PFA DIVERSIFIED PROPERTY TRUST

ARSN 097 860 690

PRODUCT DISCLOSURE STATEMENT NO. 5

PFA PROPERTY FUNDS AUSTRALIA LIMITED

ACN 078 199 569
AFSL No. 224106

PFD 1/07

Contents

Key Dates

EVENT	DATE
Record Date for Current Unitholders' Priority Entitlement	31 May 2007
Current Unitholders' Priority Entitlement period closes	25 July 2007
Monthly cut-off date for applications	5pm (AEST) on the 25th day of each month
Allotment of Units	Within the first three business days of the first 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 8 June 2007. A copy of this PDS has been lodged with the Australian Securities and Investments Commission ("ASIC") and the Bendigo Stock Exchange ("BSX") on 8 June 2007. 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. This PDS includes information regarding the past performance of the Trust. Investors should be aware that past performance should not be relied upon as being indicative of future performance. 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 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 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 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	20,491,803 Units in the PFA Diversified Property Trust ARSN 097 860 690 which owns a portfolio of Australian investment grade properties currently valued at $493 million (including the further property it has contracted to purchase which is valued at $52 million see section 1.10.2). 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 are 9.80 cents per Unit per annum during the 2007/08 financial year. This equates to an **annualised distribution rate of 8.03% per annum** when calculated on the Offer Price of $1.22 per Unit (see section 6.2).
Tax Effective Distributions*	**71%** of the forecast distributions are expected to be **Tax Deferred** in the financial year 2007/08 (see section 6.2 Note 12).
Monthly Distributions	Paid by electronic funds transfer.
Minimum Investment for Offer	$5,000 and then in multiples of $1,000.
Offer Price	**$1.22 per Unit.**
Quality and Diversified Property Exposure**	A quality portfolio of 18 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, specialist property fund manager. The Custodian is Trust Company 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 1.10.1).
Trust Performance*	In the financial year to 30 June 2006, net tangible asset backing per Unit increased 6 cents following the upward revaluation of 7 properties. Distributions have continued to occur as per the published forecasts. Unitholders who held Units throughout the 2006/07 financial year are expected to receive distributions of 15.06 cents per Unit comprising ordinary distributions of 9.8 cents per Unit and a special distribution of 5.26 cents per Unit. Tax Deferred components of distributions have been above published forecasts. The Trust was awarded the Property Trust Industry Award by the Australian Property Institute (Qld Division) for 2005 and 2006.
Risks	An investment in the Trust is subject to a number of risks including borrowing and leasing risks (see section 7).

* *These forecast distributions are not guarantees of future performance. Past performance should also not be taken as indicative of future performance. Neither the Manager, the Trust, the Custodian nor any other person gives any guarantee of performance or returns (if any) on an Investment in the Trust.*

** *An unconditional contract to purchase the Citigate Perth hotel, 707 Wellington Street, Perth has been entered into, settlement of which is anticipated to occur on or before 29 June 2007.*

Managing Director's Letter

8 June 2007

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 recent property acquisitions and settlement of the Citigate Perth property acquisition, the value of the Trust's Portfolio will be approximately $493 million. The Trust's Portfolio is located in all states and territories (except South Australia and Northern Territory) and is spread across the retail, office, industrial, entertainment and hotel sectors.

The purpose of this product disclosure statement is to raise approximately $25 million to primarily enable the Trust to continue to acquire interests in further quality investment grade properties.

During the 2007/08 financial year, the forecast distribution is 9.80 cents per Unit per annum with approximately 71% of that forecast distribution expected to be Tax Deferred. Based on the Offer Price of $1.22 per Unit, this equates to a yield of 8.03% per annum.

The Trust currently has approximately 4,000 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 increasing by 6 cents per Unit in the 2005/06 financial year. With the continuing improvement of the commercial property markets since that time, we are expecting further growth in that backing in the 2006/07 financial year.

Monthly distributions have continued to occur in accordance with published forecasts. In addition to those regular monthly distributions, certain existing Unitholders also received a special distribution in the 2006/07 financial year which is expected to take their total distributions to 15.06 cents per Unit for that period. The performance and other qualities of the Trust were recognised by the Australian Property Institute (Queensland Division), which awarded it the Property Trust Industry Award for 2005 and 2006.

Our objective for the Trust is to continue to grow the Trust's asset base and to 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 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

8.03% per annum annualised forecast distribution during the 2007/08 financial year (calculated by reference to the Offer Price of $1.22 per Unit) (see section 6.2).

Substantial Tax Benefits

71% of the forecast distributions during the 2007/08 financial year are expected to be **Tax Deferred** (see section 6.2 Note 12).

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 (including the Citigate Perth hotel) are valued at **$493 million** (see section 2). The Portfolio's diversification is also demonstrated in the charts below.

Quality Tenants

Approximately 86% of the Portfolio's income is currently derived from national or government tenants.

Monthly Distributions

Monthly distributions are paid 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.

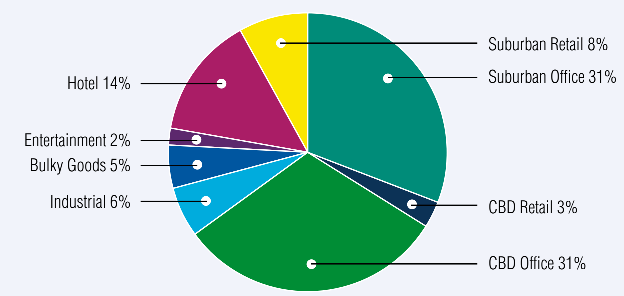
Super Fund Suitability

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.

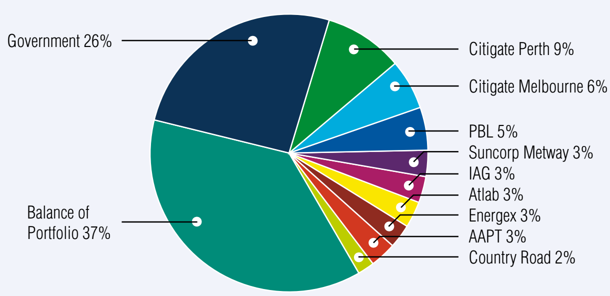
Listed Investment

The Trust is listed on the Bendigo Stock Exchange. The Trust has approximately 4,000 Investors. Being listed, there is an operating secondary market with freely available and transparent market information. Units in the Trust can be traded on the Bendigo Stock Exchange.

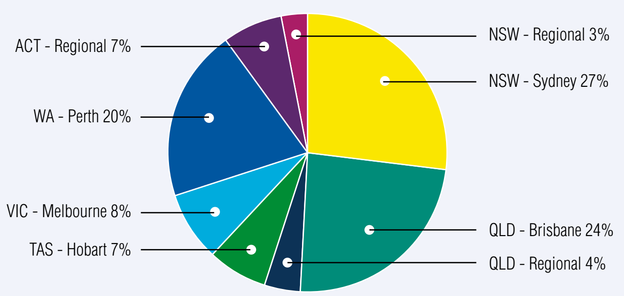
Sector



Tenant Profile



Geographical Diversification



Defined Terms

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

AAS	Australian Accounting Standards.
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.
Book Value	the book value in the financial accounts of the Trust as at 31 December 2006.
BSX/Bendigo Stock Exchange	the stock exchange conducted by Bendigo Stock Exchange Limited.
CGT	capital gains tax.
Citigate Perth	the property described in section 2, previously known as Hotel Grand Chancellor Perth.
Constitution	the constitution of the Trust, a summary of which is set out in section 9.1.
Corporations Act	the Corporations Act 2001 (Commonwealth).
Current Unitholders	Unitholders registered as at 31 May 2007.
Current Value	for properties acquired before 31 December 2006, their Book Value. for properties acquired after 31 December 2006, their purchase price.
Custodian	Trust Company 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 2006 to 30 June 2008 in respect of which Property Funds Australia has prepared financial forecasts for the Trust.
GST	goods and services tax.
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	$1.22 per Unit.
PDS	this product disclosure statement.
PFA	Property Funds Australia.
Portfolio	the Properties collectively.
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.

Interpretation

All data, charts and references to the Portfolio in this PDS incorporate the Citigate Perth hotel property, notwithstanding that as at the date of this PDS, settlement of this property has not occurred.

SECTIONS

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 $493 million. The Portfolio is diversified by property sector, geographic location, tenant profile and lease expiry. The Trust currently has approximately 4,000 Unitholders.

The Trust recently entered into an unconditional contract to acquire a 276 room, four star hotel located at 707 Wellington Street, Perth, currently known as the Hotel Grand Chancellor Perth, to be renamed Citigate Perth. This property is located in the western edge of Perth's central business and shopping precinct.

The intention of PFA is to continue to expand the Trust through further acquisitions. The Trust has achieved a strong trading performance over recent years, including the financial year ended 30 June 2006. In particular:

- in the last financial year to 30 June 2006, net tangible asset backing per Unit increased 6 cents following the upward revaluation of 7 properties;
- distributions of the Trust have continued to occur in line with published forecasts; and
- Unitholders who held Units throughout the 2006/07 financial year are expected to receive distributions of 15.06 cents per Unit comprising ordinary distributions of 9.8 cents per Unit and a special distribution of 5.26 cents per Unit.

Past performance should not, however be relied upon as indicative of future performance.

1.2 The Offer

PFA is offering Investors the opportunity to acquire Units in the Trust by subscribing for up to 20,491,803 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 20,491,803 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 are intended to be used to 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	25,000

Application of Funds

	$'000's
Future operations including property acquisitions	23,920
Capital raising related costs	1,080
TOTAL	**25,000**

1.4 Minimum investment

The minimum application for Investors under the Offer 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 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 Relevant current events

1.10.1 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 July 2007.**

Civic Tower, Sydney.

1.10.2 Citigate Perth Acquisition

In June 2007 the Trust entered into an unconditional contract to purchase the Citigate Perth property in Wellington Street, Perth. A profile of this property is contained in section 2. The purchase price for this property is $52 million with settlement scheduled to occur on or before 29 June 2007. This property is a 276 room, four star hotel which is centrally situated at 707 Wellington Street, Perth located in the western edge of Perth's central business and shopping precincts.

This property will be leased to Citigate Perth Pty Ltd and managed for that company by Mirvac Hotels Pty Limited under its Citigate brand. Mirvac currently manages over 35 hotels and resorts throughout Australia and New Zealand. Mirvac's hotel brands include Sebel, Quay Grand, The Como, Quay West, Sea Temple and Citigate.

The purchase of this property is being funded from existing cash reserves and a further advance under the Joint Finance Facility. This PDS has been prepared on the basis that the Citigate Perth property is part of the Portfolio.

The addition of this property to the Portfolio enhances its diversity, security and lease expiry profile.

The Octagon, Parramatta, NSW

The Portfolio

2

2.1 Introduction

The Portfolio has the following characteristics:

- **$493 million in property assets over 18 properties;**
- gross revenues of approximately $50 million per annum;
- **a strong 6.5 year weighted average lease expiry;**
- **a balanced lease expiry profile;**
- **a 1% Vacancy rate;**
- approximately **86% leased to national or government tenants;**
- 159,398m^2 of Net Lettable Area; and
- **sound diversification**, particularly by reference to geographical, sector and tenant.

Following the assumed purchases which are incorporated into the forecasts (see section 6), the Portfolio is expected to have a value in excess of $533 million.

An Australian property market commentary by global property agents and consultants, Knight Frank, 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. Property valuation summary reports are provided in section 8.4 for those of the Properties that were purchased after 31 December 2006.

The data, charts and tables in this section incorporate the Citigate Perth property, notwithstanding that as at the date of this PDS, settlement of this property has not occurred.

2.2 The Portfolio

The Portfolio comprises 18 properties, summarised as follows:

Asset	Sector	Location	% of Portfolio Value	Current Value
Civic Tower	Commercial Office	Sydney CBD, NSW	11.94	$58,872,000*
Citigate Perth	Hotel	Perth, WA	10.54	$52,000,000
Sevenoaks	Office	Cannington, Perth, WA	9.90	$48,800,000
Octagon	Office/Retail	Parramatta, NSW	7.91	$39,000,000*
Citigate Melbourne	Hotel	Melbourne, VIC	7.52	$37,071,000
Homeworld Centre	Retail/Office	Tuggeranong, ACT	7.04	$34,700,000
706 Mowbray Road	Industrial/Office	Lane Cove, Sydney, NSW	5.93	$29,265,000
The Lands Building	Office	Hobart, TAS	5.88	$29,000,000
Anzac Square Offices	Office	Brisbane CBD, QLD	4.87	$24,000,000
Cairns Hypermart	Retail/Industrial/Office	Cairns, QLD	4.06	$20,000,000
180 Queen Street	Retail/Office	Brisbane CBD, QLD	3.92	$19,329,000
388 Queen Street	Office	Brisbane CBD, QLD	3.85	$19,000,000
AAPT Centre	Office/Industrial	Richmond, Melbourne, VIC	3.36	$16,567,000
Riverdale Centre	Retail/Entertainment	Dubbo, NSW	3.19	$15,750,000
Centro on James - Stage 3	Retail/Entertainment	Fortitude Valley, Brisbane, QLD	2.98	$14,700,000
The Precinct	Office/Retail	Coorparoo, Brisbane, QLD	2.82	$13,900,000
544 Kessels Road	Retail/Industrial	MacGregor, Brisbane, QLD	2.78	$13,690,000
33 McDowell Street	Industrial	Welshpool, Perth, WA	1.52	$ 7,490,000
			100	**$493,134,000**

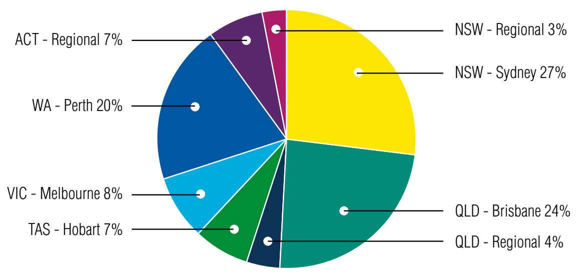
* *The value of the Trust's 50% interest is shown.*

2 The Portfolio continued

2.3 Geographical diversification

The following chart demonstrates the geographical diversification of the Portfolio.

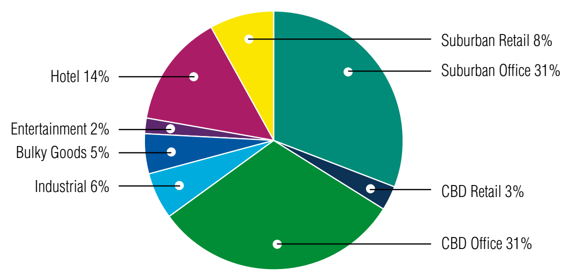
Geographical Diversification (by Gross Income)

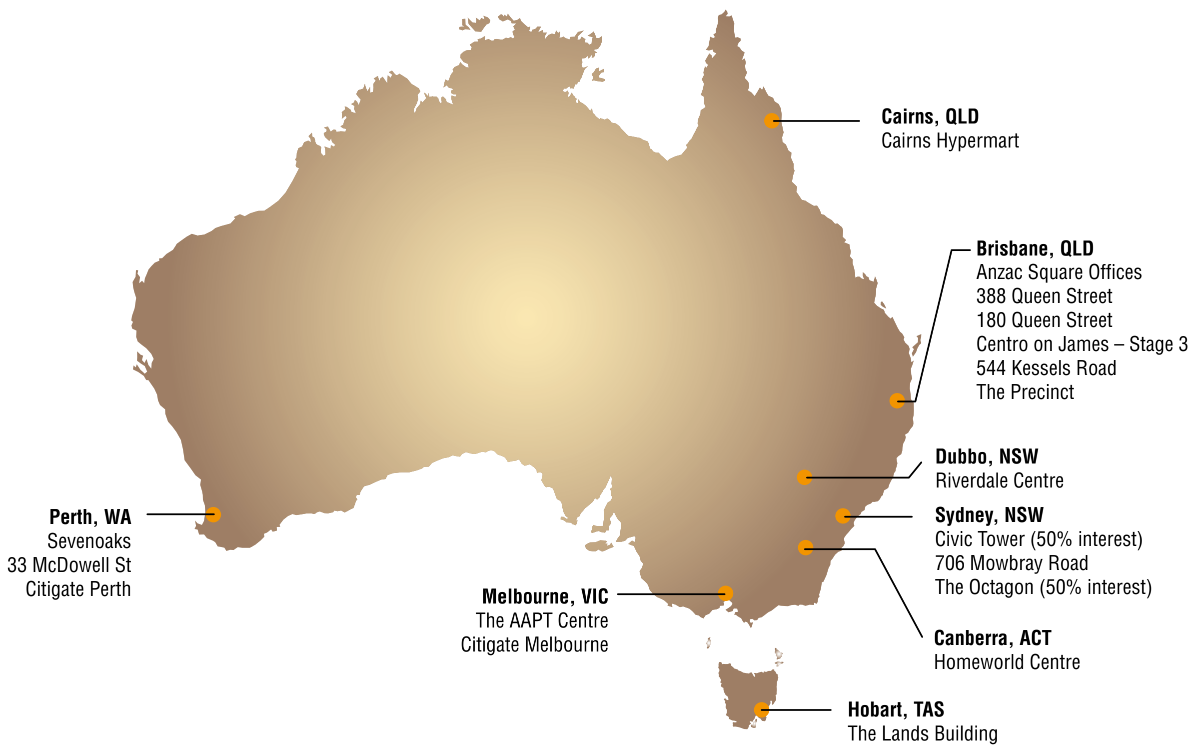


2.4 Property sectors

The following chart demonstrates the break-up of the Portfolio by property sector.

Property Sectors (by % of Income)

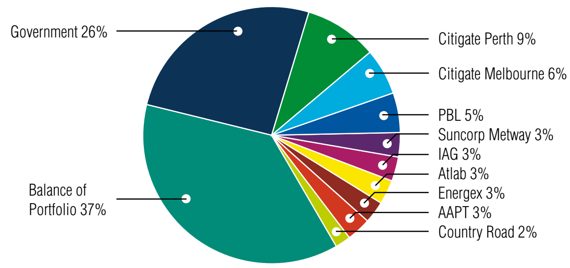




2.5 The tenants

The following chart illustrates the contribution by income (approximately 63%) 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.

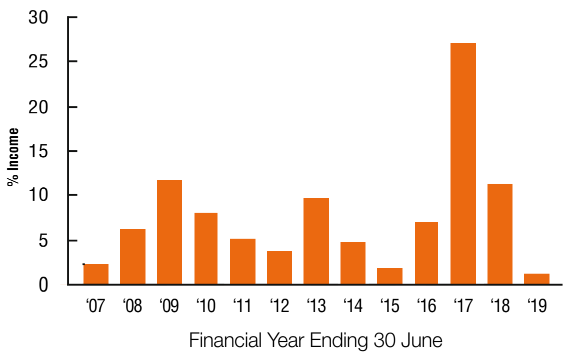
Top 10 Tenants (by % of Income)



Tenant	% Portfolio Income
Harvey Norman	2.4%
National Australia Bank	2.3%
MacGillivrays Solicitors	2.2%
Woolworths	2.2%
1st Fleet Pty Ltd	1.6%
Reading Cinemas	1.2%
Permail	1.0%
William Buck (NSW) Pty Ltd	1.0%
Palace Cinemas	0.9%

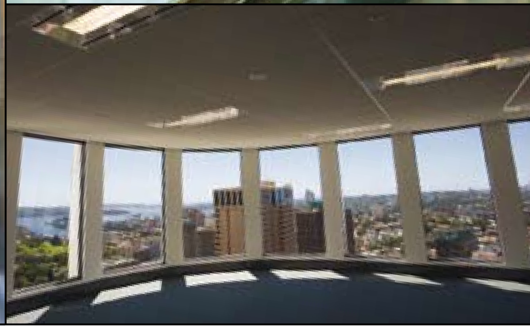
2.6 Lease expiry, average lease term

The graph below shows the Portfolio's current lease expiry profile. The current Portfolio has a **weighted average lease term of 6.5 years and a Vacancy rate of approximately 1%*.**



* *Rental support has been treated as a lease for the anticipated period of use of the relevant support.*

Some of the major tenants of the Portfolio



Civic Tower

Description

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 22,931m^2 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 940m^2 NLA with central core configuration and are column free. The property was constructed to comply with a 4½ star SEDA green rating.

The property's three major tenants include Publishing and Broadcasting Limited (PBL), the Federal Department of Public Prosecutions (DPP) and William Buck (NSW) Pty Ltd. Three floors are presently vacant. Rental and other support is being provided until December 2008, subject, however, to a capped amount.

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 has granted a 125 year lease (expiring on 16 August 2116) over the airspace in which the office tower is located.

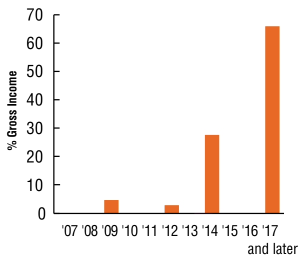
The Trust has acquired the property as tenants-in-common in equal shares with diversified property trust group, the Australand Group.

Key Data

Location:	66-68 Goulburn Street, Sydney, NSW	**Date Acquired:**	December 2005
Title:	Stratum Leasehold	**Car Spaces:**	54
Date Built:	2004	**Vacancy:***	Nil
Site Area:	N/A – Stratum	**Weighted Av. Lease Expiry:***	8.36 years
Net Lettable Area:	22,931m^2 office 257m^2 retail	**Ownership:**	50%
		Book Value (50% interest):	$58.87 million
Principal Use:	Commercial office		

* *Rental support has been treated as a lease for the anticipated period of use of the relevant support.*

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
PBL	45%	31 August 2016
Federal DPP	25%	23 May 2014
William Buck (NSW) Pty Ltd	9%	31 December 2016

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 the Cannington train station and bus interchange and some 600 metres from the Westfield Carousel regional shopping centre.

Sevenoaks has a large 5,500m^2 floor plate 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.

The building is wholly leased to the State Government of Western Australia with 80% of it leased until 30 June 2017.

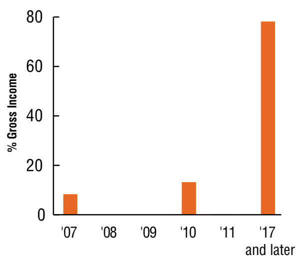
The property comprises approximately 1.75 hectares of surplus land which the Manager is in the process of subdividing from the main block. A contract for the sale of this surplus land has been entered into. The sale of this land is subject to approval of a Subdivision Plan by the Western Australian Planning Commission.

Key Data

Location:	303 Sevenoaks Street, Cannington, WA	**Principal Use:**	Commercial office
Title:	Freehold	**Date Acquired:**	February 2005
Date Built:	1992	**Car Spaces:**	776*
Site Area:	5.02 ha*	**Vacancy:**	Nil
Net Lettable Area:	20,817m^2 office 1,145m^2 storage	**Weighted Av. Lease Expiry:** **Book Value:**	8.43 years $48.8 million

* *Includes surplus land.*

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
State of Western Australia - Shared Services	80%	30 June 2017
State of Western Australia - Education	13%	30 April 2010

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.

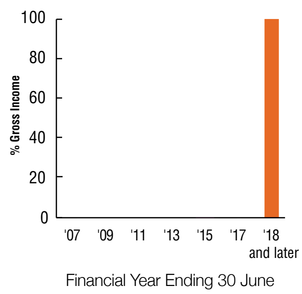
The Lands Building offers tenants generous natural light and impressive views over Hobart and its harbour. The building has floor plates of approximately 1,182m^2 and offers quality office accommodation.

The building is fully leased with a 11 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.

Key Data

Location:	134 Macquarie Street, Hobart, Tas	**Date Acquired:**	March 2004
Title:	Freehold	**Car Spaces:**	32
Date Built:	1976	**Vacancy:**	Nil
Site Area:	1,968m^2	**Weighted Av. Lease Expiry:**	10.93 years
Net Lettable Area:	11,675m^2	**Book Value:**	$29.0 million
Principal Use:	Commercial office		

Lease Expiry



Major Tenants

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

The Octagon

Description

The Octagon is located within the heart of the established financial district of the Parramatta CBD and has dual street frontage onto Phillip and George Streets. It is within close proximity to public transport facilities including the recently upgraded Transport Interchange for train and bus access as well as the Rivercat which operates between Circular Quay and Parramatta.

The Octagon is a modern seven storey commercial building comprising ground floor lobby, retail and office space as well as 6 upper levels of quality office accommodation spread across 8 pods. The property also comprises 2 levels of security basement parking for approximately 350 cars.

The property has a unique design and features office space which is divided into two groups of 4 octagonal pods connected by pedestrian bridges from a central lift tower utilising glass backed lifts. The building features excellent natural light and a central atrium. The property was constructed in 1990 and has a 4 star ABGR energy rating.

The property's major tenants within the commercial office component include the Roads and Traffic Authority (RTA) and Insurance Australia Group (IAG). The property also has 15 ground floor retail tenancies. Rental support of $3.0M is being provided to supplement the property's lease expiry profile and current vacancy level.

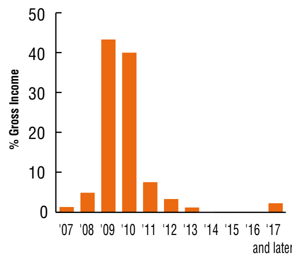
The Trust has acquired a 50% interest in the property as tenants in common with Clarence Property Corporation Limited as responsible entity for the Westlawn Property Trust, a $350 million scheme.

Key Data

Location:	110 George Street, Parramatta, NSW	**Date Acquired:**	May 2007
Title:	Freehold	**Car Spaces:**	350
Date Built:	1990	**Vacancy:***	Nil
Site Area:	7,097m^2	**Weighted Av. Lease Expiry:***	2.37 years
Net Lettable Area:	18,784m^2 office	**Ownership:**	50%
	2,058m^2 retail	**Purchase Price (50% interest):**	$39.0 million
Principal Use:	Commercial office		

* *Rental support has been treated as a lease for the anticipated period of use of the relevant support.*

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
RTA	11%	1 July 2008
RTA	31%	1 July 2009
IAG	36%	31 December 2008

Valuation Information

Value (50% interest)	$39.0 million	**Valuation Date**	March 2007	**Valuer**	CB Richard Ellis
Market Income (Net)(50%)	$3.18 million	**Equated Yield**	8.16%	**Value/m^2 (NLA)**	$3,743

706 Mowbray Road

Description

706 Mowbray Road, Lane Cove was constructed in 1987 and is a multi-level, hi-tech industrial complex comprising of two, three level office buildings, two warehouse levels and four levels of basement parking.

The property is located less than 10 radial kilometres from the Sydney CBD. The property is easily accessible given its prominent location on Mowbray Road and its close proximity to the M2 Motorway and the Lane Cove Tunnel.

The property's major tenants include AP Facilities Pty Ltd (Atlab) and Permail Pty Ltd.

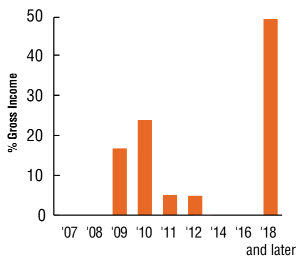
Atlab has the largest film processing laboratory and post production facilities in the Australasian region, with operations in Sydney, Melbourne, Auckland and at the Warner Roadshow Studios in Queensland. Atlab's head office is located at the Mowbray Road property.

Key Data

Location:	706 Mowbray Road, Lane Cove, NSW	**Date Acquired:**	January 2007
Title:	Freehold	**Car Spaces:**	324
Date Built:	1987	**Vacancy:***	Nil
Site Area:	1.756 ha	**Weighted Av. Lease Expiry:***	6.78 years
Net Lettable Area:	16,968m^2	**Purchase Price:**	$29.265 million
Principal Use:	Industrial/Office		

* *Rental support has been treated as a lease for the anticipated period of use of the relevant support.*

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Atlab	49%	21 March 2018
Permail	17%	30 September 2008

Valuation Information

Value	$29.33 million	**Valuation Date**	December 2006	**Valuer**	LandMark White (NSW) Pty Ltd
Market Income (Net)	$2.35 million	**Equated Yield**	8.54%	**Value/m^2 (NLA)**	$1,705

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).

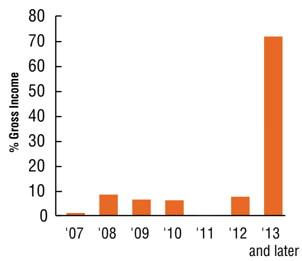
Key Data

Location:	388 Queen Street, Brisbane, Qld	**Date Acquired:**	December 2001
Title:	Freehold	**Car Spaces:**	39
Date Built:	1988	**Vacancy:**	Nil
Site Area:	911m^2	**Weighted Av. Lease Expiry:**	4.76 years
Net Lettable Area:	6,266m^2	**Book Value:**	$19.0 million
Principal Use:	Commercial office		

Major Tenants

	% of Income	Lease Expiry
Suncorp Metway	65%	31 December 2012

Lease Expiry



Financial Year Ending 30 June

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. This property is diagonally across from the up-market Queen's Plaza retail development.

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 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.

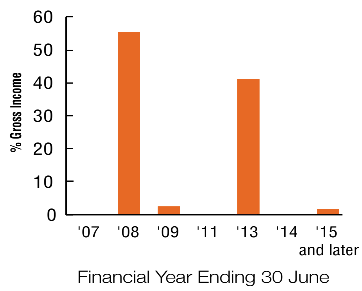
Key Data

Location:	200 Adelaide Street, Brisbane, Qld	**Date Acquired:**	April 1999
Title:	Freehold volumetric	**Car Spaces:**	28
Date Built:	1933	**Vacancy:**	Nil
Site Area:	2,046m^2	**Weighted Av. Lease Expiry:**	3.27 years
Net Lettable Area:	6,180m^2	**Book Value:**	$24.0 million
Principal Use:	Commercial office		

Major Tenants

	% of Income	Lease Expiry
Energex	54%	30 June 2008
MacGillivrays Solicitors	41%	30 April 2013

Lease Expiry



AAPT Centre

Description

The AAPT Centre 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.

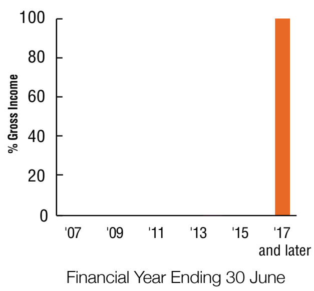
The property was acquired in 2005 from AAPT Limited under a sale and leaseback structure. The lease provides for the Trust to fund up to $3 million in fitout and refurbishment of the property with an increase in rent based on the acquisition yield.

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	**Date Acquired:**	June 2005
Title:	Freehold	**Car Spaces:**	121
Date Built:	1978	**Vacancy:**	Nil
Site Area:	4,696m^2 (approx)	**Weighted Av. Lease Expiry:**	10.17 years
Net Lettable Area:	5,501m^2	**Book Value:**	$16.57 million
Principal Use:	Commercial office and industrial		

Lease Expiry



Major Tenants

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



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.

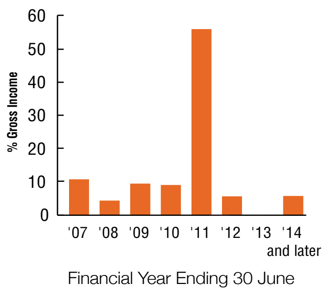
The building comprises nine levels. The ground and mezzanine levels which used to comprise the original banking chamber are now occupied by fashion retailer Country Road. The basement level consists of a safe deposit facility for the National Australia Bank Security Deposit. The upper levels provide 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	**Date Acquired:**	October 2005
Title:	Freehold	**Car Spaces:**	Nil
Date Built:	1930	**Vacancy:**	Nil
Site Area:	723m^2	**Weighted Av. Lease Expiry:**	2.98 years
Net Lettable Area:	3,670m^2 (approx)	**Book Value:**	$19.33 million
Principal Use:	Retail and office		

Lease Expiry



Major Tenants

	% of Income	Lease Expiry
Country Road	55%	5 September 2010
National Australia Bank	6%	21 June 2010
ABT Recruitment	6%	30 November 2013

The Precinct

Description

The Precinct is located 4 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 opposite the Coorparoo Junction station of Brisbane's Eastern Busway, which is currently under construction.

The property's major tenant is the National Australia Bank who 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 24% 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.

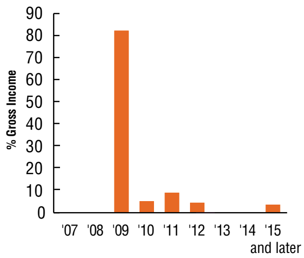
Key Data

Location:	41 Harries Road, Coorparoo, Qld	**Date Acquired:**	April 1999
Title:	Freehold volumetric	**Car Spaces:**	127
Date Built:	1999	**Vacancy:**	Nil
Site Area:	7,955m^2	**Weighted Av. Lease Expiry:**	2.36 years
Net Lettable Area:	4,898m^2	**Book Value:**	$13.90 million
Principal Use:	Commercial office and retail		

Major Tenants

	% of Income	Lease Expiry
National Australia Bank	76%	29 April 2009

Lease Expiry



Financial Year Ending 30 June

Centro On James - Stage 3

Description

Centro on James is an exciting property located in the heart of the dynamic urban renewal precinct of Brisbane, 2 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, showrooms, restaurants, fashion precinct and fresh produce markets creating a village atmosphere.

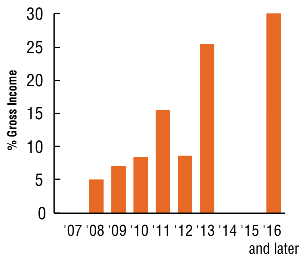
The uses of this property include a popular four screen Palace cinema complex (a Village Roadshow joint venture), attractive office accommodation and ground floor retail component which includes a wine bar, bistro, national fashion retailers, real estate agency and hairdressing salon.

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	**Date Acquired:**	December 2001
Title:	Freehold and part strata	**Car Spaces:**	49
Date Built:	2000	**Vacancy:**	Nil
Site Area:	3,301m^2	**Weighted Av. Lease Expiry:**	5.47 years
Net Lettable Area:	3,870m^2	**Book Value:**	$14.70 million
Principal Use:	Retail, entertainment and office		

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Palace Cinemas	30%	13 December 2015
Smart Services Centre	25%	31 December 2012



Cairns Hypermart

Description

This mixed-use complex combines a bulky goods retail centre, a warehouse facility and a small office component. The retail component is one of the largest bulky goods centres in Cairns. The warehouse facility adjoins the retail centre.

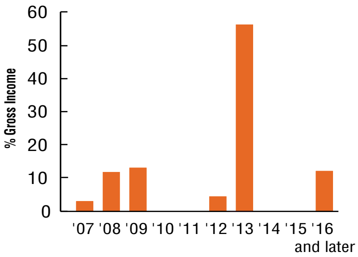
The offices are located over three floors on the northern end of the site. The property is on a major arterial road, Spence Street, linking the Cairns CBD to the north-south highway. Cairns is one of Queensland's major provincial cities with approximately 188,000 residents in the Cairns region. The property is located only 100 metres south-west 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	**Date Acquired:**	December 2001
Title:	Freehold	**Car Spaces:**	220
Date Built:	1995	**Vacancy:**	1%
Site Area:	2.43 ha	**Weighted Av. Lease Expiry:**	4.53 years
Net Lettable Area:	15,293m^2	**Book Value:**	$20.0 million
Principal Use:	Bulky goods retail and office		

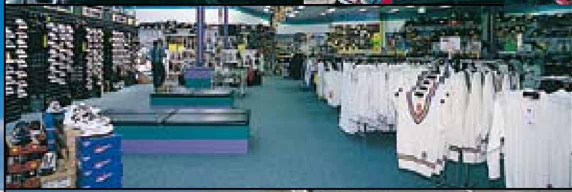
Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Harvey Norman	55%	30 September 2012
Freedom Furniture	12%	31 July 2015
Capt'n Snooze	8%	31 December 2008



The Homeworld Centre

Description

This mixed-use property comprises a unique mix of convenience style retail with a first floor office use. It is located at Tuggeranong, approximately 22 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 Centro regional shopping centre.

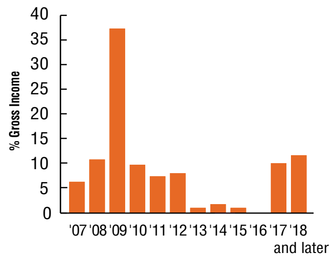
The property has a strong and broad tenancy mix with the office component leased to the ACT Government until 2009. The retail areas are leased to various national chain and local operators including grocery retailer ALDI Stores, Woolworths trading as Dan Murphy's, Dick Smith Electronics, Sportsmans Warehouse 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	**Principal Use:**	Retail and office
Title:	Crown leasehold	**Date Acquired:**	December 1999
Date Built:	1988	**Car Spaces:**	335
Site Area:	2.19 ha	**Vacancy:**	4%
Net Lettable Area:	8,524m^2 retail 3,836m^2 office	**Weighted Av. Lease Expiry:**	4.01 years
		Book Value:	$34.7 million

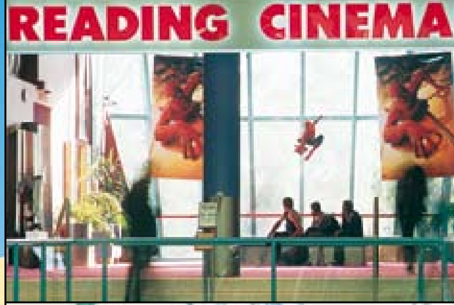
Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
ACT Government	28%	30 June 2009
Woolworths (Dan Murphy's)	11%	22 December 2017
ALDI Stores	9%	6 February 2017



The Riverdale Centre

Description

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

Dubbo has a resident population of approximately 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 and specialty shops. Reading International Inc. operates multiplex cinemas in Australia, New Zealand, the United States and is developing further entertainment centres in Australia and New Zealand.

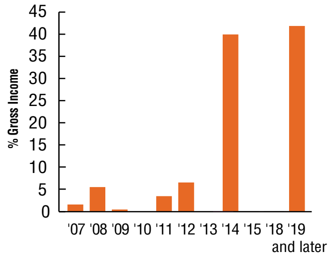
The inclusion of the cinema complex (the only one in Dubbo and its surrounding shires) provides the centre with a major point of difference over other retail facilities in Dubbo, particularly generating day and evening activity.

The property is currently undergoing a strategic repositioning and refocus of its tenancy mix.

Key Data

Location:	49-65 Macquarie Street, Dubbo, NSW	**Date Acquired:**	September 2002
Title:	Freehold	**Car Spaces:**	299
Date Built:	1974 (expanded 1999)	**Vacancy:**	17%
Site Area:	1.178 ha	**Weighted Av. Lease Expiry:**	8.39 years
Net Lettable Area:	6,143m^2	**Book Value:**	$15.75 million
Principal Use:	Retail and entertainment		

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Woolworths	35%	9 June 2019
Reading Cinemas	31%	8 June 2014

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

544 Kessels Road

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 be a dominant bulky goods precinct with new major retailers continually establishing outlets in the area.

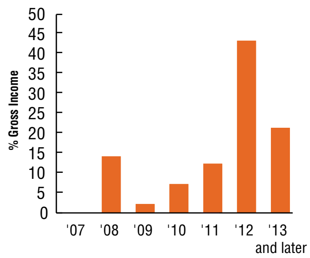
This property currently comprises four separate buildings, operating with a retail/warehousing emphasis. Major tenants include JB Hi-Fi, Aussie Living Furniture, Bob Jane T-Mart and Petwise.

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

Key Data

Location:	544 Kessels Road, MacGregor, Qld	**Date Acquired:**	April 1999
Title:	Freehold	**Car Spaces:**	212
Date Built:	Various	**Vacancy:**	2%
Site Area:	2.764 ha	**Weighted Av. Lease Expiry:**	3.94 years
Net Lettable Area:	8,269m^2	**Book Value:**	$13.69 million
Principal Use:	Retail		

Lease Expiry



Financial Year Ending 30 June

Major Tenants

	% of Income	Lease Expiry
Aussie Living Furniture	21%	31 December 2012
JB Hi-Fi	19%	12 March 2012
Petwise	14%	19 September 2011



33 McDowell Street

Description

The 33 McDowell Street 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 freestanding office of 850m^2, a covered loading dock and truck maintenance workshop.

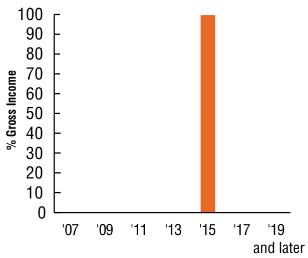
The Kewdale/Welshpool area is one of the prime industrial locations in the Perth metropolitan area. It contains many national and strong local companies and has excellent access to all parts of the metropolitan area via major arteries from this location. It is also in close proximity to the Perth international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

The property was acquired from 1st Fleet Pty Ltd under a sale and leaseback structure. 1st Fleet Pty Ltd is a national distribution and logistics company providing contract services to major national businesses throughout Australia. It maintains warehouses in all major States.

Key Data

Location:	33 McDowell Street, Welshpool, WA	**Date Acquired:**	June 2005
Title:	Freehold	**Car Spaces:**	10
Date Built:	1985	**Vacancy:**	Nil
Site Area:	2.8996 ha	**Weighted Av. Lease Expiry:**	8.13 years
Net Lettable Area:	14,036m^2	**Book Value:**	$7.49 million
Principal Use:	Industrial		

Lease Expiry



Financial Year Ending 30 June

Major Tenants

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



Citigate Melbourne

Description

The Citigate Melbourne is a 4 star rated hotel with 182 guest rooms comprising 13 floors of accommodation, a restaurant and bar, function and meeting rooms.

The building was converted from an office building to a hotel and opened in December 2002 as a Ramada Hotel.

The property is located on Flinders Street between Elizabeth Street and Swanston Walk, directly across the road from Flinders Street Station, one of the two major railway stations within the Melbourne CBD. It is only 100 metres from Federation Square which is increasingly becoming a tourism focus in Melbourne. The property is within walking distance to the main shopping area, Bourke Street Mall, sporting venues including Telstra Dome, Rod Laver Arena and other major attractions such as Melbourne Convention Centre, Melbourne Exhibition Centre, Crown Casino, Melbourne Concert Hall and The National Gallery.

This property is leased to Citigate Melbourne Pty Ltd and managed by Mirvac Hotels Pty Limited under its Citigate brand. Mirvac currently manages over 35 hotels and resorts throughout Australia and New Zealand. Mirvac's hotel brands include Sebel, Quay Grand, The Como, Quay West, Sea Temple and Citigate.

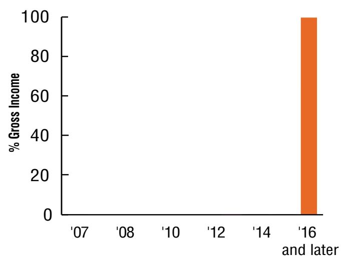
Key Data

Location:	270-272 Flinders Street, Melbourne, Vic	**Principal Use:**	Hotel
Title:	Freehold	**Date Acquired:**	June 2006
Date Built:	1977 (redeveloped 2002)	**Weighted Av. Lease Expiry:**	9.18 years
Site Area:	594m^2	**Book Value:**	$37.07 million
No. of Rooms:	182		

Major Tenants

	% of Income	Lease Expiry
Citigate Melbourne Pty Ltd	100%	30 June 2016

Lease Expiry



Financial Year Ending 30 June

Citigate Perth

Description

The Citigate Perth is a 4 star hotel incorporating 8 levels. The property comprises 276 guest rooms, a restaurant, bar and 7 conference rooms. The hotel was opened in 1985 and is currently operating as the Hotel Grand Chancellor.

The hotel is located on Wellington Street, approximately 1 kilometre west of the Perth CBD. Wellington Street is a major east-west thoroughfare through the CBD and is close to public transport. The precinct surrounding the hotel is being upgraded and is situated on the boundary of the proposed Northbridge Link, a significant proposed redevelopment to link the Perth CBD and the suburb of Northbridge, a lively cultural, restaurant and nightlife hub. Part of the redevelopment includes the construction of the 14,000 seat indoor Perth Arena and car park located opposite the hotel.

This property will be leased to Citigate Perth Pty Ltd and managed by Mirvac Hotels Pty Limited under its Citigate brand. Mirvac currently manages over 35 hotels and resorts throughout Australia and New Zealand. Mirvac's hotel brands include Sebel, Quay Grand, The Como, Quay West, Sea Temple and Citigate.

Key Data

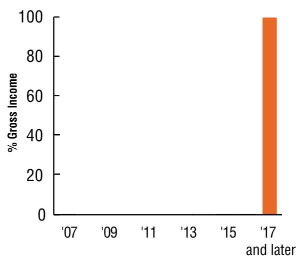
Location:	707 Wellington Street, Perth, WA	**Principal Use:**	Hotel
Title:	Freehold	**Date to be Acquired:**	June 2007
Date Built:	1985	**Weighted Av. Lease Expiry:**	10 years
Site Area:	2,742m^2	**Purchase Price:**	$52.0 million
No. of Rooms:	276		

Major Tenants

	% of Income	Lease Expiry
Citigate Perth Pty Ltd*	100%	30 June 2017

** Lease not executed at the date of this PDS. See section 9.4.*

Lease Expiry



Financial Year Ending 30 June

Valuation Information

Value	$52.0 million	**Valuation Date**	April 2007	**Valuer**	CB Richard Ellis (C) Pty Ltd
Market Income (Net)	$3.83**	**Equated Yield**	8.0%**	**Value/Room**	$188,406

*** After deduction of a provision for fixtures, furnishings and equipment.*

3

Structure and Strategy

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.

The Country Road tenancy at 180 Queen Street, Brisbane.

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;
- 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. PFA continues to assess the most appropriate strategy for properties in the Portfolio. Divestment of one or two of the properties over the next 6-18 months may be the optimal strategy for these 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 future divestments have been included in the financial forecasts. 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 the Citigate Perth property and the proposed acquisition of additional property/ies with a total purchase price of $40 million, anticipated to be acquired between July 2007 and September 2007. 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) or 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.

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 approximately 4,000 Unitholders. Application will be made to the BSX within seven days of the date of this PDS to quote 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 2.4% per annum of equity. Historical trading volumes may not be indicative of future turnover on the BSX.

In the three months prior to the lodgement of this PDS, the weighted average price per Unit that has traded on the BSX has been $1.19.

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

706 Mowbray Road, Lane Cove, NSW (the property highlighted in the photo below)

SECTIONS

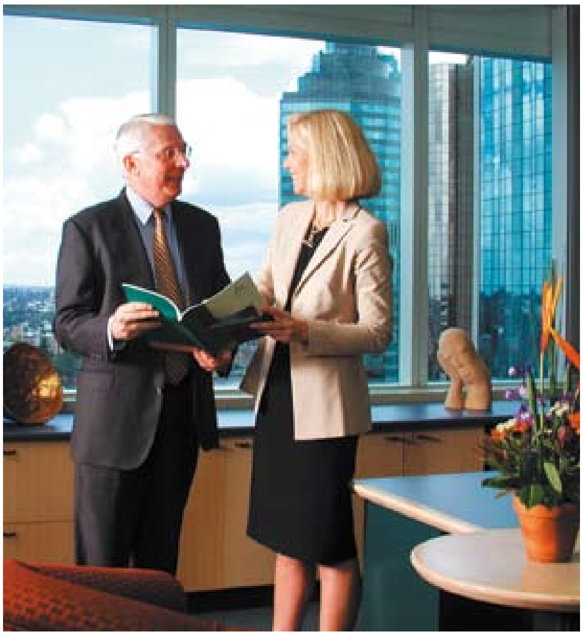
4 Investment Services

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 Australian bank, building society or credit union account.
- A **six monthly Investor update** advising of issues relating to your Investment and the Portfolio generally.
- An **annual report** and audited financial report for your Investment. These reports are sent to Unitholders within 90 days of the end of each financial year. A half-year interim financial report 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.**
- an annual **periodic statement** providing details of your investment in the Trust over the past financial year, as required by law.
- 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 Service (FICS), an external complaints resolution service which has been approved by ASIC. FICS can be contacted on 1800 335 405.

The Sevenoaks property in Cannington, Perth.

5 Management

5.1. The Manager/ Responsible Entity

Property Funds Australia Limited

Property Funds Australia is the responsible entity of the Trust. It holds 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.

The Mirvac Group have an option to acquire the balance 50% of the shareholding of PFA. This option can be exercised between 27 August 2007 and 27 August 2008. Mirvac have announced that it is their current intention to exercise this option to acquire the balance 50% although it has not and cannot yet formally exercise such an option right. Should the Mirvac Group exercise this option right, it is likely that the composition of the board of Directors of PFA and the compliance committee of the Trust may significantly change, including the ongoing role of the current managing director.

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; and
- 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. From 1 July 2007, the property management and rent collection duties for the majority of the Trust Portfolio will be carried out by Mirvac Real Estate Pty Ltd. Mirvac Real Estate Pty Ltd or other related entities who carry out those duties will 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, four of whom are non-executive Directors and one of whom is an executive Director.

Robert Summerton
Non-Executive Chairman

Chris Morton
Managing Director

Dennis Wildenburg
Non-Executive Director

Nicholas Collishaw
Non-Executive Director

Jennifer Hutson
Non-Executive Director

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.

Directors of Property Funds Australia

Robert Summerton

Non-Executive Chairman

Robert 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. Robert has had considerable experience as a director of property funds management companies including as chairman of Mirvac Funds Management Limited and a former director of Paladin Australia Limited.

Robert brings to the board an intrinsic understanding of the fundamentals of property and property funds management, as well as a high level of technical knowledge including due diligence expertise.

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 a past president of the Property Council of Australia (Queensland Division), a member of the Queensland Heritage Council and a director of the Australian Pacific Exchange Limited – a stock exchange focused on providing liquidity tailored to the property market.

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 Financial Services Institute of Australasia (Finsia).

Dennis Wayne Wildenburg

Non-Executive Director

Dennis has over 26 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 and he is a director of MainstreamBPO Pty Limited. He has been consulting to the financial services industry for over a decade and his broad experience includes professional accounting, the development of superannuation and unit trust products and financial services marketing.

Specialising in the financial services industry, assignments have covered project management, interim management, market research, rescue programs, due diligence, compliance, independent expert reports, investment manager selection, merger, acquisition and business sale negotiations, acquisition searches and the evaluation and selection of third party services.

Nicholas Roland Collishaw

Non-Executive Director

Nicholas Collishaw has been involved in property and property funds management for more than 20 years and has extensive experience in commercial, retail and industrial property throughout Australia. In various roles he has co-ordinated business acquisitions and investment fund creation, as well as implementing portfolio sales programs and managed many large investment acquisitions. He is an executive director of Mirvac and is responsible for Mirvac's funds management operations including Mirvac Property Trust, external funds management and hotel management.

He has an Associate Diploma in Business (Valuations) from the Sydney Institute of Technology and a Diploma in Financial Markets from Finsia, formerly the Securities Institute of Australia. He was previously an executive director and Head of Property at James Fielding Group and he also held senior positions with Deutsche Asset Management, Paladin Australia Limited and Schroders Australia.

Jennifer Joan Hutson

Non-Executive Director

Jenny Hutson is managing director of Wellington Capital, a merchant and investment bank. She is a former partner of McCullough Robertson Lawyers. She was head of the Corporate Advisory Group and the Corporate Division of that legal firm.

As an investment banker, Jenny is focused on capital raisings, mergers and acquisitions and property based funds management. She has a special focus on and experience in property based projects and capital raising issues.

Jenny is a director of a number of companies involved in property and funds management.

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 general manager and company secretary, Michael White. 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 Limited

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

Trust Company 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 $103,636 per annum exclusive of GST. This fee will increase in the event that further properties are acquired. It is entitled to be reimbursed for legal fees and 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 statement of earnings and distribution for the half-year ended 31 December 2006;
- a forecast consolidated statement of earnings and distribution for the year ending 30 June 2007 and for the year ending 30 June 2008 ('the Forecast Period');
- actual and pro forma consolidated Balance Sheets as at 31 December 2006 prepared in accordance with Australian Accounting Standards ('AAS'); and
- 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.

BDO Kendalls Corporate Finance (Qld) Ltd has reviewed the historical and forecast financial statements contained in this section and has prepared an investigating accountant's 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 raising of $25 million of capital under this PDS at an Offer Price of $1.22 with no further equity being raised by the Trust during the Forecast Period;
- 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 Citigate Perth property for a purchase price of $52 million occurs in accordance with its contractual terms. The acquisition is to be funded from existing cash reserves and debt;
- new properties are acquired by the Trust between July 2007 and September 2007 for a total purchase price of $40 million at an income yield of 7.25% per annum from their acquisition date until the end of the Forecast Period with leases on a net basis;
- finalisation of the Garden Square property sale settlement in February 2007;
- the acquisition of the Lane Cove property for a purchase price of $29.265 million in January 2007;
- the acquisition of the 50% share in the Octagon property for a purchase price of $39 million for the 50% ($78 million for the 100%) in May 2007; and
- payment of the special distribution following the Garden Square property sale settlement.

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 has not been included in the financial forecasts.

The information in this section has been prepared and presented in an abbreviated form. It does not include disclosures required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

All numbers where applicable have been rounded to the nearest thousand dollars.

6.2. Consolidated statement of earnings and distribution

Set out below is a historical and forecast consolidated statement of earnings and distribution for the Trust. It has been prepared on an accrual basis, but excludes amortisation, fair value adjustments and impairment of 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 half-year ended 31 December 2006 and the forecast results for the years ending 30 June 2007 and 30 June 2008 have been prepared in accordance with AAS.

Forecasts have not been prepared beyond 30 June 2008, 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 Half-Year ended 31 December 2006*	Forecast Year ending 30 June 2007	Forecast Year ending 30 June 2008
	Note	$'000	$'000	$'000
	1			
REVENUE				
Gross property income	2	21,230	43,572	53,327
Property expenses	3	(5,035)	(9,694)	(9,547)
NET PROPERTY INCOME		16,195	33,878	43,780
EXPENSES				
Operating expenses	4	(494)	(1,121)	(1,232)
Manager's fee	5	(1,336)	(2,685)	(3,495)
Compliance/Custodian costs	6	(79)	(158)	(166)
Interest expenses	7	(6,979)	(14,946)	(21,144)
TOTAL FUND EXPENSES		(8,888)	(18,910)	(26,037)
OTHER INCOME				
Interest income		565	1,284	47
TOTAL OTHER INCOME		565	1,284	47
DISTRIBUTABLE INCOME		7,872	16,252	17,790
Net proceeds from sale of Garden Square		17,485	17,485	-
Distributable income carried forward		-	-	5,503
CASH AVAILABLE FOR DISTRIBUTION	8	25,357	33,737	23,293
FORECAST DISTRIBUTIONS				
Special distribution		10,000	10,000	-
Forecast monthly distributions	9	9,101	18,234	20,272
TOTAL DISTRIBUTIONS		19,101	28,234	20,272
Surplus (Deficit)	10	6,256	5,503	3,021
CASH AVAILABLE FOR DISTRIBUTION	8	25,357	33,737	23,293
WEIGHTED AVERAGE ISSUED UNITS ('000)	11	185,744	187,929	208,564
SPECIAL DISTRIBUTION PER UNIT (cents per Unit)		5.26	5.26	-
MONTHLY DISTRIBUTION PER UNIT (cents per Unit on an annualised basis)		9.80	9.80	9.80
TAX DEFERRED COMPONENT	12	N/A	64%	71%

** The consolidated statement of earnings and distribution for the half-year ended 31 December 2006 has been extracted from the reviewed interim financial report for half-year ended 31 December 2006 after adjustment for straight-lining of gross property income.*

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 the 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 Citigate Perth property for a purchase price of $52 million occurs in accordance with its contractual terms. The acquisition is to be funded from existing cash reserves and debt;
- new properties are acquired by the Trust between July 2007 and September 2007 for a total purchase price of $40 million at an income yield of 7.25% per annum from their acquisition date until the end of the Forecast Period with leases on a net basis;
- finalisation of the Garden Square property sale settlement in February 2007;
- the acquisition of the Lane Cove property for a purchase price of $29.265 million in January 2007;
- the acquisition of the 50% share in the Octagon property for a purchase price of $39 million for the 50% ($78 million for the 100%) in May 2007;
- payment of the special distribution following the Garden Square property sale settlement;
- the raising of $25 million of capital under this PDS at an Offer Price of $1.22 with no further equity being raised by the Trust during the Forecast Period; 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 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 fulfil 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 Australia Pty Ltd, CB Richard Ellis (C) Pty Ltd, Jones Lang LaSalle (WA) Pty Ltd and Mirvac Real Estate 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 Australia Pty Ltd, CB Richard Ellis (C) Pty Ltd, Jones Lang LaSalle (WA) Pty Ltd and Mirvac Real Estate 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 relet 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 Knight Frank Australia Pty Ltd, CB Richard Ellis (C) Pty Ltd, Jones Lang LaSalle (WA) Pty Ltd and Mirvac Real Estate Pty Ltd . The Manager intends to fund the costs of reletting and related incentives from capital.

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 the assumed purchase of $40 million of property or properties is a significant sensitivity factor in the distribution profile of the Trust. The impact of the assumed $40 million of property or properties purchase yield differing from the weighted average 7.25% net yield which has been assumed would be as follows:

Movement from assumed net yield	Equivalent Distribution Movement (cents per Unit per annum)
	12 month period to 30/06/08
+ 0.5%	+ 0.09
+ 0.25%	+ 0.04
- 0.25%	- 0.04
- 0.5%	- 0.09

The impact of the assumed $40 million of property or properties acquisition timing varying from the acquisition dates which have been assumed would be as follows:

Delay to settlement of those acquisitions	Equivalent Distribution Movement (cents per Unit per annum)
	12 month period to 30/06/08
1 month later	- 0.03
2 months later	- 0.07

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 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 and prepayments.

Operating expenses include but are not limited to accounting, audit, valuation, administration and reporting costs. They do 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 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 6.96% 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 7.17% per annum. This consists of the relevant variable interest rates applicable under the terms of the Joint Finance Facility current as at 8 May 2007, and the relevant Financiers' margins. On and from 1 July 2007, a further 0.25% per annum contingency has been incorporated into the assumed interest rate applicable for the variable interest rate component over the Forecast Period 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 6.52% 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 the interest rate from that rate already assumed over the Forecast Period when applied to the variable component of the Joint Finance Facility would be as follows:

Movement in variable interest rates above rates assumed over the Forecast Period	Equivalent Distribution Movement (cents per Unit per annum)	
	Rate Increase	Rate Decrease
	Period to 30/06/08	Period to 30/06/08
0.25%	- 0.14	+ 0.14
0.5%	- 0.28	+ 0.28

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, and 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 monthly 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 a relevant financial period divided by the number of months in the relevant financial period (generally a year).

This calculation recognised that the previous offer under Product Disclosure Statement No. 4 dated 5 June 2006 closed on 25 August 2006, with a total of $24.6 million raised and 22,378,234 Units issued.

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. The Tax Deferred components reduce the cost base of Units. Investors should 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 are the historical and pro forma consolidated Balance Sheets for the Trust as at 31 December 2006. The pro forma Balance Sheet incorporates the following transactions as if they had been finalised as at 31 December 2006 notwithstanding that they have occurred or may occur at times subsequent to 31 December 2006:

- the raising of $25 million of capital under this PDS at an Offer Price of $1.22 with no further equity being raised by the Trust during the Forecast Period;
- the acquisition of the Citigate Perth property for a purchase price of $52 million occurs in accordance with its contractual terms. The acquisition is to be funded from existing cash reserves and debt;

- the acquisition of $40 million of property in addition to the Citigate Perth property and a consequent increase in debt of $24 million associated with those assumed purchases;
- the payment of costs of the Offer is offset against capital raised;
- finalisation of the Garden Square property sale settlement in February 2007;
- the acquisition of the Lane Cove property for a purchase price of $29.265 million in January 2007;
- the acquisition of the 50% share in the Octagon property for a purchase price of $39 million for the 50% ($78 million for the 100%) in May 2007;
- payment of the special distribution following the Garden Square property sale settlement; and
- the payment of $3 million fitout contribution to AAPT (tenant at Richmond, Melbourne).

	Actual[1] as at 31 December 2006	Pro forma as at 31 December 2006
	$'000	$'000
CURRENT ASSETS		
Cash and cash equivalents	15,794	1,333
Trade and other receivables	58,293	2,320
Other assets	1,189	1,189
TOTAL CURRENT ASSETS	75,276	4,842
NON-CURRENT ASSETS		
Investment – property	406,832	551,309
TOTAL NON-CURRENT ASSETS	406,832	551,309
TOTAL ASSETS	482,108	556,151
CURRENT LIABILITIES		
Trade and other payables	48,683	4,833
TOTAL CURRENT LIABILITIES	48,683	4,833
NON-CURRENT LIABILITIES		
Other liabilities[2]	223,437	247,356
Interest bearing liabilities	209,988	303,962
TOTAL NON-CURRENT LIABILITIES	433,425	551,318
TOTAL LIABILITIES	482,108	556,151
NET ASSETS	-	-
No. of Units on issue ('000)	190,121	210,613
Net asset backing per Unit[3]	$1.18	$1.17
Net tangible asset backing per Unit[4]	$1.17	$1.17

1. *The actual consolidated Balance Sheet as at 31 December 2006 is an extract from the reviewed interim financial report.*
2. *Other liabilities represent Unitholders' funds contributed to the Trust.*
3. *Net asset backing per Unit is net assets (excluding other liabilities) 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 (excluding other liabilities) divided by the number of Units on issue or assumed to be on issue.*

NOTES TO THE HISTORICAL AND PRO FORMA CONSOLIDATED BALANCE SHEETS

Statement of Significant Accounting Policies

The historical and pro forma consolidated Balance Sheets as at 31 December 2006 have been prepared in accordance with AAS and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act and the terms of the Constitution.

The historical and pro forma 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 historical and pro forma 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 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.

Income Tax

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 2007 or 2008.

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 cost includes all costs of acquisition such as stamp duty, the Manager's acquisition fee, legal fees, etc.

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

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.

Interest Bearing Liabilities

Interest bearing liabilities are initially measured at cost. Subsequent to initial recognition, interest bearing liabilities are measured using the effective interest method.

Other Liabilities

Other liabilities represent Unitholders' funds contributed to the Trust. AAS requires that Unitholders' funds contributed to the Trust be recognised as non-current other liabilities. Previously, under AGAAP, funds raised from Unitholders were recognised as equity of the Trust. This variation of the accounting treatment arises because the Trust has a fixed and determinate life and funds raised from Unitholders must be returned on the vesting date of 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. Borrowing costs on Unitholders' funds for accounting purposes are accrued once the amounts are declared to the market.

Distributions

The amounts paid to Unitholders for accounting purposes are treated as a financing cost expense. For taxation purposes, these payments continue to represent distributions under the Income Tax Assessment Act 1997.

Distribution entitlements have been recognised on an accrual basis.

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.

Capitalisation of Borrowing Costs

The Trust has adopted AASB 139 Financial Instruments: Recognition and Measurement, and recognises financing costs incurred in the acquisition of interest bearing liabilities as a reduction in the interest bearing liabilities using effective interest method. Financing costs are expensed over the period of the loan.

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.

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

Impairment of Assets

The Trust reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. The assets' carrying value is adjusted in the Balance Sheet if any excess over its recoverable amount is recognised.

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
Subscriptions from Unitholders	25,000

Application of Funds

	$'000
Future operations including property acquisitions	23,920
Capital raising costs	
- Legal fees and outlays	55
- Independent expert reports	80
- Printing and associated costs	45
- Manager's capital raising fees	850
Contingency	50
TOTAL	**25,000**

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 $232,234,000.

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 $49.7 million will be drawn down on the settlement of the Citigate Perth 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). As at 8 May 2007 the Financiers' LVR is approximately 56%. The Financiers' LVR will be approximately 60% after the draw down of the additional funds associated with the Citigate Melbourne property acquisition.

After the assumed acquisition of $40 million in property, and drawdown of related borrowings, and the completion of the $25 million capital raising pursuant to this Offer, the Financiers' LVR will be approximately 60%. The major terms of the Joint Finance Facility are:

Term

Five years to 6 November 2008.

Financiers' Margins

CBA: 0.45% per annum up to 40% LVR; and

ING: 1.20% 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 0.67% 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.

6.5.3. Hedging

Currently, 80% 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 Citigate Perth, if the whole of that related further advance was to be on a variable interest rate basis, then 66% of the Trust's borrowings would have fixed interest rates or be hedged with the balance being on variable interest rates. PFA currently believes, based on current markets, that it is appropriate to maintain the fixed/hedged percentage of the Trust's borrowings around 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 8 May 2007 was approximately 6.66% 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 a multi-option 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 0.075% per annum of the total facility amount from time to time including further advances. When the total outstanding debt under the Joint Finance Facility exceeds $250 million the fee reduces to 0.05%.

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 may 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 and after the life of this PDS and the Forecast Period.

Current hedging arrangements

Fixed/hedged to:	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	Mar-17 $'000	May-17 $'000	Total $'000
Fixed/hedged Amount	$10,000	$9,270	$26,477	$20,000	$9,152	$10,000	$20,000	$20,000	$20,000	$20,000	$20,000	$184,899
Fixed/hedged interest rate p.a.	6.24%	5.75%	6.82%	6.86%	6.30%	7.29%	6.86%	6.12%	6.47%	6.26%	6.40%	6.52%*

** a weighted average interest rate per annum*

6.6. Fees and Other Costs

Consumer Advisory Warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

This section and the table on the next page set out the fees and other costs that Investors may be charged. These fees and costs may be deducted from your application monies, from the returns on your investment, 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.

Taxes are set out in another part of this PDS.

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.

Unless otherwise specified, the fees described in the table on the next page (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.

Exterior balcony, the Citigate, Melbourne.

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: The fee to open your investment.	Nil	Not applicable.
Contribution fee: The fee on each amount contributed to your investment – either by you or your employer.	0-4% of the amount invested[1]	Negotiated between you and your adviser (if any) and payable after the allotment of Units.
Withdrawal fee: The fee on each amount you take out of your investment.	Nil	Not applicable.
Termination fee: The fee to close your investment.	2% of any buyback amount[2]. 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		
The fees and costs for managing your investment.[3]	• Investment management fee payable to the Manager of 0.6% per annum of the scheme value[4].	Payable to the Manager monthly in advance by the Trust.
.	• Operational expenses recurring annually and currently estimated at around 0.13% per annum of the total assets of the Trust[5].	As and when incurred and payable to the relevant service provider by the Trust.
	• Capital raising fee of 3% of the capital raised under this PDS[6], from which a 2% handling fee is paid to advisers and brokers[7].	Payable by the Trust to the Manager on allotment of the relevant Units.
	• Financial analysis, due diligence and documentation services fee of $100,000 plus an estimated $230,000 in other capital raising costs.	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 (e.g. lawyers, independent experts and printers) as and when incurred.
	• Acquisition fee of 2% of the gross purchase price of any property acquired by the Trust or any sub-trust[8].	Payable to the Manager by the Trust on completion of the acquisition of the Property from the assets of the Trust.
	• Disposal fee of 2% of the gross sale price of any property sold by the Trust or any sub-trust[9].	Payable to the Manager by the Trust on completion of the sale of the Property from the assets of the Trust.
Service Fees		
Investment switching fee: The fee for changing investment options.	Nil	Not applicable.

1. You may negotiate with your adviser to pay them an adviser service fee. See section 6.6.7.

2. For example, $20 per $1,000 of buyback amount.

3. See sections 6.6.2 to 6.6.5 for further details.

4. For example, $60,000 per annum per $10 million of scheme value. Scheme value is determined in accordance with the provisions of the Constitution. As at 31 December 2006, the scheme value was $406,832,350.

5. These expenses may include travel, postage, compliance committee costs, accounting, audit, valuation, administration and reporting, Custodian and compliance costs and other such costs. See section 6.6.3 for further details.

6. The capital anticipated to be raised under this PDS is $25 million.

7. See section 6.6.6 for details regarding the handling fee.

8. For example, $200,000 per $10 million of gross purchase price of property acquired.

9. For example, $200,000 per $10 million of gross purchase price of property sold.

Additional Explanation of Fees and Costs

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.

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 $42,000 and $105,000 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 in the proper performance of its duties.

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

As stated in the table opposite, 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. For example, should the Trust sell a property for a gross sale price of $16.0 million, the Manager is entitled to receive a disposal fee of $320,000.

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).

For example, if the Trust purchased a property for a gross purchase price of $10 million and sold that property for $16 million, the Manager will be entitled to an additional performance fee of $400,000.

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

6.6.5. 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.

For example, if the Manager is removed as responsible entity and the Trust has at the time a scheme value of $500 million the Manager is entitled to be paid a removal fee of $10.0 million.

6.6.6. Handling fees paid to advisers and brokers

As indicated in the table opposite, from the capital raising fee paid to the Manager by the Trust, 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.

6.6.7. Adviser Service Fee

As indicated in the table opposite, 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 6.6.6.

6.6.8. Custodian fee

The Custodian, Trust Company Limited, is forecast to be paid an annual fee of $103,636 (plus GST) for the 2006/07 financial year and is forecast at $110,000 for the 2007/08 financial year for its custodial services to the Trust (refer to section 5.2).

6.6.9. 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 forecasted MER for the financial year ending 30 June 2007 is 0.73%. It is forecast to be at or below this percentage for the financial year ending 30 June 2008.

The 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.

6.6.10. Example of annual fees and costs

This table gives an example of how the fees and costs can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example		Balance of $50,000 with a contribution of $5,000 during year
Contribution Fees	0-4% as negotiated between you and your adviser.	For every additional $5,000 you put in, your adviser will charge you between $0 and $200.
PLUS Management Costs*	1.62%	And, for every $50,000 you have in the fund you will be charged $810 each year.
EQUALS Cost of the Fund		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of from: $810 to $1,010**. What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.

* *Acquisition fees have not been included in this calculation as they are of a nature which an investor would have incurred if the investor had invested directly in the asset.*

** *Additional fees may apply. These fee examples are based on estimates for the year ending 30 June 2008. Actual fees may vary depending on the level of transactional activity in the Trust in any financial year.*

The atrium of the Octagon property, 110 George Street, Parramatta (pictured at right)

7 Risks

Investors should be aware that the future level of income and capital distributions and Unitholders' 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; and
- 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 18 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; and
- 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, 80% 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 Citigate Perth property and the assumed purchase of $40 million in property are fixed or hedged, then the variable interest rate component could increase up to 40% 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 8 May 2007 from 1 July 2007 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 cannot be maintained at the same levels as in the Forecast Period. Lease expiries in the financial years ending 30 June 2009 and 30 June 2010 represent approximately 12% and 8% 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 formal and legal binding 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 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 $493 million property trust with approximately 4,000 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. Furthermore there is no guarantee that the method by which liquidity is currently provided (i.e. the Bendigo Stock Exchange) will remain the method by which liquidity will be provided in the long term.

Market Price

Application will be made to the BSX to have the Units issued under this Offer quoted 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:

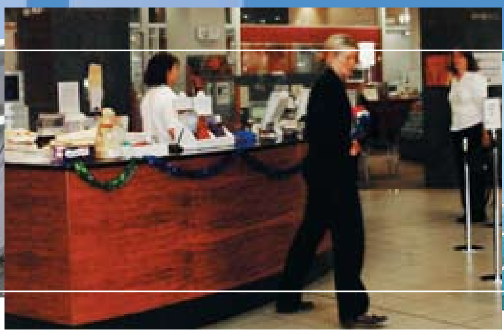
- local and world economic conditions;
- government legislation, intervention or taxation;
- inflation or inflationary expectations;
- world political events; and
- market sentiment.

Taxation Status

There is a risk that, if the activities of the Trust were to be regarded as other than an 'eligible investment business' for the purposes of the Income Tax Assessment Act 1936 (i.e. the public trading trust provisions), the Trust would be then taxed as a company with a consequent reduction in distributions with those distributions carrying franking credits with them.

SECTION

8 Independent Reports

8.1 Taxation Report

BDO Kendalls

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ABN 70 202 702 402

8 June 2007

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") No. 5 dated 8 June 2007 relating to the issue of up to 20,491,803 Units 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 directly and indirectly in a range of office, retail, industrial and other properties. It currently holds 17 properties with a further property to be known as Citigate Perth, currently under contract. It is intended to use the proceeds of the Offer to fund future acquisitions and capital expenditure.

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 and such Investors should obtain their own independent tax advice.

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 the net income is fully distributed or reinvested on a Unitholder's behalf each financial year.

It is our opinion that the Trust will not be subject to Division 6C of the Income Tax Assessment Act 1936.

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.

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 Franking Credits

To the extent that the Trust income receives franked dividends from any investment the Trust holds in Australian resident companies, the franking credits are added to the Trust income for the purpose of determining the taxable income of the Trust.

In these circumstances, the Unitholder's share of the Trust's taxable income will include a proportionate share of the franking credits included in the Trust's taxable income, and Unitholders will be able to claim the franking credit as an offset against tax payable on their taxable income. Any excess franking credits will be refundable.

5.4 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 record of the Tax Deferred distributions received for capital gains tax purposes.

5.5 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 a Unitholder's assessable income.

5.6 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.

5.7 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.

BDO Kendalls

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.

The assessable capital gain 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. A capital loss may be offset against current or future year capital gains, but may not be offset against ordinary income of the Unitholder.

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 331/3% 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 or its sub-trusts. 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 injecting 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.

6.6 Non-Resident Beneficiary Withholding Tax

Recent legislation has been introduced into Parliament that will, if passed, require trustees of managed investment trusts, that make certain payments directly to foreign residents, to withhold from the payments at the company tax rate (30%).

The new arrangements will apply to income years beginning on or after 1 July following Royal Assent.

Yours faithfully

BDO Kendalls

Brian Richards
Partner

8.2 Independent Accountant's Report of Financial Information

BDO Kendalls

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AFS Licence No. 245513

8 June 2007

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 up to 20,491,803 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. BDO Kendalls Corporate Finance (QLD) Ltd holds the appropriate Australian Financial Services Licence under the *Corporations Act 2001*.

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 directly and indirectly in a range of office, retail, industrial and other properties. It currently holds 17 properties with a further property, Citigate Perth, 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 Corporate Finance (QLD) Ltd to prepare a report covering the following information:

(a) forecast consolidated statements of earnings and distribution of the Trust for the financial years ending 30 June 2007 and 30 June 2008 as disclosed in section 6.2 of the PDS; and

(b) a pro forma consolidated Balance Sheet of the Trust as at 31 December 2006, which assumes the transactions disclosed in section 6.3 of the PDS had been finalised as at 31 December 2006 notwithstanding that they occur or may occur at times subsequent to 31 December 2006; 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.

BDO Kendalls

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:
  - AAS for the forecast consolidated statement of earnings and distribution for the years ending 30 June 2007 and 30 June 2008 and a pro forma consolidated Balance Sheet as at 31 December 2006;
  - 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 AAS 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.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Manager. 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.

BDO BDO Kendalls

6. Disclosure of Interests

The only pecuniary or other interest that BDO Kendalls Corporate Finance (QLD) 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 Corporate Finance (QLD) Ltd was not involved in the preparation of any other part of this PDS. Accordingly, BDO Kendalls Corporate Finance (QLD) 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 Corporate Finance (QLD) Ltd

BDO Kendalls

Paul Gallagher

Paul Gallagher

Director & Authorised Representative

BDO Kendalls

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Financial Services Guide

The 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 report. The FSG also includes general information about BDO Kendalls Corporate Finance (QLD) Limited ('we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO Kendalls Corporate Finance (QLD) Limited holds an Australian Financial Services Licence to provide the following services:

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

General Financial Product Advice

The 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 Corporate Finance (QLD) Limited ABN 54 010 185 725, Australian Financial Services Licence No 245513 has been engaged by Property Funds Australia Limited to provide general financial product advice in the form of an Independent Accountant's Report in relation to the financial product of another entity, PFA Diversified Property Trust. This report is to be included in the product disclosure statement issued by Property Funds Limited on or about 31 May 2007.

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 Kendalls Corporate Finance (QLD) Limited, 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 Kendalls Corporate Finance (QLD) Limited may receive a share in the profits of BDO Kendalls (QLD), a related entity. All our directors and employees of BDO Kendalls Corporate Finance (QLD) Limited are entitled to receive a salary. Where a director of BDO Kendalls Corporate Finance (QLD) Limited is a partner of BDO Kendalls (QLD) the person is entitled to some share in the profits of BDO Kendalls (QLD).

Associations and relationships

From time to time BDO Kendalls Corporate Finance (QLD) Limited 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 Units have been held for any time over the last two years.

Property Funds Australia Limited has previously requested BDO Kendalls Corporate Finance (QLD) 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 Corporate Finance (QLD) 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 Corporate Finance (QLD) Limited

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8.3 Property Market Commentary Report

8 June 2007

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We present below a general commentary on market conditions in relation to grocery based retail, bulky goods retail and the CBD commercial property markets and as instructed, also provide an overview of the Melbourne CBD Hotel market, Perth CBD Hotel market and the Parramatta commercial market.

Economic Environment

The Australian economic environment has remained overall expansionary, although growth levels and underlying economic conditions have been highly variable across the different states. The table below outlines some key economic indicators across the whole of Australia with generally stable or slightly more favourable economic conditions forecast for 2007/08, than has been the case for the 2006/07 financial year.

Table 1 – Essential Economic Indicators - Australia

Indicator	2005/06	2006/07 (estimated)	2007/08 (forecast)
Inflation	3.2%	2.75%	2.5%
Unemployment	5.1%	4.75%	5.0%
GDP Growth	2.9%	2.5%	3.75%
Total Business Investment	16.2%	4.0%	7.5%

Source: Budget Strategy & Outlook 2007/08 (Federal Government)

In response to the economic indicators of strengthening demand and output and a rising underlying inflationary environment during 2006, the Reserve Bank of Australia undertook three increases in official rates, with 0.25% increases in May, August and November 2006. The current cash rate of 6.25% at present appears to have a strong likelihood of remaining in place for the majority of 2007. The predominant concern of higher inflation, production input costs and wages growth have recently been eased with favourable results. However, risks remain on the upper side for these measures.

Strong retail spending and consumer confidence at record high levels in May 2006 are indicative of an economy perceived to be tracking well by consumers and wage-earners. Increased business spending over 2007/08 can be expected to sustain business conditions, even if consumer consumption moderates due to sustained higher petrol prices or concerns over personal debt levels.

The table on the following page shows the current diversity of market conditions which are being experienced across the country. Subdued residential markets, particularly in New South Wales, have dampened sentiment whereas areas such as Perth and Brisbane continue to be on an upward swing. This 'two-speed' economy has provided some challenges for monetary policy regulators where curbing the rate of growth in some regions would have an excessive impact on others. Now that inflation appears to have stabilised, at least in the short term, there is less pressure in this regard.

Knight Frank Newmark Global

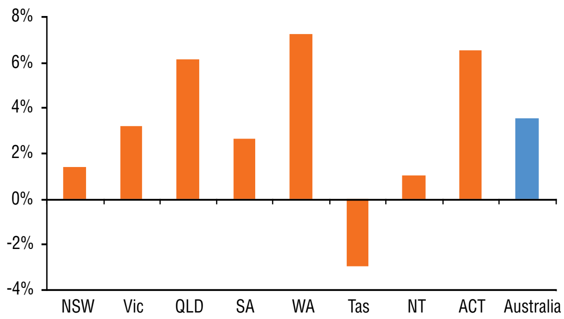
Knight Frank Australia Pty Ltd ABN 17 004 973 684

Table 2 – State by state major economic indicators

State	Inflation yr to Mar 07[1]	Economic Growth to Dec 06[2]	Est House Price Gth to Mar 07[3]
NSW	2.2%	1.4%	1.5%
Vic	2.2%	3.2%	7.4%
QLD	2.9%	6.1%	10.2%
SA	1.8%	2.6%	6.1%
WA	3.5%	7.2%	32.1%
Tas	2.1%	-3.0%	10.5%
NT	4.0%	1.0%	15.0%
ACT	2.4%	6.5%	9.0%
Australia	2.4%	3.5%	8.6%

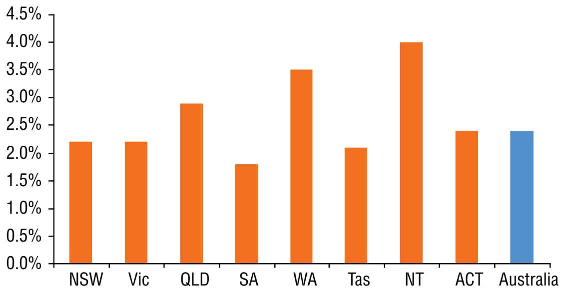
1 Source: ABS 6401.0 yr on yr to March 2007
2 Source: ABS 5206.0 yr on yr to Dec 06
3 Source: ABS 6416.0 yr on yr to March 07

Economic Growth



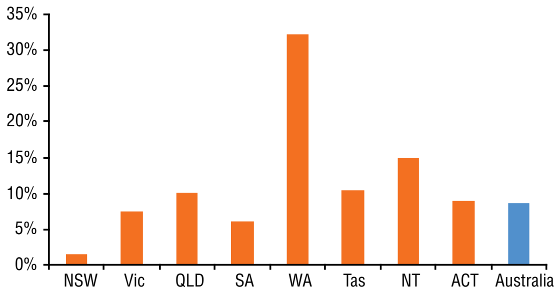
Source: ABS 5206.0 - yr to Dec 06

Inflation



Source: ABS 6401.0 - yr to March 2007

Established House Price Growth



Source: ABS 6416.0 - yr to March 07

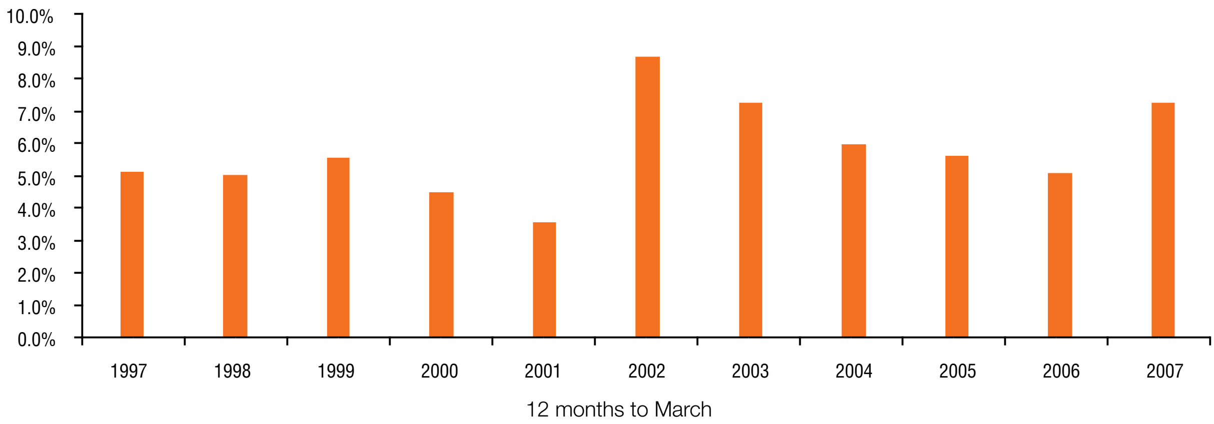
Grocery Based Retail

Grocery based retail is most commonly represented by a neighbourhood shopping centre which contains a national-brand supermarket tenant along with a number of complimentary food and service retail tenants. Although the majority of income upside comes from the supermarket tenant, a balanced, well trading specialty component is a necessary element of a well performing retail investment. Optimum centre design allows for high pedestrian traffic levels past the specialty stores, in tandem with convenient access for the night-trade of the supermarket.

The food-based retail market has continued to perform well within an environment characterised by perpetual competition between the major retailers to achieve their maximum potential marketshare. This has driven development in regions wherever population growth can be identified and traders remain prepared to cannibalise the trade of over-performing centres to ensure maximum market capture for their organisation. The grocery market is dominated by the Coles and Woolworths stable of brands. However, Aldi has proven to be strongly expansionary with over 140 stores now operating across Australia.

This trend towards the major supermarket owners creating smaller and smaller catchments areas for their new supermarkets (with a sometimes a tandem reduction in the floor area taken) provides challenges for shopping centre owners reliant on the upside provided by turnover rental from the supermarket tenant. Where new leases are signed the likelihood and timing of the threshold turnover being reached needs to be carefully assessed by the owner, or potential owners, of the property.

Australia – Food Retail Turnover Annual Growth



Source: ABS 8501.01 March 2007

Growth in turnover for food-based retailing has remained strong over the past 6 years, averaging 6.6% per annum. While food retailing remains a relatively constant portion of consumer spending, the increasing convenience factor of ready to eat products has assisted the continued growth in turnover levels. Increases in fruit & vegetable prices have been a major factor in the CPI fluctuations of 2006 and 2007, with the "banana bounce" a major contributor. While fresh food purchases are generally inelastic, continued growth in the turnover of food-based retail sales is illustrative that consumers' spending power has not been eroded by the changes to the cost of funds and petrol prices to date.

Neighbourhood retail properties remain in demand from a wide variety of investors with yields having firmed slightly over the past year to be in the range of 6.5% - 7.75% for modern or brand new retail centres. Older centres are also in demand from income based funds, private developers and syndicates due to the income yield, redevelopment/refurbishment opportunities and the general increase in the underlying value of the land experienced within many established retail precincts.

Bulky Goods Retail

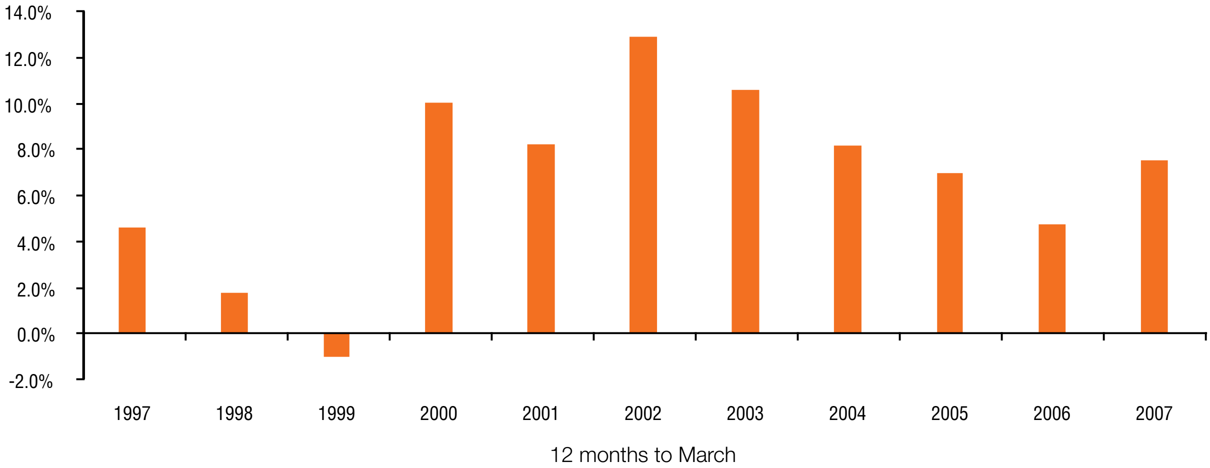
The Homemaker or Bulky Goods retail market is a sector of the property market which has come into its own over the past 10 years. These centres feature higher order and less frequent purchases such as furniture, electrical and white goods, floor coverings and hardware and decorator items. While the concept began as largely stand-alone category killer retailers (ie Bunnings Warehouse), the genre has evolved to encompass large clusters of these retailers in a centre, with the combination of retailers becoming the drawcard, rather than a single dominant or anchor tenant.

The increasingly recreational nature of these centres have broadened the tenant mix, testing the limits of the planning regimes for these centres. Service providers such as medical centres/medical based tenants, cafes and children's play centres and gyms have broadened and tested the definitions of some bulky goods retail centres.

The roll-out of Bulky Goods retail centres across Australia is now approaching completion and the major focus for future development is located in areas of population growth or high residential construction. Although moderating, the level of new construction for the bulky goods sector remains a major contributor to the total additions to retail space across the market. The strong, however not exclusive, link between conditions in the housing market and the expenditure on household items is shown in the graph below – with the peak in annual bulky goods spending growth of 12.9% in 2002 roughly correlating to the hottest market conditions for the residential market in the most populous states of Australia.

Household goods spending has accelerated in the year to March 2007 with annual growth of 7.5% in that period, rebounding from the lowest growth in 7 years which was experienced over the year to March 2006, of 4.8%. This buoyancy, in the face of subdued residential market conditions across NSW and Victoria, partly breaks the nexus between residential market performance and spending on household goods.

Australia – Household Goods Retail Turnover Annual Growth



Source: ABS 8501.01 March 2007

This is an indication of the maturity of the market sector and that spending has been boosted by the exchange rate making electronic goods a more attractive purchase plus the tax cuts and government bonuses/rebates encouraging higher discretionary, if not self-indulgent, spending.

For the property sector, the bulky goods market remains a sought-after investment although the peak of new development additions to the market is likely to be in the past. A popular investment for LPT and other institutional investors, the steady income and relatively low outgoings makes these properties an attractive income-driven investment. From being considered as a quasi-industrial property type 10 years ago, the sector is now approaching rents and yields on a parity with the broader retail market, with the centre branding and marketing techniques evolving to match. With yields relatively stable in the order of 7.0% - 8.25% across Australia, a paucity of investment stock in this sector means that the majority of acquisitions have been made from a development stage in the past two years.

CBD Commercial Market

The CBD commercial market encompasses the commercial properties within the CBD's of Sydney, Melbourne, Brisbane, Canberra, Perth, Darwin, Adelaide and Hobart. Although individual market conditions can be dominated by local demand and supply factors, the office markets tend to respond to very similar macro factors over time.

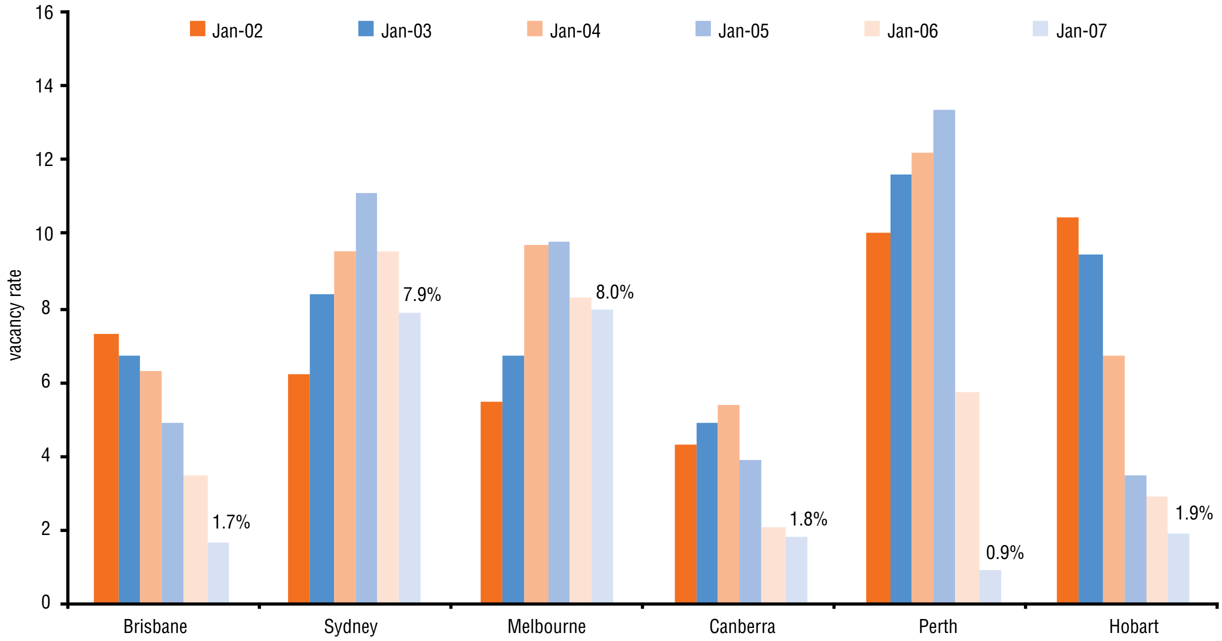
The key to the level of demand for office accommodation is the level of white collar employment within the region. Data provided by Access Economics indicates that the major contributors to white collar employment growth during 2006/07 have been the Construction, Finance & Insurance and Public Administration sectors. Going forward the levels of white collar employment are anticipated to be supported by continued strong economic performance and the expansive government sector with anticipated annual white collar employment growth of between 2% and 3% over at least the next three years across Australia.

Data collected by the Property Council of Australia shows that the majority of Australian CBD markets are currently experiencing a vacancy rate of less than 5%. In general, a vacancy rate of less than 5% is considered to be a 'tight' market and means that tenants can have difficulty in finding suitable accommodation for growth or relocation in a timely and cost-effective manner. These market conditions are generally accompanied with stronger than average rental growth and often engenders the start of a supply cycle as developers are able to bring new product to the market at rental levels accepted by the market.

Only Sydney, Melbourne and Adelaide have currently recorded vacancy levels of above 5% and given the accelerating tenant activity, particularly in Sydney and Melbourne, the past three year's trend of falling vacancy rates could reasonably be expected to continue.

Knight Frank

CBD Vacancy Rates 2002 - 2007 –Selected Australian CBD Markets



Source: Property Council of Australia

Modern, large commercial buildings, particularly those located within the major CBD markets across Australia have long been a foundation of the major institutional investment vehicles and listed property entities. This has continued to be the case in recent years with an ever greater penetration and diversification of property funds into the CBD and non-CBD commercial markets. This weight of funds seeking commercial market investment has continued to ensure that the commercial market is in the main very tightly held with only infrequent sales of CBD trophy assets. Yields for prime investment properties within a recognised CBD market range from 5.75% - 7.5%, depending on the location and asset quality. These yields have shown some firming over the past 12 months as the markets have experienced continued improvement in market fundamentals. Looking ahead there is expected to be continued pressure for yields to remain low with compression in the yield band resulting in different assets being priced, on a yield basis, across an ever-smaller band.

Parramatta Commercial Market

The Parramatta commercial market is in a phase of maturation, with large pre-commitments from predominantly government tenants commencing a supply cycle which has the potential to change the nature of the commercial precinct. The Parramatta market is presently dominated by private investors and smaller commercial buildings. However, the past 12 months have seen a marked change to the purchasing entities in the region and to the quantum and quality of the office space proposed for construction.

The completion of upgrades to the Parramatta bus/rail interchange and expansion of the bus Transit-Way system to include the North-West T-Way have added to the area's amenity, particularly for large, processing based commercial space users such as State and Federal government or Finance/Insurance tenants.

From negative net absorption in 2004 and 2005, the tenant demand increased during 2006 with just under 14,000m² of net absorption recorded for the calendar year of 2006. Pre-commitments to government based tenants such as ATO (30,525m²) and the NSW Roads & Traffic Authority (9,971m²) form part of a supply surge of some 67,560m², expected for the market in 2007. As at early 2007, in the order of 78% of this supply for 2007 was pre-leased. A further major commitment of 23,000m² by Sydney Water will be located in the 1 Smith St building, with an anticipated completion in 2009. While benefiting from government decentralisation programs, the Parramatta market will need to attract a greater number and breadth of private sector tenants to flourish into the future. As the amount of modern and better quality space is added to the market, through new supply and refurbished accommodation this maturation of the office space available is expected to translate into a greater depth of tenants over time.

Rental rates within the Parramatta region have shown little growth in recent years with incentives of some 15% - 20% in the market. Despite the increased construction in the area, the general improvement across the Sydney commercial markets is anticipated to lead to a general stabilisation or reduction in the vacancy rate and consequently to some upward expectation for the rental rates. Parramatta has benefited from an improved quality of its stock over the past four years and new supply coming to the market will further enhance the quality mix of the total stock. Government spending on infrastructure, Civic Place and new pre-committed commercial developments will boost the overall profile of Parramatta.

The changing nature of the Parramatta commercial market has been matched by a change in the nature of purchasers and owners of commercial accommodation within the region. Listed and unlisted property funds dominated purchasing activity in the market last year with purchases to the value of circa $107 million. This accelerated investor interest in the area also contributed to a fall in prime yields over the past year with prime yields now in the range of 7.0% - 7.75%.

Hotel Markets

Trading conditions for the hotel market across Australia have been highly volatile since the year 2000. Factors such as the terrorist attacks of September 2001, the demise of Ansett Airlines, Bali terrorist bombings in October 2002, the ongoing threat of terrorist activity and the SARS threat (last active in 2003) have had an impact on the wider tourism market. Trading across the hotel market was adversely affected with hotels sacrificing room rates to maintain occupancy levels. However, recovery has been seen in recent years.

Sustained high occupancy levels are beginning to translate into higher room rates and subsequently increased development interest in the sector. However, it should be remembered that this is a market highly vulnerable to external, and most likely, international shocks.

The international, inbound tourist market accounts for approximately 33% of Australia-wide tourism nights and is a lucrative, although volatile section of the tourism market. Forecasts prepared by the Tourism Forecasting Committee, assuming no major international shocks, are shown below.

Table 3 – International Visitor Nights

International Visitor Nights	2005	2006	2007	2008	2009	2010	2011	Annual Average Growth 2006-2015
New Zealand	17.6%	-10.0%	-3.5%	-0.7%	0.7%	0.0%	0.7%	-0.3%
Japan	-5.1%	-8.1%	-3.9%	1.0%	2.0%	2.0%	1.0%	0.3%
Other Asia	13.7%	-0.6%	0.2%	3.8%	7.3%	7.7%	7.8%	6.3%
Europe	-4.5%	1.7%	3.0%	3.1%	3.4%	3.3%	2.6%	2.9%
North America	-2.9%	5.2%	3.5%	4.8%	5.2%	4.3%	4.7%	4.2%
Rest of the World	4.5%	-15.1%	1.3%	6.3%	5.9%	6.7%	5.2%	5.5%
Total Change previous yr	3.9%	-1.8%	0.8%	3.4%	4.5%	4.7%	4.8%	4.1%

Source: Tourism Forecasting Committee October 2006

Melbourne CBD Hotel Market

Apart from business travel, which is high, concurrent with general business conditions, the Melbourne accommodation market is generally known as an "event based" market. The F1 Grand Prix, Spring Racing Carnival, AFL Grand Final and Australian Open Tennis are four sporting based events which cause a spike in visitors to the city. In addition, Melbourne is keen to promote cultural events such as the Melbourne International Arts Festival, Melbourne Fringe Festival and Melbourne Arts Fair plus continued promotion of Melbourne as a conference destination.

Along with the broader tourism market, the Melbourne Hotel market has seen little growth in room rates over the past five to six years with the maintenance of occupancy levels a higher priority than increases in room rates. However, using the Commonwealth Games in March 2006 as a platform there has been greater pressure in the market to increase room rates.

Table 4 – Melbourne City Accommodation Data December 2006

	Number of Establishments		Number of Rooms		Room Occupancy		Takings per room night occupied	
	Q4 05	Q4 06	Q4 05	Q4 06	Q4 05	Q4 06	Q4 05	Q4 06
Melbourne Inner	60	65	8453	9123	78.8	81.8	150.5	166.0
Southbank & Docklands	13	14	3081	3009	78.3	86.9	195.1	208.4
Remainder	36	37	2794	2826	73.9	78.5	140.6	151.7
Melbourne City Total	109	116	14328	14958	77.8	82.2	158.3	172.5

Source: ABS 8635.2.55.001. Dec 06 & Dec 05 Table 7 Establishments greater than 15 rooms

Comparison between the December 2005 and December 2006 figures prepared by the ABS shows that, despite an increase in the number of establishments and an additional 670 rooms in the Inner City, occupancy rates increased by 3 percentage points and the average room rate also increased by 10%. Over the whole Melbourne CBD region occupancy has increased by 4.4 percentage points to be 82.2% for the December 2006 quarter and average room rate takings increased by 9% to be $172.50 per occupied night over the December 2006 quarter.

The area south of Collins Street and the south-western corner of the Melbourne CBD have emerged over recent years as a hub for accommodation. The proximity to Spencer Street Station/Flinders Street Station and the Southbank and Docklands Precincts have increased the amenity of that section of the city for visitors. While hotel development has been constrained by the relatively stagnant room rate levels, the high occupancy for the city has encouraged the construction of some accommodation facilities. Medina added 108 units to its serviced office stable in early 2007 with Medina Executive Northbank. The budget chain Formule One also opened a 146 room complex in Melbourne CBD in recent months.

Proposed major hotel developments include the 200 Room Hilton to be constructed as part of the new State Convention Centre and a new 350 room hotel at the Crown Casino complex in Southbank. In addition refurbishment of the Rialto Hotel (244 rooms) and Grand Hyatt (200 rooms) will keep investment in the hotel sector at good levels over the coming years.

Perth CBD Hotel Market

As the capital city of Western Australia, Perth has a high degree of corporate demand generated by the State's mining and resources industry and interstate tourism, particularly from Sydney and Melbourne (accounting for 50% of domestic travel to Perth). Given its proximity to the Asian and African region, a significant percentage of international inbound tourism is generated from this region. Perth airport is the nation's fourth busiest with approximately 7 million passenger movements per year.

While the "Experience Perth" tourism campaign has worked to raise the national and international awareness of tourist opportunities in the Perth locale, little new hotel infrastructure has been added to the market over the past three years within the City of Perth area. During 2006, The Richardson Hotel in West Perth added 74 rooms to the city's accommodation market, the Medina Executive Barrack Plaza added 100 serviced apartments and the Novotel Langley commenced a refurbishment of its accommodation. However, as shown in the table below, the total number of rooms fell over the past 12 months.

Given the booming residential market in Perth, the development market in the Perth CBD is dominated by high-rise residential accommodation and office space. The limited recent hotel room supply has contributed to the exceptionally high occupancy levels that the Perth Hotel market has achieved in recent months. The December 2006 quarter averaged 87.1% occupancy in the Perth CBD, with the inner core hotels recording 90.6% occupancy.

Table 5 – Perth City Accommodation Data – December 2006

	Number Establishments		Number of Rooms		Room Occupancy		Takings per room night occupied	
	Q4 05	Q4 06	Q4 05	Q4 06	Q4 05	Q4 06	Q4 05	Q4 06
Perth (C) - Inner	19	19	2590	2580	83.1	90.6	109.2	128.7
Perth (C) - Remainder	28	26	3050	2930	77.9	84.0	127.6	148.9
Perth (C)	47	45	5640	5510	80.3	87.1	118.8	139.1

Source: ABS 8635.5.55.001. Dec 06 & Dec 05 Table 7 Establishments greater than 15 rooms

Corresponding with these high occupancy levels, the takings per room night occupied has grown by 17% over the year between December 2005 and December 2006. The business-driven 4-star hotel market has been at the forefront of this trend with 86% occupancy in the December 2006 quarter and average occupied room takings of $150.70 – a jump of 14.6% over the year before. While the strong increase in room rates is supportive of the notion that the market can accept greater room numbers, in comparison with the increases in residential property capital values and office rents being experienced in Perth, the increased return from hotel accommodation remains lower than from the other market sectors.

While the greater Perth region, encompassing the tourist region defined as the Experience Perth region currently has 46 proposals encompassing some 2,776 units, the majority of these lie outside of the City of Perth. A proposed refurbishment and expansion of Seasons of Perth is mooted to add 70 rooms, taking the hotel to 188 rooms. The Perth CBD hotel market will face increased competition for total tourist nights as more accommodation is delivered along the coast within the Experience Perth region – however at this time there is little future accommodation proposed for the CBD itself.

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- does not have a pecuniary interest or other interest in any property that would conflict with the proper preparation of this report or could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion; and
- is not aware of any remuneration or any other benefits that any related bodies corporate, directors, employees or any other associates of Knight Frank are to receive in connection with this PDS that are not disclosed in this report or the PDS.

8.4. Valuation Summary Reports

8.4.1 The Octagon

8 June 2007

CBRE
CB RICHARD ELLIS

CB Richard Ellis Pty Ltd
ABN 57 057 373 574

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The Directors
Property Funds Australia Limited
Responsible Entity of the PFA Diversified Property Trust
Level 3, Anzac Square Commercial
200 Adelaide Street
BRISBANE QLD 4000

Dear Sirs

RE: "THE OCTAGON" 110 GEORGE STREET, PARRAMATTA NSW 2150

Instructions

We refer to recent instructions requesting us to undertake a valuation of the freehold interest in 'The Octagon', subject to the existing tenancies and an Income Support Account, as at 15 March 2007. We have provided this abridged report on the abovementioned property for inclusion in a Product Disclosure Statement (PDS). For further information, reference should be made to the full valuation report dated 15 March 2007. We confirm that the valuation was prepared in accordance with the Corporations Act.

Our report is based upon the most current information available at the time the valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms will also have a corresponding change to the value.

Property Funds Australia Limited as the Responsible Entity of the PFA Diversified Property Trust has acquired a 50% interest in the property. The remaining 50% interest has been acquired by Clarence Property Corporation Limited as the Responsible Entity for the Westlawn Property Trust. The purchase price equates to $78,000,000 and includes a $3,000,000 income support supplement from the vendor.

Reliance on this Letter

We have prepared this letter summarising our report and which outlines key factors that have been considered in arriving at our opinion of value. This letter alone does not contain all of the data and supporting information which is included in our report. CBRE has provided Property Funds Australia with a valuation of the property.

Valuation

We have assessed the market value of the freehold interest in the property known as "The Octagon" 110 George Street, Parramatta, subject to the existing tenancies and the Income Support Account, as at 15 March 2007, as:-

$78,000,000

(Seventy Eight Million Dollars)

Property Description

A modern 7 storey commercial building which was constructed circa 1990. The building accommodates ground floor retail and office space, with 6 upper levels of office accommodation over two levels of security basement car parking. The accommodation is arranged in eight octagonal 'pods' connected by exposed pedestrian bridges out from the central lift lobbies, with the lettable area extending to 20,841 square metres. The site extends to 7,097 square metres and is zoned City Core, being situated within the centre of the established commercial precinct of Parramatta which is dominated by financial and business services tenants.

CBRE
CB RICHARD ELLIS

Tenancy Overview

The property is leased to 17 separate tenants, comprising 3 office tenants and 14 retail tenants, with a current occupancy rate of approximately 93%. The current passing office rent ranges from $227 per square metre net to $333 per square metre net. The market office rent has been determined within a range of $245 to $265 per square metre net. Passing retail rents within the building range from $354 per square metre gross to $865 per square metre gross. The passing retail rents have been assessed as broadly in line with market.

The lease expiry profile of the building is unevenly spread out over the next couple of years with the most significant expiry by area occurring in June 2008 (RTA – 1,368 sqm); December 2008 (IAG – 6,343 sqm) and July 2009 (RTA – 9,122 sqm). The current unexpired lease term is approximately 2.2 years. We note that approximately 54% of the existing tenants are government instrumentalities, with the remainder being private sector.

All office tenants that are in occupation are on a net basis, whereby they are required to contribute to their proportion of total outgoings for the year. Lease terms within the office accommodation range from 2 to 5 years, with some tenants also having additional option periods. Rent reviews are annual and are generally fixed percentage increases of 3.5% - 5%. All leases have a GST recovery clause on outgoings and rent.

Market Commentary

The Parramatta office market is a major commercial centre within western Sydney, comprising some 600,755 square metres of commercial space. Parramatta office space is expected to grow by 128,530 sq m between now and 2011 with a total of ten new projects in the development pipeline and an additional 4,000 sq m in announced, up-coming refurbishments. Currently, approximately 69,045 sq m is under construction across six projects. In the six months to January 2007, Parramatta total office vacancy decreased to 8.5%, a fall of 2.0% over the preceding period. Over the past six months prime yields have sharpened. Prime yields have followed this trend since December 2003 tightening 58 basis points to average an indicative 8.31% (ranging between 7.50% and 9.00%). 2006 saw several investment transactions take place with 20 Smith Street and 80 George attracting significant interest from a cross section of purchaser groups.

Income Support Account

Our assessment of value of the property takes into account the Income Support Account summarised within Clause 21 of the Contract of Sale of the Land. The Clause requires the Vendor (Investa) to pay $3,000,000 of the purchase price into an Income Support Account. The purchaser (Westlawn Property Trust and PFA) is entitled ithin 40 months following the completion of the contract to draw upon these funds for the following, but not limited to;

(a) rental and outgoings recovery shortfalls pending the commencement of leases;

(b) rental shortfalls due to vacancies and rent free periods;

(c) non-recoverable outgoings;

(d) leasing commissions and legal fees;

(e) marketing expenses;

(f) incentives necessary to introduce new tenants (both fitout and other incentives);

(g) obtaining the use of off-site car parking for tenants;

(h) support of income generally; and

(i) all associated costs and expenses including administration costs and costs of advisors and consultants.

For the purpose of our analysis, we consider that the monies will effectively be drawn down in the first 24 months, when incentive and income shortfall are likely to be required.

CBRE
CB RICHARD ELLIS

Valuation Rationale

In assessing the market value of the property, CB Richard Ellis has utilised the Capitalisation Approach and Discounted Cash Flow (DCF) Analysis. CB Richard Ellis has examined the available market evidence and applied this analysis in selecting the parameters adopted within our Capitalisation and DCF calculations. The following critical assumptions and key results have been adopted, inter alia, as part of our valuation process:-

(i) An assessed market rental value of $7,812,873 per annum gross, equivalent to $5,832,950 per annum net.

(ii) A capitalisation rate of 7.75% is applied to the estimated net income in our Capitalisation Approach.

(iii) A Discounted Cash Flow Analysis over a ten year investment horizon has been utilised based upon an internal rate of return of 9.00% and a terminal yield of 8.25%.

(iv) It is noted that 1,480 square metres is currently vacant. The valuation includes a capital sum representing the reversionary income, following an analysis that compares the passing rent to our opinion of market rent for each tenant.

(v) Appropriate leasing allowances have been made following the expiry of each tenancy.

(vi) Outgoings equating to $95.00 per square metre of lettable area have been adopted and are representative of market levels.

(vii) Our valuation has taken account of capital expenditure requirements expected throughout the 10 year cash flow.

(viii) The growth rates adopted for the cash flow period are as follows:-

Year Ending March	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Office/Car Parking	3.55%	3.70%	3.69%	3.46%	3.67%	3.55%	3.02%	3.44%	3.98%	3.84%	3.59%
CPI/Outgoings	2.3%	2.45%	2.44%	2.21%	2.42%	2.30%	1.77%	2.19%	2.73%	2.59%	2.34%

Our valuation reflects an initial yield of approximately 7.90% and a capital value of $3,743 per square metre of lettable area.

In the case of advice provided in this letter and our report, which is of a projected nature, we must emphasise that specific assumptions have been made by us that appear realistic based upon current market perceptions. It follows that any one of our associated assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted by us in this event.

Disclaimer

(a) CB Richard Ellis Pty Ltd is not operating under an Australian Financial Services Licence when providing the formal valuation or this letter, and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest with Property Funds Australia Limited as the Responsible Entity of the PFA Diversified Property Trust.

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CBRE
CB RICHARD ELLIS

(e) CB Richard Ellis Pty Ltd has prepared this letter on the basis of, and limited to, the financial and other information (including market information and third party information) is accurate, reliable and complete and confirm that we have not tested the information in that respect.

(f) This summary letter is to be read in conjunction with our formal valuation report dated 15 March 2007 and is subject to the assumptions, limitations and disclaimers contained therein. We refer the reader to Property Funds Australia Limited as the Responsible Entity of the PFA Diversified Property Trust to obtain a copy of the full report.

(g) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the property.

Yours faithfully

CB Richard Ellis Pty Ltd

Craig Renshaw AAPI LREA F Fin
Registered Valuer No. 6737
Director – Valuation & Advisory Services

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Research
Property Advice

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8 June 2007

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

Dear Sir,

Re 706 Mowbray Road, Lane Cove West, New South Wales

1. instructions

We refer to your recent instructions requesting a summary of the formal valuation report for 706 Mowbray Road, Lane Cove West, for the purpose of inclusion in a product disclosure statement ('PDS'). This letter provides a summary of the full valuation report for 706 Mowbray Road, Lane Cove West, detailing the principal factors that were considered in reaching our opinion of the market value as at the valuation date stated in section 6 of this letter. The description of the property, the tenancy details and the market commentary are as they existed as at the relevant valuation date. For further detailed information, reference should be made to the full valuation report.

2. brief description

The subject property comprises of a circa 1987 reinforced concrete and steel framed multi level hi-technology industrial building which extends over much of the site and is generally rectangular in shape. The building is constructed on a sloping site with five (5) warehouse and three (3) office units. Accommodation is provided over six above ground levels. Three (3) levels of covered vehicular car parking are also provided. The property has a total gross lettable area of approximately 16,968.4m^2 over a site area of approximately 17,560m^2 (1.756 hectares).

At the time of the full valuation, Property Funds Australia Limited, advised they had entered into commercial terms with the owner, Perpetual Trustee Company Limited, for the purchase of the subject, having a purchase price of $29,330,000, exclusive of GST and subject to a number of special conditions, one of which is the retention of $1,480,000 from the purchase price for a period of 24 months for loss of income due to vacancy (existing or future), non-recoverable outgoings, capital expenditure, leasing fees, marketing expenses, incentives necessary to retain existing tenants and/or introduction of new tenants.

3. tenancy details

tenancy profile					
no of tenants	occupancy	avg tenancy area	avg initial lease term	avg lease expiry	% time remaining
13	81.90%	1305	117.34 months	85.72 months remain	73.08%

comments

- Rental growth is anticipated over the next 2 years.
- There are 6 tenants occupying lettable areas plus Chubb Security car park license for 13 spaces on a monthly basis.
- The property is currently 84.2% occupied subject to lettable area. Therefore 15.8% of lettable area is vacant.
- The average remaining lease duration is 86.84 months or 7.22 years which corresponds to 73.9% of the initial lease terms. This calculation is based on existing tenancies only and does not account for vacant, temporary or future tenancies.
- The major tenant is AP Facilities Pty Ltd who occupy approximately 7,749.7 square metres representing 45.7% of the property's total lettable area. The lease term for this tenant expires 21 March 2018 representing approximately 10 years 4 months.
- Three office units totalling 2,677.2 square metres are currently vacant with a further 60 security and 33 covered car parking spaces also vacant.
- Lease terms are mostly 3 to 6 years.
- Market reviews are a mixture of annual CPI or (fixed 3.0% to 3.5% increases) which ever the greater.
- Options to renew range from zero, to three and five year durations.
- Most leases are on a net basis.
- Car parking is mostly as per separate licence agreements or included in the individual tenant leases. I have adopted $100 pcspm for the security car spaces and $45 pcspm for the covered car spaces as representing market rental in my valuation.
- Outgoings are considered to be acceptable for an office/industrial use building of this size within the locality.

Rentals were calculated exclusive of GST and therefore assumed that any income generated upon leasing/re-leasing any areas of the property is protected by GST under the terms of any proposed leases. The passing and market rentals were calculated as follows:

	passing pa	$/sq.m/$pbpcm	market pa	$/sq.m/$pbpcm	% var
rental/s	$1,995,843	$117.62	$2,346,287	$138.27	-14.94%
parking	$32,200	$20.48	$122,020	$77.62	-73.61%
signage	$0		$0		
other	$0		$0		
sundry income	$0		$0		
total rental	$2,028,043	$119.52	$2,468,308	$145.46	-17.84%
plus: recoveries	$612,043		$685,636		
total gross income	**$2,640,086**	$155.59	**$3,153,944**	$185.87	
less : vacancy factor @ 0.00%			$0		
gross income (after vacancy factor)	**$2,640,086**	$155.59	**$3,153,944**	$185.87	-16.29%
less: outgoing	$685,636	$40.41	$685,636	$40.41	
net income	**$1,954,450**	$115.18	**$2,468,308**	$145.46	-20.82%

For full calculations relating to the income analysis, reference should be made to the full valuation report.

4. market commentary

Although the office leasing market has been sluggish during recent years it was now showing signs of recovery. The commercial/industrial investment market was strong due to a large weight of funds pursuing limited investment opportunities. North Shore commercial/industrial investment yields had firmed significantly in the past 3 years and generally ranged from 7.5% to 8.5%.

The leasing market was anticipated to improve further over the following 24 months as the market recovered from a sustained period of excess stock and limited tenant demand. The strength of the market was considered to be influenced by interest rates which had recently increased but were not expected to increase further for the foreseeable future.

5. valuation rationale

In assessing the current market value of the property subject to the existing tenancies, the appropriate method of assessment was considered to be via reconciliation between the capitalisation, direct comparison and discounted cash flow methods of valuation. Having regard to the sales evidence and general characteristics of the property, a fully leased market yield, net present value and rate per square metre was assessed.

The value of the property, taking account of the "Assignable Contractual Benefits" between Property Funds Australia Limited, and the Vendor, outlined within the draft "Contract for Sale of Land" and advice received from Property Funds Australia Limited, was also assessed. The document provided for a Retention Sum of $1,500,000 which conferred upon it an entitlement to access funds of $1,500,000 which was to be held by the Vendor's solicitor in trust.

Property Funds Australia Limited, may draw on the Retention Sum for a period of 24 months commencing on the date of settlement. Given the wide range of purposes for which the money can be drawn down, together with the incentives and downtime estimated are similar to this amount, this amount was estimated to be expended within the two year period. For the purposes of our analyses, it was assumed that monies were to be effectively drawn down in the 24 months, when the incentive and income shortfall will be required. Property Funds Australia Limited advised this amount was $1,480,000 exclusive of GST at the date of valuation.

As such the value of the subject property under the terms set out in the draft "Contract for Sale of Land" and advice received from Property Funds Australia Limited, was considered to simply be the addition of the $1,480,000 retention amount to the 'As Is" value determined of $27,850,000 exclusive of GST. This therefore reflected a value of $29,330,000 exclusive of GST subject to the draft document.

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

6. valuation summary

Subject to the qualifications and assumptions contained within the body of our full valuation report, the market value exclusive of GST of the fee simple interest in possession of the property, as at the date of valuation, being the 31 December 2006, was assessed to be:

"As Is" exclusive of "Assignable Contractual Benefits"
$27,850,000
(Twenty Seven Million Eight Hundred and Fifty Thousand Dollars)

"As Is" inclusive of "Assignable Contractual Benefits"
$29,330,000
(Twenty Nine Million Three Hundred and Thirty Thousand Dollars)

7. disclaimer

LandMark White (NSW) Pty Ltd has prepared this summary which appears in the PDS. LandMark White (NSW) Pty Ltd was involved only in the preparation of this summary and the valuation report 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 valuation and this summary.

In undertaking the valuation, it was assumed that there is no significant event between the date of inspection and the date of valuation that would impact upon the value of the subject property.

While all reasonable endeavours had been made to clarify the accuracy of the information provided, it was assumed that the information provided by the applicant, DB RREEF Funds Management Limited and CB Richard Ellis with respect to tenancy details, lettable areas, outgoings and proposed capital expenditure, consisted of a full and frank disclosure of all information that is relevant.

With respect to lease details, it was noted that all current leases had been sighted, are signed and referenced to the tenancy schedule, with all but the Chubb Security car park licence registered on title. Should there be any variation, LandMark White reserve the right to review the valuation. The valuation assumes that the right to any rental guarantee, security deposit, bank guarantee or any other form of guarantee provided in respect to any leases to which the property is subject will pass to a purchaser of the property.

It appeared from the contract for sale that there was no side agreements or commissions relating to the purchase which may give rise to a special interest in the property which may distort the purchase price. Whilst LandMark White relied upon general market evidence and industry benchmarks in forming the opinion of value and made specific enquiries as to the conditions of the sale, it was assumed that the purchase price indicated is correct and reflects typical transaction conditions for a property of this nature.

In carrying out this Valuation, regard was taken to the following issues which have been identified by Property Funds Australia's due diligence of the property:

1. The restriction on any letting of currently vacant office areas as a consequence of the Lane Cove Local Environment Plan 1987 and the permissible uses of that space;
2. Net lettable areas of the property that have been determined by Realserve from their check surveys of the building when carried out in accordance with Property Council of Australia current methodologies applicable to a building with space of the nature of the building.

In respect of the town planning issues, Landmark White was provided with the following:-

(a) Mallesons Stephen Jaques letter to Property Funds Australia dated 4 December, 2006;

(b) Letter from JBA Urban Planning to Property Funds Australia dated 23 November, 2006;

(c) A town planning issues paper prepared by Chris Morton for the board of Property Funds Australia Limited.

In respect of the town planning issue, the interpretation that LandMark White have adopted has been based on these documents and are more fully outlined in the valuation.

LandMark White is not an expert in planning law and you should therefore seek clarifying legal advice as to whether such an approach or interpretation is appropriate and consistent with planning law relevant to the subject property.

Property Funds Australia Limited advised that they had entered into commercial terms with the owner for the purchase of the subject, having a purchase price of $29,330,000, exclusive of GST and subject to a number of special conditions, including the retention of $1,480,000 from the purchase price for 24 months for loss of income due to vacancy (existing or future), non-recoverable outgoings, capital expenditure, leasing fees and incentives and marketing expenses. The purchase contract included provision to decrease the purchase price. This related to the removal of an indemnity by DB RREEF in relation to the current zoning and land use classification. Since the issue of our valuation report we are advised the purchase price has reduced by $65,000 to $29,265,000.

It should be noted that in the case of advice provided in this valuation summary or the full valuation report which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market sentiment and forecasts. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. The value performance indicated within the full valuation report is an assessment of the potential trend in value. Accordingly, the indicated figures should not be viewed as absolute certainty.

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

This valuation is current at the date of valuation only. The value 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 or damage 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 this valuation is relied upon as providing a valuation of the property as at the date later than the date of valuation.

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

The opinion of value expressed in this summary is that of the valuer, Kurt Kaymaz who is the prime signatory to the full valuation report. The below signatories (who are not signatories to the valuation report) verify that the report is genuine and authorised by LandMark White (NSW) Pty Ltd.

Neither LandMark White (NSW) Pty Ltd, nor the valuer or the below signatories have acted under a Australian Financial Services Licence in providing the valuation or this summary.

Yours faithfully
LANDMARK WHITE

Adam W Ellis AAPI F Fin
Director

Tyrone Hodge
Managing NSW State Director

8.4.3 Citigate Perth

8 June 2007

The Directors
Property Funds Australia Limited
Responsible Entity of the PFA Diversified Property Trust
Level 3, Anzac Square
200 Adelaide Street
BRISBANE QLD 4000

CBRE
CB RICHARD ELLIS

CB Richard Ellis Pty Ltd
ABN 57 057 373 574

Level 26, 363 George Street
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Dear Sirs

Summary of Valuation Report

PFA DIVERSIFIED PROPERTY TRUST – 707 WELLINGTON STREET, PERTH

Instructions

At your request, CB Richard Ellis (CBRE) has prepared this letter summarising the valuation results from our completed, self contained valuation report. The purpose of our report was to render our opinion of market value of the property as at 4 April 2007.

The value conclusions are subject to the assumptions and limiting conditions contained in the report and reflect all information known by the valuer at CBRE who worked on report for the subject property and the market conditions within the general area of the property.

Our report is based upon the most current information available at the time that the valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease or management agreement terms will also have a corresponding change to the value.

Reliance on this Letter

We have prepared this letter summarising our report and this outlines key factors that have been considered in arriving at our opinion of value. This letter alone does not contain all of the data and support which is included in our report.

CBRE has provided Property Funds Australia Limited with a valuation of the property. The valuation is not a guarantee or prediction of the future performance of the particular property.

Critical Assumptions and Reliance on Information Provided

We have relied upon a number of documents that formed part of the due diligence process as part of the acquisition of the subject property. These included:

- Electrical, Lift, Mechanical and Fire Services Report (BCA Consultants)
- Facade and Structure Report (Hyder Consulting Pty Ltd)
- Building Report (John Massey Group)
- Environmental & Hazardous Materials Assessment (Noel Arnold & Associates)

We have also had regard to number of sources for details regarding financial trade and projections for the hotel, these include:

- Hotel Grand Chancellor – Actual Trading Details
- Property Funds Australia – Forecast Trade and Forecast Capital Expenditure

CBRE
CB RICHARD ELLIS

A critical assumption adopted in the valuation follows:

- Our valuation calculations include growth assumptions throughout a defined cash flow period. These assumptions have been based on prevailing economic and market conditions as at the date of valuation and relate to analysis of transactions where similar assumptions have been made.

Brief Description of the Property

The Hotel Grand Chancellor comprises a 276 room, 4 star high rise hotel which opened in 1985. Facilities include "Seasons on Wellington" restaurant, "Ovations" bar, over 600sqm of conference and meeting facilities and rooftop recreation facilities. The property has a 'U' shape design, with the central area having a glass atrium area, which has been converted into conference space.

The property, located on the north western fringe of the Perth CBD, occupies a 2,742 square metre freehold site, zoned Citiplace Precinct (P5) - City Centre.

The hotel is on the boundary of the proposed Northbridge Link, a collaboration between the Government of Western Australia, through the East Perth Redevelopment Authority and Public Transport Authority, and partner City of Perth.

Part of the development includes the construction of the Perth Arena and car park, located opposite the Hotel Grand Chancellor. This will provide a new indoor stadium which will provide a range of entertainment and sporting events on the hotel's doorstep.

Management Agreement

The property is currently owned and managed by Grand Hotels International, operating it as the Hotel Grand Chancellor. Our valuation is on the basis that the property is offered with vacant possession and we have assumed that a reputable national or international operator is appointed to manage the property on modern, commercial terms. We have assumed the following:

- Basic Management Fee – 1% of revenue
- Incentive Management Fee – 8% of GOP
- FF&E Allowance – 3% of revenue
- Management Term – 10 years plus options

We have been informed that should the acquisition of the hotel by Property Funds Australia proceed, they intend to appoint Mirvac Hotels as operators, under the Citigate brand.

Market Commentary

Perth is located on the western seaboard of Australia, on the banks of the Swan River. Major tourist attractions include Kings Park Botanical Gardens, art galleries, museums and Perth Mint. A short distance away is Rottnest Island and Fremantle, well known for yachting and the America's Cup. Region's surrounding Perth include the South West (Margaret River wineries and the Valley of the Giants Treetop Walk), the Golden Outback (gold mining and the Esperance Coast line), the Coral Coast (The Pinnacles, diving and swimming with Whale Sharks) and the North West (Broome, Cable Beach and the Bungle Bungle Ranges).

According to data from the Bureau of Tourism Research (BTR), the number of international visitors to the Perth region decreased by 5.6% to 602,000 visitors for the year ending 31 December 2006, compared to the same period in 2005. However, international visitor nights increased by 1.9% to 12.965 million nights, with the majority of visitors from the United Kingdom and Singapore. International visitors spent $1,087 million and stayed an average of 21 nights.

The number of domestic visitors to Western Australia increased by 13.3% to 6.764 million visitors for the year ending 31 December 2006, compared to the same period in 2005, with domestic visitor nights increasing by 4.4% to 29.671 million nights. Domestic visitors stayed an average of 4 nights and spent a total of $4,306 million.

There were 3.212 million domestic visitors to the Perth region for the year ending 31 December 2006, staying 11.682 million nights, at an average of 4 nights, spending a total of $2,173 million.

Analysis of data from the Australian Bureau of Statistics for the Perth City Region suggests occupancy has shown continual growth from 68.5% in 2002 to 79.2% in 2006, while the average room rate is now showing signs of the demand for rooms, increasing 11.5% to $116.68 for the year ending 31 December 2006. The combination of increased demand coupled with increases in room rates has resulted in RevPAR increasing by 17.6% for the year ending 31 December 2006 when compared to the equivalent period in 2005.

Projected Supply

The market is displaying strong occupancies, with room rate growth increasing at high levels due to the demand. However due to the construction costs associated with new hotels, limited land supply and a strong commercial market, limited new supply is either under construction or even mooted. Our analysis of the market indicates that there are only 180 serviced apartments and 193 hotel rooms proposed, this would result in an increase in supply of 6% over few years which will have little impact on the already strong demand should these developments actually eventuate.

Projected Demand

Whilst projections of supply are, in the short term, relatively easy to track, projections of demand are far more complex and uncertain. There are numerous factors impacting on demand including supply, the strength of the Australian dollar, the state of the economy, political uncertainty, etc.

Given the tight occupancy environment and the continuation of the mining boom, lack of new competitive supply, maintenance of current demand trends with no further international demand affecting stocks, stable economic conditions and a continuation of the current currency parity with our major source markets, occupancies are likely to be maintained in the high 70% range until new supply eventuates. Room rate growth in the Perth market is expected to be strong in 2007-08 with ADR growth above inflation at 5-6% for 2007-08.

The Hotel Investment Market

In summary, the Australian hotel market is very strong with hotel sales transactions, for the year ending 2006, surpassing $1 billion dollars (for hotels over five million dollars) for the third year in a row, continuing the strong demand for hotel properties seen in 2004 and 2005. The major source of buyers in the Australian market came from the domestic market, accounting for over 95% of total transactions.

Recent years have seen the weighted yield for quality hotel properties continue to remain firm in the sub 8% range. While trading conditions have improved in recent years with strong economic conditions and limited new supply entering the market, the expectation of continued improvement, with compression of yields in other real estate investments, we believe that yields will stay at this level, particularly for well positioned, quality assets.

This recent activity in the market is considered partly a response to the lack of quality property on offer in other sectors and perhaps more importantly a collective view that the hotel market in Australia has passed the bottom of the cycle which is a traditional investment trigger.

We anticipate that future acquisitions will continue to be yield driven with emphasis placed on value adding through trading improvement via upgrading, rebranding or renegotiation of management structures, with Institutional investors driving the market due to the lack of quality property on offer and the continued weight of investment funds flowing into property investments requiring higher yields than currently available in other asset classes.

Valuation Rationale

The market value for the hotel, subject to terms of a management agreement, was determined via reconciliation between the capitalisation of the estimated stabilised net income approach, the discounted cash flow method (over a five and ten year period) and the value per room method.

The current positioning of the property is relatively poor compared to our view of its potential. We have considered this by having regard to the performance of competitive properties and their achieved room rates and occupancy levels. We have also been supplied with projections of the hotel financials prepared by independent hotel operators. In addition, we had been advised for the purpose of the valuation that some $7,086,750 had been set aside for capital expenditure, which we consider to be fair and reasonable considering the current state of the property and the need for the property to not only maintain its market share but reposition itself in the market place. The amount and timing have since been revised, but this does not, in opinion, impact on the market value.

In preparing our projections we have considered the historic financial details, the projections of the potential operators, independent hotel consultants and our own benchmarking details based on other similar hotels.

Valuation parameters adopted are:

Capitalisation Rate of Stabilised Income	Discount Rate		Terminal Yield		Value per Room
	5 Yr	10 Yr	5 Yr	10 Yr	
8%	10.25%	10.25%	8.00%	8.25%	$190,000

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

Valuation Summary

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

Date of Valuation	Valuation
4 April 2007	$52,000,000

Our opinion of value excludes GST, if any.

As the value is assessed as at 4 April 2007, we have assumed that there will be no change in market conditions, physical attributes of the properties or other factors, likely to cause a material change in values from the respective dates of inspection, undertaken on 4 April 2007.

Consent

CB Richard Ellis Pty Ltd provides it consent for the inclusion of this summary letter within the Product Disclosure Statement ("PDS") issued on or about 31 May 2007 for Property Funds Australia Limited subject to Property Funds Australia Limited making recipients of the PDS aware of the following liability disclaimers.

Liability Disclaimer

(a) CB Richard Ellis Pty Ltd is not operating under an Australian Financial Services Licence when providing the formal valuation or this letter, and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest with Property Funds Australia Limited.

(b) CB Richard Ellis Pty Ltd disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the PDS, other than in respect to this letter and the formal valuation.

(c) The formal valuation and this letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the PDS. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.

(d) Neither this letter nor the full valuation report may be reproduced in whole or in part without prior written approval of CB Richard Ellis Pty Ltd.

(e) CB Richard Ellis Pty Limited charges a professional fee for producing valuation reports, and the fee paid to CBRE by Property Funds Australia Limited for the formal valuation report and this letter was $22,500 exclusive of GST.

(f) CB Richard Ellis Pty Ltd has prepared this letter on the basis that the financial and other information (including market information and third party information) is accurate, reliable and complete and confirm that we have not tested the information in that respect.

(g) This summary letter is to be read in conjunction with our formal valuation report dated 20 April 2007 and is subject to the assumptions, limitations and disclaimers contained therein. We refer the reader to Property Funds Australia Limited to obtain a copy of the full report.

(h) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the property.

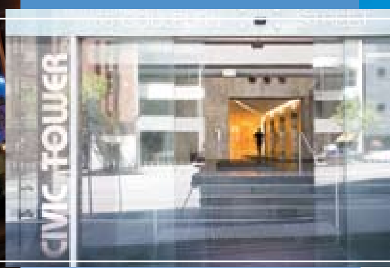
Yours faithfully

CB Richard Ellis Pty Ltd

Robert McIntosh BSc, FRICS, FAPI
Director Asia Pacific – Hotels and Leisure
Licensed Land Valuer No 043578

Citigate Perth reception

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 the BSX Listing Rules, 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.

Unit Pricing Policy

The Manager has implemented a Unit Pricing Policy which is based on the market price of the interests on the market and may allow for a premium or a discount from that price by or up to an amount specified in the Constitution. A copy of the Unit Pricing Policy and any discretions exercised by the Manager are available free of charge on request.

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 the 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 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, reporting requirements and complaints handling.

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

Citigate Perth Purchase Contract

Nature of contract:	Contract of Sale
Date of contract:	June 2007
Vendor:	Hotel Grand Chancellor (Perth) Pty Ltd
Purchaser:	Trust Company Limited as custodian for PFA Diversified Property Trust

Property: 707 Wellington Street, Perth, Western Australia

Purchase Price: $52,000,000

Deposit: $2,500,000

Date for completion: on or before 29 June 2007

Special Conditions:

a) The Vendor shall enter into a 10 year lease of the building with Citigate Perth Pty Ltd prior to completion and the Purchaser will acquire the property subject to that lease.

(b) Citigate Perth Pty Ltd will acquire certain of the fixtures, furnishings and equipment of the property and the hotel business, the employees of the hotel business and the related liquor licence to be transferred to a third party.

Other Information Relevant to this Transaction:

(a) The Trust will have a 90% share in the capital and income distributions from Citigate Perth Pty Ltd, the proposed lessee of the building. The Trust will not however have control over that lessee.

(b) It is intended that effective from completion that Citigate Perth Pty Ltd enters into a hotel management agreement with Mirvac Hotels Pty Limited to manage the Citigate Perth hotel business for a term of 10 years. Mirvac Hotels Pty Limited (guaranteed by the Mirvac Group) has agreed to support gross operating profit of the hotel business at a certain minimum level for the first three (3) years of that agreement but subject to a maximum amount to be paid under that arrangement and a force majeure provision.

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 $55,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- BDO Kendalls Corporate Finance (Qld) Ltd has prepared the Independent Accountant's Report of Financial Forecasts in section 8.2. An amount of $30,000 (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 $2,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- Knight Frank Australia Pty Ltd prepared the property market commentary report in section 8.3. An amount of $7,000 (plus GST) has been paid or is agreed to be paid in respect of these services.

Each of the valuers noted in section 8.4 have been paid fees for their services at normal commercial rates. 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 units or otherwise, have been paid or agreed to be paid to any director or proposed director either to induce them 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 224,244 Units in the Trust.
- An entity associated with Chris Morton owns 242,010 Units in the Trust.
- Subject to the BSX listing rules, 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.
- 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.

Related party transactions

A related party of Mirvac owns 50% of the issued shares in the Manager and has an option to acquire the remaining 50% (see section 5.1).

Another related party of Mirvac is the manager of the hotel business conducted at the Citigate Melbourne property on behalf of Citigate Melbourne Pty Ltd.

A related party of Mirvac also own shares in Citigate Melbourne Pty Ltd (the lessee of the Citigate Melbourne property) which carry rights to receive 10% of the income and capital of that company, and 49% of the voting entitlements.

Another related party of Mirvac is intended to be the manager of the hotel business conducted at the Citigate Perth property on behalf of Citigate Perth Pty Ltd.

A related party of Mirvac will also own shares in Citigate Perth Pty Ltd (the intended lessee of the Citigate Perth property) which carry rights to receive 10% of the income and capital of that company, and 49% of the voting entitlements.

Mirvac Real Estate Pty Ltd manages three of the Properties for the Trust or its sub trusts for which it receives fees at arm's length commercial rates. From 1 July 2007, Mirvac Real Estate Pty Ltd will manage the majority of the Trust Portfolio for which it will receive fees at arm's length commercial rates.

Entities associated with Jennifer Hutson own shares in Clarence Corporation Limited the responsible entity for the Westlawn Property Trust which owns 50% of the Octagon property located at 110 George Street, Parramatta.

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.

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 Corporate Finance (QLD) 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.

Knight Frank Australia Pty Ltd has given its consent to be named in this PDS in the form and context in which it is named, and in particular, to the references to it in section 6.2, and to the inclusion of its Property Market Commentary Report in section 8.3.

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

CB Richard Ellis Pty Ltd have given their consent to being named in this PDS in the form and context in which it is named, and to the inclusion of their property valuation summaries in section 8.4 in the form and context in which it is included.

LandMark White (NSW) Pty Ltd has given its consent to being named in this PDS in the form and context in which they are named, and to the inclusion of their property valuation summary in section 8.4 in the form and context in which they are included.

Jones Lang LaSalle (WA) Pty Ltd has given its consent to being named in this PDS in the form and context in which it is named, and in particular, to the references to them in section 6.2.

CB Richard Ellis (C) Pty Ltd has given its consent to being named in this PDS in the form and context in which they are named, and in particular, to the references to them in section 6.2.

Mirvac Real Estate Pty Ltd has given its consent to being named in this PDS in the form and context in which it is named, and in particular, to the references to it in section 6.2.

Trust Company 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, social or ethical considerations when making, retaining or realising an investment of the Trust.

9.11. Updated information

Information in this PDS, which is not materially adverse information, may be subject to change from time to time. Any updated information will be posted as soon as practicable by the Manager on its website at www.pfaltd.com.au, which Investors may access free of charge. If you prefer a hard copy of any updated information, please contact the Manager and a copy will be sent free of charge.

9.12. 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.

9.13. Offer not underwritten

The Offer is not underwritten.

9.14. Top 20 Unitholders

The current top 20 Unitholders in the Trust (as at 21 May 2007) are:

Investors	Units Allocated	Percent Investment
RBC Dexia Investor Services Australia Nominees Pty Limited	15,057,500	7.92%
Sandhurst Trustees Ltd	11,136,514	5.86%
Australian Executor Trustees NSW Ltd	4,155,845	2.19%
National Nominees Limited	3,975,019	2.09%
Trust Company of Australia Ltd	3,782,445	1.99%
RBC Dexia Investor Services Australia Nominees Pty Limited	2,359,863	1.24%
BT (Queensland) Pty Ltd	2,019,607	1.06%
Netwealth Investments Limited	667,127	0.35%
Gladstone Petroleum Pty Ltd	600,000	0.32%
PA Hadley & IM Hadley	585,210	0.31%
GB Rowlatt Pty Ltd	512,515	0.27%
RG Paddon & KF Paddon	490,197	0.26%
AR Rose & SY Rose	456,119	0.24%
AB Caradine & JL Caradine	409,329	0.22%
Fynvale Pty Limited	400,000	0.21%
MM Kuczynski	392,157	0.21%
IL Saunders	340,301	0.18%
BY Stevenson & TJ Stevenson	330,630	0.17%
A Robinson	323,133	0.17%
JW Davidson Nominees Pty Ltd	321,847	0.17%

9.15. 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
8 June 2007

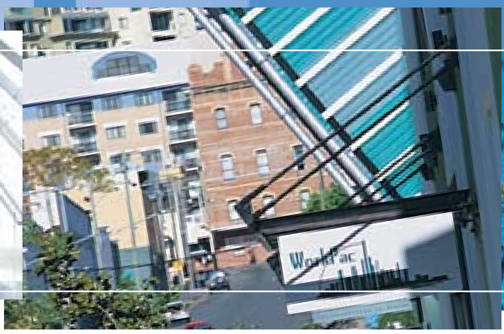
Christopher A Morton

Managing Director

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

SECTION

10 How to Invest



10 How to Invest

10.1. The Offer

This PDS invites applications for Units in the Trust at $1.22 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 July 2007. 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 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. New Units will rank equally with the Units already on issue. 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) 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 June 2007, your Units will be allotted on 1 July 2007 and your first distribution will be paid 21 August 2007. 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 Unitholder's 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 number 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

Cheques must be made payable to **'Trust Company Limited – PFADPT'.** Please attach your cheque to the Application Form. Your cheque must be in Australian currency. Receipts will not be issued.

ADVISER SERVICE FEE

You may elect to nominate a percentage of your application monies which will be deducted from the application monies and paid to the financial adviser or broker whose stamp appears on the Application Form. The percentage nominated will be treated as inclusive of GST.

DISTRIBUTION BANK ACCOUNT DETAILS

Monthly income distributions will be paid by **electronic funds transfer to your bank, building society or credit union.** Please ensure that your bank account details are correct. Your BSB number is a six digit number which identifies your financial institution and branch. If unsure, please contact your financial institution to confirm the correct number.

CORRESPONDENCE

All correspondence will only be addressed to the person and address as completed on the Application Form.

LODGEMENT OF APPLICATION FORMS

Completed Application Forms and cheques must be sent to:

Postal address for mail:

Property Funds Australia Limited
PO Box 10398
BRISBANE ADELAIDE STREET QLD 4000

Office address for delivery:

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

ENQUIRIES

Property Funds Australia Limited
Freecall: 1800 687 170
Facsimile: (07) 3221 6729
Email: info@pfaltd.com.au

CORRECT FORMS OF REGISTRABLE NAMES

Note that only legal entities are allowed to hold Units. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Manager. At least one given name in full and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if requested. Use the symbols < > as shown below to indicate an account designation.

TYPE OF INVESTOR	CORRECT FORM	INCORRECT FORM
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
Superannuation Funds Do not use the name of superannuation funds, use the trustee(s) name	**ABC Pty Ltd** **<Smith Family Superannuation Fund>**	Smith Family Superannuation Fund

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/Dr	Surname/Company Name (including ACN)	Applicant Given Names	Date of Birth
Joint Applicant # 2			
Joint Applicant #3			

POSTAL ADDRESS

Street No. (or PO box details) Street

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

Financial Institution 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.
(c) If my/our Application Form is accepted I/we agree to be bound by the Constitution and any successor document or constitution.
(d) I/we cannot withdraw my/our application except when I/we have such a right under the Corporations Act or if the Manager consents.
(e) All personal information can be dealt with in accordance with the privacy policy referred to in this PDS.

DATE OF APPLICATION / /

D M Y

PLEASE SIGN BELOW

Individual	Joint 2	Joint 3
Sole Director/Sole Company Secretary	Director/Secretary	Director

OFFICE USE ONLY: Received / / Units Allotted

PFD 1/07

Instructions to Applicants

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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 number 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.

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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

Cheques must be made payable to **'Trust Company Limited – PFADPT'.** Please attach your cheque to the Application Form. Your cheque must be in Australian currency. Receipts will not be issued.

ADVISER SERVICE FEE

You may elect to nominate a percentage of your application monies which will be deducted from the application monies and paid to the financial adviser or broker whose stamp appears on the Application Form. The percentage nominated will be treated as inclusive of GST.

DISTRIBUTION BANK ACCOUNT DETAILS

Monthly income distributions will be paid by **electronic funds transfer to your bank, building society or credit union.** Please ensure that your bank account details are correct. Your BSB number is a six digit number which identifies your financial institution and branch. If unsure, please contact your financial institution to confirm the correct number.

CORRESPONDENCE

All correspondence will only be addressed to the person and address as completed on the Application Form.

LODGEMENT OF APPLICATION FORMS

Completed Application Forms and cheques must be sent to:

Postal address for mail:

Property Funds Australia Limited
PO Box 10398
BRISBANE ADELAIDE STREET QLD 4000

Office address for delivery:

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

ENQUIRIES

Property Funds Australia Limited
Freecall: 1800 687 170
Facsimile: (07) 3221 6729
Email: info@pfaltd.com.au

CORRECT FORMS OF REGISTRABLE NAMES

Note that only legal entities are allowed to hold Units. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Manager. At least one given name in full and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if requested. Use the symbols < > as shown below to indicate an account designation.

TYPE OF INVESTOR	CORRECT FORM	INCORRECT FORM
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
Superannuation Funds Do not use the name of superannuation funds, use the trustee(s) name	**ABC Pty Ltd** **<Smith Family Superannuation Fund>**	Smith Family Superannuation Fund

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/Dr Surname/Company Name (including ACN) Applicant Given Names Date of Birth

Joint Applicant # 2

Joint Applicant #3

POSTAL ADDRESS

Street No. (or PO box details) Street

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

Financial Institution 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.
(c) If my/our Application Form is accepted I/we agree to be bound by the Constitution and any successor document or constitution.
(d) I/we cannot withdraw my/our application except when I/we have such a right under the Corporations Act or if the Manager consents.
(e) All personal information can be dealt with in accordance with the privacy policy referred to in this PDS.

DATE OF APPLICATION / /

D M Y

PLEASE SIGN BELOW

Individual Joint 2 Joint 3

Sole Director/Sole Company Secretary Director/Secretary Director

OFFICE USE ONLY: Received / / Units Allotted

PFD 1/07

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Directory

MANAGER

Property Funds Australia Limited

ACN 078 199 569

Office

Level 3

Anzac Square Commercial

200 Adelaide Street

BRISBANE QLD 4000

Phone: (07) 3221 7170

Toll Free: 1800 687 170

Fax: (07) 3221 6729

Email: info@pfaltd.com.au

Postal Address

PO Box 10398

Brisbane Adelaide Street QLD 4000

REGISTRY

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PO Box 10398

Brisbane Adelaide Street QLD 4000

DIRECTORS OF PROPERTY FUNDS AUSTRALIA

Robert T Summerton (Non-Executive Chairman)

Christopher A Morton (Managing Director)

Dennis W Wildenburg

Nicholas R Collishaw

Jennifer J Hutson

AUDITOR

BDO Kendalls

Level 18

300 Queen Street

BRISBANE QLD 4000

CUSTODIAN

Trust Company 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 Corporate Finance (Qld) Ltd

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