



ARSN 097 860 690



PRODUCT DISCLOSURE STATEMENT



**PROPERTY FUNDS
AUSTRALIA LIMITED**

ACN 078 199 569
AFSL No. 224106

PFD 1/04

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Key Dates

Event	Date
Record Date for Existing Unitholder's Priority	27 February, 2004
Existing Unitholder's Priority Period closes	31 March, 2004
Allotment of Units	On the first business day of each month
Dispatch of holding statements	Within 7 days after allotment
Units quoted on BSX	Within 7 days after allotment
Record Date for distributions	The last business day of each month

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

INVESTOR ENQUIRIES FREECALL 1800 687 170

Important Notice

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

This PDS is an important document and should be read in its entirety. The PDS is dated 27 February, 2004. A copy of this PDS has been lodged with the Australian Securities and Investments Commission ("ASIC") and the Bendigo Stock Exchange ("BSX") on 27 February, 2004. ASIC and BSX take no responsibility for the contents of this PDS.

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

Capital and investment returns are not guaranteed

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

In particular, this PDS contains certain statements which relate to the future, including forecast statements relating to the Trust and forecast financial performance, financial

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

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

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

Restrictions in jurisdictions outside Australia

This PDS can only be used by Investors receiving it electronically or otherwise in Australia and does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. The

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

Integrity of the content of the PDS

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

Definitions

A number of words and terms used in this PDS have defined meanings which appear in the Defined Terms section. All references to monetary amounts are expressed in Australian currency.

The Offer at a Glance

The Offer	\$25 million in Units in the PFA Diversified Property Trust ARSN 097 860 690 which currently has \$236 million of quality investment grade Australian property including the further property it has contracted to purchase which is valued at \$29 million (see section 1).
An Investment Opportunity For	Existing PFA Investors New Investors Super funds Institutions and property securities funds
Attractive Distributions*	Forecast distributions during the Forecast Period are 9.48 cents per Unit per annum. This equates to an annualised distribution rate of 9.3% per annum when calculated on the Offer price (see section 6.2).
Tax Effective Distributions*	66% of the forecast distributions during the Forecast Period are expected to be Tax Deferred (see section 6.2 Note 11).
Monthly Distributions	Paid by electronic funds transfer.
Minimum Investment	\$5,000 and then in multiples of \$1,000.
Offer Price	\$1.02 per Unit.
Quality and Diversified Property Exposure**	A quality portfolio of 11 investment grade properties diversified by geographic location, property sector, tenant and lease expiry (see section 2).
Access to Funds	The Units in the Trust are listed on the Bendigo Stock Exchange ("BSX") and can be traded (see section 3.9).
Well Established Management and Custodian	The Trust's responsible entity/manager is Property Funds Australia Limited, an experienced and specialist property fund manager. The Custodian is Trust Company of Australia Limited – established in 1885 (see section 5).
Investment Strategy of the Trust	To invest in a growing portfolio of quality properties diversified by property sector, geographic location, tenant profile and lease expiry with the properties generally in the price range of \$10 million to \$50 million (see section 3 for the detailed strategy).
Entry Fees	Nil.
Existing Unitholder Priority	Existing Unitholders have the benefit of a priority period over other Applicants (see section 1.10).
Recent Trust Performance	Since 1 July, 2003 net tangible asset backing per Unit has increased 7% (approx.); Distributions have occurred as per the forecast published in June, 2003; Revenue (up 5%) and net profit (before amortisations and merger costs) up 21% on financial forecasts underlying the forecast published in June, 2003

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

** An unconditional contract to purchase a further property has been entered into settling by 18 March, 2004, taking the portfolio to 11 Properties valued at \$236 million.

Managing Director's Letter



27 February, 2004

Dear Investor,

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

Following completion of the recent contract to acquire the Lands Building – the value of the Trust's portfolio will be \$236 million. The Trust portfolio of 11 properties are located in Queensland, New South Wales, Tasmania and the ACT and are spread across the retail, office, car park, entertainment and industrial sectors.

The purpose of this product disclosure statement is to raise additional equity through the issue of fully paid Units at \$1.02 each with a target capital raising of \$25 million. The purpose of the capital raising is the reduction of debt (following its increase with the acquisition of the Lands Building - a government tenanted CBD office building), capital works and to implement an off-market buyback.

Based on the issue price of \$1.02 per Unit, during the forecast period, the forecast distribution is 9.3% per annum with approximately 66% of that forecast distribution expected to be Tax Deferred.

The Trust currently has in excess of 2,700 unitholders and is listed on the Bendigo Stock Exchange ("BSX"). The BSX offers investors access to a transparent secondary market for the future trading of Units.

The Trust has experienced excellent recent trading performance (e.g. net tangible asset backing per unit increasing by 7% since 1 July, 2003 and above forecast financial performances since that date).

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

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

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

Yours sincerely

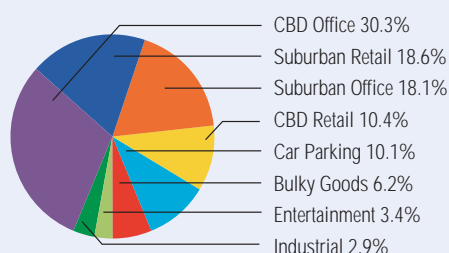


Chris Morton
Managing Director

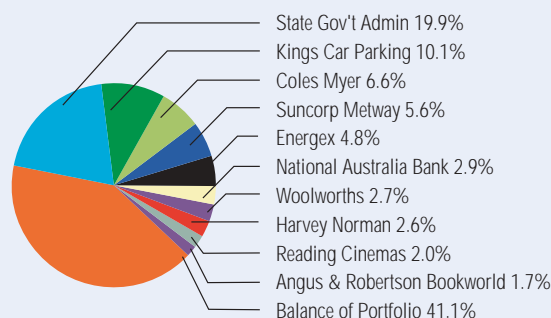
The Benefits of the Offer

Attractive Distributions	A 9.3% per annum annualised forecast distribution during the Forecast Period (when calculated by reference to the Offer price of \$1.02 per Unit).
Substantial Tax Benefits	66% of the forecast distributions during the Forecast Period are expected to be Tax Deferred .
Well Balanced Diversification	The Portfolio has good diversification by sector, tenant and lease expiry profile.
Quality Tenants	Approximately 80% of the Portfolio's income is from national or government tenants.
Monthly Distributions	Monthly distributions by electronic funds transfer.
Expansion Opportunities	Further properties may be acquired enhancing the diversification of the Trust.
Established and Experienced Management	Property Funds Australia is the responsible entity of the Trust. Established in 1997, PFA is a specialist property funds manager. It's Directors and key officers have a wide variety of background skills and experience in areas critical to the successful acquisition, management and sale of the Trust's assets.
Super Fund Suitability	Currently, superannuation funds which are unable to borrow in their own right can invest in the Trust. The Trust borrows so gearing benefits are obtained.
Listed Investment	The Trust is a \$236 million property trust listed on the Bendigo Stock Exchange. The Trust has in excess of 2,700 Investors. Being listed, there is an available and operating secondary market with freely available and transparent market information. Units in the Trust can be traded on the Bendigo Stock Exchange.
Exposure to a Diverse Property Portfolio	As an Investor, you will be exposed to a quality property portfolio comprising 11 properties which are predominantly leased to a number of widely recognised quality tenants as the pie chart below demonstrates. The underlying Properties are valued at \$236 million . The Portfolio's diversification is also demonstrated in the pie charts below.

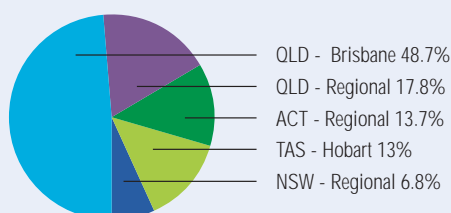
Sector



Tenant Profile



Geographic Diversification



Defined Terms

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

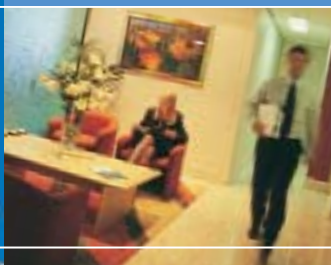
Applicant	a person or entity who submits an Application Form.	LVR	means loan to valuation ratio. It is the ratio of the debt funding amount (i.e. provided by the lender to the Trust) as against the lender's ascribed value to the Properties.
Application Form	an application form attached to this PDS.	Manager	Property Funds Australia.
ASIC	Australian Securities and Investments Commission.	NLA	net lettable area.
BSX/Bendigo Stock Exchange	the stock exchange conducted by Bendigo Stock Exchange Limited.	Offer	the offer of Units made in this PDS.
CGT	Capital Gains Tax.	Off-Market Buyback Offer	the offer to Eligible Unitholders to buyback up to 5 million Units at a price of \$1.00 per Unit as outlined in section 9.4.
Constitution	the constitution of the PFA Diversified Property Trust, ARSN 097 860 690 a summary of which is set out in section 9.1.	On-Market Buyback Offer	the offer made on the BSX to buyback Units from any Unitholder at a price of \$1.00 per Unit up to a maximum of 500,000 Units and as outlined in section 9.4.
Corporations Act	the Corporations Act 2001 (Commonwealth).	PDS	this product disclosure statement.
Custodian	Trust Company of Australia Limited ACN 004 027 749.	PFA	Property Funds Australia.
Directors	the directors of Property Funds Australia.	Portfolio	the Properties collectively.
Eligible Unitholders	those Unitholders who were unitholders/owners of units/lots in the "merging trusts" (as defined in the Explanatory Memoranda) as at 2 June, 2003.	Property Funds Australia	Property Funds Australia Limited ACN 078 199 569, the responsible entity/manager of the Trust.
Existing Unitholders	Unitholders as at 27 February, 2004.	Properties	the properties which form the key assets of the Trust and which are listed in section 2.
Explanatory Memoranda	each of the Explanatory Memoranda dated 2 June, 2003 issued in respect of the merger proposal of the various merging trusts managed by PFA.	Registry	the registry maintained by Property Funds Australia which records the details of each Unitholder's unitholding.
Financiers	means the Commonwealth Bank of Australia Limited and certain mortgage funds managed by ING Management Limited.	Subscription	the amount as set out on an Application Form (after deduction of any adviser service fees (if any)) paid by the Applicant and accepted by the Manager.
Forecast Period	the period from 1 January, 2004 to 31 December, 2004 in respect of which Property Funds Australia has prepared financial forecasts for the Trust.	Tax Deferred	that component of distributions from the Trust that are not taxed. For further explanation – refer section 6.2 (note 11).
GST	Goods and Services Tax.	Trust	the PFA Diversified Property Trust ARSN 097 860 690 as constituted by the Constitution.
Investment	the ownership of Units in the Trust.	Unit	a unit in the Trust.
Investor	a Unitholder or prospective Unitholder.	Unitholder	a holder of Units in the Trust.
Joint Finance Facility	the joint finance facility provided by the Financiers and described in section 6.5.	Unitholding	the unitholding of a Unitholder in the Trust.
Lands Building	a property which the Trust has contracted to purchase and described in section 2.	Vacancy	not leased or subject to receipt of income in respect of relevant space. Vacancy is calculated on an income basis.
		We	Property Funds Australia.
		You	an Investor.

SECTIONS

1 Investment Overview

2 The Portfolio

3 Structure and Strategy



1

Investment Overview

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

1.1. Introduction

The Trust is a listed Australian unit trust which owns the Portfolio (either directly or through wholly owned subsidiary trusts) and which is currently valued at \$236 million. The Portfolio is diversified by property sector, geographic location, tenant profile and lease expiry. The Trust currently has in excess of 2,700 Unitholders.

The Trust has entered into an unconditional contract to acquire a further property being a significant commercial office building known as the Lands Building. This property has in excess of 14 years remaining on its lease over the whole of the building which is leased to the Tasmanian State Government.

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

The Trust over the six month period to 31 December, 2003 has experienced excellent trading performance. In particular,

- during this six month period, the net tangible asset backing per Unit increased 7% (approx.) following upward revaluations on 6 of the properties in the Portfolio;
- distributions have occurred in line with forecasts published in June, 2003;
- revenue has been 5% up and net profit (before amortisations and merger costs) up 21% on financial forecasts underlying the Explanatory Memoranda.

1.2. The Offer

PFA is offering Investors the opportunity to acquire Units in the Trust at \$1.02 per Unit by subscribing up to \$25 million. PFA reserves the right to accept oversubscriptions above \$25 million. However, in deciding whether to accept oversubscriptions, PFA will have regard to factors including but not limited to the affect (if any) of accepting oversubscriptions has on forecast distributions to Investors.

1.3. Purpose of the Offer

The proceeds of the Offer will be used to:-

- reduce the debt of the Trust following the increase which occurs as a consequence of the acquisition of the Lands Building;
- buyback up to 5 million Units at \$1.00 per Unit from Eligible Unitholders in accordance with the intended implementation of the Off-Market Buyback Offer; and
- fund capital works which PFA believes should occur to underpin and add to the value of the Portfolio.

1.4. Minimum investment

The **minimum application is \$5,000** (at the Offer price of \$1.02 per Unit) and thereafter in multiples of \$1,000. PFA reserves the right to accept applications for differing amounts at its discretion.

PFA also reserves the right to waive the minimum application requirements or decline in whole or in part any application at its absolute discretion. Where any application is declined, the surplus application moneys will be refunded to the Applicant as soon as practicable.

1.5. Who is able to invest?

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

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

Investors should however seek their own financial advice.

1.6. Monthly distributions

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

1.7. How to apply

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

1.8. Nature of Units and transferability

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

Unitholders may transfer Units, subject to the procedures set out in the Constitution.

Unitholders may also trade their Units on the Bendigo Stock Exchange (see section 3.9 for further details on the BSX).

1.9. Limited liability

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

The Queen Street entrance to Post Office Square (an asset of the Trust).



1.10. Existing Unitholders' priority entitlement

Existing Unitholders have a priority entitlement under the Offer. This means that current Unitholders who wish to subscribe for additional Units under this PDS will be given a priority over other Applicants. **To receive the benefits of this priority, Existing Unitholders must lodge their duly completed Application Forms with Property Funds Australia by 31 March, 2004.** Applications by Existing Unitholders lodged with Property Funds Australia after that date will still be processed but will not have priority over other Applicants who are not Existing Unitholders.

1.11. Relevant current events

1.11.1. Lands Building Acquisition

On 23 February, 2004 the Trust entered into a contract for the purchase of the Lands Building. A profile of this property is contained in section 2. The purchase price for this property is \$28.92 million with settlement scheduled to occur by 18 March, 2004.

This property is wholly leased to the State Government of Tasmania with the lease having a remaining term in excess of 14 years.

The purchase of this property is being initially funded by a further advance under the Joint Finance Facility. Capital raised by this PDS will be used to reduce the debt associated with this acquisition. This PDS has been prepared on the basis that the Lands Building is part of the Portfolio.

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

1.11.2. Buyback Offers

The Manager is currently carrying out an On-Market Buyback Offer program to purchase and cancel 500,000 Units at a price of \$1.00 per Unit.

Upon the raising of \$5 million pursuant to this PDS, the Manager intends to make an Off-Market Buyback Offer, offering to buyback and cancel 5,000,000 Units at \$1.00 per Unit.

For further details on the On-Market Buyback Offer and the Off-Market Buyback Offer see section 9.4.

*The Macquarie Street entrance to the Lands Building
(an asset of the Trust).*



The Portfolio

2.1. Introduction

The Portfolio has the following characteristics:-

- **\$236 million in property assets over 11 properties;**
- gross revenues of approximately \$27 million per annum;
- **a strong 5.8 year weighted average lease expiry;**
- **a balanced lease expiry profile;**
- **a 4.8% Vacancy rate;**
- approximately **80% leased to national or government tenants;**
- 90,349m² of Net Lettable Area and a 316 bay public car parking facility;
- **sound diversification**, particularly by reference to sector and tenant, with a material Queensland geographical bias.

An Australian property market commentary by independent property researchers and valuers - LandMark White is contained in section 8. This commentary focuses on those property sectors and geographic locations which currently affect the Portfolio and should assist in an understanding of relevant property markets.

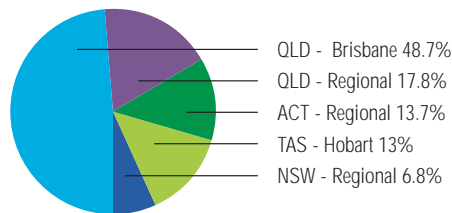
2.2. The Portfolio

The Portfolio comprises 11 properties, summarised as follows:

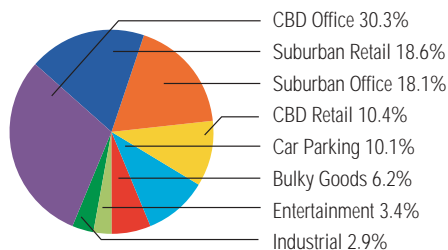
Asset	Sector	Location	% of Portfolio Value	Current Valuation
Post Office Square	Retail/Car Park	Brisbane CBD, Qld	23.11	\$54,500,000
Homeworld Centre	Retail/Office	Tuggeranong, ACT	12.47	\$29,400,000
The Lands Building	Office	Hobart, Tas	12.29	\$29,000,000
Garden Square	Office	Upper Mt Gravatt, Brisbane, Qld	9.96	\$23,500,000
Anzac Square	Office	Brisbane CBD, Qld	7.72	\$18,200,000
Cairns Hypermart	Retail/Industrial/Office	Cairns, Qld	7.34	\$17,300,000
388 Queen Street	Office	Brisbane CBD, Qld	6.89	\$16,250,000
Riverdale Centre	Retail/Entertainment	Dubbo, NSW	6.66	\$15,700,000
544 Kessels Road	Retail/Industrial	MacGregor, Brisbane, Qld	4.66	\$11,000,000
Centro on James - Stage3	Retail/Entertainment	Fortitude Valley, Brisbane, Qld	4.58	\$10,800,000
The Precinct	Office/Retail	Coorparoo, Brisbane, Qld	4.32	\$10,200,000
			100.00%	\$235,850,000

2.3. Geographical diversification

The following graph demonstrates the geographical diversification of the Portfolio and its current Queensland geographical bias. Part of the future investment strategy of the Trust is to gradually reduce this bias towards Queensland as demonstrated by the Lands Building purchase.



2.4. Property sectors

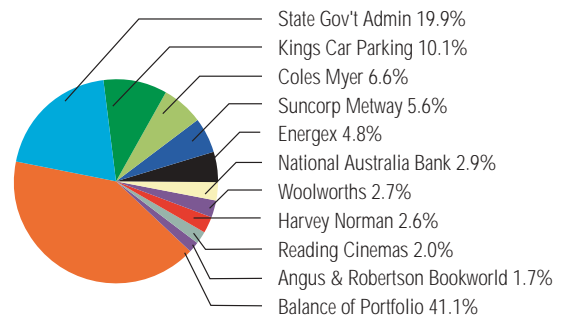


The Major Tenants of the Portfolio



2.5. The tenants

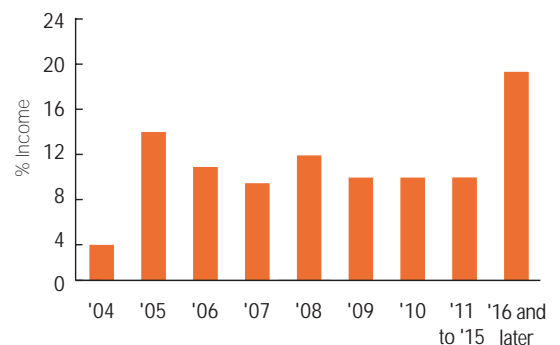
The following pie chart illustrates the contribution by income (approximately 60%) of the top 10 tenants. The subsequent table identifies some of the more recognisable tenants that make up part of the balance of Portfolio income.



Tenant	% of Portfolio Income
Carlton & United Breweries	1.6%
Freedom Furniture Group (including Capt'n Snooze)	1.4%
Palace Cinemas (a Village Roadshow subsidiary)	1.4%
ALDI Stores	1.2%
Trendwest Resorts	1.0%
JB Hi-Fi	0.9%
Encel Stereo (formerly Stereo Supplies)	0.8%
Bob Jane T Mart	0.5%

2.6. 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 5.8 years** and a **Vacancy rate of approximately 4.8%**.



Financial Year Ending 30 June



Post Office Square

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

Description

Post Office Square is a landmark property located in the heart of the Brisbane CBD. The property is directly opposite the GPO and 100 metres from Central railway station. It comprises 25 retail shops and a six level underground car park of 316 spaces.

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

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

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

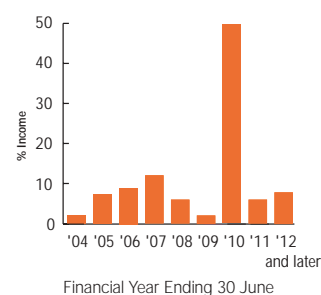
Key Data

Location:	280 Queen Street, Brisbane, Qld	Principal Use:	CBD retail and car park
Title:	Terminating freehold	Date Acquired:	December 1999
Date Built:	1983	Car Spaces:	316
Site Area:	3,311 m ²	Vacancy:	6.22%
Net Lettable Area:	1,764 m ² Retail 9,245 m ² Car Park		
Weighted Av. Lease Expiry:		4.80 years	

Major Tenants

	% of Income	Lease Expiry
Kings Parking	47%	30 November 2009
Angus & Robertson Bookworld	8%	16 October 2005
Coffee Club	2%	25 March 2012

Lease Expiry



Current Valuation Information

Value	\$ 54.5 M	Valuation Date	December 2003	Valuer	LandMark White
Market Income (Net)	\$ 4.34 M	Capitalisation Rate	8.07%	Value/M² (NLA)	\$ 4,951



Anzac Square Offices

Description

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

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

The office space provides floor sizes of around 1,200m² over 5 levels.

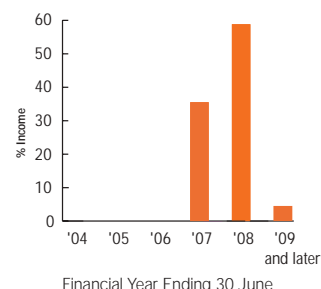
Key Data

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	Car Spaces:	29
Net Lettable Area:	6,083 m ²	Vacancy:	Nil
		Weighted Av. Lease Expiry:	3.93 years

Major Tenants

	% of Income	Lease Expiry
Energex	57%	30 June 2008
MacGillivrays Solicitors	34%	30 April 2007

Lease Expiry



Current Valuation Information

Value	\$ 18.20 M	Valuation Date	June 2003	Valuer	LandMark White
Market Income (Net)	\$ 1.64 M	Capitalisation Rate	9.00%	Value/M² (NLA)	\$ 2,992



388 Queen Street

Description

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

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

388 Queen Street is an attractive and well presented office building which features good natural light and two sizes of floors (371m² and 700m²).

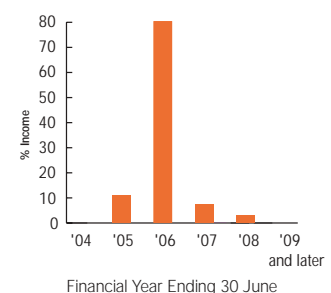
Key Data

Location:	388 Queen Street, Brisbane, Qld	Principal Use:	Commercial Office
Title:	Freehold	Date Acquired:	December 2001
Date Built:	1988	Car Spaces:	39
Site Area:	911 m ²	Vacancy:	5.37%
Net Lettable Area:	6,239 m ²	Weighted Av. Lease Expiry:	1.62 years

Major Tenants

	% of Income	Lease Expiry
Suncorp Metway	65%	28 September 2005

Lease Expiry



Current Valuation Information

Value	\$ 16.25 M	Valuation Date	June 2003	Valuer	LandMark White
Market Income (Net)	\$ 1.54 M	Capitalisation Rate	9.39%	Value/M² (NLA)	\$ 2,605



Centro On James - Stage 3

Description

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

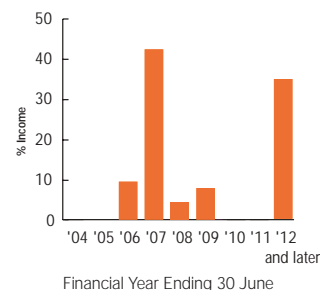
The uses of this property include a popular 4 screen Palace cinema complex (a Village Roadshow joint venture), attractive office accommodation and ground floor retail component which includes a wine bar, bistro, furniture retail/showroom, travel agency, real estate agency and hairdressing salon.

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

Key Data

Location:	39 James Street, Fortitude Valley, Qld	Principal Use:	Retail and entertainment
Title:	Freehold and part strata	Date Acquired:	December 2001
Date Built:	2000	Car Spaces:	49
Site Area:	3,301 m ²	Vacancy:	Nil
Net Lettable Area:	3,872 m ²	Weighted Av. Lease Expiry:	6.04 years

Lease Expiry



Major Tenants

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

Current Valuation Information

Value	\$ 10.80 M	Valuation Date	December 2003	Valuer	Chestertons
Market Income (Net)	\$ 0.89 M	Capitalisation Rate	8.25%	Value/M² (NLA)	\$ 2,789



The Precinct

Description

The Precinct is located just 4 kilometres south east of the Brisbane CBD, in the well established inner city suburb of Coorparoo. Coorparoo comprises a mix of residential, commercial and retail development. The property is conveniently located close to retailers such as Myer Megamart and Coles and is also well served by nearby public transport including bus and rail.

The property's dominant tenant is the National Australia Bank who occupy 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 26% of its income include Australia Post, Infront Solutions and three café/restaurant operators.

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

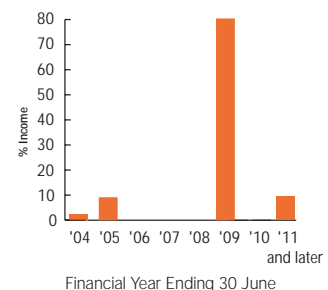
Key Data

Location:	41 Harries Road, Coorparoo, Qld	Principal Use:	Commercial Office and Retail
Title:	Freehold Volumetric	Date Acquired:	April 1999
Date Built:	1999	Car Spaces:	127
Site Area:	7,955 m ²	Vacancy:	Nil
Net Lettable Area:	4,898 m ²	Weighted Av. Lease Expiry:	5.00 years

Major Tenants

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

Lease Expiry



Current Valuation Information

Value	\$ 10.20 M	Valuation Date	December 2003	Valuer	Chestertons
Market Income (Net)	\$ 0.87 M	Capitalisation Rate	8.50%	Value/M² (NLA)	\$ 2,082



Garden Square Office Park

Description

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

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

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

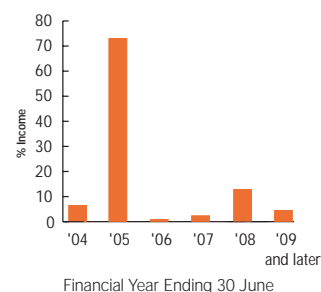
Since the property's acquisition, a capital works program has been completed with improvements including upgrade to the lift foyers and interiors, reconfiguration of the car park, new building signage and entrance statement. The property also has future development opportunities due to the land's size and versatile zoning. This zoning means there is an opportunity to increase improvements by 24,585m² of gross floor area.

Key Data

Location:	643 Kessels Road, Brisbane, Qld	Principal Use:	Commercial Office
Title:	Freehold	Date Acquired:	March 1998
Date Built:	1984	Car Spaces:	418 (approx)
Site Area:	1.665 ha	Vacancy:	14.77%
Net Lettable Area:	12,935 m ² (approx)		

Weighted Av. Lease Expiry: 1.35 years

Lease Expiry



Major Tenants

	% of Income	Lease Expiry
Coles Myer	53%	2 December 2004
Qld State Govt.	11%	31 August 2007
Trendwest	8%	12 June 2005

Current Valuation Information

Value	\$ 23.50 M	Valuation Date	June 2003	Valuer	Chestertons
Market Income (Net)	\$ 2.82 M	Capitalisation Rate	9.50%	Value/M² (NLA)	\$ 1,817



544 Kessels Road

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

Description

544 Kessels Road MacGregor comprises almost 7 acres in one of Brisbane's premier retail warehousing precincts. It is in a very 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, Retravisson and AMart Furniture. The Kessels Road precinct continues to strengthen as a dominant bulky goods precinct with new major retailers continually establishing outlets in the area.

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

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

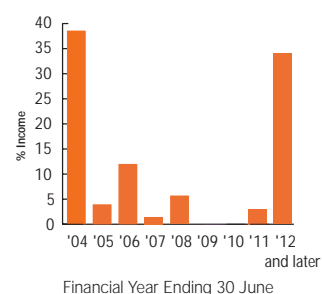
Key Data

Location:	544 Kessels Road, MacGregor, Qld	Principal Use:	Retail
Title:	Freehold	Date Acquired:	April 1999
Date Built:	Various	Car Spaces:	110
Site Area:	2.764 ha	Vacancy:	Nil
Net Lettable Area:	8,304 m ²	Weighted Av. Lease Expiry:	3.71 years

Major Tenants

	% of Income	Lease Expiry
JB Hi-Fi	19%	12 March 2012
Encel Stereo (formerly Stereo Supplies)	17%	31 January 2012
Bob Jane T Mart	10%	8 September 2005

Lease Expiry



Current Valuation Information

Value	\$ 11.0 M	Valuation Date	December 2003	Valuer	Chestertons
Market Income (Net)	\$ 0.97 M	Capitalisation Rate	9.00%	Value/M² (NLA)	\$ 1,325



The Homeworld Centre

Description

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

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

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

Key Data

Location:	Cnr Anketell Street and Soward Way, Tuggeranong, ACT		
Title:	Crown leasehold	Principal Use:	Retail and Office
Date Built:	1988	Date Acquired:	December 1999
Site Area:	2.19 ha	Car Spaces:	338
Net Lettable Area:	8,522 m ² Retail 3,835 m ² Office	Vacancy:	3.31%
		Weighted Av. Leasing Expiry:	6.05 years

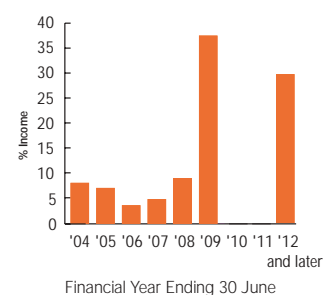
Major Tenants

	% of Income	Lease Expiry
ACT Government	34%	30 June 2009
Woolworths (Dan Murphy's)	11%	22 December 2017
ALDI	9%	6 February 2017

Current Valuation Information

Value	\$ 29.40 M	Valuation Date	October 2003	Valuer	Colliers International
Market Income (Net)	\$ 2.89 M	Capitalisation Rate	9.75%	Value/M² (NLA)	\$ 2,379

Lease Expiry





Cairns Hypermart

Description

This mixed use complex combines a bulky goods retail centre, a warehouse distribution facility and a small office component. The retail component is the largest bulky goods centre in Cairns. The warehouse facility adjoins the retail centre and has been granted council approval to change from warehouse use to retail use. This facility leased by Carlton & United Breweries has been sub-leased to Harvey Norman.

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 been subject to recent development activity with the completion of a Bunnings outlet and a new State government office development.

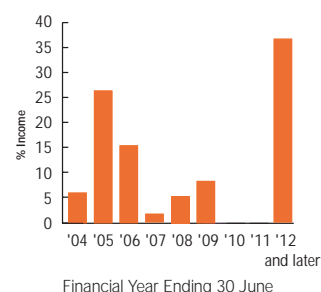
Key Data

Location:	101-103 Spence Street, Cairns, Qld		
Title:	Freehold	Principal Use:	Bulky goods retail and office
Date Built:	1995	Date Acquired:	December 2001
Site Area:	2.43 ha	Car Spaces:	220
Net Lettable Area:	16,064 m ²	Vacancy:	2.32%
		Weighted Av. Lease Expiry:	4.35 years

Major Tenants

	% of Income	Lease Expiry
Harvey Norman	37%	30 September 2012
Carlton & United Breweries	23%	19 March 2005
Freedom Furniture	12%	31 July 2005

Lease Expiry



Current Valuation Information

Value	\$ 17.30 M	Valuation Date	December 2003	Valuer	LandMark White
Market Income (Net)	\$ 1.55 M	Capitalisation Rate	8.75%	Value/M² (NLA)	\$ 1,077



The Riverdale Centre

Description

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

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

The Riverdale Centre includes a strongly trading Woolworths supermarket, a successful Readings 5-Plex 1,072 seat cinema complex, well patronised tavern and 10 specialty retailers. Reading International Inc. operates multiplex cinemas in Australia, New Zealand, the United States and Puerto Rico and is developing further entertainment centres in Australia and New Zealand.

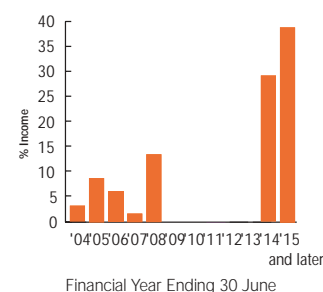
The inclusion of the cinema complex (the only one in Dubbo and its surrounding shires) and tavern provides the centre with a major point of difference over other retail facilities in Dubbo, particularly generating day and evening activity.



Key Data

Location:	49-65 Macquarie Street, Dubbo, NSW		
Title:	Freehold	Principal Use:	Retail / Entertainment
Date Built:	1974 (Expanded 1999)	Date Acquired:	September 2002
Site Area:	1.178 ha	Car Spaces:	290
Net Lettable Area:	6,158 m ²	Vacancy:	9.87%
		Weighted Av. Lease Expiry:	9.68 years

Lease Expiry



Major Tenants

	% of Income	Lease Expiry
Woolworths	35%	9 June 2019
Reading Cinemas	26%	8 June 2014
The River Inn Tavern	9%	31 December 2007

Current Valuation Information

Value	\$ 15.70 M	Valuation Date	June 2003	Valuer	Colliers International
Market Income (Net)	\$ 1.35 M	Capitalisation Rate	9.25%	Value/M² (NLA)	\$ 2,549



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 1,037m² and offers quality office accommodation.

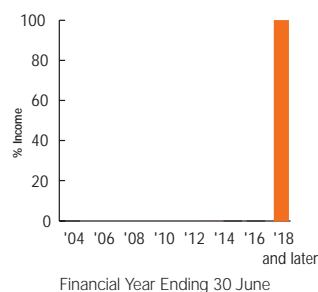
The building is fully leased with a 14 year remaining lease term and houses a number of State Government agencies. The ground floor is home to the Tasmanian State Government's customer service centre, known as Service Tasmania.

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

Key Data

Location:	134 Macquarie Street, Hobart, Tas		
Title:	Freehold	Principal Use:	Commercial Office
Date Built:	1976	Date Acquired:	March 2004
Site Area:	1,968m ²	Car Spaces:	32
Net Lettable Area:	11,675 m ²	Vacancy:	Nil
		Weighted Av. Lease Expiry:	14.08 years

Lease Expiry



Major Tenants

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

Current Valuation Information

Value	\$ 29.0 M	Valuation Date	March 2004	Valuer	Knight Frank Valuations*
Market Income (Net)	\$ 2.55 M	Capitalisation Rate	9.25%	Value/M² (NLA)	\$ 2,484

*Valuation Services (VIC) Pty Ltd trading as Knight Frank

3

Structure and Strategy

3.1. Introduction

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

The Trust is:-

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

3.2. Structure

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

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

3.3. The objectives

The objectives of the Trust are to:-

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

3.4. Investment strategy

The investment strategy of the Trust includes investing:-

- to create a portfolio of quality properties which are diversified by property sector, geographic location, tenant profile and lease expiry;
- in sectors and locations PFA considers will deliver the best overall performance recognising that at times it may be necessary to increase weightings in certain sectors and geographic locations that may be expected to outperform;
- in properties generally in the price range of \$10 million to \$50 million;
- so as to avoid having a large exposure to any particular market sector, property or tenant.

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

Conversely, PFA may determine to divest properties which are no longer considered appropriate or strategic to continue to hold. PFA is currently investigating the most appropriate strategy for two of the properties in the Portfolio. Divestment of these properties over the next 6-18 months may be the optimal strategy in the context of PFA's objectives for the Trust.

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

3.5. Future acquisition process

Future properties to be acquired will be:-

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

3.6. Management strategy

PFA's management strategy is to:-

- maintain and actively manage the portfolio with a focus on enhancing the income stream;
- maintain and develop relationships with tenants to meet their current and future requirements;
- add value to the existing portfolio through timely redevelopment or refurbishment;
- dispose of properties when they no longer

satisfy the long term objectives of the Trust;

- manage interest rate exposures;
- focus on the management of the cost of capital to the Trust.

3.7. Future equity raisings

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

All future equity raisings will be undertaken in accordance with the Constitution and the law and in particular within the parameters established for issue price in the Constitution (refer section 9).

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

The Homeworld Centre (as asset of the Trust).



3.8. Debt policy

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

3.9. The Bendigo Stock Exchange and liquidity

3.9.1. The BSX and how to trade Units

The Trust is listed on the Bendigo Stock Exchange ("BSX").

The Bendigo Stock Exchange's origins date back to Victoria's gold era. The Bendigo Stock Exchange is a fully ASIC licensed stock exchange which began trading in 2001. In February, 2003, it announced the establishment of a specialist property market within its exchange.

Today, the BSX is an initiative that provides a structure for the establishment of niche trading platforms for markets such as property related managed investment schemes.

Application will be made to the BSX within 7 days of the date of this PDS to list the Units issued under this PDS on the BSX.

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

BSX price information can currently be found on the market pages of the Australian Financial Review. However, Investors 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.

Currently, transfers of units on recognised stock exchanges like the BSX incur no stamp duty whilst if not listed, stamp duty would be incurred.

3.9.2. Liquidity and the market

The Trust currently has in excess of 2,700 Unitholders. Liquidity in Units in the Trust is not guaranteed. PFA believes that liquidity (i.e. essentially the ability to transfer and exchange an investment) is significantly affected by the size of a Trust and the number of Unitholders in it. These factors enhance interest in a Trust leading to market activity.

Since the merger creating the Trust on 1 July, 2003 trading of units in the Trust on the BSX has equated on an annualised basis to 3.6% per annum of the equity. This historical trading volume may not be indicative of future turnover on the BSX.

Since 1 July, 2003, the weighted average price per Unit that has traded on the BSX has been \$0.99. It is relevant to note that the significant majority of this trading occurred prior to the announcements in February, 2004 of:-

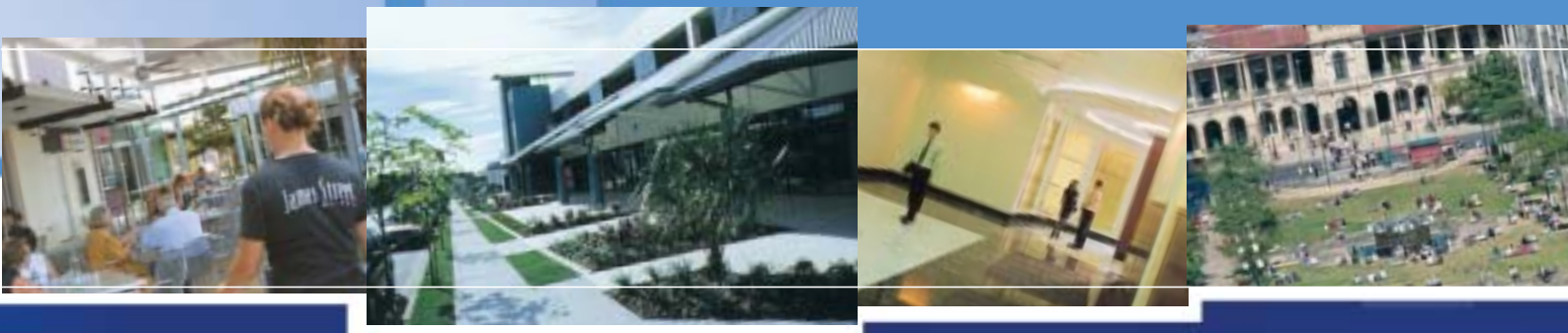
- the increase in net tangible asset backing per unit as a consequence of December 31, 2003 Portfolio revaluations;
- the pricing of the On-Market and Off-Market Buyback Offers;
- the acquisition of the Lands Building; and
- the release of this PDS.

This may mean that subsequent pricing of Units on the BSX may vary from the historical pricing given this recent market information.

SECTIONS

4 Investment Services

5 Management



4

Investment Services

4.1. Who to contact

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

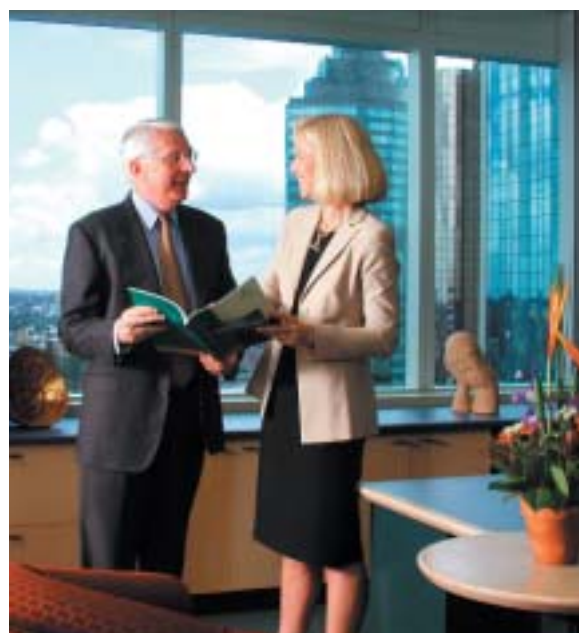
For further information on your Investment, you or your financial adviser, can contact our investment services personnel on:-

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

4.2. What you will receive

As a Unitholder in the Trust you will receive:-

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



- A quarterly statement of instalment income to assist you, if you are required to complete a quarterly Instalment/Business Activity Statement.
- Confirmation of any changes made to your account details including your bank account or address, following notification to us of such changes.

4.3. Your Unitholder's rights

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

- the right to receive a Unitholder Statement confirming your Investment;
- the right to receive distributions proportionate to your Unitholding;
- the right to receive regular reports and accounts;
- the right to have the Manager perform its duties with diligence and vigilance in a proper and efficient manner;
- the right to request the convening of meetings;

- the right to vote at meetings;
- the right to have the Manager removed under the terms of the Constitution; and
- the right to sell or transfer your Units.

4.4. Your privacy

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

4.5. Complaints

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

The Dispute Resolution Officer
Property Funds Australia Limited
PO Box 10398
Brisbane Adelaide St Q 4000

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

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



5

Management

5.1. The Manager/Responsible Entity

Property Funds Australia Limited

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

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

The Manager's Role

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

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

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

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

Property Management

Day to day physical property management and rent collection duties are currently carried out by property managers external to PFA although PFA may carry out those duties in due course for similar fees.

The current external property managers are Knight Frank who are the principal property managers of the Portfolio.

Change in the Manager

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

Manager's Insurance

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

The Board of Directors

The Board sets the strategic direction of the Trust and has ultimate responsibility for the performance of the Trust. The Board currently comprises four directors, two of whom are non-executive directors and two of whom are executive directors.

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

Board meetings are held regularly with a minimum of 10 meetings per annum.



Christopher Morton
Managing Director



Dennis Wildenburg
Non-Executive Director



Elizabeth Pidgeon
Non-Executive Director



David Conquest
Executive Director

Directors of Property Funds Australia

Christopher Arthur Morton

Managing Director

Chris Morton holds the degrees of Bachelor of Commerce and Bachelor of Laws from the University of Queensland and a Master of Laws from Cambridge University (United Kingdom). He has been admitted as a solicitor for over 22 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 executive of that firm's Brisbane office. In his legal capacity, he was involved in some of the larger property developments in South East Queensland.

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

He is a member of the Australian Institute of Company Directors and the Securities Institute of Australia.

Dennis Wayne Wildenburg

Non-Executive Director

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

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

Dennis is currently a compliance committee member of State Street Services Limited which is a significant

responsible entity as well as for Growth Equities Corporation Limited. Dennis has been consulting to the financial services industry for over a decade and has significant national and international fund managers as clients.

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

Elizabeth Ann Pidgeon

Non-Executive Director

Liz has been involved in the property industry for 16 years culminating in her gaining industry recognition as President of the Property Council of Australia (Queensland Division), the industry's peak body.

She holds a Bachelor of Business – Management Degree and is a licensed real estate agent.

Liz's grounding in property started with Richard Ellis, a major real estate agency group. She was appointed as an executive director of F.A. Pidgeon & Son Pty Ltd, a construction and development company which through the 1980's and 1990's was a major builder and developer within South East Queensland. She is now a shareholder and director of Cornerstone Properties Limited, a development company.

She has been on several boards and committees, both professional and charitable including as a member of the Brisbane City Council's Urban Renewal Task Force, Urban Design Advisory Panel and Brisbane Marketing.

Liz brings property development experience and broad industry contacts to PFA.

David John Conquest

Executive Director

David has been involved in the property and financial services industry for over 27 years. He has previously held senior executive positions with

Growth Equities Mutual (GEM), Lend Lease, Suncorp Metway and Deutsche Bank.

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

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

The Compliance Committee

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

Compliance issues are monitored and managed by the compliance committee which currently consists of Bede King (Chairman), Stephen Barnard (General Manager and Company Secretary) and Ray Kellerman. Bede King is a senior legal practitioner practising in corporate and property areas of the law. He is a partner of the legal firm Tobin King Lateef. Ray Kellerman is a former Head of Compliance Services, Corporate Trust division, at Perpetual Trustees Australia Limited and now specialises in the provision of compliance services as a compliance committee member for a number of significant managed investment schemes.

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

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

5.2. Custodian

Trust Company of Australia

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

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

The Custodian's Role

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

The Custodian's Remuneration

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

Changing the Custodian

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

Other Comments

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

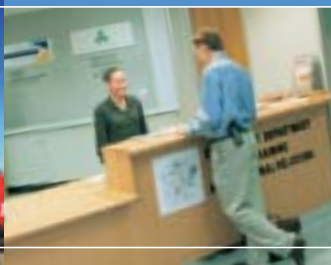
Garden Square Office Park (an asset of the Trust).



SECTIONS

6 Financial Information

7 Risks



6.1. Introduction

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

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

- a consolidated earnings and distribution statement for the 6 month period ended 31 December, 2003 and a consolidated forecast earnings and distribution statement for the 12 month period ending 31 December, 2004 ('the Forecast Period');
- consolidated statement of financial position as at 31 December, 2003 and consolidated pro forma statement of financial position as at 31 December, 2003;
- a source and application of funds.

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

BDO Kendalls Securities Limited has reviewed the historical and forecast financial statements contained in this section and has prepared an investigating accountants' report as set out in section 8.2.

Investors should note that the comments in relation to the scope and limitations of this review are set out in that report.

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

- the Offer is implemented as proposed and \$25 million in capital is raised with allotments

occurring as follows: 1 April, 2004 (\$5 million), 1 May, 2004 (\$10 million), 1 June, 2004 (\$10 million);

- the proceeds of the Offer are used in accordance with the source and application of funds contained in this section;
- no other capital is raised during the Forecast Period. Investors should be aware, however that the Manager may seek to raise further capital during the Forecast Period; and
- the acquisition of the Lands Building occurs in accordance with its contractual terms. The acquisition is to be debt funded.

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

The historical financial information contained in this section has been extracted from the interim financial report of the Trust for the six month period ended 31 December, 2003. This interim financial report has been reviewed by BDO Kendalls Chartered Accountants in accordance with Australian Auditing Standards applicable to half yearly review engagements.

All numbers have been rounded to the nearest thousand.

6.2. Consolidated statement of earnings and distribution

Set out opposite is historical and forecast proforma consolidated statement of earnings and distribution for the Trust. It has been prepared on a cash basis and does not include any accruals, prepayments or amortisation of other assets. It does not include capital expenditure items which are to be funded out of capital raised. Forecasts have not been prepared beyond 31 December, 2004, as the Manager believes that the Trust may be subject to a changing circumstances beyond that time (in terms of debt reduction, asset sales and capital raising to fund further acquisitions and other management initiatives) which makes such forecasts uncertain.

		Actual 6 months to 31 Dec 2003	Forecast 12 months to 31 Dec 2004
	Note	\$ '000	\$ '000
	1		
REVENUE			
Gross property income	2	12,282	26,880
Property expenses	3	(2,639)	(5,361)
NET PROPERTY INCOME		9,643	21,519
EXPENSES			
Operating expenses	4	457	572
Manager's fee	5	498	1,319
Compliance/Custodian costs	6	34	111
Interest expenses	7	3,853	9,442
TOTAL FUND EXPENSES		4,842	11,444
NET CASH FROM OPERATIONS AND AVAILABLE FOR DISTRIBUTION	8	4,801	10,075
DISTRIBUTIONS	9	4,412	9,933
WEIGHTED AVERAGED ISSUED UNITS ('000)	10	93,015	104,780
DISTRIBUTION PER UNIT (cents per Unit on an annualised basis)		9.48	9.48
TAX DEFERRED COMPONENT	11	N/A	66%

Note 1 – Best Estimate Assumptions

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

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

- nothing will occur that will have a materially detrimental impact on the economic climate in Australia;
- the profitability of the Trust's operations will not be adversely affected by any changes to the regulations governing the managed investments industry;
- no additional properties will be acquired apart from the Lands Building;
- none of the Properties will be sold;
- \$25 million of capital will be raised under this PDS and no further equity will be raised by the Trust;
- pursuant to the On-Market Buyback Offer, 500,000 Units will be bought back during February and March, 2004. Pursuant to the Off-Market Buyback Offer, an additional 5 million units will be bought back in April, 2004 at \$1.00 per Unit and cancelled (refer to section 9.4); and

- there will be no material change in Australian income tax legislation or other legislation that may affect the Trust.

Note 2 – Gross Property Income

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

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

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

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

Rent Reviews

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

- a fixed rate is stipulated in the lease, at the stated rate;
- rent is increased by reference to CPI, the CPI growth assumed is 3.09% per annum in the first six month period to 30 June, 2004 and 2.09% per annum in the six month period to 31 December, 2004. The average of these rates is within the Reserve Bank of Australia's published target rate of 2% - 3% per annum; and
- rent is varied by reference to the current market rental value of the tenancy, the Manager has made an estimate of the current market rental value having regard to the views of Knight Frank and LandMark White Pty Ltd.

Vacancies

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

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

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

Outgoings

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

Note 3 – Property Expenses

Property expenses include all recoverable and non-recoverable expenses.

Expenses are based on current expenses and management forecasts with CPI growth of 3% per annum where appropriate.

Note 4 – Operating Expenses

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

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

Where operating expenses are assumed to increase at CPI then 3% per annum growth has been applied.

Note 5 – Manager's Fee

Property Funds Australia as the manager of the Trust is entitled to receive a fee of 0.6% of the Trust "scheme value" per annum. The Manager has agreed to waive 10% of this management fee until 30 June, 2004.

Note 6 – Compliance/Custodian Costs

The costs include Custodian fees and costs associated with the compliance committee and its members and have been based on historical expenditure and adjusted in accordance with an assumed CPI growth of 3% per annum.

Note 7 - Interest Expenses

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

The overall weighted average interest rate (inclusive of the Financier's margins) used in relation to term debt during the Forecast Period is 6.78% per annum. This represents the weighted average interest rate based on the Joint Finance Facility and the further advance on that facility in relation to the contracted acquisition of the Lands Building.

The weighted average variable interest rate (inclusive of Financier's margins) used for the Forecast Period is 7.00% per annum. This comprises of the relevant variable interest rates applicable under the terms of the Joint Finance Facility current as at 20 February, 2004, the relevant Financier's margins plus a further 0.25% per annum contingency to take into account possible market interest rate increases.

The weighted average of the fixed and/or hedged interest rates (inclusive of Financiers' margins) is 6.59% per annum.

Where components of the Joint Finance Facility are:-

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

Interest rate movements are a significant sensitivity factor in the distribution profile of the Trust.

The impact of a change in interest rate on the variable component of the Finance Facility would be as follows:-

Movement in variable interest rates	Equivalent Distribution Movement (cents per Unit per annum)	
	Rate Increase	Rate Decrease
0.25%	-0.14	+0.14
0.5%	-0.27	+0.27

Investors should note that the sensitivity analysis is intended to be a guide only and that movements in other assumptions may assist or compound any one variable.

Note 8 – Net Cash from Operations and Available for Distribution

This is the net cash generated by the Trust from all trading activities and available for distribution to Unitholders. The Manager may elect not to distribute the entire amount in accordance with its distribution policy from time to time.

Note 9 - Distributions

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

Note 10 – Weighted Average Issued Units

This is the aggregate of the number of Units on issue at the end of each month during the Forecast Period divided by the number of months in the Forecast Period.

Note 11 – Tax Deferred Component of Distribution

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

The Tax Deferred component of distributions for the financial year ending 30 June, 2004 is expected to be 70%. The Tax Deferred component of distributions for the financial year ending 30 June, 2005 is expected to be 62%, based on the assumption that distributions, revenues, expenditure and capital items remain constant at the same rate for the balance of the financial year ending 30 June, 2005 as they were in the Forecast Period.

The Tax Deferred percentage of 66% stated at the bottom of the Consolidated Statement of Earnings and Distribution is the average of these two percentages. It can be indicative only, due to the fact that income tax is payable and calculated on a tax year basis and not on a calendar year basis upon which the Forecast Period is based.

6.3. Historical and proforma consolidated statement of financial position

Set out on the next page is a historical and a proforma consolidated statement of financial position for the Trust as at 31 December, 2003. The proforma statement of financial position incorporates the following transactions as if they had been finalised as at 31 December, 2003 and notwithstanding that they occur or may occur at times subsequent to 31 December, 2003.

- a \$5 million Off-Market Buyback Offer of Units pursuant to the Off-Market Buyback Offer;
- a \$500,000 On-Market Buyback Offer of Units pursuant to the On-Market Buyback Offer;
- the acquisition of the Lands Building and a consequence increase in debt of \$31 million;
- the issue of 24,509,804 Units at \$1.02 per Unit raising \$25 million;
- debt reduction of \$14.63 million as a result of the capital raising;
- the payment of costs of the Offer offset against capital raised.

	As at 31 Dec 2003	Pro Forma as at 31 Dec 2003
	\$ '000	\$ '000
CURRENT ASSETS		
Cash	767	5,567
Receivables	629	629
Other	351	351
TOTAL CURRENT ASSETS	1,747	6,547
NON-CURRENT ASSETS		
Investment – property	206,850	237,937
Other	11,131	11,131
TOTAL NON-CURRENT ASSETS	217,981	249,068
TOTAL ASSETS	219,728	255,615
CURRENT LIABILITIES		
Payables	2,077	2,077
Interest bearing liabilities	-	-
TOTAL CURRENT LIABILITIES	2,077	2,077
NON-CURRENT LIABILITIES		
Interest bearing liabilities	121,408	138,365
TOTAL NON-CURRENT LIABILITIES	121,408	138,365
TOTAL LIABILITIES	123,485	140,442
NET ASSETS	96,243	115,173
EQUITY		
Unitholders' equity	90,118	109,048
Reserves	6,125	6,125
TOTAL EQUITY	96,243	115,173
No. of Units on Issue ('000)	93,015	112,025
Net asset backing per Unit*	\$1.03	\$1.03

* Net asset backing per Unit is net assets divided by the total number of Units on issue or assumed to be on issue.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of Significant Accounting Policies

The consolidated statement of financial position has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act and the terms of the constitutions.

The consolidated financial statement of financial position has been prepared on an accruals basis and is based on historical costs and does not take into consideration changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the

consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Trust in the preparation of the consolidated statement of financial position.

Principles of Consolidation

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

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

Investment – Property

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

The Manager reviews the valuations on an ongoing basis with valuation updates obtained on at least an annual basis. The revaluation will be based on market value that represents the price at which the property can be sold at the date of the revaluation assuming a reasonable exposure to the market and settlement period.

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

The revaluation has not taken into account any potential capital gains tax on assets acquired after the introduction of capital gains tax.

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

Non-Current Assets - Other

Other assets consist of establishment costs including merger costs and borrowing costs.

These costs are capitalised to the extent of the future economic benefits expected to be derived from their initial incurrence.

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

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

Income Tax

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

Distributions

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

6.4. Source and application of funds

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

Source of Funds

	\$'000's
Subscriptions from Unitholders	25,000

Application of Funds

	\$'000's
Debt reduction*	14,630
Off-Market Buyback Offer	5,000
Capital Raising Costs	
- Legal fees and outlays	54
- Independent expert reports	54
- Printing and associated costs	60
- Managers capital raising fees	350
- Custodian fees	2
Contingency	50
Capital Expenditure	4,800
TOTAL	25,000

* The Joint Finance Facility has been extended to enable settlement of the Lands Building. This finance facility will be reduced from the proceeds of this Offer.

6.5. Borrowings

6.5.1. Introduction

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

6.5.2. Current Finance Arrangements

The Trust recently reorganised its finance arrangements into a combined finance facility between the Commonwealth Bank of Australia ("CBA") and mortgage funds managed by ING Management Limited ("ING"). Under this Joint Finance Facility, the total debt is \$119.826 million. An additional \$31 million will be drawn down on the day that the Lands Building settles. 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 Financiers LVR will be 66% after draw down of the additional funds associated with the Lands Building acquisition.

The major terms of the Joint Finance Facility (including the further advance for the Lands Building acquisition) are:-

Term:

5 years from 6 November 2003;

Lender's Margin:

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

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

1.80% per annum above 60% LVR;

(At 60% LVR, the weighted average Financiers' margin is 0.86% per annum across the total facility.)

Interest Cover:

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

Security:

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

6.5.3. Hedging

Currently 66% of the Trust debt funding has fixed interest rates or is hedged with the balance being on variable rates. Upon settlement of the Lands Building acquisition, the Manager will determine whether it fixes, hedges or proceeds on a variable interest rate basis with respect to the related further advance. Upon completion of the capital raising pursuant to this Offer, if the whole of that further advance was to be on a variable interest rate basis then 59% of the Trust's debt funding would have fixed interest rates or be hedged with the balance being on variable interest rates. PFA believes based on current markets that it may be appropriate to increase the fixed/hedged percentage of the Trust's debt portfolio. PFA regularly monitors the interest rate market for opportunities to purchase a hedging product at appropriate pricing.

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

6.5.4. Interest Rates

The weighted average interest rate of the Trust (including Financiers' margins) as at 20 February, 2004 is approximately 6.79% per annum. However, this is indicative only and will change in line with fluctuations in the interest rate market and expiry of any fixed rate arrangements or existing hedging products. A higher rate has been assumed in the financial forecasts (see section 6.2 Note 7).

Fixed/Hedged to:	Oct-06	Dec-06	Sep-07	Dec-07	Nov-08	Total
Fixed/Hedged amount	\$9,100,000	\$5,885,000	\$9,270,000	\$46,477,000	\$9,152,000	\$79,884,000
Fixed/Hedged Interest rate p.a.	5.70%	6.28%	5.90%	6.97%	6.45%	6.59%*

* a weighted average interest rate per annum

6.5.5. Other Finance Arrangements

The Trust has an overdraft facility of up to \$3 million with the National Australia Bank which is used to fund capital expenditures required from time to time and to ensure consistent distributions between periods. Some of the funds raised from this PDS will be offset against the current overdraft facility.

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

6.5.6. Future Gearing Levels

PFA believes that in a low interest rate environment (as has existed for almost a decade), it is not necessary for a property trust to be geared to relatively low levels. PFA also recognises that the debt profile has to take into consideration the tenancy profile and the properties used as security. PFA proposes to reduce the gearing of the Trust from its current levels over the medium term.

PFA is intending to reduce this gearing level to approximately 40% of property value. The Constitution however provides flexibility to increase gearing up to 75% of the value of total property

assets. The gearing will fluctuate depending on the circumstances and opportunities from time to time. It is PFA's intention to temporarily increase gearing for specific property acquisitions as is occurring with the Lands Building acquisition.

Reduction in debt provides a sound opportunity to further reduce volatility of future earnings and accordingly a reduction in volatility of distributions.

Reduction in debt will most likely be achieved by future capital raisings for the Trust at appropriate times.

6.6. Manager's fees

FEES AND CHARGES

Investors should read all of the information about fees and charges, as it is important to understand their impact on an Investment in the Trust. The Manager reserves the right to waive or defer payment of its fees. Where payment is deferred, the Manager's fees will accrue until duly paid.

Table 1 - Investor Charged Fees

This table shows significant fees that an Investor may be charged personally in relation to their Investment in the Trust. These fees (if any) are deducted from individual application money or deducted from money due to Unitholders as distinct from the Trust assets.

Significant fees	Amount	How and when paid
<i>Establishment fee:</i> This is the fee to set up your account in the Trust.	Nil	Not applicable.
<i>Contribution fee:</i> This is the fee for the initial and every subsequent Investment made to the Trust by a Unitholder.	Nil	Not applicable.
<i>Withdrawal fee:</i> This is the fee charged for each withdrawal made from the Trust by a Unitholder.	Nil	Not applicable.
<i>Termination fee:</i> This is the fee when a Unitholder's Investment is finalised.	2% of any buyback amount. Nil in all other circumstances.	Paid out of the buyback amount payable to a Unitholder accepting a buyback offer. This fee is deducted at the time of payment of the buyback amount to the Unitholder.
<i>Ongoing fees:</i> This is the total of all ongoing administration, investment management, expense recovery and other fees charged by the Trust.	Nil	Not applicable.
<i>Switching fee:</i> This is the fee charged when Unitholders switch between investment options offered.	Nil	Not applicable.
<i>Adviser service fee:</i> This is the fee charged by a Unitholder's adviser for advice about the Investment in the Trust.	Amount (if any) as negotiated between the Unitholder and their Adviser.	As directed by the Unitholder on the Application Form.
<i>Member fee:</i> This is a member account-keeping fee charged by the Trust.	Nil	Not applicable.

Table 2 – Trust Charged Fees

This table shows significant fees that the Trust may be charged by the Manager as distinct from the Investor.

Ongoing fees	Amount	How and when paid
<i>Administration fee:</i> This is the fee to cover the general administration of the Trust.	Nil	Not applicable.
<i>Investment management fee:</i> This is the fee for managing the Trust's investments.	0.6% per annum of the "scheme value" (as defined in the Constitution). PFA has agreed to waive 10% of its entitlement to this fee until 30 June, 2004.	Paid monthly in advance from the income of the Trust.
<i>Issuer fee:</i> This is the fee for the Manager's services in overseeing the Trust's operations and/or for providing access to the Trust's investment options.	2% of the gross purchase price of any Property acquired by the Trust.	Paid on completion of the acquisition of the Property.
<i>Expense recoveries:</i> This is an estimate of the out-of-pocket expenses the Manager is entitled to recover from the Trust.	0.04% per annum of total assets of the Trust.	When and as incurred and payable from the assets of the Trust.

The fees described in the preceding tables do not include GST. If The Manager becomes liable to pay GST in respect of any matter arising under the Constitution, then in addition to any other amount to which the Manager is entitled, the Manager is also entitled to be paid or reimbursed an amount equal to the amount of the GST liability.

Important additional disclosure items

Commissions paid to advisers

The Manager may pay brokerage or commission to those who are engaged to promote the Trust. The Manager will pay commission only to persons who either hold a dealer's licence or Australian Financial Services Licence or are otherwise permitted by law to receive such payments. An adviser who receives commission from the Manager will be obliged to disclose this amount to an Investor. The Manager does not intend to pay commissions to advisers in relation to this Offer other than as specifically directed by Applicants to be paid out of their own Application Money to their advisers.

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

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

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

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

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

Removal fee

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

Other Manager Services and Fees

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

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

- (i) In respect of financial analysis, due diligence and documentation services the sum of \$100,000 (plus GST) payable upon issue of this PDS; and
- (ii) In respect of the co-ordination and management of the capital raising the sum of 1% (plus GST) of the capital raised under this PDS and payable upon allotment of the relevant Units.

The Manager is currently providing registry and accounting services to the Trust. The amounts payable to the Manager for providing these services are anticipated to be \$25,256 and \$89,690 respectively during the Forecast Period. These fees are within the range which would be paid to external service providers.

Cost reimbursement

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

Expense Recoveries

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

Custodian fee

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

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

7.1. General risks

Economic Conditions

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

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

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

Competition, socio-economic & demographic factors

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

Taxation Law

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

Investors should note that Australian tax laws are complex and are constantly subject to change. The views and the financial forecasts in this PDS are based on law current at the date of this PDS.

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

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

Insurance Risk

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

Property

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

The Portfolio comprises 11 Properties. This diversification assists to mitigate the effect of the following property specific risks which may impact both on the underlying properties value and also Unitholders' distribution levels:-

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

Legal

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

7.2. Specific risks

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

Borrowings

The current borrowings of the Trust are at comparatively high levels with loan to value ratios ranging between 59% and 66% during the Forecast Period. The use of debt at this level in an investment is referred to as 'gearing' or 'leveraging'. It enhances the potential for capital gain if the Properties increase in value. However, it may also increase any capital loss in the event that the value of the Properties fall compared to an investment in a property investment vehicle which has no borrowings.

The Trust will continue for longer than the current loan facilities. There is no guarantee that the Trust will be able to refinance those facilities. Further, if the loans are refinanced the interest rate margin payable may be higher than is currently the case.

If a number of tenants fail to pay rental due under their leases or there are extended vacancies, the income of the Trust may not be sufficient to meet interest payments under the loans. If there is a default in paying interest, the financier may be entitled to enforce its security.

As at the completion of the capital raising under this Offer, 59% of the current debt has fixed interest rates or is supported by interest rate hedging arrangements. The remaining 41% has a variable interest rate which carries the risk of adverse interest rate movements during the term of the facilities. The financial forecasts in section 6 assume variable interest rates which are 0.25% per annum higher than variable interest rates as at 20 February, 2004 throughout the Forecast Period. If interest rates increased significantly (see section 6.2 Note 7 for interest rate sensitivity analysis), particularly before the Manager was able to manage the risk using interest rate management products then this would reduce cash available for distributions below forecast levels.

Under the terms of the further advance of the Joint Finance Facility associated with the acquisition of the Lands Building, the Trust is required to return the

LVR of the Trust to below 60% within six months of that further advance. In the event that sufficient capital is not raised under this Offer within that time so as to enable the requisite reduction in debt (or alternatively the value of the Properties does not increase sufficiently over that time) then the Trust would be in default under the terms of the Joint Finance Facility.

Valuation Risk

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

Leasing Risk

Lease expiries in periods after the Forecast Period may mean that distribution levels can not be maintained at the same levels as in the Forecast Period. Lease expiries in the financial years ending 30 June, 2005 and 30 June, 2006 represent 14% and 11% of the income of the Trust respectively. Future distribution levels from the Trust are fundamentally affected by lease renewals. Should key or significant tenants not renew their current leases or new tenants not be sourced promptly, then distributions may be materially affected.

Environmental Risk

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

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

Unitholders' Liability is Limited

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

Term and Exiting Investment

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

The Trust is a \$236 million property trust with more than 2,700 Investors and is listed on the Bendigo Stock Exchange. The size of the Trust and number of investors in it assists interest in the Trust and liquidity. However, liquidity is not assured. There is no guarantee that Unitholders will be able to realise their Investment in the Trust at a price or at a time that meets their expectation.

Market Price

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

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

SECTION

8 Independent Reports



8.1. Taxation Report



27 February, 2004

The Directors
Property Funds Australia Limited
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Dear Directors

INDEPENDENT TAXATION REPORT – PFA DIVERSIFIED PROPERTY TRUST

1. Introduction

In accordance with your request, this taxation report ("Report") has been prepared for inclusion in a Product Disclosure Statement ("PDS") to be dated 27 February 2004 relating to a capital raising for \$25 million at an offer price of \$1.02 per Unit in the PFA Diversified Property Trust ARSN 097 860 690 ("the Trust").

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

2. Background

The Trust is a listed trust that invests directly in a range of office, retail, industrial and other properties. It currently holds 10 properties with a further property, the Lands Building, currently under contract. It is intended to use the proceeds of the Offer to reduce debt, buyback some units and fund future capital works.

3. Limited scope of report

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

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

4. Taxation of the Trust

The Trust should not be subject to taxation on net income derived for tax purposes provided that it is fully distributed to Unitholders.

5. Taxation of Unitholders

5.1 Distributions from the Trust

Distributions to Unitholders will have taxation implications for Unitholders in the year ended 30 June in which their entitlement arises.

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

5.1.1 Tax Assessable Income

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

5.1.2 Tax-Deferred Income

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

Tax-Deferred income will not ordinarily be included in a Unitholder's assessable income. It may, however, have capital gains tax ("CGT") implications in certain circumstances such as:

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

5.1.3 Net Capital Gains

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

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

5.1.4 Discount Capital Gains

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

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

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

5.2 Disposal of Units in the Trust

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

Capital gains may arise on the disposal of Units in the Trust. For CGT purposes, Units in the Trust will be taken to have been acquired by Investors acquiring pursuant to the Offer on the date they are issued, for a cost base equal to the offer price of \$1.02 per Unit plus any incidental costs of acquisition.

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



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

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

6. Other

6.1 CGT Discount

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

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

6.2 Trust Losses

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

6.3 Complying Superannuation Entities

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

6.4 Indirect Taxes

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

6.5 Tax File Numbers

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

Yours faithfully
BDO Kendalls

A handwritten signature in blue ink, appearing to read 'Brian Richards'.

Brian Richards
Partner

8.2. Report on Financial Forecasts



27 February, 2004

The Directors
Property Funds Australia Limited
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Facsimile + 61 7 3229 9968

Dear Directors,

INDEPENDENT ACCOUNTANT'S REVIEW OF FORECAST FINANCIAL INFORMATION

1. Introduction

In accordance with your request, this report has been prepared for inclusion in a product disclosure statement ("PDS") in relation to a \$25 million capital raising for the PFA Diversified Property Trust ("the Trust"). This report has been prepared in accordance with *AUS 804 The Audit of Prospective Financial Information and ASIC Policy Statement 170 Prospective Financial Information*.

The nature of this report is such that it can be given only by an entity which holds a dealer's licence. BDO Kendalls Securities Ltd holds the appropriate dealer's licence under the *Corporations Act 2001*.

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

2. Background

The Trust is a listed trust that invests directly and indirectly in a range of office, retail, industrial and other properties. It currently holds 10 properties with a further property, the Lands Building, currently under contract. It is intended to use the proceeds of the Offer to reduce debt, buyback some units in the Trust and fund future capital works.

3. Scope of Examination

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

- (a) A Forecast Consolidated Statement of Earnings and Distribution of the Trust for the year ending 31 December 2004; and
 - (b) A Proforma Consolidated Statement of Financial Position of the Trust as at 31 December 2003, which assumes the transactions disclosed in Section 6.3 of the PDS had been finalised as at 31 December, 2003 notwithstanding that they occur or may occur at times subsequent to 31 December, 2003; and
 - (c) A Source and Application of Funds.
- collectively referred to as "the Forecasts".

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



Review of The Manager's Best-Estimate Assumptions

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

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

- the best-estimate assumptions do not provide a reasonable basis for the preparation of the Forecasts; and
- in all material respects, the Forecasts are properly prepared on the basis of the best-estimate assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in:
 - Accounting Standards;
 - other mandatory professional reporting requirements in Australia; and
 - the accounting policies of the Trust disclosed in Section 6.3 of the PDS so as to present a view of the Trust which is consistent with our understanding of the Trust's past, current and future operations.

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

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

4. Review Statement on the Forecasts

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

- (a) the Manager's best-estimate assumptions set out in Section 6.2 of the PDS do not provide reasonable grounds for the preparation of the Forecasts;
- (b) the Forecasts are not properly compiled on the basis of the Manager's best-estimate assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Trust disclosed in Section 6.3 of the PDS;
- (c) the Forecasts are unreasonable; and
- (d) the pro-forma consolidated statement of financial position has not been properly prepared on the basis of the pro forma transactions.

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

5. Subsequent Events

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

6. Disclosure of Interests

The only pecuniary or other interest that BDO Kendalls Securities Ltd has in relation to this PDS arises from the right to receive a professional fee for the preparation of this report and other related advice. This is disclosed in Section 9.6 of the PDS.

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

BDO Kendalls Securities Ltd



Paul Gallagher

Authorised Representative

8.3. Market Commentary Report

27 February, 2004

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

ECONOMIC ENVIRONMENT

Australia recorded continued solid GDP growth of 2.5% in the year to the September quarter 2003, with Access Economics predicting a result of 2.8% annual growth for the calendar year of 2003. This is lower than the 3.8% recorded for the calendar year of 2002. However, this represented good resilience within the Australian economy against the continued general international economic weakness. In general Australia has enjoyed very strong economic growth compared to other major international economies and barring unforeseen circumstances the rate of economic growth is expected to accelerate again during 2004.

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

Table 1 - Summary of economic indicators 2003 - 2008

	2003	2004 (f)	2004-08 (f)
Inflation	2.8%	1.9%	2.4%
Cash rate (period average)	4.8%	5.5%*	5.42%*
10 year Treasury bond rate	5.2%	6.1%	6.2%
Economic growth	2.8%	3.6%	3.0%

Source: Access Economics December 2003 * extrapolated from the 90 day bill rate

Continued volatility within international and Australian share markets have seen a flight of money from that sector into alternate investment classes. The recent historically low and stable interest rate environment has seen the property sector as the major beneficiary with a noticeable increase in the weight of funds seeking property investment across the board. This resulted in downward pressure on yields and strong competition between prospective purchasers for all quality assets offered to the market. As the interest rate environment is shifting from an expansionary towards a neutral environment this weight of funds and yield pressure is beginning to ease.

CBD RETAIL

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

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

In general terms, the strength of a CBD retail centre remains largely linked to the state of the economy and to consumer spending growth. The underlying base of workers within the CBD of any city provides a stable, and continuously growing catchment for the CBD retailers.

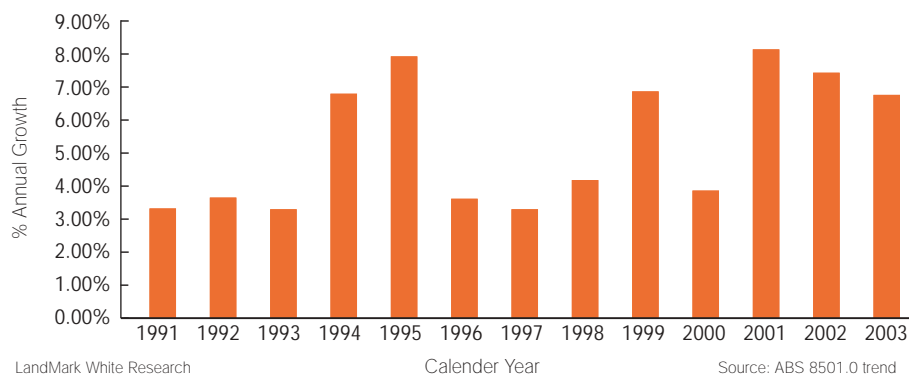
LandMark White

Independent
Valuation
Research
Property Advice

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ACN 102 262 288
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Australian Total Retail Turnover Annual Growth



The market has been buoyed by the strong retail spending growth seen over the past three years, as shown in the graph above. With the best CBD retail opportunities generally located within a small geographic area. The market is quite tightly held, with very firm yields seen over recent years.

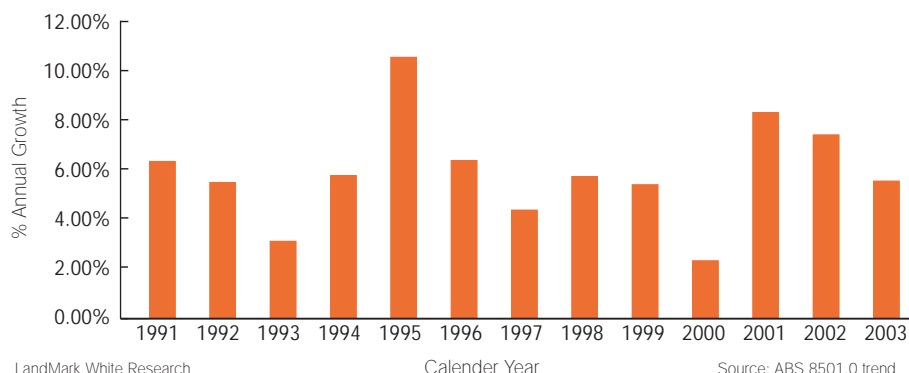
GROCERY-BASED RETAIL

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

Over the past three years there has been strong competition between the major supermarket retailers to secure additional marketshare through the opening of new centres, both in growing regional areas and by providing more, smaller centres, within the inner to middle ring suburbs. This has seen the design of many centres change slightly with fewer speciality stores generally seen in the more modern neighbourhood centres.

The net rental income of a neighbourhood centre should ideally be dominated by the rental from the supermarket tenant (typically a strong covenant such as Coles or Woolworths) providing a degree of surety to the income typically over a long lease term. While there has been only moderate growth in speciality tenancy rentals over the past few years, the turnover rental growth of the supermarkets provides the majority of potential upside to the income over the life of an investment.

Australian Food Retail Turnover Annual Growth



Although grocery spending generally is considered as a relatively inelastic portion of consumer spending the sector is still subject to fluctuations in the economy and retail spending levels, as shown in the graph above. The success of individual centres tends to be aligned to issues such as: the level of competition within the catchment; operator of the supermarket; number of specialty shops; accessibility/traffic/parking issues; maintenance/growth of the catchment population; and maintenance/growth of the average household disposable income of the catchment.

The neighbourhood centres are generally at a purchase price level which attracts investor interest from a broad range of private investor, syndicates and specialised trusts. Demand for such opportunities is strong with new centres attracting yields in the region of 8.0%, while older centres remain 0.15% - 0.25% higher.

BULKY GOODS CENTRES

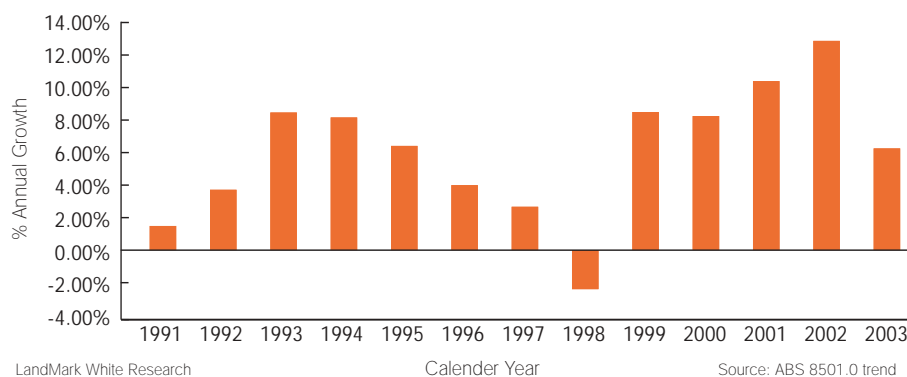
Bulky goods retailing is a maturing market sector within the retail industry in Australia, having developed over the past five to ten years. This type of trading is well established in the United States and United Kingdom where it is referred to as power centres or homemaker centres.



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

Retail turnover within the bulky goods industry has, over the past two years, been primarily driven by growth in the housing market. Consumers have been spending on building and outfitting new homes, as well as renovating. Household goods retailing has been one of the largest contributors to retail turnover growth in the past year, increasing by 6.2% during the calendar year 2003.

Australian Household Goods Retail Turnover Annual Growth



In terms of turnover, the bulky goods retail industry is valued at approx \$25 billion across Australia, which accounts for somewhere in the vicinity of 14% of total retail spending. A buoyant housing market is a positive for bulky goods retailing, but given the nature of the products involved, other key market drivers will continue to support the sector.

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

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

CBD COMMERCIAL

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

The demand for office accommodation is largely determined by the number of white collar workers within a region. White collar employment growth as it relates to the office market is best estimated from the white collar employment growth within the four sectors of communications, finance & insurance, property & business services and public administration. Access Economics have recently published more detailed figures which track the white collar employment across all business sectors and the total figure is shown in the last line of the table opposite.

However this total figure includes the non-office employed areas such as retail trade workers and community workers (health, teachers etc). Office demand analysis is best focussed only on the four major office-related sectors. In general, the white collar employment growth within these sectors is expected to grow at a higher level than the white collar employment as a whole, over the next two years, reversing the trend that has been in place for the past two years.

Table 2 – white collar employment growth, selected sectors - Australia

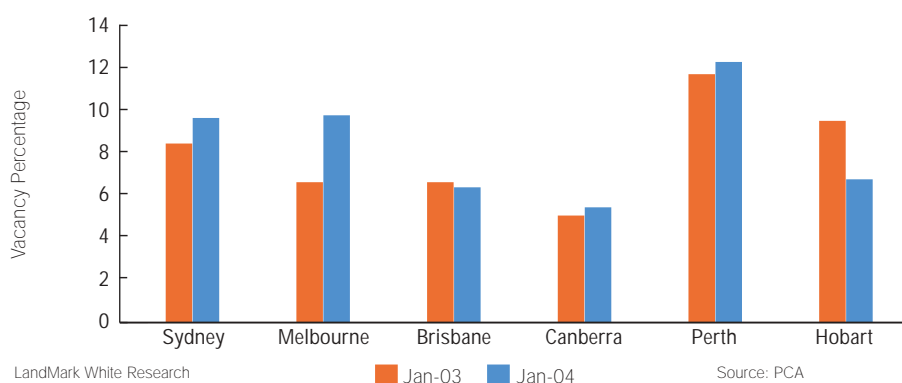
	2001	2002	2003	2004	2005	2006	2007	2008
Communication	2.29%	-0.85%	3.08%	-0.78%	0.66%	0.40%	1.21%	2.11%
Finance and insurance	3.87%	1.56%	-0.35%	0.26%	1.50%	0.57%	1.41%	2.25%
Property and business services	3.19%	-2.82%	3.35%	7.21%	3.61%	1.52%	2.26%	3.09%
Public administration	6.78%	9.56%	4.93%	0.63%	1.42%	1.30%	2.06%	1.80%
Sub-total – 4 primary office related sectors	3.91%	0.49%	2.91%	3.94%	2.58%	1.23%	2.00%	2.62%
White collar total*	2.75%	2.50%	2.87%	1.96%	1.53%	1.02%	1.79%	2.55%

Source: Access Economics December 2003 White Collar Employment Series *contains white collar workers across all sectors which may be less relevant to the office market (ie teachers, health professionals, etc)

For the office markets of Australia the positive aspect of the above white collar employment forecasts is the expected strengthening within the property and business services sector, a keystone of the office occupiers workforce. After lower growth during late 2001 and 2002 the sector has begun to recover with employment growth at an improved 3.35% for 2003. The sector is expected to show good employment growth over the next two years.

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

Australian CBD Office Markets



As a traditional investment alternative, particularly for the larger institutional investors and listed property trusts the office sector has generally been tightly held with limited investment opportunities. With the current weight of money within the property investment sector office yields have firmed during 2003 with strong competition for assets offered formally to the market.

CAR PARKS

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

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

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



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

SECTION

9 Additional Information



9.1. Trust Constitution

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

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

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

Amendment

The Constitution may be amended:-

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

Manager

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

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

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

Borrowings

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

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

Sale of Properties

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

Remuneration of the Manager

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

Retirement of the Manager

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

The quorum necessary to pass an extraordinary resolution, or any resolution (regardless of type e.g. ordinary) to remove the Manager is at least 4 persons holding or representing in person, by proxy or attorney at least 51% of the Units by value. Such a quorum must also be present to pass any resolution to amend this quorum provision.

Unitholders

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

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

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

Voting

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

Options

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

Future Issues

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

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

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

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

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

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

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

Buybacks

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

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

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

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

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

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

Distribution of Income

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

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

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

Duration and Termination of the Trust

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

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

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

9.2. Compliance plan

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

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

9.3. Custody agreement

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

The Custodian's duties include:-

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

The assets are held in the Custodian's name.

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

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

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

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

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

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

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

Custodian and Directors of the Custodian

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

9.4. Buyback Offers

In the Explanatory Memoranda dated 2 June, 2003 relating to a merger proposal, Investors who were entered on the registers of the "Merging Trusts" as at 2 June, 2003 were given an opportunity to have their units bought back under "the Buyback Proposal". The Explanatory Memoranda contemplated the Buyback Proposal being implemented on either an off-market or on-market basis. Property Funds Australia as the Manager announced on 4 February, 2004 that it proposed to utilise both methods of buyback, the fundamental details of which are outlined below.

Off-Market Buyback Offer

1. *Precondition to Issue of Off-Market Buyback Offer:*
The Off-Market Buyback Offer will not be issued for acceptance until such time as \$5,000,000 has been raised under this PDS;

2. *Off-Market Buyback Offer price:* The off-market buyback price is to be \$1.00 per unit. The buyback price was arrived at after considering a number of criteria in accordance with the relevant provisions of the Constitution;
3. *No. of Units Subject to Off-Market Buyback Offer:* The maximum number of Units that will be bought back under the Off-Market Buyback Offer will be 5,000,000. Unitholders will be able to accept for the whole or a part of their Units. If the number of acceptances under the Off-Market Buyback Offer exceeds 5,000,000 Units, acceptances will be met on a pro-rata basis;
4. *Funding of Offer:* The Off-Market Buyback Offer is to be funded by capital raised pursuant to this PDS;
5. *Target Date for the forwarding of formal offer documentation relating to the Off-Market Buyback Offer:* 30 March, 2004;
6. *Eligible Unitholders:* Only Unitholders entered on the registers of unitholders and owners of the "Merging Trusts" (as defined in the Explanatory Memoranda) as at 2 June, 2003 will be eligible to receive and accept the Off-Market Buyback Offer and in respect of those units they held as at 1 July, 2003.

Interim On-Market Buyback Offer

The Explanatory Memoranda also contemplated the buyback proposal proceeding by means of an on-market buyback.

The Constitution of the Trust permits the Manager as the responsible entity of the Trust to purchase (on behalf of the Trust) Units on the exchange and cause these Units to be cancelled. Property Funds Australia is carrying out (on a short term basis only) an on-market buyback program the details of which are outlined below:-

1. *Buyback Price:* \$1.00 per Unit;
2. *No. of Units:* Up to a maximum number of 500,000 Units;
3. *Buyback Program Daily Limit:* A daily buyback limit of 20,000 Units per day;
4. *Commencement of On-Market Buyback Program:* 5 February, 2004;
5. *Expiry of On-Market Buyback Program:* The earlier of:-
 - (a) the date that 500,000 Units have been purchased through this program; and
 - (b) the closing date for acceptance of the Off-Market Buyback Offer.

6. *Acceptance Basis:* Usual market procedures apply to this on-market buyback and acceptances are dealt with on a first acceptance basis as with any normal exchange trading.
7. *Eligible Unitholders:* Under this on-market buyback, all Unitholders are able to accept the On-Market Buyback Offer.
8. *Funding of On-Market Buyback:* This buyback is being funded out of the Trust's current internal resources.

As at 27 February, 2004, the Trust has bought back and cancelled pursuant to the on-market buyback offer 326,316 Units.

Related Persons to the Manager

The Directors of PFA, PFA itself or any persons or entities related to them who hold units in the Trust are not participating in or accepting the On-Market Buyback Offers or the Off-Market Buyback Offer.

9.5. Purchase contract – Lands Building

Date of Contract: 26 February, 2004

Parties:

Vendor: The Motor Accidents Insurance Board

Purchaser: Trust Company of Australia Limited as Custodian for Property Funds Australia Limited as responsible entity of the PFA Diversified Property Trust.

Property: 134 Macquarie Street, Hobart, Tasmania being that land comprised in Tasmanian folio in the registered volume: 239460 folio: 1.

Purchase Price: \$28,920,000

Deposit: \$500,000

Date for Completion: Up to 21 days from the date of contract.

9.6. Interests of experts

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

- McCullough Robertson has undertaken legal work in respect of this PDS. An amount of up to \$50,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- BDO Kendalls Securities Limited has prepared the Investigating Accountants Report in section 8.2. An amount of \$20,000 (plus GST) has been paid or is agreed to be paid in respect of these services.

- BDO Kendalls has provided taxation advice and has prepared the report in section 8.1. The amount of \$6,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- LandMark White prepared the property market commentary report in section 8.3. An amount of \$3,500 (plus GST) has been paid or is agreed to be paid in respect of these services.

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

9.7. Disclosure of interests

Directors of the Manager

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

- Entities associated with Christopher Morton own shares in Property Funds Australia.
- Property Funds Australia owns 196,213 Units in the Trust.
- David Conquest owns 59,386 Units in the Trust.
- An entity associated with Christopher Morton owns 97,058 Units in the Trust.
- Property Funds Australia will acquire additional units pursuant to the on-market buyback proposed and the off-market buyback. All Units acquired in the Trust through these mechanisms will be cancelled.
- The Directors of Property Funds Australia and entities associated with them are entitled to apply for Units under this PDS on the same terms and conditions as all other Investors. The Directors and entities associated with them may apply for Units under this PDS.
- David Conquest may receive additional remuneration associated with the raising of funds pursuant to this PDS. This remuneration, if any, would be paid by PFA out of its own funds.

9.8. Consents

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

BDO Kendalls in respect of its Taxation Report in section 8.1.

BDO Kendalls Securities Ltd in respect of its Investigating Accountants Report in section 8.2.

LandMark White Pty Ltd in respect of its Property Market Commentary in section 8.3 and the reference to it in valuations in section 2 and the reference to LandMark White in section 6.2.

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

Knight Frank has given its consent to being named in section 6.2.

Colliers International Consultancy and Valuation Pty Limited has given its consent to being named in section 2.

Chesterton Corporate Property Advisors has given its consent to being named in section 2.

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

9.9. Continuous disclosure

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

9.10. Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the office of the Manager:-

- the documents summarised in this section;
- the consents to the issue of this PDS;
- the most recent valuations of the Properties. Most recent valuations of the properties commissioned by PFA.

9.11. Environmental and ethical considerations

Whilst the Manager intends to conduct its affairs in an ethical and sound manner, no account has been taken of any labour standards, environmental, local or ethical considerations when making, retaining or realising an investment of the Trust.

9.12. Investing via an IDPS

PFA authorises the use of this PDS as disclosure to clients and prospective clients of investor directed portfolio services ("IDPS").

Applicants who invest in the Trust through an IDPS should note that the IDPS operator or custodian will be the Unitholder in the Trust, will acquire the rights attaching to Units in the Trust, and can exercise them in accordance with their arrangements with the individual investors in the IDPS. The Investor in the IDPS will not be a Unitholder in the Trust. PFA is not responsible for the operation of any IDPS service through which applicants invest. However, Investors investing through an IDPS can rely on the information in this PDS, but should ensure they take into account the IDPS operator's fees and charges and carefully read the terms of the document explaining those services.

9.13. Offer not underwritten

The offer is not underwritten.

9.14. Top 20 unitholders

Current top 20 Unitholders in the Trust are:-

Unitholder	Number of Units Held	Percentage of Units Currently on Issue
RBC Global Services Australia Nominees Pty Limited acf APNFM A/C	5,547,480	5.97%
RBC Global Services Australia Nominees Pty Limited atf BKCust A/C	1,130,144	1.22%
P.A. & I.M. Hadley	400,000	0.43%
Krisjade Pty Ltd atf The JLW Superannuation Fund A/C	392,480	0.42%
A.B. & J.L. Caradine atf A.B. & J.L. Caradine Superannuation Fund	389,329	0.42%
B.Y. & T.J. Stevenson atf B. & T. Stevenson Superannuation Fund	315,630	0.34%
Torumba Pty Ltd atf The West End Trust	289,060	0.31%
A. Robinson	285,263	0.31%
A. & S. Matheson atf Golden Dawn Pty Ltd Superannuation Fund	250,300	0.27%
Avis Marketing Consultants Pty Ltd	250,000	0.27%
K.G. & E.I. Hayes	249,854	0.27%
G. & J.F. Cain atf J. F. Cain Superannuation Fund	244,805	0.26%
J.A. Andrew	244,374	0.26%
M A Morris Pty Ltd atf M.A. Morris Superannuation Fund A/C	242,070	0.26%
D.E. & N.S. Forbes atf Forbes Superannuation Fund	241,660	0.26%
J.V. & M.J. Walsh	241,590	0.26%
Woofter Pty Ltd atf All Business Machines Pty Ltd Superannuation Fund	232,225	0.25%
S. & J. Turk	232,225	0.25%
Queensland Police Union Of Employees	222,234	0.24%
JW Davidson Nominees Pty Ltd	220,975	0.24%

9.15. Directors' statement

The Directors of the Manager report that after due enquiry by them, they have not become aware of any circumstances which, in their opinion, will materially affect the Trust other than as disclosed in this PDS. To the best of the Directors' knowledge and belief, the information contained in this PDS is correct and there are no material omissions likely to affect the accuracy of the information.

Signed by each Director of the Manager
27 February, 2004.



Christopher A Morton



Dennis W Wildenburg



Elizabeth A Pidgeon



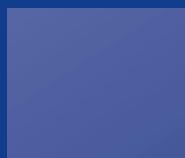
David J Conquest

SECTION

10

How to Invest and Application Forms





How to Invest

10

10.1. The Offer

This PDS invites applications for Units in the Trust at \$1.02 per Unit.

10.2. Minimum application

The minimum amount each Investor may subscribe is \$5,000. Applications in excess of \$5,000 are to be in increments of \$1,000.

We reserve the right to accept or reject your application in whole or in part without giving reasons.

10.3. Existing Unitholder's priority entitlement

Existing Unitholders (being those registered as at 27 February, 2004) have a priority entitlement under this Offer. To be entitled to the benefits of this priority, Existing Unitholders must lodge their duly completed applications with Property Funds Australia by 31 March, 2004. Applications lodged with us after that date will still be processed but will not have priority over applications by applicants who are not Existing Unitholders.

10.4. Allotment of Units

Units will be allotted at the absolute discretion of Property Funds Australia. If applicants apply for more Units than are on offer, we may allot a lower number of Units than that applied for, or not accept a particular application or applications. Unless we exercise our right to accept oversubscriptions to the Offer, applications lodged after the Offer is filled will not receive an allotment. We therefore encourage you to lodge your Application Form as soon as possible.

If we allot a lower number of Units than that applied for, or not accept an application, we will refund the portion of application monies relating to Units that were not allotted. No interest will be paid on moneys refunded.

After applications have been accepted, but pending the issue of Units, application moneys will be held in a special trust account in the name of the Custodian. Interest that accrues on those application monies received will form part of the income of the Trust for distribution to Unitholders in due course.

Units will be allotted on the first business day of each month. Applicants will be eligible to receive income distributions during the distribution period (e.g. month) next following the month during which allotment occurred.

If we receive your Application prior to 5pm (AEST) time on the 25th day of the month (subject to your application not being rejected in part or in full), your Units will be allotted on the first business day of the next month.

Fractions of Units will be rounded up.

10.5. Confirmation of Unit allotment

Following the issue of Units to successful Applicants, Unitholders will receive an initial holding statement that sets out the number of Units that have been allotted to them. Applicants trading in Units prior to receiving a holding statement do so at their own risk.

10.6. No cooling off

You should note that because the Trust will invest in assets that are not liquid, there will not be a cooling off period in relation to Applications.

APPLICATION FORM

COMPLETE FULL NAME DETAILS (PLEASE PRINT)

Mr/Mrs/Miss/Ms	Surname/Company Name (including ACN)	Applicant Given Names
<input type="text"/>	<input type="text"/>	<input type="text"/>
Joint Applicant # 2	<input type="text"/>	<input type="text"/>
Joint Applicant #3	<input type="text"/>	<input type="text"/>

POSTAL ADDRESS

Street No.	Street (or PO box details)		
<input type="text"/>			
Suburb	State	Post Code	Country (if not Australia)
<input type="text"/>			

TELEPHONE NUMBERS

Area Code & Home Phone No.	Area Code & Work Phone No.
<input type="text"/>	<input type="text"/>
Area Code & Fax No.	Contact Person (if different to Applicant)
<input type="text"/>	<input type="text"/>

EMAIL ADDRESS

TAX FILE NUMBERS*/ABN/EXEMPTION CATEGORY

Tax File No. for App. #1	Tax File No. For App. #2	Tax File No. For App. #3
<input type="text"/>	<input type="text"/>	<input type="text"/>

APPLICATION AMOUNT

(Minimum Investment \$5,000)

\$

IF EXISTING INVESTOR in PFA Diversified Property Trust please complete

HOLDER NUMBER PFD

Do you wish to combine with your existing Holding? Please tick box. Yes ☐ No ☐

ADVISER SERVICE FEE

Please deduct the following % (maximum 4%) amount from the Application Moneys and pay it to my/our financial adviser whose stamp is affixed to this Application Form.

Please tick or insert: 0% ☐ 1% ☐ 2% ☐ 3% ☐ 4% ☐ Other (Note: includes GST)

DIRECT CREDIT OF DISTRIBUTIONS

Insert Name of Account which is to be credited

Bank	Branch
<input type="text"/>	<input type="text"/>
BSB Number	Account Number
<input type="text"/>	<input type="text"/>

Would you like to receive an annual report for the Trust each year: Yes ☐ No ☐ (if no selection is made, then an annual report will be forwarded to you each year)

I/we declare and agree that:

- I/we have received a complete and unaltered copy of the Product Disclosure Statement.
- I/we have read and understood the Product Disclosure Statement to which this Application is attached.
- If my/our Application Form is accepted I/we agree to be bound by the Constitution and any successor document or constitution.
- I/we cannot withdraw my application except when I/we have such a right under the Corporations Act or if the Manager consents.
- All personal information can be dealt with in accordance with the privacy policy referred to in this PDS.

DATE OF APPLICATION / /
D M Y

PLEASE SIGN BELOW

Individual	Joint 2	Joint 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director/Sole Company Secretary	Director/Secretary	Director

The affixing of a common seal is no longer required under the Corporations Act.

OFFICE USE ONLY: Received / / Units Allotted

ADVISER USE ONLY	
Dealer Stamp	Name
	Telephone
	Email
	Fax

Instructions to Applicants

COMPLETING THE APPLICATION FORM

Before completing the Application Form and forwarding it, you should read this PDS.

Applications may only be made on the Application Form attached to this PDS. This Application Form must not be handed to another person unless attached to or accompanied by the PDS.

APPLICANT DETAILS

Please enter the full names of all legal entities that are to be recorded as the registered Unitholder(s). Up to three Joint Applicants may register. Please refer to the examples below for the correct forms of registrable names.

EXISTING INVESTORS

If you are a current PFA Diversified Property Trust Unitholder, please provide your Unitholder Number. If you wish to combine this Investment with your existing Unitholding please tick 'Yes' box.

POSTAL ADDRESS & CONTACT DETAILS

Please enter your address for all correspondence. Only one address is required. Please also provide your telephone and other contact details in case we need to contact you about your Application or Investment. For existing Unitholders, your address and other contact details may be updated from the information supplied on this Application Form.

TAX FILE NUMBERS

Please enter your Tax File Number(s) ("TFN"), or ABN, and where applicable please enter the TFN for each Joint Applicant.

Collection of tax file numbers is authorised by tax law and the Privacy Act 1988. You do not have to advise us of your tax file number (TFN) or exemption. Failure to provide a tax file number is not an offence and will not affect the success of your application. However, if not initially provided, your TFN will be subsequently requested. Failure to provide a TFN or details of an exemption may result in tax being deducted plus the medicare levy on your distributions at the highest individual marginal rate.

MINIMUM SUBSCRIPTION

You may invest an amount of \$5,000 or more with investments in excess of \$5,000 being in increments of \$1,000.

CORRECT FORMS OF REGISTRABLE NAMES

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

GST, BROKERAGE AND STAMP DUTY

The issue of Units under this Offer, and the purchase of Units, is not subject to GST. No brokerage or stamp duty is payable on allotment of Units under this PDS.

CHEQUES

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

ADVISER SERVICE FEE

You may elect to nominate a percentage from 0% to 4% which will be deducted from application moneys and paid to the financial adviser or broker whose stamp appears on the Application Form. The percentage nominated will be treated as inclusive of GST.

DISTRIBUTION BANK ACCOUNT DETAILS

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

CORRESPONDENCE

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

LODGEMENT OF APPLICATION FORMS

Completed Application Forms and cheques must be sent to:

Postal address for mail:

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

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Level 3, 200 Adelaide Street
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ENQUIRIES

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

TYPE OF INVESTOR	CORRECT FORM	INCORRECT FORM
Individual Use given names in full, not initials	John James Smith	J. J. Smith
Company Use company title, not abbreviations	XYZ Pty Ltd	XYZ P/L XYZ Co
Minor (a person under the age of 18) Do not use the name of the minor, use the name of the responsible adult	John James Smith <John Smith Jnr>	John Smith Jnr
Trusts Do not use the name of the Trust, use Trustee(s) name(s)	Mary Smith <Mary Smith Family Trust> or ABC Pty Ltd <ABC Family Trust>	Mary Smith Family Trust ABC Trust
Partnerships Do not use the name of the partnership, use partners personal names	John Smith & Michael Smith <Smith Brothers>	Smith Brothers
Superannuation Funds Do not use the name of superannuation funds, use the trustee(s) name	ABC Pty Ltd <Smith Family Superannuation Fund>	Smith Family Superannuation Fund



ARSN 097 860 690

APPLICATION FORM

ADVISER USE ONLY

Dealer Stamp

Name

Telephone

Email

Fax

COMPLETE FULL NAME DETAILS (PLEASE PRINT)

Mr/Mrs/Miss/Ms

Surname/Company Name (including ACN)

Applicant Given Names

Joint Applicant # 2

Joint Applicant #3

POSTAL ADDRESS

Street No.

Street (or PO box details)

Suburb

State

Post Code

Country (if not Australia)

TELEPHONE NUMBERS

Area Code & Home Phone No.

Area Code & Work Phone No.

Area Code & Fax No.

Contact Person (if different to Applicant)

EMAIL ADDRESS

TAX FILE NUMBERS*/ABN/EXEMPTION CATEGORY

Tax File No. for App. #1

Tax File No. For App. #2

Tax File No. For App. #3

APPLICATION AMOUNT

(Minimum Investment \$5,000)

\$

IF EXISTING INVESTOR in PFA Diversified Property Trust please complete

HOLDER NUMBER PFD

Do you wish to combine with your existing Holding? Please tick box.

Yes

No

ADVISER SERVICE FEE

Please deduct the following % (maximum 4%) amount from the Application Moneys and pay it to my/our financial adviser whose stamp is affixed to this Application Form.

Please tick or insert: 0% 1% 2% 3% 4% Other (Note: includes GST)

DIRECT CREDIT OF DISTRIBUTIONS

Insert Name of Account which is to be credited

Bank

Branch

BSB Number

Account Number

Would you like to receive an annual report for the Trust each year: Yes No (if no selection is made, then an annual report will be forwarded to you each year)

I/we declare and agree that:

- (a) I/we have received a complete and unaltered copy of the Product Disclosure Statement.
- (b) I/we have read and understood the Product Disclosure Statement to which this Application is attached.
- (c) If my/our Application Form is accepted I/we agree to be bound by the Constitution and any successor document or constitution.
- (d) I/we cannot withdraw my application except when I/we have such a right under the Corporations Act or if the Manager consents.
- (e) All personal information can be dealt with in accordance with the privacy policy referred to in this PDS.

DATE OF APPLICATION

D M Y

PLEASE SIGN BELOW

Individual

Joint 2

Joint 3

Sole Director/Sole Company Secretary

Director/Secretary

Director

The affixing of a common seal is no longer required under the Corporations Act.

OFFICE USE ONLY:

Received

Units Allotted

Instructions to Applicants

COMPLETING THE APPLICATION FORM

Before completing the Application Form and forwarding it, you should read this PDS.

Applications may only be made on the Application Form attached to this PDS. This Application Form must not be handed to another person unless attached to or accompanied by the PDS.

APPLICANT DETAILS

Please enter the full names of all legal entities that are to be recorded as the registered Unitholder(s). Up to three Joint Applicants may register. Please refer to the examples below for the correct forms of registrable names.

EXISTING INVESTORS

If you are a current PFA Diversified Property Trust Unitholder, please provide your Unitholder Number. If you wish to combine this Investment with your existing Unitholding please tick 'Yes' box.

POSTAL ADDRESS & CONTACT DETAILS

Please enter your address for all correspondence. Only one address is required. Please also provide your telephone and other contact details in case we need to contact you about your Application or Investment. For existing Unitholders, your address and other contact details may be updated from the information supplied on this Application Form.

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Directory

MANAGER

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REGISTRY

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ACN 078 199 569

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Brisbane Adelaide Street QLD 4000

Phone: (07) 3221 7170

Fax: (07) 3221 6729

Email: info@pfaltd.com.au

DIRECTORS OF PROPERTY FUNDS AUSTRALIA

Christopher A Morton (Managing Director)

Dennis W Wildenburg

Elizabeth A Pidgeon

David J Conquest

AUDITOR

BDO Kendalls

Level 18, 300 Queen Street

BRISBANE QLD 4000

CUSTODIAN

Trust Company of Australia Limited

ACN 004 027 749

213 St Pauls Terrace

BRISBANE QLD 4000

TAXATION ADVISER

BDO Kendalls

Level 18, 300 Queen Street

BRISBANE QLD 4000

FINANCIAL ADVISER

BDO Kendalls Securities Limited

Level 18, 300 Queen Street

BRISBANE QLD 4000

CORPORATE LAWYERS FOR THE MANAGER

McCullough Robertson Lawyers

Level 12, Central Plaza II

66 Eagle Street

BRISBANE QLD 4000

