

PFA

DIVERSIFIED
PROPERTY TRUST

AND CONTROLLED ENTITIES

ARSN 097 860 690



2005 Half-Year Report

PFA

PROPERTY FUNDS
AUSTRALIA LIMITED

Property Fund Managers
ACN 078 199 569
AFSL No 224106

Trust Profile



**180 Queen Street
Brisbane, QLD**



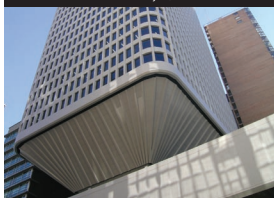
**AAPT Building
Richmond, VIC**



**Sevenoaks
Cannington, WA**



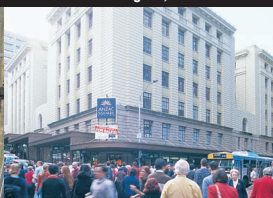
**The Lands Building
Hobart, TAS**



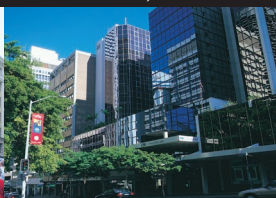
**Civic Tower
Sydney, NSW**



**Garden Square Office Park
Upper Mt. Gravatt, Brisbane, QLD**



**Anzac Square Offices
Brisbane, QLD**



**388 Queen Street
Brisbane, QLD**



**Centro On James - Stage 3
Fortitude Valley, Brisbane, QLD**



**The Precinct
Coorparoo, Brisbane, QLD**



**The Riverdale Centre
Dubbo, NSW**



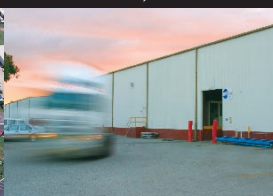
**544 Kessels Road
MacGregor, Brisbane, QLD**



**The Homeworld Centre
Tuggeranong, ACT**



**Cairns Hypermart
Cairns, QLD**



**33 McDowell Street
Welshpool, WA**



The PFA Diversified Property Trust is a listed Australian unit trust which owns a portfolio (either directly or through wholly owned subsidiary trusts) of Australian investment grade properties currently valued at \$353 million. The portfolio is diversified by property sector, geographic location, tenant profile and lease expiry.

The Trust currently has in excess of 3,700 unitholders.

The Trust's fundamental strategy is 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.

The Trust is listed on the Bendigo Stock Exchange.

The responsible entity of the Trust is Property Funds Australia Limited ("PFA"), a specialist property fund manager. Details of PFA can be obtained from its website www.pfaltld.com.au.

The custodian for PFA in holding the assets of the Trust is Trust Company of Australia Limited - established in 1885.

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Property Funds Australia Limited ACN 078 499 569 ("PFA") does not guarantee or in any way stand behind the performance of the PFA Diversified Property Trust or the repayments of capital by the PFA Diversified Property Trust.

The information contained in this half-yearly report ("the Information") does not constitute a securities recommendation. It has not been prepared taking into account your particular investment objectives, financial situation and particular needs. You should assess whether it is appropriate in the light of your own circumstances before acting on it. If you are unsure you should seek the help of your financial adviser.

Whilst all reasonable care has been taken in relation to the preparation and collation of the Information, no person, including PFA and its directors, accept responsibility for loss or damage howsoever occurring resulting from a use or reliance on the Information by any person. Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

Operating Highlights

– Half-Year ending 31 December, 2005

Events

July, 2005:

Exercise of put option to sell the 10,571,429 units held in S8 Property Trust.

August, 2005:

Announcement of \$22.85M increase in value of the Trust's property portfolio resulting in 15% NTA increase over the financial year.

October, 2005:

- New product disclosure statement ("PDS") lodged with ASIC for the issue of 18.35 million units in the Trust. The offer price under the PDS was \$1.09 per unit.
- Acquisition of 180 Queen Street, Brisbane for \$18.0M settled on 31 October, 2005.

November, 2005:

2005 Special Distribution Plan ('DRP') offered to unitholders eligible for the Special Distribution as a consequence of the sale of Post Office Square. The offer price under the DRP was \$1.09 per unit.

December, 2005

- Settlement of the sale of Post Office Square for \$70.5M completed on 1 December, 2005.
- Special Distribution of 6.76 cents per unit paid to unitholders recorded on the register at 30 June, 2005.
- Participation in the DRP by those eligible unitholders resulted in 2,380,516 units being issued.
- Acquisition of 50% interest in the Civic Tower, 66-68 Goulburn Street, Sydney completed for \$54.85M on 16 December, 2005.

Financial Performance

- General monthly distribution of 4.74 cents per unit for the half-year ended 31 December, 2005 in accordance with previous forecasts.
- Special distribution for eligible unitholders of 6.76 cents per unit.
- Profit (before amortisations and unitholder distributions) for the Period \$14M (December 2004: \$3.85M).
- Profit (after amortisations and before unitholder distributions) for the Period \$13.26M (December 2004: \$3.67M).
- As at 31 December, 2005:-
 - Total assets \$364M.
 - Net tangible asset backing \$1.08 per Unit*.

* This calculation ignores AIFRS treatment of unitholder funds as debt.

Financial Overview

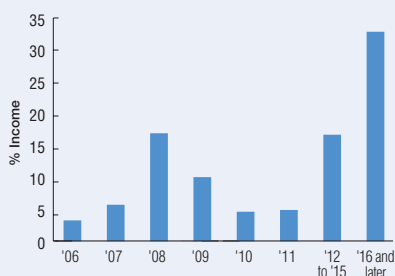
	As at 31 Dec 2005	As at 31 Dec 2004
Total assets (\$'000)	363,885	258,591
Total unitholder funds (\$'000)	168,899	120,986
Net tangible asset backing per unit* (\$)	1.08	0.97
Number of units on issue ('000)	155,095	123,898
Total borrowings (\$'000)	185,894	136,416
% borrowings to total assets (%)	51	53
Number of unitholders	3,466	3,161
Vacancy Rate (% by income)	2.1	6.4

* The calculation ignores AIFRS treatment of unitholders' funds as debt

	Half-year ending 31 Dec 2005	Half-year ending 31 Dec 2004
Monthly distributions per ordinary unit (CPU)	4.74	4.74
Special Distribution per eligible unit (CPU)	6.76	0
Earnings per unit (before amortisation and unitholder distributions) (CPU)	9.40	3.50

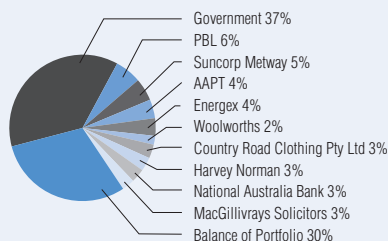
Portfolio Status (as at date of report)

Lease Expiry Profile



Top 10 Tenants

(% of Gross Passing Income)



Manager's Report

We are pleased to report to you on the activities and achievements of the PFA Diversified Property Trust ("the Trust") since the commencement of the half-year ended 31 December, 2005 ("the Period").

Fund Performance

Distributions for the Period have been occurring at the rate of 0.79 cents per unit per month which is in accordance with PDS forecasts for the Trust. In the product disclosure statement dated 20 October, 2005 ("PDS No. 3") the directors of the Manager have forecast that this distribution rate is likely to continue through to 30 June, 2006 (subject to the assumptions on which the forecast is based set out in section 6.2 of PDS No. 3).

Of particular note during the Period were the following positive results:-

- operating activities revenue 24% up over the corresponding period;
- profit (after amortisations and before unitholder distributions) up 260% over the previous corresponding period;
- the sale of Post Office Square at a sale price \$9.0M above its book value; and
- a special distribution of 6.76 cents per unit to eligible unitholders.

Fund Management

Underpinning the Trust's sound financial result for the Period has been the continuing commitment by the Manager to meeting the objectives and strategies of the Trust as set out in the original merger explanatory memoranda and subsequent product

disclosure statements. These have included the following events which are discussed in greater detail below:-

- the ongoing commitment to the growth of the asset base as demonstrated by the acquisition of 180 Queen Street, Brisbane;
- the continued commitment to the geographical diversification of the Trust as exhibited by the recent joint acquisition of Civic Tower, Sydney;
- the monitoring of all properties within the portfolio and determining if it is appropriate to divest properties which are no longer considered appropriate or strategic to continue to hold e.g. the sale of Post Office Square;
- maximise the total return to unitholders as demonstrated by the special distribution paid to unitholders which was made out of capital profit following the sale of Post Office Square;
- improved vacancy rate of the Trust's portfolio at a low 2.1% thus underpinning the future stability of future portfolio income;
- monthly distributions continue at a rate of 9.48 cents per unit per annum in accordance with previous financial forecasts; and
- acknowledgement of priority to existing unitholders in public equity raisings as demonstrated by the recent 2005 Special Distribution Reinvestment Plan and the priority period given to existing unitholders as part of PDS No. 3.

Asset Management

Acquisitions

180 Queen Street, Brisbane

The acquisition of 180 Queen Street, Brisbane was completed by the Trust on 31 October, 2005 for a purchase price of \$18.0M.

180 Queen Street is a nine level retail and commercial office building located in the heart of Brisbane's Queen Street Mall. The building was purpose built for the National Australia Bank and was completed in 1930. It underwent extensive refurbishment works in 1990/91 and is heritage listed.

The property's major tenant is retailer Country Road who occupy 866m² on the ground and mezzanine levels on a 10 year lease to 2010. The basement level consists a safe deposit facility for the National Australia Bank Security Deposit on a 5 year lease to 2007. The upper levels provide commercial office accommodation comprising larger tenancies and individual suites ranging in size from 15m² to 492m² leased to a wide variety of businesses ranging from jewellers to valuers to legal firms.

This acquisition was consistent with the growth the Trust by investing in properties in the price range of \$10 million to \$50 million. It also maintained some exposure to Brisbane's CBD retail for the Trust.

Civic Tower, Sydney

The acquisition of a 50% interest in the Civic Tower in the Sydney CBD was finalised on 16 December, 2005 for a purchase price of \$54.85M. The property

was acquired in co-ownership with the diversified property trust group, the Australand Group with the vendor being Grocon.

Civic Tower is located on a prominent corner in the Sydney mid-town sector. The property has frontage onto both Castlereagh and Goulburn Streets and is situated in close proximity to the recently completed World Square development.

The property comprises a 22,932m² office tower over 24 floors constructed above an existing podium building known as the Masonic Centre. Additionally, the property comprises a ground floor foyer and separate retail area. Typical floor plates are 940m² NLA with central core configuration and column free. The property has a 4½ star SEDA green rating.

The property's existing three major tenants include Publishing and Broadcasting Limited (PBL), the Federal Department of Public Prosecutions and Keddies Litigation Lawyers. The top eight floors are presently vacant. Rental and other support is being provided over the next 3 years (max.) whilst the remaining vacancy is let.

The property was completed in late 2004 within the airspace above the existing Masonic Centre – belonging to the site's freehold owners, Masonic Investments Ltd. Masonic Investments have granted a 125 year lease (expiring on 16 August 2116) over the airspace in which the office tower is located.

This acquisition was consistent with the Manager's continued commitment to further geographical diversification of the Trust's

Manager's Report

portfolio and provided exposure to the Sydney office market which is currently showing positive signs of improvement after a few years of stagnation.

Divestments

Sale of Post Office Square

The completion of the sale of Post Office Square to the CFS Gandel Retail Trust occurred on 1 December, 2005. The sale price was \$70.5M which is above the originally agreed base purchase price of \$68.6M.

The price is subject to post-settlement variation depending on final lease negotiations over a lease renewal and the results of letting up some vacant tenancies. Those further adjustments (if any) are likely to occur in the next 12 months.

Revaluations

Revaluations of 2 assets during the Period have added \$6.1M to the portfolio's value. The relevant properties subject to valuation increases during the Period were:-

Property	Previous Book Value	New Book Value	Increase
Garden Square	\$31.3M	\$35.0M	\$3.7M
Cairns Hypermart	\$17.0M	\$19.4M	\$2.4M

Underlying the increases in valuations has been the general firming in capitalisation yields which have occurred in the Queensland commercial and retail property market since the date of the last valuations. These properties' capital appreciation (particularly Garden Square) has also been the result of positive leasing campaigns resulting in new leasing deals and rental growth.

Portfolio Review

PFA continues to monitor the Trust's portfolio of investment properties to ensure consistency with the business needs and objectives of the Trust. Properties which are not consistent with the objectives of the Trust will be considered for divestment.

Redevelopment Opportunities

The portfolio contains a number of properties which have potential redevelopment opportunities. PFA continues to assess and clarify these opportunities. Specifically and as previously advised in the 2005 Annual Report, PFA continues to review the development and subdivision options of surplus land at 544 Kessels Road, MacGregor and Sevenoaks, Perth.

Leasing Activity

The vacancy rate (based on income and including rental support arrangements as a letting) for the Trust portfolio at the time of this report is 2.1%. The vacancy rate for the portfolio has decreased during the Period (down from 3.5% at 30 June, 2005). This is a pleasing result with the vacancy rate steadily declining over the past 12 months (i.e. since December, 2004) at which time the vacancy rate had temporarily risen to 6.4% immediately following the departure of Coles Myer from the Garden Square property. The weighted average lease term remains strong at 6.4 years.

The major leasing focus during the Period has predominantly related to the 388 Queen Street, Centro on James – Stage 3, Garden Square and 544 Kessels Road properties.

388 Queen Street, Brisbane

During the Period, Westpac leased space on the ground floor at 388 Queen Street under a new 7 year lease. The space was previously occupied by Primelife Corporation Limited who were looking to downsize and relocate. This building is now fully leased.

Centro On James – Stage 3

Since the end of the Period, the property's major tenant within the commercial component, Workpac (now known as Smart Service) executed, prior to their original lease expiry, a new 6 year lease until December, 2011. As part of this new lease, Smart Service has increased their space by an additional 200m² (approx.) and with a material rental increase to that previously paid.

During the Period, a major retail tenant (Melandas Home Concepts) vacated their premises prior to the expiration of their lease. An active leasing campaign is underway and there are currently several quality tenants interested in this prime retail space. Given the current expressed interest, the location and popularity of the James Street precinct, the Manager anticipates that this space will be re-let during the forthcoming months.

544 Kessels Road, MacGregor

Following a strategic decision by Encel Stereo to withdraw from the local market, the Manager co-operated with a surrender by Encel of their lease with the contemporaneous entry into a new 10 year lease to Aussie Living Furniture and Bedding (an existing tenant of the complex). The new lease to Aussie Living will be at a materially increased

rental level to that of Encel's previous rental as from 1 April, 2006. The 544 Kessels Road property is fully leased.

Garden Square

Over the past 12 months, the Manager has progressively been reporting on the status of leasing at Garden Square. As at the time of the 2005 Annual Report, Queensland state government ministerial approval had been granted for several government leases at this property. However, the leases had not been executed. The Manager is pleased to report that the majority of the state government department leases have been executed. The state government department leases now account for approximately 65% of this property's income. The rental levels for the property are now materially above the levels that existed in 2004 when the Coles Myer lease was in existence. This property currently has a vacancy rate of approximately 4%.

The Homeworld Centre

Several smaller leases, totalling approximately 750m² within the retail component of this property have commenced during the Period. This has resulted in the vacancy rate at this property being reduced to 5%. As previously reported, a tenancy remix at this property remains an ongoing project.

The Riverdale Centre

The River Inn Tavern has given the Manager notice of their desire to negotiate an early exit of their Tavern lease due to a lack of profitability of their existing operation from the premises. A relocation of their

Manager's Report

bottleshop licence to a vacant area in the Centre is being negotiated as part of this process. This may cause the need to release the existing tavern space in the future.

Future Leasing Activity

Maintaining a strong tenant profile remains a critical focus for the Manager and a key point of difference for the Trust as against many trusts of a similar size, particular with national and government tenants currently accounting for approximately 87% of the income of the Trust.

Importantly, the Manager's management strategy for the Trust is to maintain and develop relationships with tenants to meet their current and future requirements and actively manage the property portfolio with a focus to enhancing the portfolio's income stream. As such, Mirvac retail management have been appointed to run the physical aspects of the property management of the Riverdale Centre and the Cairns Hypermart properties.

This is not to say that there are not challenges in the forthcoming period as some of the current vacancies are focused upon. In particular, the Manager's main focus will be:-

- undertaking an ongoing tenancy remix at Homeworld;
- continuation of the leasing strategy and tenancy remix at the Riverdale Centre;
- a review of the property management and lease profile of the commercial office tenancies at 180 Queen Street, Brisbane; and

- the launching of an energetic leasing campaign for the vacant upper levels (currently under rental guarantee) of Civic Tower, Sydney.

Capital Works

The Manager is conscious of the necessity to maintain the assets to keep them competitive in the marketplace.

The major focus of capital works for the half-year to the end of December, 2005 has been the continuation of works at the Garden Square property as a consequence of the recent significant leasing activity. Capital works have been completed to both upgrade and refurbish selected toilet amenities, lift lobbies and various base building services. Given the age of this property and as part of the accommodation of new tenancies, building infrastructure such as air conditioning services, main switchboard and basement car parking operation, have been upgraded to meet the ever increasing demands of large commercial tenancies. We are conscious of the requirements of tenants and of the need to provide quality accommodation that meets their needs and on-going expansion requirements.

A refurbishment of the ground floor entry of 388 Queen Street is currently being finalised. This will create a significant improvement to the building's identity as well as lighten and improve its internal appeal. Upgrades of air conditioning plant and equipment are continuing so as to accommodate the needs of the property's major tenant Suncorp.

In 2006, the expenditure of monies on capital works to underpin the remixing of both the Riverdale Centre and the Homeworld Centre is expected to occur.

Debt Management

The Trust's debt is 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 debt as at 31 December, 2005 was \$185,894,000. This represents as at the date of this report, a gearing ratio against total assets of 51%.

The weighted average interest rate of the Trust (including financiers' margins) as at 31 December, 2005 was 6.64% per annum.

Of these borrowings, approximately 91% of the Trust's debt funding as at 31 December, 2005 had fixed interest rates or was hedged with the balance being at variable rates. The Manager continues to monitor the interest rate market for opportunities to purchase hedging style products at appropriate pricing.

The Manager may seek to alter the above percentage during the current year.

During the Period an additional \$10.8M was drawn down to assist with the acquisition of 180 Queen Street, Brisbane. A further \$5M was drawn against the ING short-term on the core and facilities. The \$5M as well as \$2.43M borrowed in June 2005 were repaid before 31 December, 2005.

The acquisition of the 50% interest in Civic Tower, Sydney did not result in any further borrowings due to the receipt of the proceeds of the sale of Post Office Square shortly beforehand. There was a change in the security held by our financiers.

Capital Management

Capital Raising

On 20 October, 2005 the Manager lodged with ASIC a product disclosure statement ("PDS No. 3") for the issue of an additional 18.35 million units in the Trust at an offer price of \$1.09 per unit. The purpose of the offer was to enable the Trust to continue to grow the Trust through property acquisitions in accordance with the investment strategies of the Trust.

PDS No. 3 closed oversubscribed on 24 February, 2006 with 19,870,786 units having been issued. The proceeds of this 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.

Special Distribution

As a consequence of the sale of Post Office Square, unitholders eligible for the Special Distribution (i.e. those on the unitholder register at 30 June, 2005) were offered the 2005 Special Distribution Plan ('DRP'). The offer price under the DRP was \$1.09 per unit. 2,380,516 units were allotted on 8 December, 2005 as a consequence of the DRP.

Manager's Report

The Market

During the Period, the weighted average price per unit that units in the Trust have traded on the BSX has been \$1.07, an increase of 5 cents per unit from that previously reported for the financial year ended 30 June, 2005. At the time of lodgement of this report, the last trade was \$1.06 per unit. The market capitalisation of the Trust as at 31 December, 2005 was \$166 million.

Units reached a trading high of \$1.10 and a low of \$0.99 during the Period.

The total trade volume on the BSX for the Period (i.e. 6 months) was 1,345,043 units. Comparatively the total trade volume for the year ended 30 June, 2005 (i.e. a 12 month period) was approximately 2.0 million units.

Following the recent adjustment in net tangible assets (NTA) per unit following the sale of Post Office Square, the Manager is hopeful that the units will again trade at a premium to the NTA per unit as they have done so in the past.

Manager Update

Change in Directors

It was with regret, that on 16 January, 2006 the Manager announced the retirement of PFA executive director, David Conquest due to health reasons. His retirement as a director took immediate effect and Mr Conquest retired as a PFA employee on 9 February, 2006.

We take this opportunity to thank David for his considerable contribution to PFA during his almost six years as a director and executive. Mr Conquest's contribution, particularly

as the main liaison point with financial intermediaries, has seen a material growth of the funds under management of PFA. He has provided to PFA an innate understanding of the needs of the users of investment products and their advisers' requirements.

Mr Greg Paramor, PFA's non-executive chairman, retired from the board effective 9 March, 2006 due to his obligations as managing director of Mirvac. Greg was appointed as PFA's non-executive chairman in 2004 following the James Fielding Group's (now a division of Mirvac) acquisition of a 50% interest in PFA. In his role in Mirvac, Greg Paramor will still have a strategic interest in PFA and the success of the funds that it manages.

Greg's nominated replacement to the board and as the new non-executive chairman is James Fielding Funds Management director Mr Robert Summerton. Mr Summerton is a consultant of the Queensland law firm Summerton de Vere. He has extensive experience in the law on major commercial and property transactions in Australia and the United Kingdom. He is a member of professional bodies including the Law Council of Australia and the Australian Institute of Company Directors and is a director of a number of companies. Mr Summerton has had considerable experience as a director of property funds management companies including as a current director of James Fielding Funds Management and a former director of Paladin Australia Limited.

Ms Jenny Hutson has been appointed to PFA's board as a non-executive director. Ms Hutson is a retiring partner of McCullough Robertson Lawyers. She was head of

the Corporate Advisory Group and the Corporate Division of that legal firm. Jenny is a specialist corporate lawyer, focused on capital raisings, restructurings and mergers and acquisitions. She has had a special focus and experience in property based projects and capital raising issues. Jenny is a director of a number of companies including as chairperson of the ASX listed S8 Limited which operates in the property management services business and owns Harvey World Travel Limited and is also a director of Wellington Funds Management Limited, a responsible entity of a property trust.

We welcome both Bob Summerton and Jenny Hutson to the Board. They both come to the Board with an enormous wealth of experience in the world of property funds management.

Trust Wins Property Trust Industry Award

The Trust was awarded the 2005 Property Trust Industry Award by the Australian Property Institute (Qld Division) – the industry organisation that represents valuers and land economists. Judged against 6 other candidates, the award was made on the basis of financial performance, management and innovation.

Outlook

The long term fundamentals in those markets in which the Trust holds assets still remains positive. The Trust's strong tenant profile and balanced lease expiry profile places the Trust in a solid position.

The Trust appears to be overweight in assets located in markets which external analysts would consider to have strong growth in them (e.g. Brisbane office market).

The Manager intends to purchase prior to the end of the financial year, assets utilising the funds received from PDS No. 3. As mentioned earlier, a further PDS (PDS No. 4) is expected to be issued in or before April, 2006.

Key focuses for the forthcoming six months will include the acquisition of a further property as canvassed in the recent PDS No. 3, the launch of PDS No. 4, dealing with certain asset management issues and a review of debt management and the portfolio generally.

Directors' Report

The Directors of Property Funds Australia Limited ("the Manager") as responsible entity submit the following Interim Report of the PFA Diversified Property Trust ("the Trust") for the half-year ended 31 December, 2005 ("the Period").

Directors of the Manager/ Responsible Entity

The name of each person who has been a director of the Manager during the Period and up to the date of this report are:-

Christopher Arthur Morton

David John Conquest
(retired 16 January, 2006)

Dennis Wayne Wildenburg

Gregory James Paramor
(retired 9 March, 2006)

Nicholas Roland Collishaw

Robert Thomas Summerton
(appointed 9 March, 2006)

Jennifer Joan Hutson
(appointed 9 March, 2006)

The Directors have been in office since the start of the Period to the date of this report unless otherwise stated.

Review of Operations

Distributions

Distributions for the Period totalled to 4.74 cents per unit (excluding the special distribution paid 8 December, 2005 at 6.76 cents per unit). These distributions were paid on a monthly basis at a rate of 0.79 cents per unit.

Highlights

The key highlights over the Period and up to

the date of this report include:-

- lodgement with ASIC of the product disclosure statement on 20 October, 2005 relating to the issue of 18.35 million units in the Trust at a unit price of \$1.09;
- acquisition of 180 Queen Street, Brisbane for \$18.0 million;
- settlement of the sale of Post Office Square for \$70.5 million;
- Special Distribution of 6.76 cents per unit paid to eligible unitholders; and
- acquisition of 50% interest in the Civic Tower, 66-68 Goulburn Street, Sydney completed for \$54.85 million.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on page 13.

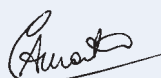
Rounding Amounts

The PFA Diversified Property Trust has applied for relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report have been rounded off to the nearest one thousand dollars.

Further information in respect of the operations of the Trust is set out in the Manager's Report.

Signed in accordance with a resolution of Directors.

Dated this 16th day of March, 2006



Christopher Arthur Morton
Managing Director

Auditor's Independence Declaration



16 March, 2006

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

BDO Kendalls
Chartered Accountants
& Advisers

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Dear Directors

AUDITOR'S INDEPENDENCE DECLARATION

In relation to our review of the Interim Financial Report of the PFA Diversified Property Trust for the half-year ended 31 December, 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours sincerely

BDO Kendalls

A handwritten signature in black ink, appearing to read 'Paul Gallagher'.

Paul Gallagher

Partner

Advisers to growing businesses

Condensed Consolidated Income Statement

for the half-year ended 31 December, 2005

	Note	Consolidated 31 December 2005 \$ '000	Consolidated 31 December 2004 \$ '000
Revenue			
Operating activities		17,989	14,464
Gain on disposal of investment property		5,432	-
Gain on revaluation of investment property		2,905	-
		<hr/> 26,326	<hr/> 14,464
Expenses from ordinary activities			
Property expenses		(4,469)	(3,172)
Amortisation	1(d)	(564)	(73)
Impairment of property, plant & equipment	1(c)	-	(1,375)
		<hr/> (5,033)	<hr/> (4,620)
Fund expenses			
Direct expenses		(1,744)	(1,332)
Borrowing costs			
Interest		(6,099)	(4,737)
Amortisation		(185)	(110)
		<hr/> (6,284)	<hr/> (4,847)
Borrowing costs - Unitholders	1(f)	(17,062)	(5,174)
Profit/(loss) from ordinary activities before income tax expense		<hr/> (3,797)	<hr/> (1,509)
Income tax expense relating to ordinary activities	1(b)	-	-
Profit/(loss) after income tax expense attributable to Unitholders		<hr/> (3,797)	<hr/> (1,509)

To be read in conjunction with the notes to the Financial Statements.

Condensed Consolidated Balance Sheet

as at 31 December, 2005

	Note	Consolidated	Consolidated
		31 December 2005 \$ '000	30 June 2005 \$ '000
CURRENT ASSETS			
Cash and cash equivalents		9,198	468
Trade and other receivables		1,037	2,218
Other assets		878	832
Total Current Assets		11,113	3,518
NON-CURRENT ASSETS			
Investment – property	1(c)	352,772	331,638
Available for sale financial assets	1(l)	-	10,000
Total Non-Current Assets		352,772	341,638
TOTAL ASSETS		363,885	345,156
CURRENT LIABILITIES			
Payables		10,357	2,805
Interest bearing liabilities		-	2,436
Total Current Liabilities		10,357	5,241
NON-CURRENT LIABILITIES			
Other liabilities	1(e)	168,899	165,853
Interest bearing liabilities		184,629	174,062
Total Non-Current Liabilities		353,528	339,915
TOTAL LIABILITIES		363,885	345,156
NET ASSETS		-	-

To be read in conjunction with the notes to the Financial Statements.

Condensed Consolidated Cash Flow Statement

for the half-year ended 31 December, 2005

	Consolidated	Consolidated
	31 December 2005 \$ '000	31 December 2004 \$ '000
Cash Flows from Operating Activities		
Property income	19,005	15,783
Interest received and sundry income	559	61
Payments to suppliers	(6,387)	(5,857)
Borrowing costs paid	(5,991)	(4,851)
Cash Provided by/(Used in) Operating Activities	7,186	5,136
Cash Flows from Investing Activities		
Net proceeds from sale of property	67,787	-
Proceeds from investment in S8 Property Trust	10,000	-
Security deposit	3	(3)
Purchase of investment – property and capital improvements	(81,495)	(1,296)
Cash Provided by/(Used in) Investing Activities	(3,705)	(1,299)
Cash Flows from Financing Activities		
Proceeds from borrowings	10,800	-
Financing costs paid	(418)	-
Units issued	7,872	26,965
Capital raising funds provided for	7,197	-
Cost of equity raising	(761)	(242)
Reduction in debt facility	(2,436)	(14,410)
Distributions to unitholders	(17,005)	(4,939)
Cash Provided by/(Used in) Financing Activities	5,249	7,374
Net increase/(decrease) in cash held	8,730	11,211
Cash at the beginning of the financial period	468	2,593
CASH AS AT 31 DECEMBER	9,198	13,804

To be read in conjunction with the notes to the Financial Statements.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 1 – Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the BSX Listing Rules, Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Consensus views and other authoritative pronouncements of the Australia Accounting Standards Board. It is recommended that this interim financial report be read in conjunction with the annual financial statements for the year ended 30 June, 2005 and any public announcements made by Property Funds Australia Limited as the responsible entity for the PFA Diversified Property Trust (“Trust”) and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the BSX Listing Rules and Corporations Act 2001.

As this is the first interim financial report prepared under Australian Equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June, 2005 annual report as that report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian Equivalents to IFRS has been included below. A reconciliation of profit and loss and equity between previous GAAP and Australian Equivalents to IFRS has been prepared per Note 2.

Compliance with Australian Equivalents to IFRS ensures that the interim financial report, comprising the financial statements and notes there to, complies to the International Reporting standards.

The half-year interim financial report does not include full disclosures of the type normally included in an annual financial report.

(a) 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 and losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 1 – Basis of Preparation (cont'd)

(b) Income Tax

The Trust and its controlled entities adopts the liability method of tax effect accounting whereby the income tax expense shown in the consolidated income statement 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 taxable income will be retained by the Trust and its controlled entities in 2006.

(c) Investment - Property

Investment - Property consists of investments in property, primarily of land, buildings and improvements to land and buildings. Investment property is measured at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. 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 the investment property with its fair value. Changes in fair value are recognised in the net profit or loss in the income statement in the period in which they occur.

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

(d) Leases

The Trust has adopted UIG Interpretation 115: Operating Leases – Incentives. Lease incentives are required to be capitalised as a separate asset from the investment property to which it relates. The lease incentive is then amortised as a reduction in lease rental income over the lease term on a straight-line basis.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 1 – Basis of Preparation (cont'd)

(e) 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.

(f) Borrowing Costs - Unitholders

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

Distribution entitlements have been recognised on an accrual basis.

(g) Derivative Financial Instruments

Derivative financial instruments are recognised in the Balance Sheet at fair value with unrealised gains or losses recognised in the Income Statement for the ineffective hedges or equity for effective hedges.

All derivatives contracts, whether used as hedging instruments or otherwise, are carried at fair value.

(h) Capitalisation of Borrowing Costs

The Trust has adopted AASB 139 Financial Instruments: Recognition and Measurement, and recognises borrowing costs incurred in the acquisition of Interest Bearing Liabilities as a reduction in the Interest Bearing Liabilities using effective interest method. Borrowing costs are expensed over the period of the loan.

(i) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the tax authority.

(j) Cash and Cash Equivalents

For the purpose of the Statement of Cashflows, Cash and Cash Equivalents includes Cash at Bank and Term Deposits.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 1 – Basis of Preparation (cont'd)

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the tax authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

All revenue is stated net of the amount of GST.

Receivables and payables in the Balance Sheet are shown inclusive of GST.

(l) Available for Sale Financial Assets

Available for Sale Financial Assets are measured on the fair value basis. Unrealised gains and losses arising from change in fair value are taken directly to equity.

(m) Impairment of Assets

At each reporting date, the Trust reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. Any excess of the assets carrying value over its recoverable amount is expensed to the Income Statement.

(n) Earnings Per Unit

Earnings per unit (EPU) information is not disclosed for the half-year ended 31 December, 2005, as the units of the Trust are considered to be debt instruments in accordance with AASB 132 requirements.

(o) Comparative Figures

Where required by the Australian Equivalents to International Financial Reporting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Condensed Statement of Changes in Equity

The Trust is not required to complete a Condensed Statement of Changes in Equity for the half-year ended 31 December, 2005 as all unitholders funds have been classified as non-current liabilities.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of Profit or Loss for the half-year 31 December, 2004

		Consolidated Entity		
	Note	Previous AGAAP 31 December 2004 \$ '000	Effect of transition to Australian Equivalents to IFRS \$ '000	Australian Equivalents to IFRS 31 December 2004 \$ '000
Revenue from ordinary activities		14,464	-	14,464
Expenses from ordinary activities				
Property expenses		(3,172)	-	(3,172)
Amortisation	2(g)	-	(73)	(73)
Impairment of property, plant & equipment	2(f)	-	(1,375)	(1,375)
		(3,172)		(4,620)
Fund expenses				
Direct expenses		(1,332)	-	(1,332)
Amortisation	2(a,e)	(786)	786	-
		(2,118)		(1,332)
Borrowing costs				
Interest	2(i)	(4,745)	8	(4,737)
Amortisation		(110)	-	(110)
		(4,855)		(4,847)
Borrowing costs – Unitholders	2(d)	-	(5,174)	(5,174)
Profit/(loss) from ordinary activities before income tax expense		4,319	(5,828)	(1,509)
Income tax expense relating to ordinary activities		-	-	-
Profit/(loss) after income tax expense attributable to Unitholders		4,319	(5,828)	(1,509)

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Reconciliation of Profit or Loss for the full year to 30 June, 2005

		Consolidated Entity		
	Note	Previous AGAAP 30 June 2005 \$ '000	Effect of transition to Australian Equivalents to IFRS to IFRS \$ '000	Australian Equivalents to IFRS 30 June 2005 \$'000
Revenue from ordinary activities	2(f)	30,740	19,582	50,322
Expenses from ordinary activities				
Property expenses		(7,054)	-	(7,054)
Amortisation	2(g)	-	(205)	(205)
		(7,054)		(7,259)
Fund expenses				
Direct expenses		(2,878)	-	(2,878)
Amortisation	2(a,e)	(1,572)	1,572	-
		(4,450)		(2,878)
Borrowing costs				
Interest	2(i)	(9,998)	9	(9,989)
Amortisation		(236)	-	(236)
		(10,234)		(10,225)
Borrowing costs – Unitholders	2(d)	-	(11,607)	(11,607)
Profit/(loss) from ordinary activities before income tax expense		9,002	9,351	18,353
Income tax expense relating to ordinary activities		-	-	-
Profit/(loss) after income tax expense attributable to Unitholders		9,002	9,351	18,353
Increase in asset revaluation reserve	2(f)	19,582	(19,582)	-
Total changes in Trust equity other than those resulting from transactions with Unitholders as Unitholders		28,584	(10,231)	18,353

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Reconciliation of Equity at 1 July, 2004

		Consolidated Entity		
	Note	Previous AGAAP 1 July 2004 \$ '000	Adjustments on introduction of Australian Equivalents to IFRS \$ '000	Australian Equivalents to IFRS at 1 July 2004 \$ '000
CURRENT ASSETS				
Cash and cash equivalents		4,593	-	4,593
Trade and other receivables		701	-	701
Other assets		726	-	726
Total Current Assets		6,020	-	6,020
NON-CURRENT ASSETS				
Investment – property	2(f)	242,662	639	243,301
Intangible assets	2(a)	7,740	(7,740)	-
Other assets	2(b,e)	3,488	(3,488)	-
Total Non-Current Assets		253,890	(10,589)	243,301
TOTAL ASSETS		259,910	(10,589)	249,321
CURRENT LIABILITIES				
Payables	2(h)	5,377	550	5,927
Interest bearing liabilities		16,410	-	16,410
Total Current Liabilities		21,787	550	22,337
NON-CURRENT LIABILITIES				
Other liabilities	2(c)	-	91,490	91,490
Interest bearing liabilities	2(b)	136,416	(922)	135,494
Total Non-Current Liabilities		136,416	90,568	226,984
TOTAL LIABILITIES		158,203	91,118	249,321
NET ASSETS		101,707	101,707	-
EQUITY				
Unitholders' equity	2(c)	90,675	(90,675)	-
Asset revaluation reserve	2(f)	11,032	(11,032)	-
TOTAL EQUITY		101,707	(101,707)	-

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Reconciliation of Equity at 31 December, 2004

		Consolidated Entity		
	Note	Previous AGAAP 31 December 2004 \$ '000	Adjustments on introduction of Australian Equivalents to IFRS \$ '000	Australian Equivalents to IFRS at 31 December 2004 \$'000
CURRENT ASSETS				
Cash and cash equivalents		13,804	-	13,804
Trade and other receivables		669	-	669
Other assets		740	-	740
Total Current Assets		15,213	-	15,213
NON-CURRENT ASSETS				
Investment – property	2(f)	243,957	(579)	243,378
Intangible assets	2(a)	7,188	(7,188)	-
Other assets	2(b,e)	3,145	(3,145)	-
Total Non-Current Assets		254,290	(10,912)	243,378
TOTAL ASSETS		269,503	(10,912)	258,591
CURRENT LIABILITIES				
Payables	2(h)	1,767	235	2,002
Total Current Liabilities		1,767	235	2,002
NON-CURRENT LIABILITIES				
Other liabilities	2(c)	-	120,986	120,986
Interest bearing liabilities	2(b)	136,416	(813)	135,603
Total Non-Current Liabilities		136,416	120,173	256,589
TOTAL LIABILITIES		138,183	120,408	258,591
NET ASSETS		131,320	(131,320)	-
EQUITY				
Unitholders' equity	2(c)	120,288	(120,288)	-
Asset revaluation reserve	2(f)	11,032	(11,032)	-
TOTAL EQUITY		131,320	(131,320)	-

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Reconciliation of Equity at 30 June, 2005

		Consolidated Entity		
	Note	Previous AGAAP 30 June 2005 \$ '000	Adjustments on introduction of Australian Equivalents to IFRS to IFRS \$ '000	Australian Equivalents to IFRS at 30 June 2005 \$'000
CURRENT ASSETS				
Cash and cash equivalents		468	-	468
Trade and other receivables		2,218	-	2,218
Other assets		832	-	832
Total Current Assets		3,518	-	3,518
NON-CURRENT ASSETS				
Investment – property	2(f)	330,390	1,248	331,638
Available for sale financial assets		10,000	-	10,000
Intangible assets	2(a)	6,634	(6,634)	-
Other assets	2(b,e)	3,131	(3,131)	-
Total Non-Current Assets		350,155	(8,517)	341,638
TOTAL ASSETS		353,673	(8,517)	345,156
CURRENT LIABILITIES				
Payables	2(h)	2,380	425	2,805
Interest bearing liabilities		2,436	-	2,436
Total Current Liabilities		4,816	425	5,241
NON-CURRENT LIABILITIES				
Other liabilities	2(c)	-	165,853	165,853
Interest bearing liabilities	2(b)	175,094	(1,032)	174,062
Total Non-Current Liabilities		175,094	164,821	339,915
TOTAL LIABILITIES		179,910	165,246	345,156
NET ASSETS		173,763	(173,763)	-
EQUITY				
Unitholders' equity	2(c)	143,149	(143,149)	-
Asset revaluation reserve	2(f)	30,614	(30,614)	-
TOTAL EQUITY		173,763	(173,763)	-

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Notes to the reconciliations of equity and profit and loss at 1 July, 2004, 31 December, 2004 and 30 June, 2005

(a) Intangible Asset – Goodwill

Under AIFRS, goodwill is subject to impairment testing, and subsequently the Trust has accounted for an impairment at 1 July, 2004 and 30 June, 2005 and all goodwill has been written off. Previously, under Australian GAAP, goodwill acquired in a business combination, such as the Trust's acquisition of Subsidiary Trusts was amortised over a period of time. All goodwill amortised under previous Australian GAAP has been reversed to retained earnings.

(b) Capitalisation of Borrowing Costs

Under AIFRS, 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. The borrowing costs are expensed over the period of the loan. Previously, under Australian GAAP, borrowing costs were capitalised as a non-current other asset and expensed over the period of the loan. There is no change to the Trust results in the Income Statement.

(c) Other Liabilities

Under AIFRS, unitholders' funds contributed to the Trust are to be recognised as non-current other liabilities. Previously, under Australian GAAP, funds raised from unitholders were recognised as equity of the Trust. 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.

(d) Borrowing Costs – Unitholders

Under AIFRS, amounts paid to unitholders will be treated as a borrowing costs expense in the Income Statement and distribution entitlements have been recognised on an accrual basis. Previously, under Australian GAAP, these payments were accounted for in unitholders' equity and were recognised on a cash basis. The For taxation purposes, these payments continue to represent distributions under ITAA 1997.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

(e) Other Assets – Non-current

Under AIFRS, establishment costs of the Trust is subject to impairment testing, and subsequently the Trust has accounted for an impairment at 1 July, 2004 and 30 June, 2005 and all costs have been written off. Previously, under Australian GAAP, the costs were recognised in the Balance Sheet at cost less accumulated amortisation, and were amortised over a period of time. All establishment costs amortised under previous Australian GAAP has been reversed to retained earnings.

(f) Investment – Property

Under AIFRS, the Trust has a choice for measurement of investment properties, at fair value or at cost, less accumulated depreciation and impairment losses. The Trust has adopted the fair value measurement and changes in fair value have been recognised in the Income Statement in the period in which they occur. Previously, under Australian GAAP, valuation adjustments were recognised in the asset revaluation reserve in the Balance Sheet. Under AIFRS, asset revaluation reserves were transferred to opening balances of retained earnings and are recognised in Non-Current Other Liabilities.

In addition, lease incentives have been previously capitalised into the value of the investment property under Australian GAAP. The investment property would subsequently be subjected to revaluation with revaluation increments or decrements adjusted directly to equity. Under AIFRS, lease incentives are now capitalised separately from investment property and amortised over the period of the lease to which the lease incentive relates.

(g) Leases

Under AIFRS, lease incentives are recognised as a Non-Current Asset and reported as a reduction in lease rental income over the lease term on a straight-line basis. The reduction in lease rental income is offset by a corresponding valuation increment posted to the Balance Sheet to maintain the overall fair value of each building and its associated lease incentives. As a result of AIFRS, the amortisation expense has been accounted for in the Income Statement. Previously, under Australian GAAP, fit out contribution lease incentives were capitalised as part of investment property.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 2 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

(h) Payables

Under AIFRS, distribution entitlements have been recognised on an accrual basis. Previously, under Australian GAAP, these entitlements were recognised on a cash basis. The variance between accrual and cash basis treatment has been accounted for in the Balance Sheet.

(i) Derivative Financial Instruments

Under AIFRS, financial instruments are recognised at fair value in the Balance Sheet with unrealised gains or losses recognised in the Income Statement for ineffective hedges or equity for effective hedges. Previously, under Australian GAAP, unrealised gains or losses for ineffective and effective hedges were accounted for in the Income Statement.

Note 3 – Distributions Paid and Payable

	Consolidated Entity	
	31 December 2005 \$ '000	31 December 2004 \$ '000
21 July	1,168	744
21 August	1,168	769
21 September	1,168	807
21 October	1,168	873
21 November	1,168	873
08 December (Special Distribution)	9,997	-
21 December	1,168	873
	17,005	4,939

Note 4 – Segment Information

The Trust and its controlled entities operate predominantly in one geographical segment, being Australia, and one business segment, being property investment.

Notes to the Financial Statements

for the half-year ended 31 December, 2005

Note 5 – Contingent Liabilities

Other than the contingent liability for performance management fees payable on the sale or acquisition of a property as disclosed in the 30 June, 2005 Financial Report, there are no other contingent liabilities as at balance date.

Note 6 – Contingent Assets

The Trust and its controlled entities (lessor) hold unconditional bank guarantees and security deposits from lessees. These bank guarantees and security deposits may crystallise on default by the lessee to the lessor. The total amount of bank guarantees and security deposits held as at 31 December, 2005 was \$1,712,963 for the economic entity.

As at 31 December, 2005 the Trust holds rental support guarantees covering a maximum two year period for 180 Queen Street, Brisbane of \$267,518 and a maximum three year period for Civic Tower, Sydney of \$4,915,000 (half share).

Note 7 – Events Subsequent to Reporting Date

After the reporting date, the Trust has paid monthly distributions to Unitholders in the months of January and February 2006 totaling \$2,501,741.

After the reporting date, the following changes occurred to the directors of the Property Funds Australia Limited, the Manager/Responsible Entity of the PFA Diversified Property Trust:-

- David John Conquest, executive director, retired 16 January, 2006.
- Gregory James Paramor, non-executive chairman, retired 9 March, 2006.
- Robert Thomas Summerton, non-executive chairman, appointed 9 March, 2006.
- Jennifer Joan Hutson, non-executive director, appointed 9 March, 2006.

Otherwise there have been no events subsequent to the reporting date that would require disclosure in the Interim Financial Report.

Declaration by the Directors of the Responsible Entity

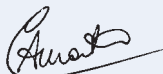
The Directors of Property Funds Australia Limited as the responsible entity for The PFA Diversified Property Trust declare that:-

1. the accompanying condensed financial statements and notes
 - (a) comply with Australian Equivalents to International Financial Reporting AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December, 2005 and performance for the half-year ended on that date; and
2. in the Directors' opinion there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of Property Funds Australia Limited.

Christopher Arthur Morton

Managing Director



Brisbane

16 March, 2006

Independent Review Report to the Unitholders

Scope

We have reviewed the Interim Financial Report of the PFA Diversified Property Trust and its controlled entities for the half-year ended 31 December, 2005. The Interim Financial Report includes the condensed consolidated financial statements of the economic entity comprising the PFA Diversified Property Trust and the entities it controlled at the half year's end or from time to time during the half-year. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Australian Equivalents to International Financial Reporting AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, and statutory requirements so as to present a view which is consistent with our understanding of the Trust's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Trust to lodge the interim financial report with the Australian Securities and Investment Commission and Bendigo Stock Exchange.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of personnel from the responsible entity managing the Trust and its controlled entities and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the PFA Diversified Property Trust, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 provided to the directors of Property Funds Australia Limited, the responsible entity of PFA Diversified Property Trust, on 16 March, 2006 would be in the same terms if provided to the directors at the date of this review report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of the PFA Diversified Property Trust and its controlled entities is not in accordance with:

- (a) the Corporations Act 2001, including:-
 - (i) giving a true and fair view of the Trust's financial position as at 31 December, 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Equivalents to International Financial Reporting AASB 134: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.

BDO Kendalls

Chartered Accountants



Paul Gallagher

Partner

Brisbane

16 March, 2006

Manager/Responsible Entity

Property Funds Australia Limited

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Chairman*)

Christopher A Morton (*Managing Director*)

Dennis W Wildenburg

Nicholas R Collishaw

Jennifer J Hutson

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