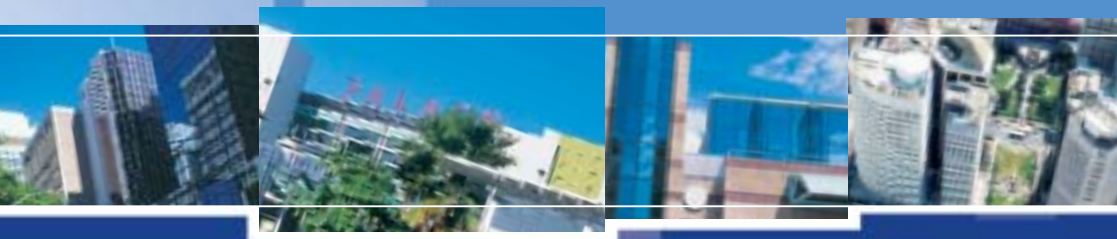




(FORMERLY THE TRILOGY TRUST)
ARSN 097 860 690



2003 Half-Year Report



**PROPERTY FUNDS
AUSTRALIA LIMITED**

AFSL No 224106

Trust Profile



**Post Office Square
Brisbane, Qld**



**Anzac Square Offices
Brisbane, Qld**



**388 Queen Street
Brisbane, Qld**



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



**The Precinct
Coorparoo, Brisbane**



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



**544 Kessels Road
MacGregor, Brisbane**



**The Homeworld Centre
Tuggeranong, ACT**



**Cairns Hypermart
Cairns, Qld**



**The Riverdale Centre
Dubbo, NSW**



**The Lands Building
Hobart, TAS**



**PROPERTY FUNDS
AUSTRALIA LIMITED**

The PFA Diversified Property Trust is a listed Australian unit trust which owns a portfolio (either directly or through wholly owned subsidiary trusts) of Australian investment grade properties currently valued at \$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's fundamental strategy is to invest in a growing portfolio of quality properties diversified by property sector, geographic location, tenant profile and lease expiry with the properties generally in the price range of \$10 million to \$50 million.

The Trust evolved as a consequence of the amalgamation on 1 July, 2003 of all of the managed property funds managed by Property Funds Australia Limited. The Trust is listed on the

Bendigo Stock Exchange.

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

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

	Page
Operating Highlights and Portfolio Status	2
Manager's Report	3
Financial Report	8
- Declaration by the Directors of the Responsible Entity	18
- Independent Review Report to the Unitholders	19
Directory	20

Property Funds Australia Limited ACN 078 199 569 ("PFA") does not guarantee or in any way stand behind the performance of the PFA Diversified Property Trust or the repayments of capital by the PFA Diversified Property Trust.

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

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

Operating Highlights

– Half Year ending 31 December, 2003

Events

- **1 July, 2003:** Merger of PFA managed property funds to bring about the PFA Diversified Property Trust completed.
- **November, 2003:** Debt restructure finalised;
- **December, 2003:** Portfolio revaluation as at 31 December, 2003 resulting in a \$6.5M increase;
- **February, 2004:**
 - On-market buyback offer at \$1.00 per unit and details of off-market buyback proposal announced subject to capital raising;
 - Acquisition of Lands Building contracted;
 - Product disclosure statement lodged with ASIC to raise \$25 million at an issue price of \$1.02 per unit.

Financial Performance

- Distribution of 4.74 cents per unit for the 6 months ended 31 December, 2003 in accordance with merger forecasts.
- Net Profit (before amortisations) for the Period approximately \$4.7M;
- Net Profit (after amortisations) for the Period approximately \$2.2M;
- Net Profit (before amortisations and merger costs) up 21% on financial forecasts underlying the merger explanatory memorandum.
- As at 31 December, 2003:-
 - Total assets \$219.7M;
 - Net asset backing of \$1.03 per Unit, up 4 cents per unit.

Financial Overview

As at 31 Dec 03

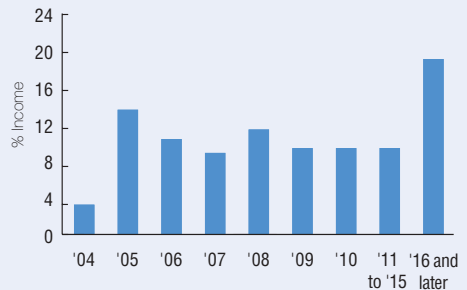
Total assets (\$'000)	219,729
Total liabilities (\$'000)	123,485
Total equity (\$'000)	96,243
Net asset backing per unit (\$)	1.03
Number of units on issue ('000)	93,015
Total borrowings (\$'000)	121,408
% borrowings to total assets (%)	55
Number of unitholders	2,758
Vacancy Rate (% by N.L.A.)	3.86

Six months ending
31 Dec 03

Net profit (\$,000)	2,253
Distribution per ordinary unit (CPU)	4.47

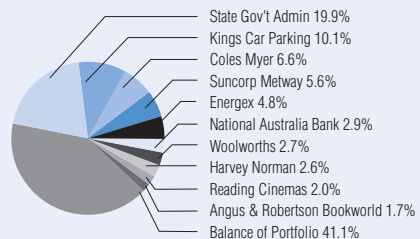
Portfolio Status (as at date of report)

Lease Expiry Profile



Financial Year Ending 30 June

Tenant Breakdown (by income)



Manager's Report

We are pleased to report to you on the activities and achievements of the PFA Diversified Property Trust since the commencement of the six months ended 31 December, 2003 ("the Period").

Fund Performance

Distributions for the Period have been occurring at the rate of 0.79 cents per unit per month which is in accordance with the merger forecasts. The Directors of the Manager have in the recently released product disclosure statement (discussed later) forecast that this distribution rate is likely to continue through to 31 December, 2004 (subject to the assumptions on which the forecast is based set out in section 6.2 of the Product Disclosure Statement ("PDS")). Of particular note during the Period were the following positive results:-

- net tangible asset backing per Unit increased 7% (approximately) following upon revaluations of six of the properties in the Portfolio;
- revenue being 5% up, expenses (before amortisations) down 6.6% and net profit (before amortisations and merger costs) up 21% on the financial forecasts underlying the merger explanatory memoranda.

Fund Management

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

- the debt restructure (which has delivered reduced interest margins);
- the commitment to ongoing diversification (as exhibited by the recent Lands Building acquisition);
- the increasing of liquidity in the investment (as demonstrated by the Bendigo Stock Exchange ("BSX") trading that has occurred and the availability of the on-market and off-market buybacks);
- the reduction in recurring operating costs;
- an improved exit (e.g. the sale of units on the BSX have been able to occur at greater than the net tangible asset per unit).

Asset Management

Acquisitions

Subsequent to the end of the Period, the Trust completed the purchase on 10 March, 2004 of the Lands Building at 134 Macquarie Street, Hobart for \$28.92M.

This acquisition was in line with the Trust's stated strategy of growing the Trust by investing in properties in the price range of \$10 million to \$50 million and which provide stability to distributions. It is also consistent

Manager's Report

with the stated focus to reduce the historical geographical emphasis on Queensland property. This acquisition has reduced the Fund's exposure to Queensland by 9.5% and increased its office exposure by 8.4%.

The Lands Building is a 10 level office building located in the prime southern precinct of the Hobart CBD. It is one block from the core of the Hobart CBD in an area recognised as the centre of state and commonwealth government activity. The precinct is characterised by 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. The building is fully leased with a 14 year remaining lease term to the Tasmanian State Government and houses a number of state government agencies.

The purchase, which was accretive to earnings per unit, was funded initially by debt. As at the date of this report, a \$25 million capital raising has commenced (as discussed later) part of the proceeds of which are to be used to reduce the debt of the Trust following the increase in debt which has occurred as a consequence of this acquisition.

Revaluations

Positive revaluations of six assets during the period added \$6.54 million to the portfolio's value. This approximately equates to an increase in NTA per unit of 7% since 1 July, 2003. The relevant properties subject to valuation increases were the following:-

Property	Previous Value	New Value	Increase
Post Office Square	\$52M	\$54.5M	\$2.5M
Centro on James - Stage 3	\$9.76M	\$10.8M	\$1.04M
The Precinct	\$8.9M	\$10.2M	\$1.3M
544 Kessels Road	\$10.3M	\$11.0M	\$0.7M
Cairns Hypermart	\$16.8M	\$17.3M	\$0.5M
Homeworld Centre	\$28.9M	\$29.4M	\$0.5M

Underlying some of the increases in value was the general firming in capitalisation yields which have occurred in the general commercial property marketplace since the date of the last valuations. As well as this factor, defensive characteristics such as fixed rental review structures, sound lease expiry profiles and a long weighted average lease expiry have also underpinned the Portfolio's capital appreciation.

Leasing and Rent Review Activity

There was a slight increase in the vacancy rate from 4.4% to 4.8% during the Period. Leasing deals completed over the period predominantly related to the 544 Kessels Road, Homeworld Centre, Cairns Hypermart and The Precinct properties. The Manager continues to foster its relationship with existing tenants. Particularly pleasing in this regard was seven lease renewals which occurred in the Homeworld Centre. Maintaining a strong tenant profile remains a critical focus for the Manager and a key point of difference for the Trust as against many trusts of a similar size, particular with national and government tenants currently accounting for approximately 80% of the income of the Trust.

A number of rent reviews occurred during the Period, the most significant of which was the market rent review of the Coles Myer Limited lease at the Garden Square Office Park which resulted in an increase of 10.6% on the previous rental.

The current weighted average lease term of 5.8 years is a strong lease profile and points to the stability of future income. This is not to say that there are not challenges in the forthcoming 12 months as some lease expiries occur and some current vacancies are focussed upon. In particular, in the forthcoming six months, the Manager's focus is upon:-

- undertaking a tenancy remix strategy in respect of Post Office Square to strengthen the centre's retail offer;
- procuring new leases following some office lease expiries in 388 Queen Street;
- developing new tenancy options for the warehouse style building at 544 Kessels Road which will become available for lease/redevelopment in July, 2004; and
- ascertaining Coles Myer's final intentions for the building that it leases at Garden Square.

The Manager is conscious of the necessity to maintain the assets to keep them competitive in the marketplace. During the period it completed the refurbishment of 1,900m² at the Garden Square Office Park in preparation for re-letting and also has carried out extensive repainting of parts of the Homeworld Centre.

Debt Management

The total borrowings of the Trust as at 31 December, 2003 were \$121.4 million representing a gearing ratio against total assets of 55% or an LVR of 59%. Of these borrowings, approximately 58% of the Trust debt funding as at 31 December, 2003 had fixed interest rates or was hedged with the balance being on variable rates. The Manager believes based on current markets that it is appropriate to increase the fixed/hedged percentage of the Trust's debt portfolio. The Manager is regularly monitoring the interest rate market for opportunities to purchase hedging styles of products at appropriate pricing. The weighted average interest rate (inclusive of bank margins) on debt at the completion of the debt restructuring on 5 January, 2004 (as detailed below) was 6.67% per annum.

As mentioned in the merger explanatory memoranda for the PFA managed funds which established the Trust, the merger provided the opportunity to restructure the debt for the Trust. The debt restructure was finalised during the Period with the new facilities being provided in a joint finance facility by the Commonwealth Bank of Australia ("CBA") and mortgage funds managed by ING Management Limited ("ING"). The resulting finance restructure occurred in two stages with the first stage settling on 6 November, 2003 and the second stage on 5 January, 2004.

The refinancing has:-

- reduced interest margins – the estimated margin reduction of 0.25% per annum mentioned in the explanatory memoranda has been achieved and in fact exceeded;

Manager's Report

- eliminated refinancing risks of two debt tranches totalling 61% that matured in 2003/04 and 2004/05 financial years;
- extended the debt maturity profile for the debt portfolio;
- eliminated some adverse asset specific loan covenants;
- reduced the number of financiers to two with whom the Trust can now build a strong growth relationship; and
- produce a structure that allows for flexible and continual adjustment (e.g. repayments/further borrowings of term debt).

The financiers have subsequent to the Period end, made a further advance of \$31 million associated with the acquisition of the Lands Building. Part of this further advance is to be repaid from the proceeds of the capital raising which is currently occurring.

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 0.1% per annum of the total facility amount under the joint facility from time to time including further advances relating to the joint facility.

Capital Management

New Capital Raising

On 27 February, 2004 the Manager lodged with ASIC a PDS for the raising of \$25 million in units in the Trust at an offer price of \$1.02 per unit. The proceeds of this 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 (discussed later in this report);
- fund capital works which the Manager considers should occur to underpin and add value to the portfolio.

As indicated in the merger explanatory memoranda, existing unitholders are being offered a priority entitlement under the offer with the relevant priority period expiring on 31 March, 2004.

Buyback Offers

On 4 February, 2004, the Manager announced further details on the buyback proposal initially canvassed in the merger explanatory memoranda. The explanatory memoranda contemplated the buyback proposal being implemented on either an off-market or on-market basis. The explanatory memoranda did not state any fixed amount of units to be bought back or

the buyback price. In the announcement, the Manager advised that 500,000 units would be bought back on an on-market buyback and 5 million on an off-market buyback. In respect of both buybacks the price would be \$1.00 per unit. The on-market buyback has since been implemented. The off-market buyback is being funded by capital raised pursuant to the new PDS. The off-market buyback offer will not be issued to unitholders until such time as \$5 million has been raised under the recently released PDS. Details of the off-market buyback were contained in the recently released "Special Update" which was sent to unitholders.

The Market

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 the tangible asset backing per unit as a consequence of the 31 December, 2003 portfolio revaluation;
- the determined pricing of the on-market and off-market buyback offers;
- the contract to purchase the Lands Building; and
- the release of the PDS relating to the new capital raising.

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

Outlook

The long term fundamentals in those markets in which the Trust holds assets still remains positive. This, combined with the Trust's strong tenant profile and balanced lease expiry profile places the Trust in a solid position from which to move forward.

Property by its nature requires active and intensive management. The properties of the Trust are no different. The balance of the financial year will still have its challenges with certain forthcoming lease renewals. Capital expenditures proposed during the year and assisted by the new capital raising, should assist in underpinning the portfolio's value and future income stream.

	Page
Directors' Report	9
Condensed Statement of Financial Performance	10
Condensed Statement of Financial Position	11
Condensed Statement of Cash Flows	12
Notes to the Financial Statements	13 – 17
Declaration by the Directors of the Responsible Entity	18
Independent Review Report to the Unitholders	19

Financial Report

For the Half-Year Ended December 31, 2003

Directors' Report

The Directors of Property Funds Australia Limited ("the Manager") as responsible entity submit the following Interim Report of the PFA Diversified Property Trust ("the Trust") for the six months ending 31 December, 2003 ("the Period").

Directors of the Manager/Responsible Entity

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

Christopher Arthur Morton

Elizabeth Ann Pidgeon

David Conquest

Matthew Bradley Madsen (retired 5 September, 2003)

Dennis Wildenburg (appointed 22 September, 2003)

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

Review of Operations

Distributions

Distributions for the Period totalled to 4.74 cents per unit. These distributions were paid on a monthly basis at a rate of 0.79 cents per unit.

Highlights

The key highlights over the Period and up to the date of this report include:

- the implementation of the merger of the manager's managed property funds on 1 July 2003,
- completion of the debt restructure referred to in the merger explanatory memorandum,
- the commencement of the on-market share buy-back offer at \$1.00 per unit and announcement of the off-market buyback proposal (which is subject to certain capital raising conditions),
- acquisition of the Lands Building, Hobart for \$28.92 million,
- lodgement with ASIC of the product disclosure statement on 27 February 2004 related to the raising of \$25million in capital at a unit price of \$1.02,
- the revaluation of six properties of the Trust increasing the portfolio's value by \$6.45 million.

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

Signed in accordance with a resolution of Directors.

Dated this 15th day of March 2004



Christopher Arthur Morton
Managing Director

Condensed Statement of Financial Performance

for the six months ended 31 December 2003

	Note	Consolidated 31 December 2003 \$	Parent 31 December 2003 \$	Parent 31 December 2002 \$
Revenue from ordinary activities		12,284,579	2,763,648	2,814,984
Expenses from ordinary activities				
Property expenses		(2,550,978)	(565,327)	(530,933)
Fund expenses				
Direct expenses		(977,753)	(807,985)	(172,062)
Amortisation		(1,533,491)	(233,785)	(233,307)
		(2,511,244)	(1,041,770)	(405,369)
Borrowing costs				
Interest		(4,022,104)	(834,537)	(894,975)
Amortisation		(947,026)	(401,004)	(170,886)
		(4,969,130)	(1,235,541)	(1,065,861)
Profit/(loss) from ordinary activities before income tax expense		2,253,227	(78,990)	812,821
Income tax expense relating to ordinary activities	1(b)	-	-	-
Profit/(loss) after income tax expense attributable to Unitholders		2,253,227	(78,990)	812,821
Increase in asset revaluation reserve		5,762,000	1,528,180	-
Total changes in Trust equity other than those resulting from transactions with Unitholders as Unitholders		8,015,227	1,449,190	812,821
Basic earnings per unit	9	0.024 cents		
Diluted earnings per unit		0.024 cents		

The above condensed statement of financial performance should be read in conjunction with the notes to the financial statements.

Condensed Statement of Financial Position

as at 31 December 2003

	Note	Consolidated 31 December 2003 \$	Parent 31 December 2003 \$	Parent 30 June 2003 \$
CURRENT ASSETS				
Cash assets		766,880	1,947,482	449,134
Receivables		628,888	125,640	136,346
Other		351,395	90,958	116,566
Total Current Assets		1,747,163	2,164,080	702,046
NON-CURRENT ASSETS				
Cash assets		-	-	300,000
Other financial assets		-	69,714,987	4
Investment – Property		206,850,000	44,350,000	42,810,000
Other		11,131,402	3,378,495	3,434,311
Total Non-Current Assets		217,981,402	117,443,482	46,544,315
TOTAL ASSETS		219,728,565	119,607,562	47,246,361
CURRENT LIABILITIES				
Payables		2,077,176	217,616	285,086
Other liabilities		-	4,026,543	-
Total Current Liabilities		2,077,176	4,244,159	285,086
NON-CURRENT LIABILITIES				
Interest bearing liabilities		121,407,950	25,686,000	24,582,485
Total Non-Current Liabilities		121,407,950	25,686,000	24,582,485
TOTAL LIABILITIES		123,485,126	29,930,159	24,867,571
NET ASSETS		96,243,439	89,677,403	22,378,790
EQUITY				
Unitholders' equity	6	90,117,964	87,785,748	22,015,315
Asset revaluation reserve		6,125,475	1,891,655	363,475
TOTAL EQUITY		96,243,439	89,677,403	22,378,790

The above condensed statement of financial position should be read in conjunction with the notes to the financial statements.

Condensed Statement of Cash Flows

for the six months ended 31 December 2003

	Consolidated 31 December 2003 \$	Parent 31 December 2003 \$	Parent 31 December 2002 \$
Cash Flows from Operating Activities			
Rent & outgoings received	13,415,043	3,017,652	2,885,514
Interest received and sundry income	56,659	18,634	51,638
Payments to suppliers	(5,332,116)	(1,679,159)	(893,585)
Borrowing costs paid	(3,853,179)	(816,902)	(894,676)
Cash Provided by/(Used in) Operating Activities	4,286,407	540,225	1,148,891
Cash Flows from Investing Activities			
Net cash assumed as result of merger	(722,908)	-	-
Payment for other financial assets and capital improvements	(555,605)	(27,400)	(20,897)
Cash Provided by/(Used in) Investing Activities	(1,278,513)	(27,400)	(20,897)
Cash Flows from Financing Activities			
Proceeds from borrowings	1,454,389	1,103,514	-
Proceeds from cash securities	-	-	607,614
Refinancing costs paid	(566,432)	(566,432)	(265,290)
Reduction in debt facility	-	-	(900,000)
Distributions to syndicate members	(3,865,564)	(3,865,564)	(1,164,997)
Merger expenses	(12,541)	(12,541)	-
Inter-trust loans	-	4,026,544	-
Cash Provided by/ (Used in) Financing Activities	(2,990,148)	685,521	(1,722,673)
Net increase/(decrease) in cash held	17,746	1,198,346	(594,679)
Cash at the beginning of the financial period	749,134	749,134	1,538,711
CASH AS AT 31 DECEMBER, 2003	766,880	1,947,480	944,032

The above condensed statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes to the Condensed Financial Statements

for the six months ended 31 December 2003

Note 1 – Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the BSX Listing Rules, Corporations Act 2001, Australian Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus views and other authoritative pronouncements of the Australia Accounting Standards Board. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June, 2003 and any public announcements made by Property Funds Australia Limited as the responsible entity for the PFA Diversified Property Trust ("Trust") and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the BSX Listing Rules and Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June, 2003 annual report unless otherwise stated.

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

(a) Principles of Consolidation

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

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

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

(b) Income Tax

The Trust and its controlled entities adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for income tax as it is unlikely that any taxable income will be retained by the Trust and its controlled entities in 2004.

Notes to the Condensed Financial Statements

for the six months ended 31 December 2003

Note 2 – Merger of Trusts

(a) Background

The merger of PFA Diversified Property Trust (formerly The Trilogy Trust) with the following trusts:-

Merging Trusts:

The Riverdale Fixed Term Property Trust	ARSN: 100 666 920
The Capital Collection – Diverse Sector Fund Syndicate No. 1	ARSN: 088 775 375
The Capital Collection – Diverse Sector Fund Trust No. 1	ARSN: 088 775 259
The Metropolitan Collection – Brisbane Syndicate	ARSN: 093 295 544
The Metropolitan Collection – Brisbane Trust	ARSN: 093 313 690
Garden Square Syndicate	ARSN: 104 858 219
Garden Square Trust	ARSN: 104 858 264

was effected on 1 July, 2003. This merger was in accordance with the Explanatory Memorandum dated 2 June, 2003 previously lodged with the BSX.

(b) Merger Process

The merger was effected by merging the eight trusts into one Trust now known as the PFA Diversified Property Trust on 1 July, 2003.

The merger took place by a series of cancellations of units or lots in all the merging trusts (except for PFA Diversified Property Trust). Ultimately the owners of those units or lots in the merging trusts received units in the Trust as consideration. The Trust became the ultimate holding entity and has (directly or indirectly) 100% of all units or lots on issue in the other seven merging trusts. Through this ownership structure the Trust owns and controls the property portfolio.

The merger resulted in the number of issued units in the Trust increasing from 23,300,000 to 93,014,987.

Note 2 – Merger of Trusts continued

(c) Issue Summary

	\$
Units on Issue prior to Merger	23,300,000
Units issued to:	
Garden Square Syndicate Investors	11,013,037
The Metropolitan Collection – Brisbane Syndicate Investors	16,463,875
The Capital Collection – Diverse Sector Fund Syndicate No. 1 Investors	34,136,906
Riverdale Fixed Term Property Trust Investors	8,101,169
Units on Issue on completion of Merger	93,014,987

Note 3 – Events Subsequent to Reporting Date

(a) Finance

On 5 January, 2004 the Trust settled stage 2 of a finance restructure which involved changing from 4 to 2 lending parties. The stage 2 settlement reduced term debt by \$1,581,950 and was funded through cash at bank facilities.

(b) Acquisition of Property

On 26 February, 2004 the Trust exchanged contracts for the unconditional purchase of the Lands Building located at 134 Macquarie Street, Hobart for \$28.92m. On 10 March, 2004 this contract for purchase completed. The acquisition was funded through an extended debt facility provided by the Trust's two financiers.

(c) Capital Raising Product Disclosure Statement

On 27 February, 2004 Property Funds Australia Limited as responsible entity lodged a product disclosure statement for a \$25m capital raising with the Australian Securities and Investments Commission. The capital raising will be utilised to reduce debt facilities, fund the proposed \$5m off-market capital buyback and capital works.

(d) Off- Market Capital Buyback Offer

On 4 February, 2004 Property Funds Australia Limited as responsible entity announced the terms of a proposed off-market capital buyback offer. The off-market buyback offer is to be priced at \$1.00 per unit with a maximum number of units to be bought back limited to 5,000,000. A precondition of the off-market buyback is the raising of \$5,000,000 under the capital raising public disclosure statement lodged on 27 February, 2004.

Notes to the Condensed Financial Statements

for the six months ended 31 December 2003

Note 3 – Events Subsequent to Reporting Date continued

(e) On-Market Capital Buyback Offer

On 4 February, 2004 Property Funds Australia Limited as responsible entity announced an on-market capital buyback offer priced at \$1.00 per unit. The maximum number of units to be bought back is 500,000. The buyback commenced on 5 February, 2004 and was limited to 20,000 units per trading day. The buyback was funded out of the Trust's current debt facilities and completed on 12 March, 2004.

Note 4 – Contingent Liabilities

There are no contingent liabilities as at balance date.

Note 5 – Segment Information

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

Note 6 – Unitholders' Equity

	Consolidated 31 December 2003 \$	Parent 31 December 2003 \$	Parent 30 June 2003 \$
Contributed Capital Prior to Merger	23,300,000	23,300,000	23,300,000
Issue of Units on Merger	69,714,987	69,714,987	-
Accumulated distributions	(3,384,765)	(3,384,765)	(1,054,772)
Current year distributions	(3,865,564)	(3,865,564)	(2,329,993)
Capital raising costs	(387,538)	(387,538)	(387,538)
Accumulated profit/(loss)	2,487,617	2,487,618	1,033,340
Current year profit/(loss)	2,253,227	(78,990)	1,454,278
	90,117,964	87,785,748	22,015,315

Note 7 – Capitalisation and Amortisation of Borrowing Costs

Previously capitalised borrowing costs have been written off in the period to an amount of \$919,025. This is due to debt facilities being refinanced during the period. Borrowing costs of \$566,432 have been capitalised in relation to the new debt facilities.

Note 8 – Contingent Assets

The Trust and its controlled entities (lessor) hold unconditional bank guarantees from lessees. These bank guarantees may crystallise on default by the lessee to the lessor. The total amount of bank guarantees held as at 31 December, 2003 was \$1,024,261 for the economic entity and \$270,870 for the parent entity.

Note 9 – Earnings Per Unit

(a) Net Profit used in calculation of earnings per unit \$2,253,227.

(b) Weighted average number of units used in calculation of earnings per unit is 93,014,987.

There were no partly paid units on issue during the period.

Declaration by the Directors of the Responsible Entity

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

1. the accompanying condensed financial statements and notes
 - (a) comply with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the financial position as at 31 December 2003 and performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read 'C. Morton', with a stylized flourish extending from the end.

Christopher Arthur Morton

Managing Director

Brisbane

15 March 2004

Independent Review Report to the Unitholders

Scope

We have reviewed the Interim Financial Report of the PFA Diversified Property Trust and its controlled entities for the half year ended 31 December 2003 as set out on pages 10 to 18. The Interim Financial Report includes the consolidated financial statements of the economic entity comprising the PFA Diversified Property Trust and the entities it controlled at the half year's end or from time to time during the half year. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Australian Accounting Standard AASB1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, and statutory requirements so as to present a view which is consistent with our understanding of the trust's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the trust to lodge the interim financial report with the Australian Securities and Investment Commission and Bendigo Stock Exchange.

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

Statement

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the trust's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.

BDO Kendalls
Chartered Accountants



Paul Gallagher
Partner

Brisbane
15 March 2004

Directory

Manager

Property Funds Australia Limited
ACN 078 199 569

Registered Office and Principal Place of Business

Level 3
Anzac Square Commercial
200 Adelaide Street
Brisbane QLD 4000

Phone: (07) 3221 7170
Fax: (07) 3221 6729
Email: info@pfaltd.com.au

Postal Address
PO Box 10398
Brisbane Adelaide Street QLD 4000

Registry

Property Funds Australia Limited
ACN 078 199 569
Office Postal Address
PO Box 10398
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

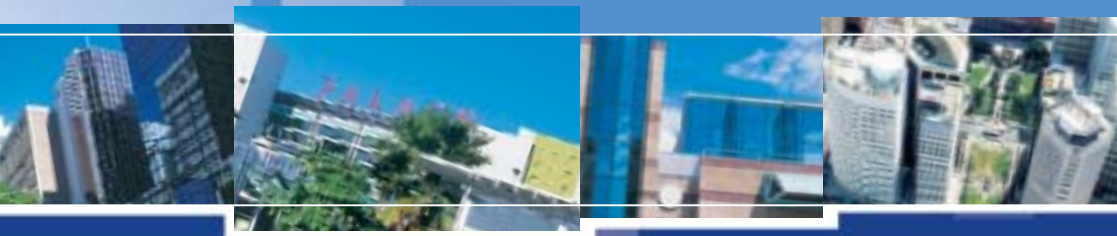
Trust Company of Australia Limited
ACN 004 027 749
213 St Pauls Terrace
Brisbane QLD 4000

Taxation Adviser

BDO Kendalls
Level 18, 300 Queen Street
Brisbane QLD 4000

Corporate Lawyers for the Manager

McCullough Robertson Lawyers
Level 12, Central Plaza II
66 Eagle Street
Brisbane QLD 4000



PROPERTY FUNDS
AUSTRALIA LIMITED