



AND CONTROLLED ENTITIES
ARSN 097 860 690



ANNUAL REPORT 2007



ACN 078 199 569
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PFA Diversified Property Trust,
a listed Australian unit trust, which owns
a portfolio of Australian investment grade
properties currently valued at \$571 million.

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PFA DIVERSIFIED PROPERTY TRUST

The PFA Diversified Property Trust is a listed Australian unit trust which owns a portfolio (either directly or through wholly owned subsidiary trusts) of Australian investment grade properties currently valued at \$571 million. The portfolio is diversified by property sector, geographic location, tenant profile and lease expiry.

The Trust currently has in excess of 4,000 unitholders.

The Trust's fundamental strategy is to invest in a growing portfolio of quality properties diversified by property sector, geographic location, tenant profile and lease expiry with the properties generally in the price range of \$10 million to \$50 million.

The Trust is listed on the Bendigo Stock Exchange.

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

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

your own circumstances before acting on it. If you are unsure you should seek the help of your financial adviser. Whilst all reasonable care has been taken in relation to the preparation and collation of the Information, no person, including PFA and its directors, accept responsibility for loss or damage howsoever occurring resulting from a use or reliance on the Information by any person. Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

Managing Director's Letter

Dear Unitholders,

As managing director of Property Funds Australia Limited ("PFA"), the responsible entity of the PFA Diversified Property Trust ("the Trust"), I am pleased to present the 2007 annual report to unitholders.



This past year, has been probably been the most active and successful for the Trust to date. It has seen the acquisition of four properties to 30 June 2007 and the settlement of a further property (390 St Kilda Road, Melbourne) during August. It has also seen significant valuation gains and excellent property performance.

One of the key objectives for the Trust has been the continued diversification of the Trust assets. In recent times, this has involved a gradual movement away from the Trust's material Brisbane office focus. This has been demonstrated by the acquisition of two properties in Sydney being a 50% interest in The Octagon, Parramatta and 706 Mowbray Road, Lane Cove as well as the Foxtel Building at Moonee Ponds, Melbourne and a Perth hotel property, the Citigate Perth (formerly known as the Grand Chancellor).

Two Brisbane office property assets were sold during the year, the Garden Square Office Park and 388 Queen Street, Brisbane. In both cases, the properties were sold for more than \$20 million above their book value at the time of sale.

This financial year, the Trust has continued to benefit from rental growth, a low portfolio vacancy rate and the general compression of capitalisation rates which have occurred in property markets generally. This has been evidenced by the revaluation of 10 of the Trust's property assets which have added \$57 million to the Trust's portfolio value. Impressively, this has resulted in a 32% increase in the NTA per unit to \$1.53, up from \$1.16 as at 30 June 2006.

Unitholders who have held units throughout the 2006/07 financial year have enjoyed 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. A further special distribution of 2.88 cents per unit was also paid in September 2007 as a consequence of the sale of 388 Queen Street, Brisbane.

The performance and other qualities of the Trust were again recognised by the Australian Property Institute (Queensland Division), which awarded it the 2006 Property Trust Industry Award. The Trust also received this award in 2005.

Looking forward, PFA will continue to build on the Trust's sound financial performance. It will also continue to assess the most appropriate strategy for the properties in the Trust portfolio and where appropriate divestment of one or two properties may occur over the next 6-18 months.

In October, the Mirvac Group will take 100% control of PFA with my family interests selling the balance 50% of PFA shares to them. I will retire as managing director at that time.

The Mirvac Group is a leading integrated real estate group listed on the ASX with more than \$26 billion of activities under its control across the real estate funds management and development spectrum. In addition to its abundant property expertise, the Mirvac Group has had for the last three years, an intimate involvement in and understanding of the Trust and its portfolio. I am confident that unitholders' interests will continue to be a priority under Mirvac's stewardship of the Trust.

I take this opportunity to thank unitholders for their support of PFA and the Trust over the years. I have been humbled by the responsibility of having been entrusted to oversee the care of your funds.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Chris Morton". The signature is fluid and cursive, written over a light blue horizontal line.

Chris Morton
Managing Director

Operating Highlights

Events

July 2006: One for Seven rights issue closed on 25 July 2006 with 10,940,854 units having been issued at \$1.09 per unit.

August 2006: PDS No. 4 closed after raising \$24.6M and a total of 22,378,234 units having been issued.

September 2006:

- Announcement of \$25.46M increase in the value of Trust's property portfolio resulting in a 9 cent per unit increase in NTA.
- The potential sale of the Garden Square Office Park, Upper Mt Gravatt, Brisbane announced.

January 2007: Acquisition of 706 Mowbray Road, Lane Cove, Sydney for \$29.265M settled on 31 January 2007.

February 2007: Settlement of the sale of Garden Square Office Park for \$57M completed on 28 February 2007.

March 2007: Special Distribution of 5.26 cents per unit paid to unitholders recorded on the register as at 1 March 2007.

May 2007: Acquisition of a 50% interest in The Octagon, 110 George Street, Parramatta, Sydney settled for \$39M on 8 May 2007.

June 2007:

- Product Disclosure Statement ("PDS No. 5") lodged with ASIC for the issue of up to 20,491,803 units in the Trust. The offer price under PDS No. 5 was \$1.22 per unit.
- Acquisition of the Citigate Perth hotel property for \$52M settled on 28 June 2007.
- Settlement of the sale of 388 Queen Street, Brisbane for \$40M completed on 28 June 2007.
- Acquisition of the Foxtel Building, 1-21 Dean Street, Moonee Ponds, Melbourne for \$28.5M settled on 28 June 2007.

July 2007: Announcement of a Special Distribution of 2.88 cents per unit to be paid to unitholders on the register as at 31 July 2007 as a consequence of the sale of the 388

Queen Street property. This special distribution was paid on 14 September 2007.

August 2007:

- Acquisition of the 390 St Kilda Road, Melbourne property for \$63.3M settled on 17 August 2007.
- PDS No. 5 closed after raising \$43.4M and a total of 35,546,274 units having been issued.

Financial Performance

- Ordinary distributions of 9.80 cents per unit for the year ended 30 June 2007 in accordance with previous forecasts;
- Special distribution for eligible unitholders of 5.26 cents per unit;
- Net Profit (before amortisations and unitholder distributions) for the year approximately \$100.4M (up 167%);
- Earnings per unit (before amortisations and unitholder distributions) for the year was 53.4 cents (up 118%);
- Net Profit (after tax and amortisations and before unitholder distributions) for the year approximately \$99.2M (up 173%);
- Tax deferred component of monthly income distributions – 61.48%;
- As at 30 June 2007:-
 - Total assets \$590M, up \$176M;
 - Net tangible asset backing* of \$1.53 per unit (up 37 cents per unit).

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

Financial Overview

	As at 30 June 2007	As at 30 June 2006
Total assets (\$'000)	590,287	414,436
Total unitholder funds (\$'000)	292,212	195,700
Net asset backing per unit (\$)	1.54	1.17
Net tangible asset backing per unit* (\$)	1.53	1.16
Number of units on issue ('000)	190,121	167,743
Total Financiers' debt (\$'000)	289,524	211,014
% Financiers' debt to total assets (%)	49	51
Number of unitholders	3,984	3,722
Vacancy Rate (% by income)	1.3	1.5

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

	For 12 months ending 30 June 2007	For 12 months ending 30 June 2006
Net profit after tax and amortisations (\$'000)	99,221	36,289
Distribution per ordinary unit (cents per unit)	9.80	9.48

Manager's Report

We are pleased to report to you on the activities and achievements of the PFA Diversified Property Trust ("the Trust") for the financial year ended 30 June 2007.

Fund Performance

Monthly distributions for the year have been occurring at the rate of 0.8167 cents per unit per month (9.80 cents per unit annualised) which is in accordance with forecasts for the Trust in Product Disclosure Statements No. 4 and No. 5 lodged during this year. The directors of the Manager have forecast this distribution rate of 9.80 cents per unit per annum to continue through to 30 June 2008 (subject to the assumptions on which the forecast is based set out in section 6.2 of PDS No. 5).

In addition to the monthly distributions, a special distribution of 5.26 cents per unit was paid to those unitholders on the register as at 1 March 2007.

Of particular note, during the year were the following positive results compared to the financial year ending 30 June 2006 and forecasts in PDS No. 5:-

- net tangible asset backing per unit increased 37 cents to \$1.53 per unit;
- positive revaluations of 10 of the properties in the portfolio resulted in a net increase of \$57.31M in the value of the portfolio (an average increase of 25% to those revalued properties);
- gross operating revenue increased by 20% to \$47M;
- net profit (after tax and amortisations and before unitholder distributions) increased by 173% to \$99.2M; and
- earnings per unit (before amortisations and unitholder distributions) for the year increased 118% to 53.4 cents.

Fund Management

Underpinning the Trust's sound financial result for the year has been the ongoing commitment by the Manager to meeting the objectives and strategies of the Trust as set out in the original merger explanatory memoranda and subsequent product disclosure statements. These have included the following events which are discussed in greater detail below:-

- the provision of stable distributions to unitholders;
- the commitment to ongoing diversification – both sector and geographical (as exhibited by the acquisition of commercial properties in Sydney and Melbourne and a hotel property located in Perth);
- the divestment of properties which are no longer considered appropriate or strategic to continue to hold;
- the ongoing capital works which the Manager believes should occur to underpin and add to the value of the portfolio;
- greater funding flexibility and improved access to debt and equity markets;
- the delivery of sound growth in the value of the portfolio;
- the provision of liquidity in the investment through the Bendigo Stock Exchange ("BSX"); and
- maximise the total returns to unitholders (as demonstrated by the sale of the Garden Square Office Park property and 388 Queen Street and the subsequent special distributions to unitholders).

Asset Management

Acquisitions

706 Mowbray Road, Lane Cove, Sydney

The acquisition of 706 Mowbray Road, Lane Cove was completed by the Trust on 31 January 2007 for a purchase price of \$29.265M.

706 Mowbray Road 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.



706 Mowbray Road, Lane Cove, NSW

The Octagon, 110 George Street, Parramatta

The acquisition of a 50% interest in The Octagon, a commercial office building located at 110 George Street, Parramatta was finalised on 8 May 2007. The purchase price was \$39M for 50% of the property (\$78M for 100%). The remaining 50% of the property was acquired by the Clarence Property Corporation Limited as responsible entity for the Westlawn Property Trust.

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 six upper levels of quality office accommodation spread across eight pods. The property also comprises four 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 four 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 \$3M is being

provided to supplement the property's lease expiry profile and current vacancy level.

The Citigate, Perth

On 28 June 2007, the Trust acquired the Citigate Perth hotel located at 707 Wellington Street, Perth for \$52.0M.

The property is a 4 star hotel incorporating eight levels. The property comprises 276 guest rooms, a restaurant, bar and seven conference rooms. The hotel was opened in 1985 and previously operated as the Hotel Grand Chancellor.

The hotel is located on Wellington Street, approximately one 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.

The hotel is leased to Citigate Perth Pty Ltd for 10 years and managed for that company by Mirvac Hotels Pty Limited under its Citigate brand. 49% of the voting shares of Citigate Perth Pty Ltd are owned by the Trust.

Mirvac currently manages over 40 hotels and resorts throughout Australia, New Zealand and the Pacific. Mirvac's hotel brands include Sebel, Quay Grand, The Como, Quay West, Sea Temple and Citigate.



Foyer, The Citigate, Perth, WA

Manager's Report

Foxtel Building, 1-21 Dean Street, Moonee Ponds

Acquisition of the Foxtel Building, a commercial office building located at Moonee Ponds, Melbourne occurred on 28 June 2007, for a purchase price of \$28.5M.

The Foxtel property is 100% leased by Foxtel Management Pty Ltd on a 10 year remaining lease through to March 2017, with three four year options to renew. Foxtel operates a national Customer Solutions Centre from this property, which directly employs over 750 people.

The property is situated at 1-21 Dean Street, Moonee Ponds approximately six radial kilometres north-west of the Melbourne CBD. The property is located adjacent to the south-west corner of the Moonee Valley Racecourse whilst other surrounding development generally comprises a mix of established residential, retail and commercial properties. The property is also close to public transport services and within easy access to City Link.

The property was purpose built by Foxtel in 2004 for its own occupation. It consists of five levels (including basement car park) and has a net lettable area of 7,136m². The building design features a central, four level high, atrium with a translucent ceiling and suspended stairways within the void. The lift core and peripheral offices are positioned at the eastern and western ends of the building, with the result being virtually uninterrupted light from the extensively glazed northern and southern facades (and the atrium).

In addition to 68 basement car spaces, the property also provides 182 spaces within four split levels of deck parking to the eastern side of the office building.



Foxtel Building, Moonee Ponds, VIC

390 St Kilda Road, Melbourne

Subsequent to 30 June 2007, the Trust acquired a commercial office building located at 390 St Kilda Road, Melbourne for \$63.225M.

390 St Kilda Road is prominently located on the corner of Bowen Lane towards the northern end the St Kilda Road office precinct, which connects with the Melbourne CBD. It is the tallest office building in this famous boulevard of Melbourne.

The property was constructed in 1976 and comprises 23 levels of office accommodation and five levels of basement carparking. The property has a net lettable area of 16,229m².

The property provides quality office accommodation with good natural light and views from the building. The typical floor plates are 740m² in size and subdivide easily to accommodate the typical smaller St Kilda Road tenancy.

The property is fully let and has a weighted average lease expiry of 3.4 years. The property's main tenants include the Mayne Group, which presently occupies three floors, Australian Training Products, WT Partnership and 'switched on knowledge'. The balance of the property is occupied by 35 smaller tenancies ranging in size from 85m² to 502m².

Settlement of the 390 St Kilda Road property occurred on 17 August 2007.

This acquisition continues our strategy for the Trust by increasing its geographical diversification and seeking opportunities to value-add in markets in which the Trust has had limited exposure.

Divestments

Sale of Garden Square Office Park

In the 2006 annual report, the Manager announced the potential sale of the Garden Square Office Park. The sale of this property to Stockland Trust Management Limited on behalf of the Stockland Trust occurred on 28 February 2007. The sale price was \$57M, which was well above the property's book value of \$35M at the time of sale.

The property was purchased in 1998 and was the longest held property of the Trust (and its sub-Trusts). The property was bought by the Trust for a price of \$20.6M.

Following a strategic analysis of the Trust's portfolio, the Board of the Manager, concluded that the sale of Garden Square Office Park was appropriate and its divestment consistent with the ongoing diversification strategy of the Trust, particularly given the overweight nature of the Trust's exposure to Brisbane office.

Sale of 388 Queen Street, Brisbane

On 28 June 2007, the Manager settled the sale of 388 Queen Street, Brisbane to diversified property group, Trinity for \$40M.

388 Queen Street was purchased in 2001 by the Trust for a purchase price of \$16.0M. The sale price of \$40M was \$21M above the property's book value at the time of sale.

The sale was consistent with the ongoing diversification strategy of the Trust. The Manager believed that it was an opportune time to dispose of the property given the strategic nature and need of the buyer, the sound price offered and that it was an opportune time for the Trust to realise profit from the Brisbane office market.

Sale of Sevenoaks Land

On 3 May 2007, the Manager announced that it had entered into a contract for the sale of the surplus land (approx. 1.75 hectares) at 303 Sevenoaks Street, Cannington, Perth, WA for an agreed sale price of \$5.4M.

The sale of the 1.7524 hectares was subject to the approval of a Subdivision Plan by the Western Australian Planning Commission upon acceptable terms to the Trust based on the cost of compliance with and nature of any approval conditions. This approval has now been given and notice of the acceptability of the terms of the approval advised to the proposed purchaser. Previous product disclosure statements issued by the Manager have referred to the intention to dispose of this surplus land once development issues relating to it has been clarified. Settlement is due to occur following the issue of a separate Certificate of Title for the subdivided lot. Settlement is anticipated to occur in the first six months of 2008.

303 Sevenoaks Street, Cannington was bought by the Trust in February 2005. The balance of the property (not including the surplus land) is substantially leased or licensed to the State Government of Western Australia.

Portfolio Review

The Manager continues to monitor the Trust's portfolio of investment properties to ensure consistency with the business needs and objectives of the Trust. Properties which are not consistent with the objectives of the Trust will be considered for divestment, as has occurred with Garden Square Office Park and 388 Queen Street.

Redevelopment Opportunities

The portfolio contains some properties which have potential redevelopment opportunities. The Manager continues to assess and clarify these opportunities.

Revaluations

Revaluations of 10 assets during the year have added \$57.31M to the portfolio's value. The relevant properties subject to revaluation increases during the year were:-

Property	Previous Book Value	New Book Value	Increase
Civic Tower	\$58.87M	\$68.75M	\$9.88M
Lands Building	\$29.00M	\$35.00M	\$6.00M
Cairns Hypermart	\$20.00M	\$25.50M	\$5.50M
Anzac Square	\$24.00M	\$37.00M	\$13.00M
544 Kessels Road	\$13.69M	\$17.70M	\$4.01M
Centro on James – Stage 3	\$14.70M	\$17.90M	\$3.20M
180 Queen Street	\$19.18M	\$25.50M	\$6.32M
AAPT Centre	\$16.56M	\$17.50M	\$0.94M
303 Sevenoaks Street	\$48.80M	\$55.00M	\$6.20M
33 McDowell Street	\$7.49M	\$9.75M	\$2.26M

Underlying the increases in valuations has been the general compression of capitalisation rates which have occurred in the property market generally but particularly office markets in Australia (for example, in the Brisbane and Perth office markets). The portfolio's capital appreciation has also been the result of rental growth and positive leasing campaigns (particularly at Civic Tower, Anzac Square and 180 Queen Street).

Leasing Activity

The vacancy rate (based on income) for the Trust portfolio as at 30 June 2007 is 1.3% which is comparatively low in industry terms. The vacancy rate for the portfolio has decreased during the year, down from 1.5% as at the date of last year's annual report. This has been a pleasing result and is significantly due to the active management strategy of the Manager for the Trust's property portfolio.

The weighted average lease expiry of the portfolio remained relatively constant during the year and remains strong at 6.7 years. This current weighted average lease term of 6.7 years provides a strong lease profile and underpins the stability of future income for the Trust.

Leasing deals completed during the year have predominantly related to the Civic Tower, Cairns Hypermart and Sevenoaks properties.

Manager's Report

Civic Tower

Since the 2006 annual report, considerable leasing has occurred at Civic Tower. Publishing & Broadcasting Limited (PBL) commenced leases for an additional two floors, totalling 975m² of office space and now occupy 10 floors at Civic Tower on leases through to 2016. Business advisors and chartered accountants, William Buck commenced a new 10 year lease from 1 January 2007 for levels 28 and 29. Body Corporate Services now occupy level 27 and part of a level 26 on a 10 year lease through to August 2017.

The Manager also has finalised heads of agreement to lease the balance of the vacancy on the remaining two floors.

Following the signing of the final leases the property will be fully let. This is an excellent outcome for the property which had 8 vacant floors at the time of acquisition in December 2005.



Civic Tower, Sydney, NSW

706 Mowbray Road

At the time of acquiring this property in January 2007, there was a vacancy of around 15% of the property's income. Rental support is being provided by the vendor of the property for approximately two years whilst this vacancy is let. In February 2007, the property's major tenant, Atlab, signed a lease for a further 783m² until March 2018. Atlab now occupy approximately 50% of the net lettable area of the Mowbray Road property. An active leasing campaign is underway to lease the balance of the property's vacant area.

Anzac Square Offices

A marketing campaign has commenced for the lease of three floors at this property which will become available in June 2008 following the expiration of the Energex lease at this time. Energex has sublet this space to the Commonwealth

Government and a major construction company. The Manager has received strong interest to date and is expected that new rental agreements at the property should provide a significant increase in the rental levels previously achieved in this property.

From July 2007, the coffee shop operator, Extract Coffee, expanded their operation into the foyer of Anzac Square Offices. An additional doorway was cut through the wall adjoining the existing coffee shop to enable access and cafe seating in the foyer of the property. Given the heritage nature of the property, it was necessary to obtain heritage council approvals to undertake the works. The inclusion of cafes within CBD commercial office foyers has now become more common throughout Australia. The expansion of the cafe space has provided additional rental and enhanced the appeal of this property to tenants.

Cairns Hypermart

In the 2006 annual report, the Manager reported that Harvey Norman had committed to a new seven year lease occupying all of the warehouse facility and also an office within the warehouse. This new lease arrangement was in addition to their existing lease within the retail component of the property. Harvey Norman has now made a variation to all of their leases, extending them for a further six years through to 2018. Harvey Norman occupy in total approximately 9,000m² or 61% of the total net lettable area of the Cairns Hypermart property. As part of their new lease agreement, provision has been made for the Trust to fund some refurbishment/fitout works for the expansion of their retail tenancy. The costs for these works will be repaid to the Trust over the term of the lease.

AAPT Centre, Richmond

As part of the acquisition and agreed AAPT lease arrangements, provision has been made for the Trust to fund up to \$3 million in fitout and refurbishment of this property. Plans for this refurbishment have now been finalised and the commencement of works is due to occur soon. The AAPT rent will appropriately increase upon the completion of these works in return for the Trust's funding of this refurbishment.

180 Queen Street

The basement level of 180 Queen Street consists of a safety deposit facility for the National Australia Bank Security Deposit. The lease of this level was due to expire in June 2007. However, the bank exercised a three year lease option to extend their lease until June 2010.

During the Period, ABT Recruitment commenced a lease for 345m² for seven years on Level 1 of this property. The leasing that has occurred at 180 Queen Street since its acquisition, has resulted in there now being a nil vacancy in this property.

Sevenoaks

This property is wholly leased to the State Government of Western Australia with 80% of it leased until 2017. The Department of Family and Children Services whose lease was due to expire in July 2007, exercised an option for their lease to continue for a further five years and at an increased market rental.

The Lands Building

In the 2006 annual report, it was reported that an outstanding rental review was subject to independent determination with a result expected by the end of March 2007. This determination has occurred achieving a satisfactory increase in rental at this property. The rental uplift achieved has been reflected in the revaluation of this property that occurred at 30 June 2007.

Future Leasing Activity

Maintaining a strong tenant profile remains a critical focus for the Manager and a key point of difference for the Trust as against many trusts of a similar size, particularly with national and government tenants currently accounting for approximately 87% of the income of the Trust. Importantly, the Manager's management strategy for the Trust is to maintain and develop relationships with tenants to meet their current and future requirements and actively manage the property portfolio with a focus to enhancing the portfolio's income stream.

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

- undertaking a remix of the retail tenants located at The Precinct, Coorparoo;
- continued focus on possible tenancy remixes at Homeworld;
- continuation of the leasing strategy and tenancy remix at The Riverdale Centre;
- the continuation of the leasing campaign for the 3 levels at Anzac Square Commercial Offices which will become available in July 2008;
- an active leasing campaign for the vacancies at 706 Mowbray Road, Lane Cove; and
- active management of the lease expiry profile for the Octagon, Parramatta.

Property Management

In July 2007, Mirvac Real Estate Pty Ltd took over the property management of most of the Trust's property portfolio. Mirvac Real Estate Pty Ltd is responsible for the day to day property management and rent collection duties. This management was previously carried out by Knight Frank.

Capital Works

The Manager is conscious of the necessity to maintain the assets to keep them competitive in the marketplace. Continuing with the strategy to maintain and enhance the physical quality of the Trust's property assets, the Manager has undertaken considerable capital works to a number of the properties during the year.

Anzac Square Offices

A refurbishment program for the interior of the lifts at the Anzac Square Offices was carried out to deal with the wear and tear of normal use of such lifts.

AAPT Centre

The fitout and refurbishment program of the AAPT Centre, as agreed under the sale as leaseback arrangements with AAPT.

Cairns Hypermart

The refurbishment program undertaken at the Cairns Hypermart property to assist with the new lease arrangements for Harvey Norman at this property.

Future Capital Works

Other works proposed to be undertaken in the forthcoming 12 months include:-

- an upgrade of services (e.g. lifts and air conditioning) and the refurbishment of certain areas within the Octagon property;
- replacement of carpets at the Lands Building;
- upgrade of air conditioning services at the Cairns Hypermart property;
- the commencement of a refurbishment program for the Citigate Perth hotel; and
- the commencement of a foyer upgrade at the Citigate Melbourne hotel.

Debt Management

The total Financiers' debt of the Trust as at 30 June 2007 was \$289,524,000 (before amortised borrowing costs). This represents a gearing ratio against total assets of 49% as at 30 June 2007.

Of these borrowings, approximately 60% of the Trust's debt funding as at 30 June 2007 had fixed interest rates or was hedged with the balance being at variable rates. As a result of arrangements entered into after 30 June 2007, and as at the date of this report, approximately 90% of the Trust's debt funding had fixed interest rates or was hedged with the balance being at variable rates. The Manager continues to monitor the interest rate market for opportunities to purchase hedging style products at appropriate pricing.

Manager's Report

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

The weighted average interest rate (inclusive of Financiers' margins) on debt as at 30 June 2007 was 6.82% per annum.

Capital Management

Capital Raising

On 8 June 2007, a product disclosure statement ("PDS No. 5") was lodged by the Manager with ASIC for the issue of 20,491,803 units in the Trust at an offer price of \$1.22 per unit.

On 24 August 2007, the Manager closed PDS No. 5 after raising \$43.4M (\$18.4M (approx.) above the assumed capital raising amount of \$25M). 35,546,274 units in total were allotted as part of this process.

The Manager accepted oversubscriptions under PDS No. 5 due to the acquisition of 390 St Kilda Road which was purchased for \$63.225M and settled on 17 August 2007. This acquisition was above the assumed property acquisition in PDS No. 5 at \$40M.

The Manager considered the effect that these oversubscriptions will have on distributions. It was determined that there should not be a material variance as a consequence of:-

- the acquisition of 390 St Kilda Road;
- the proposed investment of excess funds via the acquisition of another investment property in the future; and
- borrowing costs on the St Kilda Road acquisition being at a rate less than previously forecast.

The Market

During the year, the weighted average price per unit that units in the Trust have traded on the BSX has been \$1.16, a 8.4% increase on the weighted average price per unit for the 2006 year. The weighted average price per unit has increased to \$1.19 in the period 1 July 2007 to 4 September 2007. As at the date of this report, the last trade was at \$1.28 per unit. The market capitalisation of the Trust as at 30 June 2007 was \$222.44M, and total trade volume on the BSX for the year was approximately 4.9 million units, a 49% increase in the total number of units traded when compared with the 2006 year.

The Manager is hopeful that given the sound financial performance of the Trust and the material increase in the net tangible assets per unit in the Trust that subsequent pricing may more fully reflect these events.

Unit Pricing Policy

The Manager has implemented a Unit Pricing Policy which is primarily based on the issue price requirements of the Trust's constitution. A copy of the Unit Pricing Policy and any discretions exercised by the Manager are available free of charge on request.

Manager Update

On 30 August 2007, Mirvac Holdings Limited, a member of the Mirvac Group (Mircac) gave the requisite notice to acquire the balance 50% of the shares in Property Funds Australia Limited that it currently does not own.

The balance 50% is being acquired by Mirvac from interests associated with PFA's managing director and his family.

This will mean that Mirvac, upon completion of its contract to purchase the balance 50%, will then own and control 100% of the shares in PFA. Settlement of the contract to purchase the shares in PFA ("the settlement") is expected to occur no later than 10 October 2007.

Previous PFA publications and announcements have referred to the right of Mirvac to acquire this balance 50%.

The most recent PDS issued on behalf of the Trust (PDS No. 5) advised of Mirvac's intention to exercise this option to acquire the balance 50% (although it had not at that point in time formally exercised such an option right).

As canvassed in PDS No. 5, 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.

Mircac has advised PFA that there is no immediate intention to change the compliance committee of the Trust. However, there will be a recomposition of the Board of Directors of PFA upon the settlement. The identity of the new directors of the board who will be appointed upon the settlement will be advised in the near future.

Chris Morton, PFA's current managing director, will retire as managing director and will cease involvement in the PFA business as at the settlement. The ownership of units in the Trust held by entities related to him will however continue.

Unitholders should understand that the abovementioned transaction is not an acquisition or an intention to acquire any of the units in the Trust by Mirvac but only of the shares in the corporation that has the management rights in respect of the Trust (i.e. PFA).

An updated announcement to the BSX giving more information relating to the effect of this transaction on the management of PFA will be made during October.

Mirvac is a leading integrated real estate group, listed on the ASX with more than \$26.3 billion of activities under control across the real estate funds management and development spectrum.

The Mirvac's Funds Management division (of which PFA will become a member) manages approximately \$13.3 billion, \$4.2 billion through Mirvac Property Trust and \$9.1 billion on behalf of more than 40,000 institutional and retail investors.

Trust Wins Property Trust Industry Award

The Manager is pleased to report that the Trust was again awarded the Property Trust Industry Award by the Australian Property Institute (Qld Division) in 2006. The Trust also won this award in 2005. Judging for the award is made on the basis of financial performance, management, innovation.



Country Road tenancy at 180 Queen Street, Brisbane

Outlook

The 2007 financial year has again been an active period for the Manager and the Trust and a very successful one. It has been one which has provided opportunities for both the acquisition and sale of properties within the Trust's portfolio. This financial year, the Trust has continued to benefit from rental growth, a low portfolio vacancy rate and the general compression of capitalisation rates which have occurred in property markets generally.

Looking forward, the Manager intends to continue to build on the Trust's sound financial performance which has occurred over recent years. Further growth of the Trust may be restricted during the coming year due to compressed property capitalisation rates and higher current interest rates. The Manager will continue to assess the most appropriate strategy for some of the properties in the Trust portfolio.

The Manager remains positive about the underlying fundamentals of the Trust and its future. In the context of alternative property investment opportunities available in the market, it would appear to offer value. In the meantime, the Manager will continue to focus on providing to unitholders via the Trust, stable and tax effective income returns underpinned by a reasonable level of security.

Property Portfolio

Overview

Portfolio Status

As at 30 June 2007, the Trust's portfolio had the following characteristics:-

- \$571 million in property assets over 18 properties;
- a strong 6.7 year weighted average lease expiry;
- a balanced lease expiry profile;
- a 1.3% vacancy rate;
- approximately 87% leased to national or government tenants;
- 160,267m² of net lettable area;
- sound diversification, particularly by reference to sector and tenant, with a material Queensland geographical bias.

The portfolio comprises 18 properties, summarised as follows:-

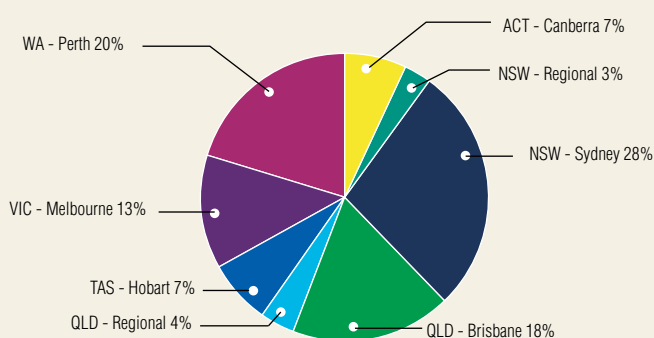
Asset	Sector	Location	% of Portfolio Value	Current Value
Civic Tower	Office	Sydney CBD, NSW	12.03%	\$68,750,000*
Citigate Perth	Hotel	Perth, WA	9.80%	\$ 56,031,000
Sevenoaks	Office	Cannington, Perth, WA	9.63%	\$ 55,000,000
The Octagon	Office/Retail	Parramatta, NSW	7.34%	\$41,980,000*
Citigate Melbourne	Hotel	Melbourne CBD, VIC	6.49%	\$ 37,080,000
Homeworld Centre	Retail/Office	Tuggeranong, ACT	6.07%	\$ 34,700,000
The Lands Building	Office	Hobart, TAS	6.13%	\$ 35,000,000
706 Mowbray Road	Industrial/Office	Lane Cove, Sydney, NSW	5.53%	\$ 31,581,000
Foxtel Building	Office	Moonee Ponds, Melbourne, VIC	5.36%	\$ 30,676,000
Anzac Square Offices	Office	Brisbane CBD, QLD	6.47%	\$ 37,000,000
Cairns Hypermart	Retail/Industrial/Office	Cairns, QLD	4.47%	\$ 25,500,000
180 Queen Street	Retail/Office	Brisbane CBD, QLD	4.47%	\$ 25,500,000
AAPT Centre	Industrial/Office	Richmond, Melbourne, VIC	3.07%	\$ 17,500,000
Riverdale Centre	Retail/Entertainment	Dubbo, NSW	2.75%	\$ 15,750,000
Centro on James – Stage 3	Retail/Entertainment	Fortitude Valley, Brisbane, QLD	3.14%	\$ 17,900,000
The Precinct	Office/Retail	Coorparoo, Brisbane, QLD	2.44%	\$ 13,900,000
544 Kessels Road	Retail/Industrial	MacGregor, Brisbane, QLD	3.10%	\$ 17,700,000
33 McDowell Street	Industrial	Welshpool, Perth, WA	1.71%	\$ 9,750,000
			100.00%	\$571,298,000

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

Geographical diversification

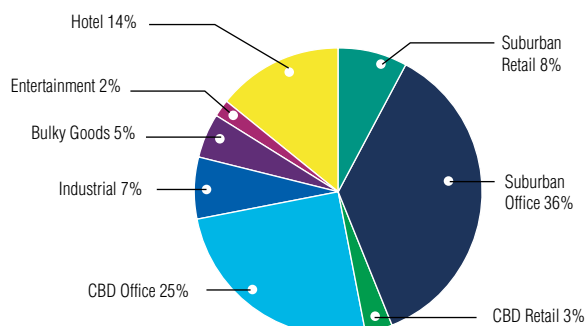
The adjacent graph demonstrates the geographical diversification of the portfolio.

Geographical Diversification (by Gross Income)



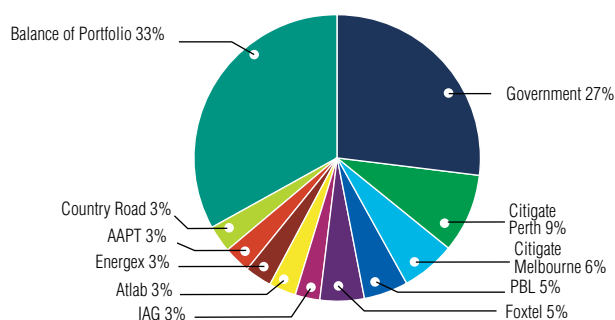
Property sectors

Property Sectors (by % of Gross Passing Income)



The Tenants

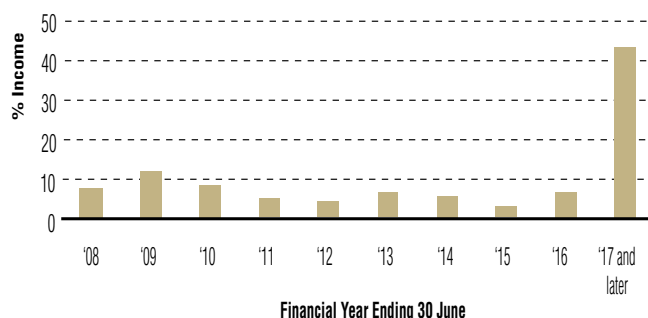
The following pie chart illustrates the contribution by income (approximately 66%) of the top 10 tenants.



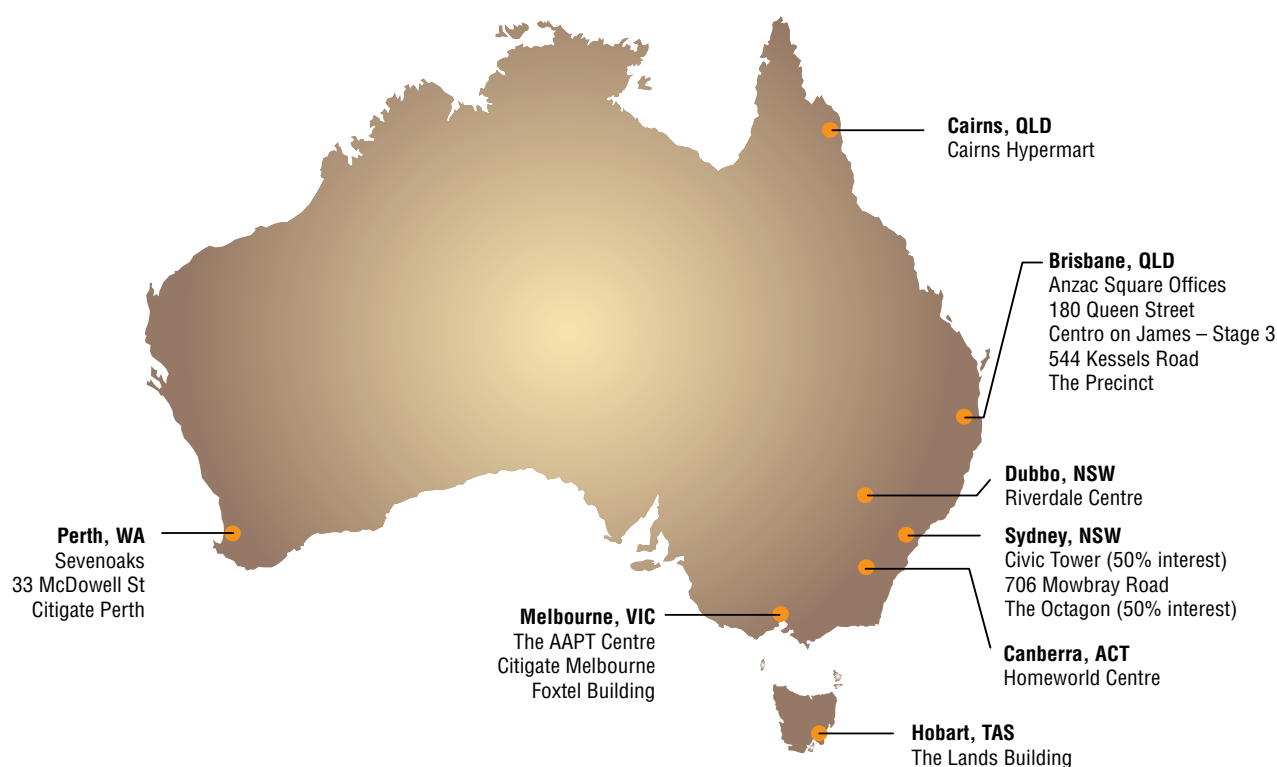
Lease expiry, average lease term and vacancy rate

The chart below shows the portfolio's current lease expiry profile. The portfolio has a weighted average lease term of 6.7 years and a vacancy rate of approximately 1.3%*.

Lease Expiry Profile - PFA Diversified Property Trust



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



Property 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 22,931m² office tower over 24 floors constructed above an existing podium building known as the Masonic Centre. Additionally, the property comprises a ground floor foyer and separate retail area. Typical floor plates are 940m² NLA with central core configuration and column free. The property has a 4½ star SEDA green rating.

The property's major tenants include Publishing and Broadcasting Limited (PBL), the Federal Department of Public Prosecutions and William Buck (NSW) Pty Ltd. Only one-half of a floor is presently vacant. Rental and other support is being provided for non-income producing areas 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
Title:	Stratum Leasehold
Principal Use:	Commercial Office
Date Built:	2004
Date Acquired:	December 2005
Site Area:	N/A - Stratum
Net Lettable Area:	22,931 m ² Office 257 m ² Retail
Vacancy:*	Nil
Weighted Av. Lease Expiry:*	8.18 years
Ownership:	50%
Value (50% interest):	\$68.75M
Valuation Date:	June 2007

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

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



Sevenoaks

Description

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

Sevenoaks has a large 5,500m² floorplate which is highly attractive to government and large corporate tenants due to spatial efficiencies. Two internal atriums within the building enable natural light to penetrate through it.

The building, which was originally built for the Australian Taxation Office, has been constructed to a high government specification.

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 in to. 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
Title:	Freehold
Principal Use:	Commercial Office
Date Built:	1992
Date Acquired:	February 2005
Site Area:	5.02 ha**
Net Lettable Area:	20,817 m ² Office 1,145 m ² Storage
Vacancy:	Nil
Weighted Av. Lease Expiry:	8.27 years
Value:	\$55.0M
Valuation Date:	March 2007

Major Tenants	% of Income	Lease Expiry
State of Western Aust Shared Services	80%	30 June 2017
State of Western Aust Education	13%	30 April 2010

** Includes surplus land currently under contract.



The Lands Building

Description

The Lands Building is a 10 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 1,182m² 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
Title:	Freehold
Principal Use:	Commercial Office
Date Built:	1976
Date Acquired:	March 2004
Site Area:	1,968 m ²
Net Lettable Area:	11,675 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	10.76 years
Value:	\$35.0M
Valuation Date:	June 2007

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 six upper levels of quality office accommodation spread across eight pods. The property also comprises two 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 four 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
Title:	Freehold
Principal Use:	Commercial Office
Date Built:	1990
Date Acquired:	May 2007
Site Area:	7,097 m ²
Net Lettable Area:	18,784 m ² Office 2,058 m ² Retail
Vacancy:*	Nil
Weighted Av. Lease Expiry:*	2.12 years
Ownership:	50%
Book Value (50% interest):	\$41.98M
Valuation Date:	March 2007

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

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

Property Portfolio



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
Title:	Freehold
Principal Use:	Industrial and Commercial Office
Date Built:	1987
Date Acquired:	January 2007
Site Area:	1.756 ha
Net Lettable Area:	17,364 m ²
Vacancy:*	Nil
Weighted Av. Lease Expiry:*	6.54 years
Book Value:	\$31.58M
Valuation Date:	December 2006

Major Tenants	% of Income	Lease Expiry
Atlab	50%	21 March 2018
Permail	16%	30 September 2008

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



Foxtel Building

Description

The Foxtel Building is located at Moonee Ponds approximately 6 radial kilometres north-west of the Melbourne CBD. The property is located adjacent to the south-west corner of the Moonee Valley Racecourse whilst other surrounding development generally comprises a mix of established residential, retail and commercial properties. The property is also close to public transport services and within easy access to City Link.

The property consists of five levels (including basement car park) and its design features a central, four level high, atrium with a translucent ceiling and suspended stairways within the void. The lift core and peripheral offices are positioned at the eastern and western ends of the building, with the result being virtually uninterrupted light from the extensively glazed northern and southern facades (and the atrium).

The property was purpose built by Foxtel in 2004 for its own occupation. Foxtel operates a national Customer Solutions Centre from this property, which directly employs over 750 people.

Key Data

Location:	1-21 Dean Street, Moonee Ponds, VIC
Title:	Freehold
Principal Use:	Commercial Office
Date Built:	2004
Date Acquired:	June 2007
Site Area:	6,641 m ²
Net Lettable Area:	7,136 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	9.69 years
Book Value:	\$30.68M
Valuation Date:	May 2007

Major Tenants	% of Income	Lease Expiry
Foxtel	100%	7 March 2017



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 have sublet its space to the Commonwealth Government and a major engineering company.

The office space provides floor sizes of around 1,200m² over five levels.

Key Data

Location:	200 Adelaide Street, Brisbane, QLD
Title:	Freehold Volumetric
Principal Use:	Commercial Office
Date Built:	1933
Date Acquired:	April 1999
Site Area:	2,046 m ²
Net Lettable Area:	6,180 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	3.05 years
Value:	\$37.0M
Valuation Date:	June 2007

Major Tenants	% of Income	Lease Expiry
Energex	57%	30 June 2008
MacGillivrays Solicitors	40%	30 April 2013



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

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

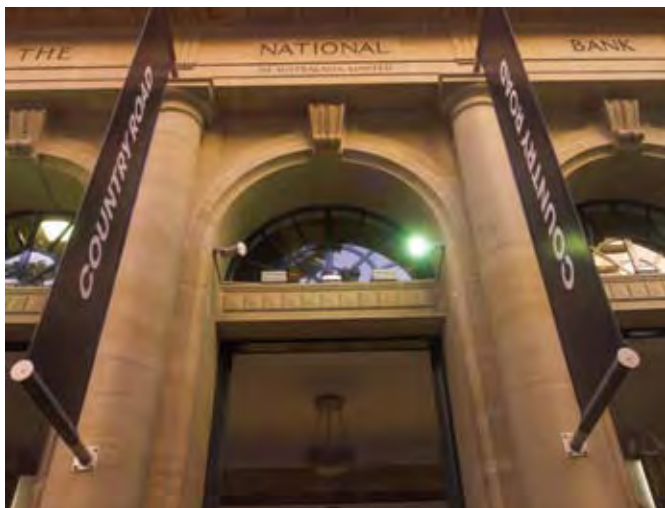
AAPT is one of Australia's three largest telecommunications carriers and is part of the Telecom New Zealand Group. It provides a range of voice, mobile, data and internet services to business, government, wholesale and residential customers throughout Australia.

Key Data

Location:	180-188 Burnley Street, Richmond, VIC
Title:	Freehold
Principal Use:	Commercial Office and Industrial
Date Built:	1978
Date Acquired:	June 2005
Site Area:	4,696 m ² (approx)
Net Lettable Area:	5,501 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	10.0 years
Value:	\$17.50M
Valuation Date:	June 2007

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

Property Portfolio



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 15m² to 492m².

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 adjacent Queens Plaza development is close to completion.

Key Data

Location:	180 Queen Street, Brisbane, QLD
Title:	Freehold
Principal Use:	Retail and Commercial Office
Date Built:	1930
Date Acquired:	October 2005
Site Area:	723 m ²
Net Lettable Area:	3,652 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	2.96 years
Value:	\$25.50M
Valuation Date:	June 2007

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 four kilometres south-east of the Brisbane CBD, in the well established inner city suburb of Coorparoo. Coorparoo comprises a mix of residential, commercial and retail development. The property is conveniently located 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 cafe/restaurant operators.

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

Key Data

Location:	41 Harries Road, Coorparoo, QLD
Title:	Freehold Volumetric
Principal Use:	Commercial Office and Retail
Date Built:	1999
Date Acquired:	April 1999
Site Area:	7,955 m ²
Net Lettable Area:	4,898 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	2.19 years
Value:	\$13.90M
Valuation Date:	June 2006

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



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, two kilometres north-east of the Brisbane CBD. This unique mixed-use property is the third stage of the Centro on James development. The Centro precinct is a fashionable and eclectic mix of office, 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
Title:	Freehold and part strata
Principal Use:	Retail and Entertainment
Date Built:	2000
Date Acquired:	December 2001
Site Area:	3,301 m ²
Net Lettable Area:	3,870 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	5.29 years
Value:	\$17.90M
Valuation Date:	June 2007

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 southwest of Cairns Central, the city's major regional shopping centre.

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

Key Data

Location:	101-103 Spence Street, Cairns, QLD
Title:	Freehold
Principal Use:	Bulky Goods Retail and Office
Date Built:	1995
Date Acquired:	December 2001
Site Area:	2.43 ha
Net Lettable Area:	15,293 m ²
Vacancy:	1%
Weighted Av. Lease Expiry:	4.39 years
Value:	\$25.50M
Valuation Date:	June 2007

Major Tenants	% of Income	Lease Expiry
Harvey Norman	55%	31 December 2018
Freedom Furniture	12%	31 July 2015
Capt'n Snooze	8%	31 December 2008

Property Portfolio



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
Title:	Crown Leasehold
Principal Use:	Retail and Office
Date Built:	1988
Date Acquired:	December 1999
Site Area:	2.19 ha
Net Lettable Area:	8,518 m ² Retail 3,836 m ² Office
Vacancy:	6%
Weighted Av. Lease Expiry:	3.99 years
Value:	\$34.70M
Valuation Date:	June 2006

Major Tenants	% of Income	Lease Expiry
ACT Government	28%	30 June 2009
Woolworths (Dan Murphy's)	11%	22 December 2017
ALDI	10%	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 and 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
Title:	Freehold
Principal Use:	Retail and Entertainment
Date Built:	1974 (Expanded 1999)
Date Acquired:	September 2002
Site Area:	1.178 ha
Net Lettable Area:	6,146 m ²
Vacancy:	18%
Weighted Av. Lease Expiry:	8.37 years
Value:	\$15.75M
Valuation Date:	June 2006

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



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
Title:	Freehold
Principal Use:	Retail
Date Built:	Various
Date Acquired:	April 1999
Site Area:	2.764 ha
Net Lettable Area:	8,269 m ²
Vacancy:	2%
Weighted Av. Lease Expiry:	3.76 years
Value:	\$17.70M
Valuation Date:	June 2007

Major Tenants	% of Income	Lease Expiry
Aussie Living Furniture	21%	31 December 2012
JB Hi-Fi	19%	12 March 2012
Petwise Store	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 850m², 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
Title:	Freehold
Principal Use:	Industrial
Date Built:	1985
Date Acquired:	June 2005
Site Area:	2.8996 ha
Net Lettable Area:	14,036 m ²
Vacancy:	Nil
Weighted Av. Lease Expiry:	7.96 years
Value:	\$9.75M
Valuation Date:	June 2007

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

Property Portfolio



Citigate Melbourne

Description

The Citigate Melbourne is a 4 star 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, opening 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 40 hotels and resorts throughout Australia, New Zealand and the Pacific. 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
Title:	Freehold
Principal Use:	Hotel
Date Built:	1977 (redeveloped 2002)
Date Acquired:	June 2006
Site Area:	594 m ²
No. of Rooms:	182
Weighted Av. Lease Expiry:	9.0 years
Book Value:	\$37.08M
Valuation Date:	March 2006

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



Citigate Perth

Description

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

The hotel is located on Wellington Street, approximately one 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 is leased to Citigate Perth Pty Ltd and managed by Mirvac Hotels Pty Limited under its Citigate brand. Mirvac currently manages over 40 hotels and resorts throughout Australia, New Zealand and the Pacific. Mirvac's hotel brands include Sebel, Quay Grand, The Como, Quay West, Sea Temple and Citigate.

Key Data

Location:	707 Wellington Street, Perth, WA
Title:	Freehold
Principal Use:	Hotel
Date Built:	1985
Date Acquired:	June 2007
Site Area:	2,742 m ²
No. of Rooms:	276
Weighted Av. Lease Expiry:	10.0 years
Book Value:	\$56.03M
Valuation Date:	April 2007

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



The Octagon, Parramatta, NSW

The Directors

Robert T Summerton

Non-Executive Chairman

Robert Summerton has extensive experience in the law on major commercial and property transactions in Australia and the United Kingdom. He is a member of the Australian Institute of Company Directors and was 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 A 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 recently launched 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 W 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 R 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 has also held senior positions with Deutsche Asset Management, Paladin Australia Limited and Schroders Australia.



Jennifer J 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.

Investor Relations



BSX Listing

The Trust is listed on the Bendigo Stock Exchange ("BSX"). The code for The PFA Diversified Property Trust is PFD.

BSX price information can currently be found on the market pages of the Australian Financial Review. However, unitholders are readily able to ascertain market prices for bid and offer by logging onto www.bsx.com.au where trading information is available at all times.

To place an order to buy or sell units, a unitholder or their adviser instructs an accredited BSX broker. BSX brokers are able to be identified on the BSX website www.bsx.com.au.

Monthly Distributions

Monthly distributions are electronically deposited into unitholder bank accounts on or about the 21st of each month.

Distribution policies are determined by the Board and are subject to review at all times.

A personal notification will be sent to unitholders if there is any variation to the distribution rate.

Annual Taxation Statements

An annual taxation statement and distribution summary is sent to all unitholders who held units in the Trust and received distributions during the financial year. This was forwarded to unitholders on or about 24 August 2007. The statement provides a summary of the distributions received by unitholders during the financial year, and includes taxation details for the completion of their tax return. Unitholders should not lodge their tax return until this information is received. This statement should be retained for taxation purposes.

Unitholder Communications

Unitholders receive:-

- A Unitholder Statement confirming their unitholding.
- Monthly distributions paid by electronic funds transfer into their nominated Australian bank, building society or credit union account.
- A six monthly Investor update advising of issues relating to their investment and the portfolio generally.
- An annual report and audited financial report for their investment. These reports are sent to unitholders within 90 days of the end of each financial year. A half-yearly interim financial report and Manager's report are available on request.
- An annual statement of distributions and taxation details for the completion of their tax return. Unitholders should not lodge their tax return until this information is received.
- An annual periodic statement providing details of their investment in the Trust over the past financial year, as required by law.
- Confirmation of any changes made to their account details including their bank account or address, following notification to us of such changes.

Registry

If you have any queries relating to your investment or you wish to change your details such as your mailing address or bank account details, please 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

Annual Reports

Unitholders who do not wish to receive a copy of the annual report should notify us in writing.

Privacy

PFA collects personal information when unitholders apply to invest in the Trust. Our privacy statement is available on www.pfaltd.com.au or alternatively please contact PFA's investment services personnel to request a copy free of charge. This will enable unitholders to understand their rights, PFA's obligations and what PFA does with this personal information and any other information it collects about unitholders during the course of their investment.

Complaints

The Trust's 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

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.



Mary Goodwin – Investment Services Officer

Corporate Governance

The Corporate Governance practices of the Manager as responsible entity of the Trust are set out below. Unless otherwise stated, these practices were in place for the entire year.

The Responsible Entity

Property Funds Australia Limited (the Manager) is the responsible entity of the Trust. The role of a responsible entity is to manage the Trust in the unitholders' best interests in accordance with the Trust's constitution and the law.

The Corporations Act (2001) (Commonwealth) empowers the Manager to engage agents to act on its behalf, however the Manager remains fully responsible for the actions of those agents.

The Board of the Responsible Entity

The Directors of the Board of the Manager are appointed by the shareholders of the Manager. They hold office until removed by the shareholders of the Manager or until they retire. Ultimate responsibility for corporate governance matters resides with the Board of Directors who are currently as follows:-

Robert T Summerton (Non-Executive Chairman)
Christopher A Morton (Managing Director)
Dennis W Wildenburg (Non-Executive and Independent)
Nicholas R Collishaw (Non-Executive)
Jennifer J Hutson (Non-Executive)

The Board has access to all documents and information necessary to discharge its duties and responsibilities. Throughout the year, board meetings are regularly held with generally around 10 being held throughout a year.

Compliance Monitoring and Reporting

The Manager engages a Compliance Officer. The Compliance Officer is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis, and ensuring appropriate compliance measures are in place. The Compliance Officer prepares regular reports to the Compliance Committee.

The Compliance Committee

The Compliance Committee is appointed by the Board of the Manager. The Committee currently consists of three members, two of whom are independent of the responsible entity, including the chair of the Compliance Committee. The members are:-

- **Mr Bede King** (External Chairman): Mr King is a senior legal practitioner previously practising in corporate and property areas of the law and is a partner of the legal firm Tobin King Lateef.
- **Mr Ray Kellerman** (External Member): Mr Kellerman is the former Head of Compliance Services, Corporate Trust Division, at Perpetual Trustees Limited, a long established trustee company. He now specialises in the provision of compliance services as a compliance committee member for a number of significant managed investment schemes.

- **Mr Michael White** (General Manager and Company Secretary of the Manager) was appointed as a member of the Compliance Committee on 3 July 2006. Mr Chris Morton (the Manager's managing director) resigned as a member of the Compliance Committee on 3 July 2006.

The Compliance Committee has a statutory obligation to monitor the extent to which the Manager complies with the Trust's compliance plan and the Corporations Act.

The Committee generally meets quarterly, or as necessary. It is provided, by the Compliance Officer, with comprehensive compliance reports. The Committee reports its findings to the Board of the responsible entity.

Independent Professional Advice

Under the Corporations Act, the Compliance Committee, in carrying out its functions, may commission independent legal, accounting or other professional advice or assistance, at the reasonable expense of the Trust.

Access to Information

The Compliance Committee has access to all information relevant to the Manager's compliance with the Compliance Plan and the Corporations Act.

Risk Management

A number of risk management related issues relating to the Trust are considered and dealt with in the Compliance Plan. Both the Board and the Compliance Committee consider risk management issues relating to their particular area of focus with the intent of developing mechanisms and systems to deal with risk. A Risk Register for the Trust is maintained by the Manager.

Remuneration of Expenses

The Directors of the Manager are remunerated by the Manager itself. There is no remuneration payable to the Directors by the Trust itself. The Board of the Manager contractually establishes the remuneration of the external Compliance Committee members. The Trust meets the costs associated with external Compliance Committee Members and committee related costs.

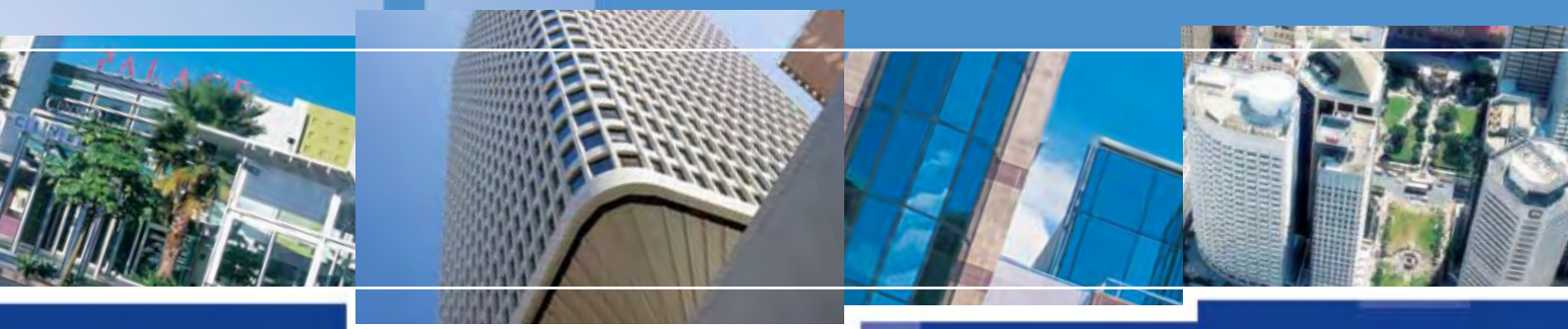
Audit

The Manager does not have a formally constituted audit committee. The Manager has appointed an external auditor to audit the operations of the Trust and its financial statements. An external auditor has also been appointed to audit the responsible entity's compliance with the Compliance Plan.

PFA DIVERSIFIED PROPERTY TRUST
AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS

For the Year Ended 30 June 2007



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DIRECTORS' REPORT

The Directors of Property Funds Australia Limited ("the Manager") as the Responsible Entity of the PFA Diversified Property Trust present their report on The PFA Diversified Property Trust (referred to as "the Trust") and its controlled entities for the financial year ended 30 June 2007.

Directors of the Manager

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

Robert T Summerton

Christopher A Morton

Dennis W Wildenburg

Nicholas R Collishaw

Jennifer J Hutson

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

Principal Activities

The principal activity of the Trust is property investment. The Trust operates in one geographical area, Australia. There has been no significant change in the state of affairs of the scheme.

Review of Operations

The key financial results of the Trust for the year are as follows:-

	2007 \$'000	2006 \$'000
Gross Operating Revenue	47,025	39,029
Profit before Distributions	99,221	36,289
Total Distributions Paid	28,418	24,941
Total Assets	590,287	414,436
Total Unitholder Funds	292,212	195,700

Distributions – for the Year Ended 30 June 2007

Distributions were paid monthly during the year at 0.8167 cents per unit per month (which totals 9.80 cents per unit for the year) on the contributed capital subscribed by unitholders in the Trust. The Manager has declared its distribution policy for the Trust up to September 2007 as being 0.8167 cents per unit per month. Distributions totalling \$3,113,166 have been paid since the end of the year in accordance with this policy.

The Board will continue to monitor the appropriateness of any proposed distribution rate throughout the current financial year.

Significant Changes in State of Affairs

Acquisitions

The Trust acquired 4 properties during the year, including:-

- 706 Mowbray Road, Lane Cove, Sydney for \$29.265M which settled on 31 January 2007.
- A 50% interest in The Octagon, Parramatta for \$39M was settled on 8 May 2007. This property was acquired in co-ownership with the diversified property trust group, the Westlawn Property Trust.
- Citigate Perth Hotel, 707 Wellington Street, Perth for \$52M which settled on 28 June 2007.
- Foxtel Building, 1-21 Dean Street, Moonee Ponds, Melbourne for \$28.5M which settled on 28 June 2007.

Capital Raising

On 8 June 2007 the Manager issued on behalf of the Trust a product disclosure statement ("PDS No. 5") for the issue of 20.49 million units in the Trust at \$1.22 per unit.

Disposals

- The sale of Garden Square was completed on 28 February 2007. The completed sale price was \$57M.
- The sale of 388 Queen Street was completed on 28 June 2007. The completed sale price was \$40M.

Payment of Special Distribution

On 14 March 2007, as a consequence of the sale of Garden Square, a special distribution of 5.26 cents per unit was paid to unitholders on the register on 1 March 2007.

After Balance Date Events

Mirvac Holdings Limited (a member of the Mirvac Group) exercised the put and call option on 30 August 2007 to acquire the balance 50% shareholding in Property Funds Australia Limited (The Manager) that it currently does not own. Settlement of the contract to purchase the shares in Property Funds Australia Limited is expected to occur no later than 10 October 2007.

Closure of Product Disclosure Statement No. 5 (“PDS No.5”)

PDS No. 5 closed on 24 August 2007 with 35,546,274 units having been issued and allotted under that PDS.

Acquisition of 390 St Kilda Road, Melbourne property

Subsequent to 30 June 2007, the Trust acquired a commercial office building located at 390 St Kilda Road, Melbourne for \$63.225M.

Settlement of the 390 St Kilda Road property occurred 17 August 2007.

Payment of Special Distribution

On 14 September 2007, as a consequence of the sale of 388 Queen Street, Brisbane, a special distribution of 2.88 cents per unit was paid to unitholders on the register on 31 July 2007.

Future Developments

The Trust will continue to progress its objectives of identifying opportunities to enhance the profitability and net asset value of the Trust.

Environmental Issues

The Trust's operations are not subject to any significant environmental regulation under Commonwealth or State legislation other than that which any real property located in Australia could be subjected.

Options

No options over units in the Trust were granted during or since the end of the year and there were no options outstanding at the date of this report.

DIRECTORS' REPORT

Information on Directors

The names, details of experience, responsibilities and meeting attendance details of all Directors of the Manager during the year or at the date of this report are listed below:-

Name	Qualifications	Responsibilities	Directors Meetings During Year	
			Attended	Eligible to Attend
Robert Thomas Summerton	<p>Robert Summerton has extensive experience in the law on major commercial and property transactions in Australia and the United Kingdom. He is a member the Australian Institute of Company Directors and was 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.</p> <p>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.</p>	Chairman and Director (Non-Executive)	9	10
Christopher Arthur Morton	<p>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.</p> <p>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 recently launched stock exchange focused on providing liquidity tailored to the property market.</p> <p>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).</p>	Managing Director (Executive)	10	10
Dennis Wayne Wildenburg	<p>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).</p> <p>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.</p> <p>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.</p>	Director (Non-Executive)	10	10

Information on Directors continued

Name	Qualifications	Responsibilities	Directors Meetings During Year	
			Attended	Eligible to Attend
Nicholas Roland Collishaw	<p>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.</p> <p>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 has also held senior positions with Deutsche Asset Management, Paladin Australia Limited and Schroders Australia.</p> <p>Nicholas is a director of Mirvac Group.</p>	Director (Non-Executive)	8	10
Jennifer Joan Hutson	<p>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.</p> <p>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.</p> <p>As at 30 June 2007, Jenny was a director of Wellington Funds Management Limited ACN 108 823 365 as responsible entity for the S8 Property Trust ARSN 113 542 733. The S8 Property Trust was removed from the official list of the ASX on 6 July 2007.</p>	Director (Non-Executive)	9	10

Remuneration Report

As the Directors and Key Management Personnel are not employees of the Trust, the remuneration is not paid by the Trust. Their remuneration is paid by the Manager from its own funds, some of which funds have come from management fees earned by it from the performance of its role as the responsible entity of the Trust. Consequently, the remuneration of the Directors and Key Management Personnel is not an additional expense of the Trust and should be viewed accordingly.

(a) Names and positions held of Property Funds Australia Limited ("the Manager") Directors in office at any time during the financial year are:-

Directors	
Mr R Summerton	Chairman - Non-Executive
Mr C Morton	Managing Director - Executive
Mr D Willdenburg	Director - Non-Executive
Mr N Collishaw	Director - Non-Executive
Ms J Hutson	Director - Non-Executive

DIRECTORS' REPORT

Remuneration Report continued

(b) Directors' and Key Management Personnel Remuneration

2007	Cash Salary & Fees	Cash Bonus	Non-cash Benefits	Post Employment Superannuation	Total
Name	\$	\$	\$	\$	\$
Mr R Summerton	32,500	-	-	-	32,500
Mr C Morton	284,648	80,000	4,740	25,427	394,815
Mr D Wildenburg	32,500	-	-	-	32,500
Mr N Collishaw	-	-	-	-	-
Ms J J Hutson	32,500	-	-	-	32,500
Mr M F White	186,827	100,000	-	12,168	298,995
	568,975	180,000	4,740	37,595	791,310

2006	Cash Salary & Fees	Cash Bonus	Non-cash Benefits	Post Employment Superannuation	Total
Name	\$	\$	\$	\$	\$
Mr R Summerton	10,833	-	-	-	10,833
Mr C Morton	271,442	80,000	4,740	23,430	379,612
Mr D Wildenburg	33,301	-	-	-	33,301
Mr N Collishaw	-	-	-	-	-
Ms J J Hutson	10,201	-	-	-	10,201
Mr G J Paramor	-	-	-	-	-
Mr D Conquest	156,977	21,856	2,140	13,845	194,818
Mr M F White	178,514	67,200	-	-	245,714
	661,268	169,056	6,880	37,275	874,479

The Manager pays from its own monies (and not from the funds of the Trust) the premium for directors' and officers' liability insurance, to which the directors receive the benefit. This insurance forms part of the Definition of Directors' and Key Management Personnel Remuneration, but due to impracticability, the insurance premium has not been allocated to each director and key management person.

(c) Key Management Personnel Remuneration

In accordance with AASB 124, there are no other Key Management Personnel other than Mr C Morton and Mr M White whose remuneration details are contained in the Director's and Key Management Personnel remuneration section.

(d) Remuneration Practices

As the Directors and Key Management Personnel are not employees of the Trust, the remuneration is not paid by the Trust. Such remuneration relating to Directors and Key Management Personnel is paid by the Manager as responsible entity of the Trust from its own moneys and not from the moneys of the Trust. The Manager does however receive remuneration from the Trust such as management fees from which remuneration to Directors and Key Management Personnel may be paid.

The Manager does in the case of certain Directors and Key Management Personnel include as some part of their remuneration, reward based on certain events or scenarios. The basis of these incentive payments includes such matters as capital raisings, the profitability of the Manager's business and the growth of funds under management by the Manager.

Remuneration Report continued

The cash bonuses granted during or relating to the financial year ended 30 June 2007 were determined as follows:

Directors and Key Management Personnel

Mr C Morton – A bonus entitlement based on the profitability of the Manager during that financial year and the growth of funds under management during that financial year.

Mr M White – A bonus entitlement based on the acquisition of certain property acquired by Trust during the financial year, and payment of a discretionary bonus.

The Directors and Key Management Personnel do not hold any loans with PFA Diversified Property Trust or Property Funds Australia Limited.

Related Party Transactions

The Trust paid the Manager \$2,602,727 in management fees for the year ended 30 June 2007 (30 June 2006: \$2,119,260).

The Manager held 224,244 units in the Trust as at 30 June 2007 (30 June 2006: 196,213 units).

A summary of other related party transactions are outlined in Note 20 of the financial statements.

Other Information

The Trust issued 22,378,234 units during the financial year ending 30 June 2007 (30 June 2006: 19,870,786).

There were no withdrawals of units from the Trust during the financial year ending 30 June 2007 (30 June 2006: Nil).

The number of units on issue as at 30 June 2007 is 190,121,453 units (30 June 2006: 167,743,219).

The book value of the Trust's Investment Property as at 30 June 2007 is \$571,298,545 (30 June 2006: \$407,583,107). Investment Property is measured at fair value.

Indemnification and Insurance of Officers and Auditors

No insurance premiums are paid out of the assets of Trust in regards to insurance cover provided to the Manager the Custodian or the Auditors of the Fund. As long as the officers of the Manager act in accordance with the Trust Constitution and the law, the Manager remains indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors are in no way indemnified out of the assets of the Trust.

Proceedings on behalf of the Manager

No person has applied for leave of the Court to bring proceedings on behalf of the Manager or intervene in, any proceedings to which the Manager is a party for the purpose of taking responsibility on behalf of the Manager for all or any part of those proceedings.

Non-audit Services

The board of directors is satisfied that the provision of nonaudit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:-

- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.
- The nature of the services performed are not directly correlated with the audit of the financial report. The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:-

	\$
Taxation Services	18,540
Investigating Accountants Report	30,000

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on page 36.

Rounding Amounts

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

Signed in accordance with a resolution of the Board of Directors of the Manager.



Christopher A. Morton
Managing Director

Brisbane

19 September 2007

AUDITOR'S INDEPENDENCE DECLARATION



BDO Kendalls

BDO Kendalls (QLD)
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ABN 70 202 702 402

19 September 2007

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

Dear Directors

AUDITOR'S INDEPENDENCE DECLARATION

In relation to our audit of the Financial Report of PFA Diversified Property Trust for the year ended 30 June, 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours sincerely

BDO Kendalls (QLD)

A handwritten signature in black ink, appearing to read 'Paul Gallagher', with a stylized flourish at the end.

Paul Gallagher

Partner

INCOME STATEMENT*for the Year Ended 30 June 2007*

	Note	Consolidated		Parent	
		30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
REVENUE					
Operating activities	3	47,025	39,029	74,666	40,650
Non-operating activities					
Gain on disposal of investment property	3	34,665	6,004	18,142	-
Gain on revaluation of investment property	3	52,991	23,951	36,275	14,046
		134,681	68,984	129,083	54,696
EXPENSES					
Property expenses	3	(10,442)	(9,417)	(7,071)	(5,126)
Amortisation	3	(502)	(854)	(434)	(182)
Impairment of investment property	3	(5,066)	(6,346)	(4,269)	(3,140)
Fund expenses	3	(4,128)	(3,560)	(3,834)	(3,235)
		(20,138)	(20,177)	(15,608)	(11,683)
FINANCING COSTS					
Interest	3	(14,674)	(12,098)	(13,662)	(5,773)
Amortisation	3	(648)	(420)	(592)	(364)
		(15,322)	(12,518)	(14,254)	(6,137)
Profit before finance costs to Unitholders		99,221	36,289	99,221	36,876
FINANCING COSTS - UNITHOLDERS					
Distributions to Unitholders	3	(28,418)	(24,941)	(28,418)	(24,941)
Profit before income tax expense		70,803	11,348	70,803	11,935
Income tax expense	1(b)	-	-	-	-
Profit after income tax expense attributable to Unitholders		70,803	11,348	70,803	11,935

To be read in conjunction with the notes to the financial statements

BALANCE SHEET

as at 30 June 2007

	Note	Consolidated		Parent	
		30 June 2007 \$'000	30 June 2006 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
CURRENT ASSETS					
Cash and cash equivalents	7	10,480	2,777	10,480	2,767
Trade and other receivables	8	7,382	3,147	7,151	2,774
Other current assets	9	947	929	620	530
Total Current Assets		18,809	6,853	18,251	6,071
NON-CURRENT ASSETS					
Investment property	10	571,298	407,583	415,168	233,611
Available for sale financial assets	11	180	-	69,895	69,715
Total Non-Current Assets		571,478	407,583	485,063	303,326
TOTAL ASSETS		590,287	414,436	503,314	309,397
CURRENT LIABILITIES					
Trade and other payables	12	9,696	8,957	38,368	19,507
Borrowings	13	10,000	-	10,000	-
Total Current Liabilities		19,696	8,957	48,368	19,507
NON-CURRENT LIABILITIES					
Other liabilities	14	292,212	195,700	270,696	174,185
Borrowings	13	278,379	209,779	184,250	115,705
Total Non-Current Liabilities		570,591	405,479	454,946	289,890
TOTAL LIABILITIES		590,287	414,436	503,314	309,397
NET ASSETS		-	-	-	-

To be read in conjunction with the notes to the financial statements

STATEMENT OF CASH FLOWS

for the Year Ended 30 June 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Rent & outgoings received		50,024	41,609	32,021	23,534
Interest received		1,319	557	917	557
Interest received – Related entity loans		-	-	3,362	-
Distributions received – S8 Property Trust		-	333	-	333
Payments to suppliers		(21,513)	(15,428)	(13,919)	(9,395)
Interest Paid – Related entity loans		-	-	(5,445)	-
Interest paid		(14,364)	(12,219)	(8,020)	(5,848)
Net cash provided by (used in) operating activities	15(b)	15,466	14,852	8,916	9,181
CASH FLOWS FROM INVESTING ACTIVITIES					
Net proceeds from sale of property		89,281	67,604	37,145	-
Purchase of shares in related parties		(180)	-	(180)	-
Proceeds from S8 Property Trust		-	10,000	-	10,000
Purchase of investment property and capital improvements		(169,238)	(120,711)	(167,461)	(79,041)
Net cash provided by (used in) investing activities		(80,137)	(43,107)	(130,496)	(69,041)
CASH FLOWS FROM FINANCING ACTIVITIES					
Distributions to Unitholders		(28,418)	(24,941)	(28,418)	(24,941)
Cost of equity raising		(1,009)	(1,309)	(1,009)	(1,309)
Financing costs paid		(559)	(623)	(559)	(623)
Units issued		24,621	21,658	24,621	21,658
Capital raising funds provided for (used)		(771)	2,295	(771)	2,295
Reduction in debt facility		-	(2,436)	-	(2,436)
Inter-trust loans		-	-	56,919	31,595
Net proceeds from borrowings		78,510	35,920	78,510	35,920
Net cash provided by (used in) financing activities		72,374	30,564	129,293	62,159
Net increase in cash held		7,703	2,309	7,713	2,299
Cash at 1 July		2,777	468	2,767	468
Cash at 30 June	15 (a)	10,480	2,777	10,480	2,767

To be read in conjunction with the notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the BSX Listing Rules, Corporations Act 2001, Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the terms of the Trust Constitution.

The financial report covers the economic entity of the PFA Diversified Property Trust and controlled entities, and the PFA Diversified Property Trust as an individual parent entity.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account 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.

Compliance with Australian Accounting Standards ensures that the annual financial report, comprising the financial statements and notes there to, complies with the International Financial Reporting Standards.

The financial report was approved by the Board of Directors of the responsible entity on 19 September 2007.

(a) Principles of Consolidation

A controlled entity is any entity controlled by the Trust. Control exists where the Trust has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Trust to achieve the objectives of the Trust. A list of controlled entities is contained in Note 11.

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.

(b) Income Tax

The Trust and its controlled entities adopts the balance sheet liability method of tax effect accounting whereby the income tax expense shown in the consolidated income statement is based on the profit before income tax adjusted for any non-assessable or disallowed items and distributions of taxable income to beneficiaries. No liability has been raised for income tax as no taxable income has been retained by the Trust and its controlled entities.

(c) Investment Property

Investment Property consists of investments in property, primarily of land, buildings and improvements to land and buildings. Investment property is measured at fair value.

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

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

Where a material variance arises, a revaluation is required to align the carrying amount of the investment property with its fair value. Changes in fair value are recognised in the net profit or loss in the Income Statement in the period in which they occur.

The carrying amount of investment properties includes components relating to lease incentives.

A revaluation does not take into account any potential capital gains tax on assets acquired after the introduction of capital gains tax on the basis that this liability is transferred from the Trust to the Unitholders.

(d) Leases

The Trust has adopted UIG Interpretation 115: Operating Leases – Incentives. Lease incentives are amortised as a reduction in lease rental income over the lease term on a straight-line basis. Leases with fixed rental increases have been brought to account on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Other Liabilities

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

(f) Financing Costs - Unitholders

The amounts paid to Unitholders for accounting purposes are treated as a financing cost expense. Distribution entitlements have been recognised on an accrual basis.

(g) Derivative Financial Instruments

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

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

The consolidated entity is exposed to changes in interest rates from its activities. It is the consolidated entity's policy to use interest rate swap agreements to hedge this risk. Derivative financial instruments are not held for speculative purposes.

Derivative financial instruments designated as hedges are effective as hedges of underlying exposures and are accounted for on the same basis as the underlying exposure.

(h) 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.

(i) Revenue Recognition

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

(j) Cash and Cash Equivalents

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

(k) Goods and Services Tax (GST)

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

All revenue is stated net of the amount of GST.

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

(l) Available for Sale Financial Assets

Available for Sale Financial Assets are measured on the fair value basis. Unrealised gains and losses arising from change in fair value are recognised in the Revaluation Reserve in the Balance Sheet.

(m) Impairment of Assets

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

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Comparative Figures

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

(o) Statement of Changes in Equity

The Trust is not required to complete a Statement of Changes in Equity for the year ended 30 June 2007 as all Unitholders' funds have been classified as non-current liabilities.

(p) Directors and Key Management Personnel Remuneration

Information about the remuneration of Directors and Key Management Personnel of the Manager which is required under Section 300A of the Corporations Act 2001 and under AASB 124 Related Party Disclosures is included in the Remuneration Report within the Directors' Report in accordance with the Corporations Regulations 2001.

(q) Rounding of Amounts

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

(r) Critical Accounting Estimates and Judgments

The directors of the responsible entity evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The directors have assessed impairment and no indicators exist.

The directors have also considered the fair values of investment properties by the use of valuations on various investment properties for the current year. Where a valuation has not been obtained for an investment property in the current year, the directors have considered the best available market information for the localities the investment properties are located to confirm the carrying values of investment properties materially reflect their fair value.

(s) Accounting Standards issued but not yet effective

There are a number of Accounting Standards that have been issued but are not yet effective.

The Trust does not expect any material impact on financial statements from the impending changes.

However, various additional disclosures will be required in the financial statements in future periods.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 2: PRIOR PERIOD ERROR

The aggregate effect of the error on the annual financial statements for the year ended 30 June 2006 is as follows (no taxation effect results from these changes):

	Consolidated			Parent		
	Previously stated	Adjustment	Restated	Previously stated	Adjustment	Restated
	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000
Income Statement						
REVENUE						
Operating activities	39,029	-	39,029	40,650	-	40,650
(a) Gain on disposal of investment property	5,595	409	6,004	-	-	-
(a) Gain on revaluation of investment property	25,457	(1,506)	23,951	14,556	(510)	14,046
	70,081	(1,097)	68,984	55,206	(510)	54,696
EXPENSES	(20,177)	-	(20,177)	(11,683)	-	(11,683)
FINANCING COSTS	(12,518)	-	(12,518)	(6,137)	-	(6,137)
Profit before finance costs to unitholders	37,386	(1,097)	36,289	37,386	(510)	36,876
FINANCING COSTS – UNITHOLDERS	(24,941)	-	(24,941)	(24,941)	-	(24,941)
Profit before income tax expense	12,445	(1,097)	11,348	12,445	(510)	11,935
Income tax expense	-	-	-	-	-	-
Profit after income tax expense	12,445	(1,097)	11,348	12,445	(510)	11,935

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Previously stated 2006 \$'000	Consolidated Adjustment 2006 \$'000	Restated 2006 \$'000	Previously stated 2006 \$'000	Parent Adjustment 2006 \$'000	Restated 2006 \$'000
NOTE 2: PRIOR PERIOD ERROR continued						
Balance Sheet						
CURRENT ASSETS						
Cash and cash equivalents	2,777	-	2,777	2,767	-	2,767
(b) Trade and other receivables	1,821	1,326	3,147	1,448	1,326	2,774
Other current assets	929	-	929	530	-	530
Total Current Assets	5,527	1,326	6,853	4,745	1,326	6,071
NON-CURRENT ASSETS						
(a) Investment Property	409,954	(2,371)	407,583	234,121	(510)	233,611
Available for sale financial assets	-	-	-	69,715	-	69,715
Total Non-Current Assets	409,954	(2,371)	407,583	303,836	(510)	303,326
TOTAL ASSETS	415,481	(1,045)	414,436	308,581	816	309,397
TOTAL CURRENT LIABILITIES	8,957	-	8,957	19,507	-	19,507
NON-CURRENT LIABILITIES						
(a)(b) Other Liabilities	196,745	(1,045)	195,700	173,369	816	174,185
Borrowings	209,779	-	209,779	115,705	-	115,705
Total Non-Current Liabilities	406,524	(1,045)	405,479	289,074	816	289,890
TOTAL LIABILITIES	415,481	(1,045)	414,436	308,581	816	309,397
NET ASSETS	-	-	-	-	-	-

(a) The error was caused by the value of lease incentives being excluded from the fair value of investment property. Accordingly, lease incentives have now been included as a component of the fair value of investment property.

(b) The error was caused by the omission of the market value of some interest rate swap instruments that existed in previous accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 3: REVENUE & EXPENSES				
REVENUE FROM OPERATING ACTIVITIES				
Rental Income	40,051	33,360	24,424	18,133
Outgoings recovered	5,655	4,629	4,907	3,400
Interest received	1,319	557	917	557
Interest received – Related entity loans	-	-	3,362	-
Distributions received – S8 Property Trust	-	483	-	483
Distributions – Controlled entities				
The Riverdale Fixed Term Property Trust	-	-	684	255
Garden Square Trust	-	-	19,080	1,538
The Capital Collection – Diverse Sector Fund Trust No.1	-	-	3,074	8,825
The Metropolitan Collection – Brisbane Trust	-	-	18,218	7,459
	47,025	39,029	74,666	40,650
REVENUE FROM NON-OPERATING ACTIVITIES				
Gain on disposal of investment property	34,665	6,004	18,142	-
Gain on revaluation of investment property	52,991	23,951	36,275	14,046
TOTAL REVENUE	134,681	68,984	129,083	54,696
EXPENSES				
PROPERTY EXPENSES				
Air-conditioning maintenance	784	508	576	292
Body corporate costs	202	189	3	3
Cleaning	1,121	929	730	473
Electricity & gas	1,146	1,081	593	340
Fire protection costs	168	156	127	100
Garden maintenance	102	82	82	53
Insurance	481	559	303	323
Land tax	989	647	681	319
Lift maintenance	408	318	324	165
Other recoverable expenses	501	554	460	474
Professional fees	41	55	34	39
Property management costs	1,108	1,017	706	544
Rates	2,153	2,006	1,539	1,291
Repairs & maintenance	631	612	436	318
Security costs	306	290	176	111
Sundry costs	301	414	301	281
	10,442	9,417	7,071	5,126

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 3: REVENUE & EXPENSES continued				
OTHER EXPENSES				
Amortisation - Lease incentives	502	854	434	182
Impairment of investment property	5,066	6,346	4,269	3,140
FUND EXPENSES				
Accountancy	132	123	132	122
Auditors' remuneration	88	92	88	92
Bank charges	35	42	35	42
Commission – leasing	96	89	57	26
Compliance committee costs	54	53	54	53
Consultants' fees	230	217	147	138
Custodian fees	108	82	108	82
Finance intermediary fees	165	164	165	164
Legal fees and lease stamp duty	191	166	98	76
Registry fees	40	30	40	30
Reporting expenses	78	79	78	79
Responsible Entity's fees	2,603	2,119	2,603	2,119
Sundry expenses	91	96	35	64
Travelling expenses	111	72	111	72
Valuation fees	106	136	83	76
	4,128	3,560	3,834	3,235
TOTAL EXPENSES	20,138	20,177	15,608	11,683
FINANCING COSTS				
Interest – Related entity loans	-	-	5,445	-
Interest – Financial Institutions	14,674	12,098	8,217	5,773
Amortisation	648	420	592	364
	15,322	12,518	14,254	6,137
FINANCING COSTS – UNITHOLDERS				
Distributions to Unitholders	28,418	24,941	28,418	24,941
PROFIT BEFORE INCOME TAX EXPENSE	70,803	11,348	70,803	11,935

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 4: EARNINGS PER UNIT

Earnings per unit information (EPU) is not disclosed as the units of the Trust are considered to be debt instruments in accordance with AASB 132 requirements.

	Consolidated		Consolidated	
	2007 \$'000	2007 cents per unit	2006 \$'000	2006 cents per unit
NOTE 5: DISTRIBUTIONS PAYABLE				
19 August 2006	1,374	0.81	1,168	0.79
21 September	1,515	0.81	1,168	0.79
21 October	1,552	0.81	1,168	0.79
21 November	1,553	0.81	1,168	0.79
08 December (Special Distribution)	-	-	9,997	6.76
21 December	1,553	0.81	1,168	0.79
20 January 2007	1,553	0.81	1,226	0.79
21 February	1,553	0.81	1,277	0.79
14 March (Special Distribution)	10,000	5.26	-	-
21 March	1,553	0.81	1,301	0.79
21 April	1,553	0.81	1,325	0.79
19 May	1,553	0.81	1,325	0.79
21 June	1,553	0.81	1,325	0.79
21 July	1,553	0.81	1,325	0.79
	28,418	15.06	24,941	16.24

	2007 %	2006 %
Tax Distributions Break Up - Monthly Income distributions		
Taxable income	38.5	26.4
Tax deferred	61.5	73.6

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 6: AUDITORS' REMUNERATION				
Audit of financial report	71,200	92,280	71,200	92,280
Other services	44,000	89,396	44,000	88,860
	115,200	181,676	115,200	181,140

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
NOTE 7: CURRENT CASH AND CASH EQUIVALENTS				
Cash at bank	10,480	2,777	10,480	2,767
NOTE 8: CURRENT TRADE AND OTHER RECEIVABLES				
GST receivable	-	-	214	-
Related entity receivables	837	590	837	590
Trade debtors	930	405	628	237
Provision for impairment	(40)	(23)	(3)	(9)
Other debtors	1,052	20	1,052	3
Hedge derivative receivable	3,512	1,415	3,512	1,415
Accrued income	1,091	740	911	538
	7,382	3,147	7,151	2,774

NOTE 9: OTHER CURRENT ASSETS				
Prepaid expenses	947	920	620	527
Deposits	-	9	-	3
	947	929	620	530

NOTE 10: INVESTMENT PROPERTY				
TOTAL INVESTMENT PROPERTY	571,298	407,583	415,168	233,611
Carrying amount at the beginning of financial year	407,583	330,365	233,611	142,750
Capital improvements	5,401	3,747	4,607	294
Lease Incentives	3,569	1,977	2,586	692
Fixed rental increase in lease straight-lining	1,670	1,356	1,527	1,095
Accumulated amortisation	(502)	(854)	(434)	(182)
Impairment losses	(5,066)	(6,346)	(4,269)	(3,140)
Disposals of investment property	(54,616)	(61,600)	(19,003)	-
Purchase of investment property at cost	160,268	114,987	160,268	78,056
Revaluation increment/(decrement)	52,991	23,951	36,275	14,046
Carrying amount at the end of the financial year	571,298	407,583	415,168	233,611

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 10: INVESTMENT PROPERTY continued				
Property Summary				
Centro on James (Stage 3), Fortitude Valley, Brisbane, Queensland Investment in Land & Buildings				
– at independent valuation 2007	17,900	-	17,900	-
– at independent valuation 2006	-	14,700	-	14,700
	17,900	14,700	17,900	14,700
388 Queen Street, Brisbane CBD, Queensland Investment in Land & Buildings				
– at independent valuation 2005	-	19,000	-	19,000
Cairns Hypermart, 101–113 Spence Street, Cairns, Queensland Investment in Land & Buildings				
– at independent valuation 2007	25,500	-	25,500	-
– at independent valuation 2006	-	20,000	-	20,000
	25,500	20,000	25,500	20,000
Lands Building, 134 Macquarie Street, Hobart, Tasmania Investment in Land & Building				
- at independent valuation 2007	35,000	-	35,000	-
- at independent valuation 2004	-	29,000	-	29,000
	35,000	29,000	35,000	29,000
Garden Square, Upper Mt Gravatt, Brisbane, Queensland Investment in Land & Buildings				
– at independent valuation 2005	-	35,000	-	-
The Precinct, Coorparoo, Brisbane, Queensland Investment in Land & Buildings				
– at independent valuation 2006	13,900	13,900	-	-
544 Kessels Road, MacGregor, Brisbane, Queensland Investment in Land & Buildings				
– at independent valuation 2007	17,700	-	-	-
– at independent valuation 2006	-	13,690	-	-
	17,700	13,690	-	-
Riverdale Centre, Dubbo, New South Wales Investment in Land & Buildings				
– at independent valuation 2006	15,750	15,750	-	-
Homeworld Centre, Tuggeranong, Canberra, ACT Investment in Land & Buildings				
– at independent valuation 2006	34,700	34,700	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 10: INVESTMENT PROPERTY continued				
Anzac Square, Brisbane CBD, Queensland Investment in Land & Buildings				
– at independent valuation 2007	37,000	-	-	-
– at independent valuation 2005	-	24,000	-	-
	37,000	24,000	-	-
303 Sevenoaks Street, Cannington, Perth, Western Australia Investment in Land & Buildings				
- at independent valuation 2007	55,000	-	55,000	-
- at independent valuation 2006	-	48,800	-	48,800
	55,000	48,800	55,000	48,000
33 McDowell Street, Welshpool, Perth, Western Australia Investment in Land & Buildings				
- at independent valuation 2007	9,750	-	9,750	-
– at cost	-	7,489	-	7,489
	9,750	7,489	9,750	7,489
180-188 Burnley Street, Richmond, Melbourne, Victoria Investment in Land & Buildings				
– at independent valuation 2007	17,500	-	17,500	-
– at cost	-	16,566	-	16,566
	17,500	16,566	17,500	16,566
180 Queen Street, Brisbane CBD, Queensland Investment in Land & Buildings				
– at independent valuation 2007	25,500	-	25,500	-
– at cost	-	19,184	-	19,184
	25,500	19,184	25,500	19,184
Civic Tower, Sydney, New South Wales Investment in Land & Buildings				
– at independent valuation 2007	68,750	-	68,750	-
– at cost	-	58,872	-	58,872
	68,750	58,872	68,750	58,872
Citigate Melbourne Hotel, Melbourne CBD, Victoria Investment in Land & Buildings				
– at cost	37,080	36,932	-	-
706 Mowbray Road, Lane Cove, Sydney, New South Wales Investment in Land & Buildings				
– at cost	31,581	-	31,581	-

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 10: INVESTMENT PROPERTY continued				
The Octagon, 110 George Street, Parramatta, Sydney, New South Wales Investment in Land & Buildings				
– at cost	41,980	-	41,980	-
Citigate Perth Hotel, Perth, Western Australia Investment in Land & Buildings				
– at cost	56,031	-	56,031	-
1-21 Dean Street, Moonee Ponds, Melbourne, Victoria Investment in Land & Buildings				
– at cost	30,676	-	30,676	-
INVESTMENT PROPERTY	571,298	407,583	415,168	233,611
Lease Incentives	4,004	2,974	2,632	692
Accumulation amortisation	(406)	(603)	(185)	(182)
	3,598	2,371	2,447	510
Lease incentive valuation offset	(3,598)	(2,371)	(2,447)	(510)
TOTAL INVESTMENT PROPERTY	571,298	407,583	415,168	233,611

Independent Valuations

Centro on James (Stage 3), Brisbane: An Independent valuation of land and buildings was undertaken by Matthew Buckley AAPI, Certified Practising Valuer of Savills (QLD) Pty Limited. The valuation was based on market value as at 30 June 2007.

Cairns Hypermart, Cairns: An Independent valuation of land and buildings was undertaken by Matthew Buckley AAPI, Certified Practising Valuer of Savills (QLD) Pty Limited. The valuation was based on market value as at 30 June 2007.

The Precinct, Coorparoo, Brisbane: An Independent valuation of land and buildings was undertaken by Carl Taylor AAPI, Certified Practising Valuer of LandMark White. The valuation was based on market value as at 30 June 2006.

544 Kessels Road, MacGregor, Brisbane: An Independent valuation of land and buildings was undertaken by Philip Willington FAPI, Certified Practising Valuer of Knight Frank Valuations. The valuation was based on market value as at 30 June 2007.

Riverdale Centre, Dubbo: An Independent valuation of land and buildings was undertaken by David McLennan AAPI, Certified Practising Valuer of Jones Lang LaSalle. The valuation was based on market value as at 30 June 2006.

Homeworld Centre, Canberra: An Independent valuation of land and buildings was undertaken by Richard Lawrie AAPI, Certified Practising Valuer of Jones Lang LaSalle. The valuation was based on market value as at 30 June 2006.

Lands Building, Hobart: An Independent valuation of land and buildings was undertaken by Bernard Smith FAPI, Certified Practising Valuer of Knight Frank Valuations. The valuation was based on market value as at 30 June 2007.

Sevenoaks, Perth: An Independent valuation of land and buildings was undertaken by Marc Crowe AAPI, Certified Practising Valuer of Knight Frank Valuations. The valuation was based on market value as at 31 March 2007.

Anzac Square, Brisbane: An Independent valuation of land and buildings was undertaken by Philip Willington FAPI, Certified Practising Valuer of Knight Frank Valuations. The valuation was based on market value as at 30 June 2007.

180 Queen Street, Brisbane: An Independent valuation of land and buildings was undertaken by Francis Rex AAPI, Certified Practising Valuer of LandMark White. The valuation was based on market value as at 30 June 2007.

180-188, Richmond, Melbourne: An Independent valuation of land and buildings was undertaken by Bernard Smith FAPI, Certified Practising Valuer of Knight Frank Valuations. The valuation was based on market value as at 30 June 2007.

Civic Tower, Sydney: An Independent valuation of land and buildings was undertaken by Roger Price AAPI, Certified Practising Valuer of CB Richard Ellis. The valuation was based on market value as at 30 June 2007.

33 McDowell Street, Perth: An Independent valuation of land and buildings was undertaken by Geoff Wilkinson AAPI, Certified Practising Valuer of Knight Frank Valuations. The valuation was based on market value as at 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 11: NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS				
Shares in Citigate Melbourne Pty Ltd	90	-	90	-
Shares in Citigate Perth Pty Ltd	90	-	90	-
Investments in controlled entities				
The Riverdale Fixed Term Property Trust	-	-	8,101	8,101
The Capital Collection – Diverse Sector Fund Trust No. 1	-	-	34,137	34,137
The Metropolitan Collection – Brisbane Trust	-	-	16,464	16,464
Garden Square Trust	-	-	11,013	11,013
	180	-	69,895	69,715
All controlled entities are 100% owned since merger on 1 July 2003				
NOTE 12: CURRENT TRADE AND OTHER PAYABLES				
Rental support guarantee	43	520	-	-
Lease incentive provision	100	-	100	-
Related entity payables	-	-	29,440	13,578
Income in advance	8	603	8	488
Trade creditors	383	952	361	141
Accrued expenses	3,450	2,789	3,098	2,307
GST payable	71	390	-	205
Unit application monies ⁽¹⁾	1,524	2,294	1,524	2,294
Accrued capital works	4,117	1,409	3,837	494
	9,696	8,957	38,368	19,507
⁽¹⁾ Unit Application Monies				
Units in the Trust are allotted on the first business day of the next month in accordance with the Product Disclosure Statement No. 5 dated 8 June 2007. At 30 June 2007 the Trust held application monies for unallotted units and related investor directed commissions in the Trust of \$1,524,140.				
NOTE 13: BORROWINGS				
Current				
Mortgage Loans	10,000	-	10,000	-
Non-Current				
Mortgage Loans	279,524	211,014	185,384	116,874
Financing costs	(2,621)	(2,063)	(2,341)	(1,783)
Accumulated amortisation on financing costs	1,476	828	1,207	614
	278,379	209,779	184,250	115,705

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

		Consolidated		Parent	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 14: NON-CURRENT OTHER LIABILITIES					
Issued capital	14 (i)	196,516	171,895	196,516	171,895
Retained earnings	14 (ii)	173,951	74,730	152,436	53,215
Accumulated distributions	14 (iii)	(77,355)	(48,937)	(77,355)	(48,937)
Capital raising costs		(4,412)	(3,403)	(4,413)	(3,403)
Hedge derivatives		3,512	1,415	3,512	1,415
Total Unitholder funds		292,212	195,700	270,696	174,185

	Parent		Parent	
	2007 \$	2006 Number	2007 \$	2006 Number
(i) Issued Capital				
Units on Issue at the beginning of the financial year	171,894,743	167,743,219	150,236,511	147,872,433
Units issued during the year in accordance with the 2005 Special Distribution Reinvestment Plan ("DRP")	-	-	2,594,131	2,380,516
Units issued during the year in accordance with the Product Disclosure Statement No. 3 dated 20 October 2005	-	-	19,064,101	17,490,270
Units issued during the year in accordance with the Product Disclosure Statement No. 4 dated 5 June 2006	24,621,520	22,378,234	-	-
Units on Issue at the end of the financial year	196,516,263	190,121,453	171,894,743	167,743,219

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(ii) Retained Earnings				
Retained earnings at beginning of financial year	74,730	40,959	53,215	16,339
Prior year correction	-	(2,518)	-	-
Current year profit before Unitholder distributions	99,221	36,289	99,221	36,876
Retained earnings at the end of financial year	173,951	74,730	152,436	53,215
(iii) Accumulated Distributions				
Accumulated distributions at beginning of financial year	(48,937)	(23,996)	(48,937)	(23,996)
Current year distributions	(28,418)	(24,941)	(28,418)	(24,941)
Accumulated distributions at the end of financial year	(77,355)	(48,937)	(77,355)	(48,937)

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of Cash and Cash Equivalents				
Cash and Cash Equivalents at the end of the financial year as shown in The Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:-				
Cash and Cash Equivalents	10,480	2,777	10,480	2,767
(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit/(Loss) after income tax	70,803	11,348	70,803	11,935
Financing costs – Unitholders	28,418	24,941	28,418	24,941
Non cash flows in profit:-				
Distributions – Controlled entities	-	-	(41,056)	(18,077)
Amortisation – Financing costs	648	420	592	364
Amortisation – Lease Incentives	502	854	434	182
Prior year adjustment	-	(1,248)	-	-
Net gain on disposal of investment property	(34,665)	(6,004)	(18,142)	-
Fixed rental increase in lease straight-lining	(1,670)	(1,356)	(1,527)	(1,095)
Impairment of investments	5,066	6,346	4,269	3,140
Gain on revaluation of investment property	(52,991)	(23,951)	(36,275)	(14,046)
Changes in assets and liabilities:-				
(Increase) / decrease in Trade and other receivables	(2,137)	486	(2,280)	718
(Increase) / decrease in Current other assets	(18)	(98)	(89)	(115)
Increase / (decrease) in Trade and other payables	1,510	3,114	3,769	1,234
Cash Flow from Operations	15,466	14,852	8,916	9,181
(c) Credit standby arrangement – Bank Overdraft				
Bank overdraft facilities available	4,000	4,000	4,000	4,000
Bank overdraft facilities utilised	604	666	604	666
Unused bank overdraft facilities	3,396	3,334	3,396	3,334

The utilised portion of this overdraft facility is included in Cash and Cash Equivalents balance in the financial statements.

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(d) Financing arrangements				
Finance facilities available	295,224	214,274	201,084	120,134
Finance facilities utilised	289,524	211,014	195,384	116,874
Unused finance facilities	5,700	3,260	5,700	3,260

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS continued

The major facilities are summarised as follows:-

Multi-option Facility: The Trust has a multi-option facility of up to \$4M with the Commonwealth Bank of Australia which is used to fund day to day operations. This facility is secured by mortgages over certain properties.

Joint Finance Facility: The Trust has a combined finance facility between the Commonwealth Bank of Australia ("CBA") and mortgage funds managed by ING Management Limited ("ING") collectively referred to as the Financiers. Under this joint finance facility, the total debt is \$289,524,000. 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 debt).

The major terms of the joint finance facility are:-

Term: 5 years to 6 November 2008.

Financiers' Margin:

CBA: 0.45% per annum up to 40% loan to value ratio ("LVR"); and

ING: 1.20% per annum above 40% LVR and up to 60% LVR;

1.80% per annum above 60% LVR.

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.

Hedging: As at 30 June 2007, 60% of the Trust debt funding has fixed interest rates or is hedged with the balance being on variable rates.

The tables below outline the various fixed or hedged portions of the debt portfolio referenced against the hedge expiry date and the fixed interest rate or minimum/maximum interest rate for those facilities that have a 'cap and collar' arrangement. All rates in the table are inclusive of interest rate margin.

Caps & Collars

Settlement	Effective Interest Rate	Notional Principal	
		2007 \$'000	2006 \$'000
Less than 1 year	4.95% to 5.75%	9,270	9,100
1 to 2 years	5.10% to 5.75%	-	9,270
2 to 5 years	5.10% to 7.29%	10,000	10,000
Total		19,270	28,370

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS continued

Interest Rate Swaps

Settlement	Weighted Average Interest Rate		Notional Principal	
	2007 %	2006 %	2007 \$'000	2006 \$'000
Less than 1 year	-	6.44	-	25,885
1 to 2 years	6.89	6.82	10,000	26,477
2 to 5 years	6.48	6.41	60,000	89,152
5 to 10 years	6.33	-	40,000	-
Total	6.46	6.48	110,000	141,514

Combined Hedging Arrangements

Fixed to:	Sep '07 \$'000	Dec '07 \$'000	Oct '08 \$'000	Nov '08 \$'000	Nov '09 \$'000
Caps & Collars	9,270	-	-	-	10,000
Effective Interest Rate	4.95% to 5.75%	-	-	-	5.10% to 7.29%
Interest Rate Swaps	-	13,917	12,560	10,000	9,152
Effective Interest Rate	-	6.82%	6.83%	6.83%	6.30%
Total Hedged	9,270	26,477	20,000	9,152	10,000

Fixed to:	Jun '10 \$'000	Jul '10 \$'000	Sep '10 \$'000	Mar '17 \$'000	May '17 \$'000	Total
Caps & Collars	-	-	-	-	-	19,270
Effective Interest Rate	-	-	-	-	-	
Interest Rate Swaps	10,000	10,000	20,000	20,000	20,000	155,629
Effective Interest Rate	6.86%	6.86%	6.12%	6.47%	6.40%	
Total Hedged	20,000	20,000	20,000	20,000	20,000	174,899

Other Financial Information: The borrowings were undertaken by the Manager as responsible entity of the Trust and its sub-trusts. Trust Company of Australia Limited as Custodian granted mortgages over the investment property and interest bearing deposits to secure the borrowings. Neither the unitholders, the Manager or Custodian are personally liable beyond the value of the capital contributed.

The Trust has entered into an agreement with the Anthony Moreton Group ("AMG") for procuring and managing the Joint Finance Facility. This agreement entitles AMG to an ongoing fee of 0.075% per annum of the total facility amount for the life of the facility.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 16: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the year, the Trust has paid monthly distributions to unitholders in the months of July and August 2007 totalling \$3,113,166.

Since the lodgement of Product Disclosure Statement No.5 on 8 June 2007, the Trust raised \$43.4M and allotted 35,546,274 units. The Product Disclosure Statement No.5 closed on the 25 August 2007. The total units on issue at 1 September 2007 is 225,667,727 units.

Mirvac Holdings Limited (a member of the Mirvac Group) exercised the put and call option on 30 August 2007 to acquire the balance 50% shareholding in Property Funds Australia Limited (The Manager) that it currently does not own. Settlement of the contract to purchase the shares in Property Funds Australia Limited is expected to occur no later than 10 October 2007.

303 Sevon Oaks Street, Perth - Sale of Land Contract

The Trust has entered into a contract for the sale of the surplus land (approx. 1.75 hectares) at 303-307 Sevenoaks Street, Cannington, Perth, WA for an agreed sale price of \$5.4M.

390 St Kilda Road, Melbourne acquisition

Subsequent to 30 June 2007, the Trust acquired a commercial office building located at 390 St Kilda Road, Melbourne for \$63.225M. Settlement of the 390 St Kilda Road property occurred 17 August 2007.

Payment of Special Distribution

On 14 September 2007, as a consequence of the sale of 388 Queen Street, Brisbane, a special distribution of 2.88 cents per unit was paid to unitholders on the register on 31 July 2007.

NOTE 17: CONTINGENT LIABILITY

Sale Performance Management Fees

In accordance with the Trust Constitution, the Manager is entitled to remuneration as follows:-

- a) 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.
- b) 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:-
 - i. 2.5% of the gross sale price (if gross sale price is more than 50% of original gross purchase price); or
 - ii. 1.5% of the gross sale price (if gross sale price is between 30% and 50% more than the original gross purchase price).
Original gross purchase price includes that purchase price paid by any sub-trusts of the Trust.
- c) 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.

This is outlined in Clause 25.1 of the Trust's Constitution.

Revolving Cash Advance Facility

As at 30 June 2007 the Trust is to provide a \$1,000,000 cash facility to Citigate Melbourne Pty Ltd as per the Revolving Cash Advance Facility Agreement. The Trust holds shares in Citigate Melbourne Pty Ltd and as at 30 June 2007, \$501,923 was drawn down. Interest is accrued monthly in accordance with the Revolving Cash Advance Facility Agreement.

As at 30 June 2007 the Trust is to provide a \$1,000,000 cash facility to Citigate Perth Pty Ltd as per the Revolving Cash Advance Facility Agreement. The Trust holds shares in Citigate Perth Pty Ltd and as at 30 June 2007, \$300,905 was drawn down. Interest is accrued monthly in accordance with the Revolving Cash Advance Facility Agreement.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
NOTE 18: OPERATING LEASE COMMITMENT RECEIVABLE				
Operating Lease Commitments contracted as receivables:-				
- not later than 1 year	44,576	38,387	35,433	25,527
- later than 1 year but not later than 5 years	143,421	122,587	124,542	89,242
- later than 5 years	188,565	166,035	168,502	140,972
Aggregate lease revenue contracted for at balance date	376,562	327,009	328,477	255,741

NOTE 19: OTHER STATUTORY INFORMATION

- Property Funds Australia Limited ACN 078 199 569 ("the Manager"), the holder of Australian Financial Services Licence No. 224106 is the responsible entity of the PFA Diversified Property Trust ARSN 097 860 690 ("the Trust").
- The land title to investment property of the Trust is registered in the name of Trust Company of Australia Limited who is appointed under the Custody Agreement to act as the custodian on behalf of the Manager who in turn is trustee for the unitholders.
- The PFA Diversified Property Trust is a Trust settled and domiciled in Australia.
- The PFA Diversified Property Trust is a registered managed investment scheme established in Australia and listed on the Bendigo Stock Exchange.
- Registered and principal place of business is:
Level 3
Anzac Square Commercial
200 Adelaide Street
BRISBANE QLD 4000
AUSTRALIA

NOTE 20: RELATED PARTY DISCLOSURES

a) Details of the Manager and the Custodian are as follows:-

Manager

Property Funds Australia Limited ACN 078 199 569 Directors who held office during the year were:-

Robert Thomas Summerton
Christopher Arthur Morton
Dennis Wayne Wildenburg
Nicholas Roland Collishaw
Jennifer Joan Hutson

Custodian

Trust Company Limited ACN 004 027 749 Directors who held office during the year were:-

Robert Bruce Corlett – Chairman
Jonathan Westaby Sweeney – Managing Director
John Gregory Macarthur-Stanham
Warren John McLeland
Duncan Paul Saville (resigned 27 July 2006)
William John Forrest
Roger Andrew Davis
James Stephen King (appointed 1 February 2007)

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 20: RELATED PARTY DISCLOSURES continued				
b) Related party transactions during the year were as follows:-				
Management fee for the year in accordance with the Trust Constitution.	2,602,727	2,119,260	2,602,727	2,119,260
Product Disclosure Statement production fee as provided for in the Product Disclosure Statement No. 5 dated 8 June 2007 and in accordance with the Trust Constitution. This fee was determined on a commercial basis (30 June 2006: Product Disclosure Statement No. 3 and No. 4).	100,000	200,000	100,000	200,000
Acquisition fee (purchase of Citigate Perth Hotel, Perth, Western Australia) as provided for in accordance with the Trust Constitution.	1,040,000	-	1,040,000	-
Acquisition fee (purchase of 1-21 Dean Street, Moonee Ponds, Melbourne, Victoria) as provided for in accordance with the Trust Constitution.	570,000	-	570,000	-
Acquisition fee (purchase of 706 Mowbray Road, Lane Cove, Sydney, New South Wales) as provided for in accordance with the Trust Constitution.	585,300	-	585,300	-
Acquisition fee (purchase of The Octagon, 110 George Street, Parramatta, New South Wales) as provided for in accordance with the Trust Constitution.	780,000	-	780,000	-
Acquisition fee (purchase of 180 Queen Street, Brisbane, Queensland) as provided for in accordance with the Trust Constitution.	-	360,000	-	360,000
Acquisition fee (purchase of Civic Tower, Sydney, New South Wales) as provided for in accordance with the Trust Constitution.	-	1,043,000	-	1,043,000
Acquisition fee (purchase of Citigate Melbourne Hotel, Melbourne, Victoria) as provided for in accordance with the Trust Constitution.	-	680,000	-	680,000
Disposal and Performance fee (sale of Garden Square, Brisbane, Queensland) as provided for in accordance with the Trust Constitution.	2,565,000	-	2,565,000	-
Disposal and Performance fee (sale of 388 Queen Street, Brisbane, Queensland) as provided for in accordance with the Trust Constitution.	1,800,000	-	1,800,000	-
Disposal and Performance fee (sale of Post Office Square, Brisbane, Queensland) as provided for in accordance with the Trust Constitution.	-	2,468,118	-	2,468,118
Capital raising fee as provided for in the Product Disclosure Statement No. 5 dated 8 June 2007 and Product Disclosure Statement No. 4 dated 5 June 2006 and in accordance with the Trust Constitution (30 June 2006: Product Disclosure Statement No. 3 and No. 4). This fee was determined on a commercial basis. From the capital raising fee paid to the Manager by the Trust, the Manager paid handling fees of \$465,314 to advisors and brokers. This resulted in the Manager receiving \$288,984 in capital raising fees.	754,298	668,702	754,298	668,702
In-house accountancy fee for the year. This fee was determined on a commercial basis.	100,000	95,000	100,000	95,000
Registry fee for the year. This fee was determined on a commercial basis.	40,000	30,000	40,000	30,000
The Manager is a sub-tenant of a tenant of a sub-trust of the Trust at the Anzac Square Offices, 200 Adelaide Street, Brisbane. The sub-lease term is from 1 May 2007 to 31 December 2007. Under the lease terms the option to renew are 2 x 1 year option periods. The terms of the lease were negotiated on commercial terms with the head tenant.	132,510	121,413	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 20: RELATED PARTY DISCLOSURES continued				
<i>The Custodian</i>				
Custodian fee for the year paid to Trust Company Limited in accordance with the Custody Agreement.	108,344	81,898	108,344	81,898
c) Unitholdings in the Trust				
<i>Number of units held in the Trust</i>				
Property Funds Australia Limited	224,244	196,213	-	-
Christopher Morton related entity	242,010	211,758	-	-
<i>Distributions received during the Year</i>				
Property Funds Australia Limited	33,543	31,865	-	-
Christopher Morton related entity	36,201	21,362	-	-
d) Shares in Companies				
<i>Shares in Citigate Melbourne Pty Ltd</i>				
The Trust holds 90,000 \$1 "A Class" shares and 49 \$1 "B Class" shares in Citigate Melbourne Pty Ltd. Citigate Melbourne Pty Ltd is the Lessee of Citigate Melbourne Hotel a property acquired by the Trust. The lease term is from 1 July 2006 to 30 June 2016. The terms of the lease were negotiated on commercial terms.	90,049	-	90,049	-
<i>Shares in Citigate Perth Pty Ltd</i>				
The Trust holds 90,000 \$1 "A Class" shares and 49 \$1 "B Class" shares in Citigate Perth Pty Ltd. Citigate Perth Pty Ltd is the Lessee of Citigate Perth Hotel a property acquired by the Trust. The lease term is from 1 July 2007 to 30 June 2017. The terms of the lease were negotiated on commercial terms.	90,049	-	90,049	-
e) Leasing Agreement				
The Trust has appointed Mirvac Investments to provide property management and leasing assistance at the Riverdale Centre, The Octagon, Homeworld Centre and Cairns Hypermart. Mirvac Group owns shares in the Manager. The terms of the property management and leasing fee were negotiated on a commercial basis.	150,365	60,858	41,823	11,667
NOTE 21: CONTINGENT ASSETS				

The Trust and its controlled entities (lessor) hold unconditional bank guarantees from lessees. These bank guarantees may crystallise on default by the lessee to the lessor. The total amount of bank guarantees held as at 30 June 2007 was \$5,180,346 (30 June 2006: \$1,779,928) for the Consolidated entity and \$4,499,253 (30 June 2006: \$1,038,625) for the Parent entity.

As at 30 June 2007 the Trust holds income support guarantees covering a maximum period to 31 January 2010 for 706 Mowbray Road, Lane Cove, Sydney of \$1,111,200 and a maximum period to 16 December 2008 for Civic Tower, Sydney of \$1,378,104 (half share) and a maximum period to 8 May 2009 for The Octagon, Parramatta of \$1,500,000 (half share).

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 22: FINANCIAL INSTRUMENTS

a) *Financial Risk Management*

The Trust's financial instruments consist mainly of deposits and loans with banks, accounts receivable and payable and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for Trust operations.

Derivatives are used by the Trust for hedging purposes. Such instruments include interest rate swap agreements and interest rate cap agreements. The Trust does not speculate in the trading of derivative instruments.

i. *Treasury Risk Management*

The interest rate risk management committee consisting of senior executives of the Trust, meet on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. *Financial Risks*

The main risk the Trust is exposed to through its financial instruments is interest rate risk and credit risk.

Interest Rate Risk

The Trust enters into interest rate swaps and derivatives to manage cash flow risks associated with the interest rates on borrowings that are floating, or alter interest rate exposures arising from mismatches between assets and liabilities.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date is the carrying amount, net of any provisions for impairment, as disclosed in the Balance Sheet and notes to the financial statements. The Trust does not have any concentration of credit risk.

b) *Financial Instruments*

i. *Interest Rate Swaps*

Interest rate swaps allow the Trust to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between two and five years.

ii. *Interest Rate Risk*

The Trust's exposure to interest rate risk, which is the risk that the Trust debt will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on the classes of financial assets and financial liabilities, is as follows:-

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 22: FINANCIAL INSTRUMENTS continued

Consolidated Entity	Weighted Average Effective Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing			
	2007 %	2006 %	Within 1 Year		1 to 5 years		2007 \$'000	2006 \$'000	Total	
			2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000			2007 \$'000	2006 \$'000
Financial Assets										
Cash and cash equivalents	6.06	5.45	10,480	2,777	-	-	-	-	10,480	2,777
Available for sale financial assets	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	837	590	-	-	6,545	2,557	7,382	3,147
Total Financial Assets	-	-	11,317	3,367	-	-	6,545	2,557	17,862	5,924
Financial Liabilities										
Other Liabilities	-	-	-	-	-	-	292,212	195,700	292,212	195,700
Interest Bearing Liabilities	6.48	6.50	45,747	34,985	243,777	176,029	-	-	189,524	211,014
Trade and Other Payables	-	-	-	-	-	-	9,696	8,957	9,696	8,957
Total Financial Liabilities			45,747	34,985	243,777	176,029	301,908	204,657	591,432	415,671

iii. Net Fair Values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are as follows:-

	Consolidated 2007		Parent 2006	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets				
Available for sale financial assets	180	180	-	-
Trade and other receivables	7,382	7,382	3,147	3,147
	7,562	7,562	3,147	3,147
Financial Liabilities				
Interest bearing liabilities	288,379	288,379	209,779	209,779
Trade and other payables	9,696	9,696	8,957	8,957
Other liabilities	292,212	292,212	195,700	195,700
	590,287	590,287	414,436	414,436

NOTE 23: SEGMENT INFORMATION

The Trust operates in one business segment, being property investment and in one geographical segment being Australia.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2007

NOTE 24: BENDIGO STOCK EXCHANGE SUPPLEMENTARY INFORMATION

a) The information in this note is current as at 1 September 2007 and is stated as it applies to the PFA Diversified Property Trust.

b) Voting rights of unitholders: 1 vote for each unit held.

c) PFA Diversified Property Trust spread of unitholders:-

Number	Total No. of Unitholders
1 – 1,000	2
1,001 – 5,000	59
5,001 – 10,000	562
10,001 – 100,000	3,444
100,001 and over	288
Total	4,355

d) 10 largest unitholders of the PFA Diversified Property Trust:-

Investor	No. of Units Held	% of Equity
RBC Dexia Investor Services Australia Nominees Pty Limited	14,556,523	6.45
Sandhurst Trustees Ltd	11,136,514	4.93
ANZ Nominees Ltd	5,700,000	2.53
Australian Executor Trustees NSW Ltd	4,155,845	1.84
National Nominees Limited	3,975,019	1.76
Trust Company of Australia Ltd	3,782,445	1.68
JP Morgan Nominees Australia Limited	2,500,000	1.11
Seymour Group Pty Ltd	2,382,394	1.06
RBC Dexia Investor Services Australia Nominees Pty Limited	2,359,863	1.05
BT (Queensland) Pty Ltd	2,019,607	0.89

e) Number of holders holding less than a marketable parcel:-

One (1)

f) The Trust's substantial unitholders are:-

Investor	No. of Units Held	% of Equity
APN Funds Management	18,839,945	8.35
Sandhurst Trustees Ltd atf Macarthur Cook PSF A/c	11,136,514	4.93

NOTE 25: ECONOMIC DEPENDENCY


Where the rental income from a tenant is 10% or more of the total Trust rental income, the tenant is considered to be a key tenant. The operation of the scheme is dependent upon the continuation of receipts from a number of key tenants. Key tenants as at 30 June 2007 are the State Government of Western Australia (303 Sevenoaks Street, Cannington, Perth).

DIRECTORS' DECLARATION

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

- 1) The financial statements and notes are in accordance with the Corporations Act 2001 and:-
 - a) Comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b) Give a true and fair view of the Trust and the consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date.
- 2) The Chief Financial Officer has declared that:-
 - a) The financial records of the PFA Diversified Property Trust for the financial year ended 30 June 2007 have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) The financial statements and the notes to the financial statements for the financial year ended 30 June 2007 comply with the Australian Accounting Standards; and
 - c) The financial statements and the notes to the financial statements give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the PFA Diversified Property Trust.
- 3) In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Christopher A. Morton

Managing Director

Brisbane

19 September 2007

INDEPENDENT AUDITOR'S REPORT

To the members of the PFA Diversified Property Trust

We have audited the accompanying financial report of PFA Diversified Property Trust, which comprises the balance sheet as at 30 June 2007, the income statement and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the scheme and the entities it controlled at year end or from time to time during the year.

We have also audited the remuneration disclosure contained in the directors' report. As permitted by the Corporations Regulations 2001, the consolidated entity has disclosed information about the remuneration of the responsible entity's directors and executives ("remuneration disclosures"), required by Accounting Standard AASB124 Related Party Disclosures, under the heading "Remuneration Report" in the directors' report.

Directors' Responsibility for the Financial Report and the AASB124 Remuneration Disclosures contained in the Directors' Report.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the responsible entity are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirement of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Property Funds Australia Limited as the responsible entity of the Diversified Property Trust on 19 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

INDEPENDENT AUDITOR'S REPORT

To the members of the PFA Diversified Property Trust

Auditor's opinion

In our opinion, the financial report of PFA Diversified Property Trust is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the scheme's and consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- (d) The remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB124.

BDO Kendalls (QLD)



Paul Gallagher

Partner

Brisbane

19 September 2007

DIRECTORY

Manager

Property Funds Australia Limited

ACN 078 199 569

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Christopher A Morton (Managing Director)

Dennis W Wildenburg

Nicholas R Collishaw

Jennifer J Hutson

Company Secretary

Michael F White

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