodian agrees to exercise all due care and diligence in carrying out its duties. The Custodian's liability is limited in certain circumstances, including if it acts in accordance with the proper instructions of the Manager, in good faith and without negligence.

The Custodian is entitled to be paid fees as mentioned in section 5.2 and be reimbursed for expenses.

The custody agreement continues until terminated. Either party can terminate on 90 days' notice or, immediately upon material default or insolvency events.

PFA as trustee of the Trust and the sub-trusts will indemnify the Custodian in respect of costs and expenses incurred relating to the assets of the Trust and the assets of the sub-trusts generally.

Custodian and Directors of the Custodian

At the date of this PDS and throughout the preceding two year period, neither the Custodian nor any directors of the Custodian has or had any interest in the promotion of or in the Trust other than the remuneration to which it is entitled as Custodian.

9.4 Material contracts

180 Queen Street Purchase Contract

Nature of contract:	Contract of sale
Date of contract:	6 October, 2005
Vendor:	Perpetual Nominees Limited
Purchaser:	Trust Company of Australia Limited as custodian for the PFA Diversified Property Trust
Property:	180 Queen Street, Brisbane, Queensland
Purchase Price:	$18,000,000
Deposit:	$1,000,000
Date for completion:	31 October, 2005
Special Condition:	The Vendor shall set aside from the Purchase Price, the sum of $300,000 to be available to the Purchaser to draw down as rental support of vacancies and other Purchaser expenses, etc.

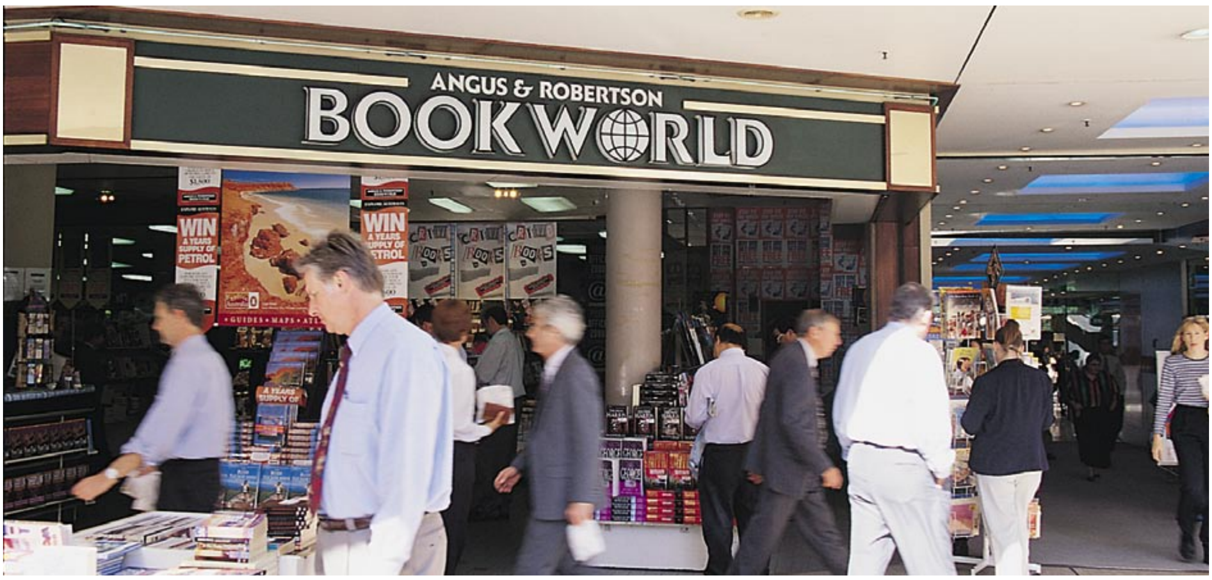
Post Office Square Sale Agreement

Nature of contract:	Put and call option agreement
Date of contract:	30 June, 2005
Vendor:	Trust Company of Australia Limited as custodian for the Manager as responsible entity of the Capital Collection – Diverse Sector Fund Syndicate No. 1
Purchaser:	Perpetual Trustees Australia Limited as custodian of the assets of the CFS Gandel Retail Trust
Put option latest exercise date:	1 November, 2005
Call option exercise period:	14 November, 2005 to 30 November, 2005
Property:	Post Office Square, more particularly described as Lot 1 on RP 127671, County of Stanley, Parish of North Brisbane, Title Reference 16367041
Base Purchase Price:	$68,628,000. This price is subject to variation depending on the Vendor's ability to generate additional revenue streams by key milestone dates. The price may also vary depending on negotiations on a particular lease renewal and lettings achieved on two vacant tenancies. The Vendor provided a rental guarantee for these areas.
Deposit:	$2,000,000
Date for completion:	Between 14 and 30 days after exercise of options.

9.5 Interests of experts

No expert or firm in which an expert is a partner, has any interest in the Trust and no amounts have been paid or agreed to be paid (whether in cash or otherwise) to an expert or to such firm for services rendered in connection with the promotion of the Trust other than as set out below:-

- McCullough Robertson has undertaken legal work in respect of this PDS. An amount of up to $63,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- BDO Kendalls Securities Limited has prepared the Independent Accountant's Report of Financial Forecasts in section 8.2. An amount of $29,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- BDO Kendalls has provided taxation advice and has prepared the report in section 8.1. The amount of $1,500 (plus GST) has been paid or is agreed to be paid in respect of these services.
- LandMark White (Brisbane) Pty Ltd prepared the property market commentary report in section 8.3. An amount of $2,250 (plus GST) has been paid or is agreed to be paid in respect of these services.



The Angus and Robertson Bookworld tenancy at Post Office Square, Brisbane, Qld

The experts named in this section do not make or purport to make, any statement in this PDS other than in relation to their respective reports (if any) included in this PDS and are not responsible for any other statement. The experts have not authorised or caused the issue of this PDS.

9.6 Disclosure of interests

Directors of the Manager

Other than as set out below or elsewhere in this PDS, no director of the Manager has an interest in the promotion of the Trust and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any director or proposed director either to induce to become, or to qualify as, a director, or otherwise for services rendered in connection with the promotion of the Trust:-

- Entities associated with Chris Morton own shares in Property Funds Australia.
- Property Funds Australia owns 196,213 Units in the Trust.
- David Conquest owns 59,386 Units in the Trust.
- An entity associated with Chris Morton owns 97,058 Units in the Trust.
- The Directors of Property Funds Australia (and entities associated with them) and shareholders in Property Funds Australia (and entities associated with them) are entitled to apply for Units under this PDS on the same terms and conditions as all other Investors. The Directors of PFA, shareholders in PFA and entities associated with them may apply for Units under this PDS.
- David Conquest and Chris Morton may receive additional remuneration associated with, or as a consequence of, the raising of funds pursuant to this PDS. This remuneration, if any, would be paid by PFA out of its own funds.

9.7 Consents

Each of the Directors of Property Funds Australia Limited has consented to the lodgement of this PDS with ASIC with either a reference to them, or with any statements made by them included in the form and context in which they are included and have not withdrawn their consent before lodgement of this PDS with ASIC. None of these entities are responsible for any particular part of this PDS other than where they are specifically referred to.

BDO Kendalls has given its consent to be named in this PDS in the form and context in which it is named, and to the inclusion of its Taxation Report in section 8.1, in the form and context in which it is included. BDO Kendalls Securities Ltd has given its consent to be named in this PDS in the form and context in which it is named, and to the inclusion of its Independent Accountant's Report of Forecast Financial Information in section 8.2 in the form and context in which it is included.

LandMark White (Brisbane) Pty Ltd has given its consent to be named in this PDS in the form and context in which it is named, and to the inclusion of its Property Market Commentary in section 8.3 in the form and context in which it is included, and the references to it in valuations in section 2 and section 6.2.

McCullough Robertson has given its consent to being named as legal advisor.

Valuation Services (Vic) Pty Ltd trading as Knight Frank and Knight Frank (WA) Pty Ltd have given their consent to being named in sections 2 and 8.4 of this PDS.

Jones Lang LaSalle has given its consent to being named in section 2 of this PDS.

Knight Frank (Qld) Pty Ltd and Knight Frank (Canberra) Pty Ltd have given their consent to being named in section 6.2 of this PDS.

Trust Company of Australia Limited has given its consent to being named as Custodian.

9.8 Continuous disclosure

The Trust is a 'disclosing entity' for the purposes of the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the Bendigo Stock Exchange Listing Rules. These obligations require Property Funds Australia as Manager to notify ASIC and the Bendigo Stock Exchange of information about specified events and matters as they arise for the purposes of the Bendigo Stock Exchange making that information publicly available. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

9.9 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the office of the Manager:-

- the Constitution and Compliance Plan; and
- the consents to the issue of this PDS.

9.10 Environmental and ethical considerations

Whilst the Manager intends to conduct its affairs in an ethical and sound manner, no account has been taken of any labour standards, environmental, local or ethical considerations when making, retaining or realising an investment of the Trust.

9.11 Investing via an IDPS

PFA authorises the use of this PDS as disclosure to clients and prospective clients of investor directed portfolio services ("IDPS").

Applicants who invest in the Trust through an IDPS should note that the IDPS operator or custodian will be the Unitholder in the Trust, will acquire the rights attaching to Units in the Trust, and can exercise them in accordance with their arrangements with the individual investors in the IDPS. The Investor in the IDPS will not be a Unitholder in the Trust. PFA is not responsible for the operation of any IDPS service through which applicants invest. However, Investors investing through an IDPS can rely on the information in this PDS, but should ensure they take into account the IDPS operator's fees and charges and carefully read the terms of the document explaining those services.

9.12 Offer not underwritten

The Offer is not underwritten.

9.13 Top 20 Unitholders

The current top 20 Unitholders in the Trust are:-

Investors	Units Allocated	Percent Investment
RBC Global Services Australia Nominees Pty Limited	16,015,070	10.83%
Sandhurst Trustees Ltd	9,711,589	6.57%
Tower Trust Limited	3,636,364	2.46%
National Nominees Limited	3,600,000	2.43%
DM Ferris & KC Ferris	1,258,311	0.85%
PA Hadley & IM Hadley	493,458	0.33%
RG Paddon & KF Paddon	490,197	0.33%
AB Caradine & JL Caradine	409,329	0.28%
GB Rowlatt Pty Ltd	400,000	0.27%
MM Kuczynski	392,157	0.27%
BY Stevenson & TJ Stevenson	330,630	0.22%
A Robinson	304,263	0.21%
A Matheson & S Matheson	300,360	0.20%
Torumba Pty Ltd	289,060	0.20%
IL Saunders & CT Saunders	280,374	0.19%
JW Davidson Nominees Pty Ltd	265,170	0.18%
Avis Marketing Consultants Pty Ltd	250,000	0.17%
KG Hayes & EI Hayes	249,854	0.17%
DE Forbes & NS Forbes	241,660	0.16%
MJ Walsh	241,590	0.16%

9.14 Directors' authorisation

The Directors of the Manager have authorised and caused the issue of this Product Disclosure Statement.

Signed on behalf of the Directors of the Manager

20 October, 2005.

Christopher A Morton
Managing Director

SECTION 10 How to Invest

10 How to Invest

10.1 The Offer

This PDS invites applications for Units in the Trust at **$1.09 per Unit**.

10.2 Minimum application

The minimum amount each Investor may subscribe is **$5,000. Applications in excess of $5,000 are to be in increments of $1,000.**

We reserve the right to accept or reject your application in whole or in part without giving reasons.

10.3 Current Unitholders' Priority Entitlement

Current Unitholders have a Priority Entitlement under the Offer. This means that Current Unitholders who wish to subscribe for additional Units under this PDS will have a Priority Entitlement to, and be given a priority over, other Applicants. **To receive the benefits of this priority, Current Unitholders must lodge their duly completed Application Forms with Property Funds Australia by 25 November, 2005**. Applications by Current Unitholders lodged with Property Funds Australia after that date will still be processed but will not have priority over other applicants who are not Current Unitholders.

10.4 Allotment of Units

Units under the Offer will be allotted at the absolute discretion of Property Funds Australia. If Applicants apply for more Units than are on offer, we may allot a lower number of Units than that applied for, or not accept a particular application or applications. Unless we exercise our right to accept oversubscriptions to the Offer, applications lodged after the Offer is filled will not receive an allotment. We therefore encourage you to lodge your Application Form as soon as possible.

Monies accompanying Application Forms will be banked within two business days of their receipt.

If we allot a lower number of Units than that applied for, or do not accept an application, we will refund the portion of application monies relating to Units that were not allotted. No interest will be paid on monies refunded.

After applications have been accepted, but pending the issue of Units, application monies will be held in a special trust account in the name of the Custodian. **Interest that accrues on those application monies received will form part of the income of the Trust. Interest earned on application monies from the time of their banking pending allotment of the related Units is not paid to Investors individually.**

Units will be allotted on the first business day of each month. Applicants will be eligible to receive income distributions during the distribution period (e.g. month) next following the month during which allotment occurred. **The first distribution will therefore be made on or about 21 days after the end of the first full month after the allotment of Units.**

If we receive your application prior to 5pm (AEST) time on the 25th day of the month (subject to your application not being rejected in part or in full), **your Units will be allotted on the first business day of the next month.** This is to allow sufficient time for necessary bank clearances of application cheques and administrative processing.

For example, if we receive and accept your application in the month prior to 25 November, 2005, your Units will be allotted on 1 December, 2005 and your first distribution will be paid 20 January, 2005.

Fractions of Units will be rounded up.

10.5 Confirmation of Unit allotment

Following the issue of Units to successful Applicants, Unitholders will receive an initial Unitholders Statement that sets out the number of Units that have been allotted to them. Applicants trading in Units prior to receiving a holding statement do so at their own risk.

10.6 No cooling off

You should note that because the Trust will invest in assets that are not liquid, there will not be a cooling off period in relation to applications.

Application Forms

Instructions to Applicants

COMPLETING THE APPLICATION FORM

Before completing the Application Form and forwarding it, you should read this PDS.

Applications may only be made on the Application Form attached to this PDS. This Application Form must not be handed to another person unless attached to or accompanied by the PDS.

APPLICANT DETAILS

Please enter the full names of all legal entities that are to be recorded as the registered Unitholder(s). Up to three joint Applicants may register. Please refer to the examples below for the correct forms of registrable names. Individuals are also required to insert their date of birth.

EXISTING UNITHOLDERS

If you are a current PFA Diversified Property Trust Unitholder, please provide your Unitholder Number. If you wish to combine this Investment with your existing Unitholding please tick 'Yes' box.

POSTAL ADDRESS & CONTACT DETAILS

Please enter your address for all correspondence. Only one address is required. Please also provide your telephone and other contact details in case we need to contact you about your Application or Investment. For existing Unitholders, your address and other contact details may be updated from the information supplied on this Application Form.

TAX FILE NUMBERS

Please enter your Tax File Number(s) ("TFN"), or ABN, and where applicable please enter the TFN for each joint Applicant.

Collection of TFNs is authorised by tax law and the Privacy Act 1988. You do not have to advise us of your TFN or exemption. Failure to provide a TFN is not an offence and will not affect the success of your application. However, if not initially provided, your TFN will be subsequently requested. Failure to provide a TFN or details of an exemption may result in tax being deducted plus the medicare levy on your distributions at the highest individual marginal rate.

MINIMUM SUBSCRIPTION

You may invest an amount of $5,000 or more with investments in excess of $5,000 being in increments of $1,000.

GST, BROKERAGE AND STAMP DUTY

The issue of Units under this Offer, and the purchase of Units, is not subject to GST. No brokerage or stamp duty is payable on allotment of Units under this PDS.

CHEQUES

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ENQUIRIES

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Freecall: 1800 687 170
Facsimile: (07) 3221 6729
Email: info@pfaltd.com.au

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Individual Use given names in full, not initials	**John James Smith**	J. J. Smith
Company Use company title, not abbreviations	**XYZ Pty Ltd**	XYZ P/L XYZ Co
Minor (a person under the age of 18) Do not use the name of the minor, use the name of the responsible adult	**John James Smith** **<John Smith Jnr>**	John Smith Jnr
Trusts Do not use the name of the Trust, use Trustee(s) name(s)	**Mary Smith** **<Mary Smith Family Trust> or ABC Pty Ltd** **<ABC Family Trust>**	Mary Smith Family Trust ABC Trust
Partnerships Do not use the name of the partnership, use partners personal names	**John Smith & Michael Smith** **<Smith Brothers>**	Smith Brothers
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PFA DIVERSIFIED PROPERTY TRUST

ARSN 097 860 690 AFSL 224106

APPLICATION FORM

ADVISER USE ONLY	
AFSL Stamp	Name
	Telephone
	Email
	Fax

COMPLETE FULL NAME DETAILS (PLEASE PRINT)

Mr/Mrs/Miss/Ms | Surname/Company Name (including ACN) | Applicant Given Names | Date of Birth

Joint Applicant # 2

Joint Applicant #3

POSTAL ADDRESS

Street No. | Street (or PO box details)

Suburb | State | Post Code | Country (if not Australia)

TELEPHONE NUMBERS

Area Code & Home Phone No. | Area Code & Work Phone No.

Area Code & Fax No. | Contact Person (if different to Applicant)

EMAIL ADDRESS

TAX FILE NUMBERS/ABN/EXEMPTION CATEGORY

Tax File No. for App. #1 | Tax File No. For App. #2 | Tax File No. For App. #3

APPLICATION AMOUNT

(Minimum Investment $5,000)

$

CURRENT INVESTOR in PFA Diversified Property Trust

HOLDER NUMBER PFD

If you are already a Unitholder, do you wish to combine with your existing Unitholding? Please tick box. Yes No

ADVISER SERVICE FEE

Please deduct the following % amount from my Application Monies and pay it to my/our financial adviser whose stamp is affixed to this Application Form.

Please tick: 0% 1% 2% 3% 4% Other (Note: includes GST)

DIRECT CREDIT OF DISTRIBUTIONS

Insert Name of Account which is to be credited

Bank | Branch

BSB Number | Account Number

Would you like to receive an annual report for the Trust each year?: Yes No *(if no selection is made, then an annual report will be forwarded to you each year)*

I/we declare and agree that:

(a) I/we have received a complete and unaltered copy of the Product Disclosure Statement.
(b) I/we have read and understood the Product Disclosure Statement to which this Application Form is attached.
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DATE OF APPLICATION / /

D M Y

PLEASE SIGN BELOW

Individual | Joint 2 | Joint 3

Sole Director/Sole Company Secretary | Director/Secretary | Director

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PFD 2/05

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EXISTING UNITHOLDERS

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PFD 2/05

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Directory

MANAGER

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ACN 078 199 569

Office

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Phone: (07) 3221 7170
Toll Free: 1800 687 170
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REGISTRY

Property Funds Australia Limited
ACN 078 199 569

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Postal Address

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DIRECTORS OF PROPERTY FUNDS AUSTRALIA

Gregory J Paramor (Non-Executive Chairman)

Christopher A Morton (Managing Director)

Dennis W Wildenburg

David J Conquest

Nicholas R Collishaw

AUDITOR

BDO Kendalls
Level 18
300 Queen Street
BRISBANE QLD 4000

CUSTODIAN

Trust Company of Australia Limited
ACN 004 027 749
213 St Pauls Terrace
BRISBANE QLD 4000

TAXATION ADVISER

BDO Kendalls
Level 18
300 Queen Street
BRISBANE QLD 4000

FINANCIAL ADVISER

BDO Kendalls Securities Limited
Level 18
300 Queen Street
BRISBANE QLD 4000

CORPORATE LAWYERS FOR THE MANAGER

McCullough Robertson Lawyers
Level 11
Central Plaza II
66 Eagle Street
BRISBANE QLD 4000