



PFA DIVERSIFIED PROPERTY TRUST

ARSN 097 860 690

CONSOLIDATED FINANCIAL REPORT FOR
THE FINANCIAL YEAR ENDED 30 JUNE 2011

2010/11



**CONSOLIDATED FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

CONTENTS

	Page
Directors' Report	2
Auditor's Independence Declaration	7
Independent Audit Report	8
Directors' Declaration	10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15



DIRECTORS' REPORT

The Responsible Entity of PFA Diversified Property Trust is APGF Management Limited (APGFM) (A.B.N. 50 090 257 480) a company limited by shares, incorporated and domiciled in Australia. The Directors have the power to amend and reissue the financial report. The financial report is presented in Australian Dollars.

The directors of APGFM ("the Responsible Entity") submit herewith the consolidated financial report of PFA Diversified Property Trust ("the Trust") for the year ended 30 June 2011. The Trust is a consolidated entity, comprising the accounts of the parent entity (PFA Diversified Property Trust - ARSN 097 860 690) and its 100% interest in the following:

- The Riverdale Fixed Term Property Trust
- The Capital Collection Diverse Sector Fund Trust No 1
- The Metropolitan Collection Brisbane Trust
- The Garden Square Trust

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names and particulars of the directors of the Responsible Entity during the year or since the end of the financial year up to the date of this report are:

Neil Edwin Summerson *BCom, FCA, FAICD, FAIM*

Neil Summerson is Chairman of Australian Property Growth Fund (APGF) which is the ultimate holding entity of APGFM. He is currently and has been a director of several public, private and government corporations and has over 35 years experience practising as a Chartered Accountant. During the last three years Neil has served and continues to serve as a Director of Bank of Queensland Limited and subsidiaries (appointed Director 5 December 1996, appointed Chairman 20 August 2008) and Australian Made Campaign Limited (appointed 29 November 2002). He was a partner and Managing Partner (Queensland) of Ernst & Young and a past State Chairman of the Institute of Chartered Accountants. As a practising chartered accountant Neil's field of expertise was in corporate reconstruction, mostly in the building and property sectors and consequently he has broad experience in property development and construction. His core strengths include strategic planning, risk management, corporate governance, regulatory compliance and financial analysis.

Geoffrey Michael McMahon *BEcon, BCom, FCPA, FAICD, FCIM, FFIN*

Geoffrey ('Geoff') McMahon is Managing Director of APGF. He has been working in the property sector for more than 22 years and is responsible for APGF's corporate strategy, property funds management, investments and developments. Geoff has been involved in over \$1 billion of property investments and developments and has been a driving force within APGF since its inception. Geoff has significant experience in corporate finance and strategy, property funds management, property investment, property development, capital raising and management, risk management, corporate governance and financial management.

Adriano Julius Cragnolini *B.Bus(Acc), CA, FFIN*

Adriano Cragnolini is Director and Secretary of APGFM. Adriano has 17 years experience in senior management positions spread between public practice experience at Ernst & Young Australia, and in commerce working for a diversified property/hospitality group based in Papua New Guinea as well as a venture capital backed IT start-up company based in London. Adriano is responsible for corporate finance, risk management, regulatory compliance and property funds management.

Service Providers

The service providers during or since the end of the financial year include:

- Trust Company Ltd - Bank Custodian and Property Custodian.
- APGF Management Ltd - Bank Custodian and Responsible Entity.
- PricewaterhouseCoopers - Independent Auditor.
- Crowe Horwath - Compliance Plan Auditor.

Principal Activities

The Trust is a registered managed investment scheme domiciled in Australia. The Trust continued its principal activity which is to hold and acquire investment properties for rental and capital gain returns. There have been no significant changes in the activities of the Trust during the financial year. The Trust did not have any employees during the year.

Review of Operations

Economic Outlook

The outlook for the global economy has recently deteriorated as downside risks have increased. Worsening US economic data and ongoing European sovereign debt concerns have resulted in declining investor confidence and volatile financial markets. Investors now fear the US economic recovery may be unraveling, prompting concerns of a “double dip” economic recession.

The “multi-speed” economic recovery, featuring big disparities between regions and countries, has become a dominant theme in the current challenging global environment. The Asia Pacific Region continues to lead the global economy, while the US, Europe and Japan are lagging. There are now real concerns about how this slow down will impact on the Asia Pacific Region, in particular the Chinese manufacturing sector and commodity prices.

The Australian economy continues to perform soundly, however evidence of the “multi-speed” economy also persists as conditions in sectors such as retailing, tourism and construction remain subdued. There is also disparity among the states with recent commentary highlighting a negative outlook for Queensland, despite the current mining boom. Concerns about the global economic outlook and signs that the employment rate in Australia may have peaked have also dampened consumer confidence and retail sales. The household sector is paying down debt and lifting its savings rate as a result of these fears. While Australia’s economy remains the envy of most advanced economies the outlook is far less certain given the backdrop of global economic volatility.

The “multi-speed” theme is also playing out in Australian property markets, with quality commercial office properties performing relatively well. However, lesser quality commercial and residential properties are still facing significant headwinds. While the availability and cost of bank finance remains an issue, credit conditions have improved over the past twelve months.

APGF remains cautiously optimistic about a continued recovery in commercial property rents and capital values over the next few years, although forced sales by banks and the wind up of unlisted property funds may place pressure on non A grade property valuations.

APGF’s experienced management team is focused on maximising investor returns through pro-active asset management. APGF will continue to focus on property fundamentals and maximise each individual property’s net operating income to deliver sustainable performance and maximise long term value to investors.

Loan Classification

On 30 June 2011, the Fund executed an extension of the existing banking facility, which was due to mature in November 2011, for a further 3 years. The execution of the Deed of Variation was however subject to the satisfaction of certain conditions precedent, which were achieved in July 2011 (i.e. subsequent to the year-end). On satisfaction of these conditions, two of the lenders within the original banking syndicate were paid out (being Commonwealth Bank and One Path). The re-negotiated debt is now provided by National Australia Bank and ANZ Bank, with an expiry date of 26 July 2014.

At 30 June 2011 the external interest bearing liabilities of the Fund were classified as current, given the conditions in existence at the reporting date. This classification is consistent with the requirements of AASB 101 “Presentation of Financial Statements”, whereby liabilities must be classified as current where the borrower does not have the unconditional right to defer settlement for 12 months.

Given the Deed of Variation did become effective in July 2011, any impact of a significant uncertainty around going concern is eliminated, as the Fund has long term funding in place at the time of signing the financial statements.

Results

The net profit attributable to unitholders was \$6,526,000 (2010: loss of \$1,374,000).

Distributions

In respect of the financial year ended 30 June 2011, distributions were paid on the 20th of each month. The distribution for the full financial year gave an annual return to investors of 7.25 cents (2010: 7.25 cents). For details of the distributions paid during the year, refer to note 17 to the financial statements.

	30-Jun-11	30-Jun-10
	\$'000	\$'000
Distribution paid and payable	16,362	16,362
Distribution (annualised) cents per unit	7.25	7.25

Management Costs

The Management Expense Ratio ("MER") is the ratio of the Trust's management costs that are not deducted directly from an investor's account to the Trust's total average net assets. Expenses which would be incurred by a direct investor, such as transaction costs, brokerage, government taxes and charges on purchases and sales, are excluded where these can be identified and isolated.

	30-Jun-11	30-Jun-10
	\$'000	\$'000
MER related expenses incurred by the Fund	3,063	3,274
	%	%
MER %	1.40	1.23

Significant Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Trust other than that referred to in the financial statements or notes thereto.

Subsequent Events

Subsequent to the reporting date, the Trust settled the sale of the following property that was classified as held for sale at 30 June 2011:

Property	Settlement Date	Sale Price \$
33 McDowell Street, Welshpool, WA	21 July 2011	9,500,000

The net proceeds from the sale of the McDowell St property were used to reduce the Trust's bank facility to \$300,000,000.

An offer was received for the Citigate Melbourne property for \$31,000,000 and a contract is expected to be signed by the end of September 2011.

On 30 June 2011 the facility, which was due to mature in November 2011, was extended for a further three years expiring on 25 July 2014. The execution of the Deed of Variation was however subject to the satisfaction of certain conditions precedent, which were achieved in July 2011 (i.e. subsequent to the year-end). Following the settlement of the McDowell St property on 21 July 2011, \$8,949,000 was repaid to the lenders. The net proceeds from the sale of the McDowell St property were used to reduce the Trust's bank facility to \$300,000,000.

On 26 July 2011, the Trusts debt facility was re-negotiated and the syndicate of lenders changed whereby, Commonwealth Bank and One Path were paid out. The new facility of \$300,000,000 is now provided by National Australia Bank (\$150,000,000) and ANZ Bank (\$150,000,000).

Other than the above there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Trust, the results of the Trust, or the state of affairs of the Trust in future financial years.

Future Developments and Expected Results of Operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines a set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely future developments of the Trust, including changes in operations and the expected results of those operations have not been included in this report because it would be likely to result in unreasonable prejudice to the Trust.

Options Granted

No options were:

- (i) Granted over unissued units in the Trust during or since the end of the financial year; or
- (ii) Granted to the Responsible Entity.

No unissued units in the Trust were under option as at the date on which this report is made.

No units were issued in the Trust during or since the end of the financial year as a result of the exercise of an option over unissued units in the Trust.

Indemnification of Officers of the Responsible Entity and Auditors

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the directors and officers of the Responsible Entity to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

Environmental Regulations

The Trust is not subject to environmental regulation respect of its property investment activities.

Rounding of Amounts to the Nearest Thousand Dollars

The Trust is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the director's report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order unless otherwise indicated.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is included on page 6 of the financial report.

Fees Paid to and Interests Held in the Trust by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates out of Trust property during the financial year are disclosed in note 24 to the financial statements. No fees were paid out of the Trust to the directors of the Responsible Entity during the year. Units held by the Responsible Entity are disclosed in note 24 to the financial statements.

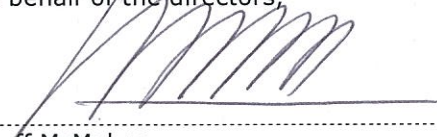
Interests in the Trust

The number of interests in the Trust issued during the financial year, withdrawals from the Trust during the financial year, and the number of interests in the Trust at the end of the financial year is disclosed in note 16 to the financial statements.

The value of the Trust's assets and liabilities as at the end of the financial year is disclosed on the statement of financial position and is derived using the basis set out in note 3 to the financial statements.

Signed in accordance with a resolution of the directors of APGF Management Limited, made pursuant to section 298 (2) of the *Corporations Act 2001*.

On behalf of the directors,



Geoff McMahon,
Director, APGF Management Limited
Brisbane, 20 September 2011



Auditor's Independence Declaration

As lead auditor for the audit of PFA Diversified Property Trust for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PFA Diversified Property Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T. Allman', enclosed within a large, thin, horizontal oval shape.

Timothy J Allman
Partner
PricewaterhouseCoopers

Brisbane
21 September 2011



Independent auditor's report to the members of PFA Diversified Property Trust

Report on the financial report

We have audited the accompanying financial report of PFA Diversified Property Trust (the Trust), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the PFA Diversified Property Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of APGF Management Limited (the responsible entity of the Trust) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
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Independent auditor's report to the members of PFA Diversified Property Trust
(continued)

Auditor's opinion

In our opinion:

- (a) the financial report of PFA Diversified Property Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Allman', enclosed within a large, stylized oval shape.

Timothy J Allman
Partner

Brisbane
21 September 2011

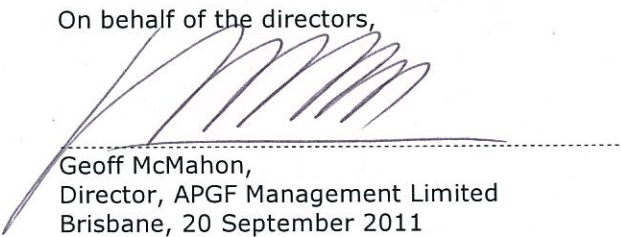
DIRECTORS' DECLARATION

The directors of APGF Management Limited as the Responsible Entity of the Trust declare that:

1. The financial statements and notes, as set out on pages 11 to 41, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Trust; and
 - (c) are in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as stated in note 1.
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.

Signed in accordance with a resolution of the directors of APGF Management Limited made pursuant to Section 295 (5) of the *Corporations Act 2001*.

On behalf of the directors,



Geoff McMahon,
Director, APGF Management Limited
Brisbane, 20 September 2011

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

Consolidated	Note	30-Jun-11 \$'000	30-Jun-10 \$'000
Investment Income			
Rental Income		59,839	59,691
Outgoings paid		(15,822)	(15,692)
Net rental income	4	44,017	43,999
Interest income		454	258
Other income		663	450
Unrealised change in fair value of financial instruments		1,344	1,075
Share of associates profit / (loss) accounted for using the equity method		(328)	(471)
Net loss on sale of investment property		(200)	(1,602)
Net loss from fair value adjustments on investment property		(12,506)	(18,655)
Net Investment Income		33,445	25,054
Expenses			
Auditors' remuneration	22	167	130
Accounting and taxation fees		101	110
Amortisation of borrowing costs		1,019	700
Bank fees		113	21
Finance costs		22,262	22,140
Custodian fees		127	138
Registry fees		134	170
Valuation fees		197	53
Responsible Entity fees		2,287	2,424
Other expenses		512	542
Total Expenses		26,919	26,428
Net Profit/(Loss) for the Year		6,526	(1,374)
Other comprehensive income		-	-
Total Comprehensive Profit /(Loss) for the Year		6,526	(1,374)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

Consolidated	Note	30-Jun-11 \$'000	30-Jun-10 \$'000
<i>Current Assets</i>			
Cash and cash equivalents	5	10,530	6,391
Trade and other receivables	6	1,793	1,182
Assets classified as held for sale	8	9,371	-
Other current assets	7	1,133	749
Total Current Assets		22,827	8,322
<i>Non-Current Assets</i>			
Investment property	9	516,800	544,650
Investments in associates	11	568	605
Other non-current assets	12	(138)	237
Total Non-Current Assets		517,231	545,492
Total Assets		540,058	553,814
<i>Current Liabilities</i>			
Trade and other payables	13	5,335	5,057
Provision for distributions	13	1,392	1,367
Derivative financial instruments	14	-	2,531
Interest bearing liabilities	15	308,949	-
Total Current Liabilities		315,677	8,955
<i>Non-Current liabilities</i>			
Derivative financial instruments	14	9,780	8,593
Interest bearing liabilities	15	-	311,831
Total Non-Current Liabilities		9,780	320,424
Total Liabilities		325,457	329,379
Net Assets		214,600	224,435
<i>Equity</i>			
Unitholders' funds		214,601	224,435
Undistributed income		-	-
Total Equity		214,601	224,435

The above statement of financial position should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

Consolidated	Unitholders' Funds \$'000	Undistributed Income \$'000	Total Equity \$'000
Balance as at 1 July 2009	234,197	7,974	242,171
Net Loss for the Year	-	(1,374)	(1,374)
Transactions with Owners in their Capacity as Owners:			
Distributions Paid/Payable	(9,762)	(6,600)	(16,362)
Balance as at 30 June 2010	224,435	-	224,435

Consolidated	Unitholders' Funds \$'000	Undistributed Income \$'000	Total Equity \$'000
Balance as at 1 July 2010	224,435	-	224,435
Net Profit for the Year	-	6,526	6,526
Transactions with Owners in their Capacity as Owners:			
Distributions Paid/Payable	(9,836)	(6,526)	(16,362)
Balance as at 30 June 2011	214,599	-	214,599

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	30-Jun-11 \$'000	30-Jun-10 \$'000
<i>Cash Flows from Operating Activities</i>			
Gross rent income received		62,554	67,673
Interest received		410	258
Payments to suppliers (including property outgoings)		(24,560)	(26,388)
Interest and other costs of finance paid		(22,475)	(22,140)
Net Cash Inflow/(Outflow) from Operating Activities	23(b)	15,929	19,403
<i>Cash Flows from Investing Activities</i>			
Proceeds from the sale of investment property (excluding selling costs)		13,100	34,398
Purchase of investment properties and capital expenditure		(4,990)	(7,107)
Loan received from Citigate Melbourne		200	-
Loan paid to Citigate Perth		(163)	-
Repayment of loan from Citigate Perth		200	750
Net Cash Inflow/(Outflow) from Investing Activities		8,347	28,041
<i>Cash Flows from Financing Activities</i>			
Proceeds from borrowings		9,000	-
Repayment of borrowings		(12,800)	(29,199)
Distributions made to unitholders		(16,337)	(16,358)
Net Cash Inflow/(Outflow) from Financing Activities		(20,137)	(45,557)
Net Increase in Cash and Cash Equivalents		4,139	1,887
Cash and Cash Equivalents at Beginning of the Year		6,391	4,504
Cash and Cash Equivalents at End of the Year	23(a)	10,530	6,391

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. General information

These consolidated financial statements and notes represent those of PFA Diversified Property Trust (PFA DPT) and its controlled entities ("the Trust").

The Responsible Entity of the Trust is APGF Management Limited ("the Responsible Entity"). The financial statements were authorised for issue by the directors on 20 September 2011. The directors of the Responsible Entity have the power to amend and re-issue the financial statements.

2. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations and the *Corporations Act 2001*.

The financial statements are prepared on a historical cost basis, except where otherwise stated. Financial assets and liabilities held at fair value through profit or loss have been measured at fair value.

The principal accounting policies adopted in the preparation of the financial statements are presented in note 3 and have been consistently applied, to all years presented unless otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Trust also complies with International Financial Reporting as issued by the International Accounting Standards Board.

(a) New accounting standards and interpretations

Certain revised standards and amendments to existing standards have been published that are not mandatory for 30 June 2011 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments and are not traded. The Trust has not yet decided when to adopt AASB 9. However, management does not expect this will have a significant impact on the Trust's financial statements as the Trust does not hold any available-for-sale investments.

(ii) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (Effective from 1 January 2011)

In December 2009 the AASB issued revised *AASB 124 Related Party Disclosure*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transaction with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Trust will apply the amended standard from 1 July 2011. When the amendments are applied, the Trust would need to disclose any transactions between its subsidiaries and associates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Basis of presentation (continued)

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011). In November 2010 the AASB issued AASB2010-6 *Disclosures on Transfer of Financial Assets* which amends AASB 1 *First Time Adoption of Australian Accounting Standards* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Trust's disclosures. The Trust intends to apply the amendment from 1 July 2011.

(iv) *Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010/ 1 January 2011). In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Trust does not expect that any adjustments will be necessary as a result of applying the revised rules.

(v) AASB 10 *Consolidated Financial statements* (effective from 1 January 2013)
 AASB 10 *Consolidated Financial statements* introduces a single model of control, which is used to determine whether an Investee must be consolidated. The existence of control is determined based on the power to direct the activities of an Investee; exposure, or rights, to variable returns from its involvement with the investee; the ability to use its power over the investee to affect the amount of the investor's return. Management does not expect this to have significant impact on the Fund's financial statements.

(vi) AASB 11 *Joint Arrangements* (effective from 1 January 2013)
 AASB 11 *Joint Arrangements* classifies all joint arrangements as either joint operations or joint ventures. Management does not expect this to have significant impact on the Fund's financial statements as the Fund does not have joint arrangements .

(vii) AASB 12 *Disclosure of Involvement with other entities* (effective from 1 January 2013)
 AASB 12 *Disclosure of Involvement with other entities* requires the disclosure of information to enable users to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interests on its financial position, financial performance, and cash flows. AASB 12 applies to all entities that have subsidiaries, associates, or unconsolidated structured entities, and requires disclosures grouped into four categories. Management does not expect this to have significant impact on the Fund's financial statements.

3. Summary of significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements for the year ended 30 June 2011 and comparative information presented, unless otherwise stated in the following statement:

(a) Basis of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PFA Diversified Property Trust (PFA DPT) as at 30 June 2011 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the PFA DPT has the power to govern the financial and operating policies so as to obtain benefits from their operation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Trust controls another entity.

In preparing the consolidated financial statements, all inter-entity balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Trust and cease to be consolidated from the date on which control is transferred out of the Trust.

Investments in subsidiaries held by PFA DPT are accounted for at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates

Associates are all entities over which the consolidated entity has significant influence but not control. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognized at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Trust's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognized as reduction in the carrying amount of the investment.

When the Trust's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been charged where necessary to ensure consistency with the policies adopted by the group.

(b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position consist of cash at hand, cash at bank and short-term deposits that are readily convertible into known amounts of cash. The Trust considers a short-term deposit to have a maturity of three months or less and be subject to an insignificant risk of change in value.

For the purposes of the statement of cash flow, cash and cash equivalents consist of cash on bank, short-term deposits (as outlined above) and bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities.

(c) Trade and other receivables

Trade receivables are recognised at fair value. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Trust will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised before it becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(d) Impairment of assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities

(i) Classification

The Trust's investments are classified as loans and receivables and financial instruments at fair value through profit or loss.

Financial instruments held for trading

Derivative financial instruments such as options and interest rate swaps are included under this classification. The Trust does not designate any derivatives as hedges in a hedging relationship.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the statement of financial position.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are measured initially and subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within unrealised change in fair value of financial instruments in the period in which they arise.

Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each reporting date to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Summary of significant accounting policies (continued)

(h) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value using market valuation principles at each reporting date. The Trust has taken the view that the derivatives held do not qualify for hedge accounting. Changes in fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

(i) Investment properties

Investment properties principally comprising freehold office buildings are held for long term rental yields and are not occupied by the Trust. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in statement of comprehensive income in the year in which they arise. Evaluations of fair value are conducted periodically but at least triennially by external independent valuers who apply the International Valuations Standards as issued by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership, but not the legal ownership, to the lessee. All other leases are classified as operating leases.

(i) Trust as lessor

Leases in which the Trust retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Income from operating leases is recognised on a straight line basis over the term of the lease, unless another more systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

(ii) Lease incentives

Incentives such as cash, rent free periods or contributions towards lessee or lessor owned fit outs, may be provided to lessees to enter into an operating lease. These incentives are capitalised and amortised over the term of the lease as a reduction in rental income on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Summary of significant accounting policies (continued)

(k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings, and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred, except to the extent that they are incurred in the acquisition or construction of qualifying assets. Borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(m) Provisions

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Trust expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Summary of significant accounting policies (continued)

(n) Investment income

Investment income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(i) Sale of investment properties

Income from the sale of investment properties is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of completion, indicating that there has been a transfer of risks and rewards to the buyer, no further work or processing is required, the quantity and quality of the investment properties has been determined, the price is fixed and generally title has passed.

(ii) Interest income

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividends/Distributions

Income is recognised when the Trust's right to receive the payment is established.

(iv) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

(m) Income tax and other taxes

(i) Income Taxes

Under current income tax legislation the Trust is not liable to pay income tax provided that the taxable income and taxable realised gains are fully distributed to unitholders each year.

(ii) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Applications and Redemptions

The units in the Trust are transferable. Unit holders can redeem their units when the Trust is terminated. The Trust's constitution has an effective termination date of August 2081.

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

3. Summary of significant accounting policies (continued)

(p) Distributions

In accordance with the Trust constitution, the Trust distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

(q) Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" to amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(r) Use of estimates

In the application of accounting policies management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future years.

Judgements made by management in the application of accounting policies that have significant effects on the financial statements and the estimates with a significant risk of material adjustments in the year are disclosed, where applicable, in the relevant notes to the financial statements.

(s) Parent Entity

The financial information for the parent entity, PFA Diversified Property Trust, disclosed in note 18 has been prepared on the same basis as the consolidated financial statements.

4. Rental income	30-Jun-11	30-Jun-10
	\$'000	\$'000
Rental income	51,628	50,559
Fixed rent straight-line adjustments	705	939
Lease incentives	(1,636)	(591)
Outgoings recovered	9,142	8,784
Gross rental income	<u>59,839</u>	<u>59,691</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

5. Cash and cash equivalents	30-Jun-11	30-Jun-10
	\$'000	\$'000
Cash at bank	9,937	4,519
Cash in trust	593	1,872
	<u>10,530</u>	<u>6,391</u>
 6. Trade and other receivables		
Tenant arrears	306	522
Other receivables	1,487	660
	<u>1,793</u>	<u>1,182</u>
 7. Other current assets		
Tenant security deposit account	273	-
Prepayments	860	749
	<u>1,133</u>	<u>749</u>
 8. Assets classified as held for sale		
33 McDowell Street, Welshpool, WA	9,371	-
	<u>9,371</u>	<u>-</u>
 9. Investment property		
The Octagon, Parramatta, NSW	36,000	38,550
706 Mowbray Road, Lane Cove, NSW	23,500	23,500
657 Pacific Highway, St Leonards, NSW	17,200	17,200
AAPT Centre, Richmond, VIC	19,000	18,900
Foxtel Building, Moonee Ponds, VIC	26,600	26,400
390 St Kilda Road, Melbourne, VIC	55,000	56,000
Cairns Hypermart, Cairns, QLD	20,000	22,000
Sevenoaks, Cannington, WA	47,725	47,725
Sevenoaks, Cannington, WA (Vacant Land)	4,275	4,275
33 McDowell Street, Welshpool, WA	-	9,900
Citigate Perth, Perth, WA	59,000	59,000
Civic Tower, Sydney, NSW	65,750	64,250
The Lands Building, Hobart, TAS	34,500	35,000
Homeworld Centre, Tuggeranong, ACT	33,000	29,900
Anzac Square, Brisbane, QLD	32,000	32,000
544 Kessels Road, MacGregor, QLD	-	13,300
Riverdale Centre, Dubbo, NSW	12,250	12,250
Citigate Melbourne, Melbourne, VIC	31,000	34,500
	<u>516,800</u>	<u>544,650</u>

The value of investment properties is measured on a fair value basis being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

9. Investment property (continued)

The reported fair value of investment property reflects market conditions at the end of the reporting period. While this represents the best estimates at the reporting date actual sales prices achieved may be higher or lower than the most recent valuations. This is particularly relevant in periods of market illiquidity or uncertainty.

The Australian commercial office property market has recovered from the lows of the global financial crisis and most property markets have good fundamentals with demand and supply being generally in balance. Whilst the cost and availability of finance remains an issue, bank finance is now more readily available than two or three years ago. In contrast to these positive developments, recent global economic volatility and uncertainty is not positive for any property market.

Fair value of investment property is the price at which property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. Whilst this represents the best estimates of fair value as at the balance sheet date, current market uncertainty means that if investment property is sold in the future the price achieved may be higher or lower than the fair value recorded in the financial report. The Trust relies on a combination of internal and external valuations to determine the fair value of investment property.

In assessing the value of the investment properties, the independent valuers have considered two bases of valuation being:

1. discounted cashflow; and
2. capitalisation approach.

The latest external valuations have been adopted at 30 June 2011 for each property is listed below:

Property	Independent Valuer	30-Jun-11 \$'000	Capitalisation rates %
The Octagon, Parramatta, NSW	Knight Frank	36,000	8.70%
706 Mowbray Road, Lane Cove, NSW	Colliers International	23,500	9.25%
657 Pacific Highway, St Leonards, NSW	CB Richard Ellis	17,200	8.75%
AAPT Centre, Richmond, VIC	CB Richard Ellis	19,000	9.00%
Foxtel Building, Moonee Ponds, VIC	CB Richard Ellis	26,600	8.50%
390 St Kilda Road, Melbourne, VIC	Charter Keck Cramer	55,000	8.50%
Cairns Hypermart, Cairns, QLD	Knight Frank	20,000	9.00%
Sevenoaks, Cannington, WA	CB Richard Ellis	47,725	9.75%
Sevenoaks, Cannington, WA (Vacant Land)	CB Richard Ellis	4,275	9.75%
33 McDowell Street, Welshpool, WA	Savills (WA)	9,900*	9.75%
Citigate Perth, Perth, WA	Colliers International	59,000	8.00%
Civic Tower, Sydney, NSW	Knight Frank	65,750	7.60%
The Lands Building, Hobart, TAS	Knight Frank	34,500	9.50%
Homeworld Centre, Tuggeranong, ACT	LandMark White	33,000	8.75%
Anzac Square, Brisbane, QLD	Jones Lang LaSalle	32,000	8.50%
Riverdale Centre, Dubbo, NSW	LandMark White	12,250	9.75%
Citigate Melbourne, Melbourne, VIC	CB Richard Ellis	34,500**	8.50%
		<u>530,200</u>	

* classified as held for sale

**the current offer on this property is \$31,000,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

9. Investment property (continued)

Reconciliation of carrying amount of investment properties

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current and previous financial period are set out below.

	30-Jun-11	30-Jun-10
	\$'000	\$'000
Carrying amount at the beginning of the year	544,650	591,850
Capital Works	4,990	7,107
Disposals	(13,100)	(36,000)
Net loss on sale of property	(200)	-
Net revaluation decrement	(12,506)	(18,655)
Transfer to assets held for sale	(9,371)	-
Lease incentives	1,806	293
Amortisation of lease incentives	(174)	(884)
Fixed rental increase in lease straight-lining	705	939
Carrying amount at the end of the year	516,800	544,650

10. Investment in controlled entities

Name of entity	Country of incorporation	Equity Holding	
		30-Jun-11	30-Jun-10
		%	%
The Riverdale Fixed Term Property Trust	Australia	100	100
The Capital Collection Diverse Sector Fund Trust No. 1	Australia	100	100
The Metropolitan Collection – Brisbane Trust	Australia	100	100
The Garden Square Trust	Australia	100	100

11. Investment in associates

Name and Principal Activity	30-Jun-11	30-Jun-10
	\$'000	\$'000
Citigate Melbourne Pty Ltd – Hotel Operations	568	605
Citigate Perth Pty Ltd – Hotel Operations	-	-
	<u>568</u>	<u>605</u>

Each of the above associates are incorporated in Australia. PFA Diversified Property Trust holds 49% of the B class voting shares and 90% of the A class income shares in both the entities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

11. Investment in associates (continued)

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, and the cost basis for the parent entity. Information relating to the associates is set out as follows:

	30-Jun-11	30-Jun-10
	\$'000	\$'000
	49%	49%
Movements in carrying amounts of investments in associates:		
Carrying amount at the beginning of the financial year	605	608
Share of associate (loss)/profit	(328)	(471)
Adjustment to loan receivable from associates	291	468
Carrying amount at the end of the financial year	568	605

Summarised financial information of associates:

The Trust's share of:

Revenue	22,293	18,978
Profit/(loss) from ordinary activities	(328)	(471)
Assets	3,550	2,553
Liabilities	(3,704)	(2,641)

12. Other non-current assets

Loans to associates	821	705
Adjustment to loan receivable	(959)	(468)
	(138)	237

13. Trade and other payables

Trade and other payables	5,335	5,057
Distributions payable	1,392	1,367
	6,728	6,424

14. Derivative financial liabilities

Current liabilities

Interest rate swap contracts	-	2,531
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Non-Current liabilities

Interest rate swap contracts	9,780	8,593
	9,780	11,124

The Trust is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the trust's financial risk management policies (refer to note 19).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

14. Derivative financial liabilities (continued)

(i) Interest rate swap contracts – cash flow hedges

Bank loans of the trust currently bear an average variable interest rate of 6.24%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the trust has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 71% (2010 – 66%) of the variable loan principal outstanding. The fixed interest rate range between 5.48% and 6.77% (2010: 5.95% and 6.32%).

The contracts require settlement of net interest receivable or payable on a monthly basis. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in the profit and loss account.

Interest bearing liabilities	30-Jun-11	30-Jun-10
	\$'000	\$'000
Current		
Commonwealth Bank facility - funds drawn to date	106,051	-
National Australia Bank facility - funds drawn to date	106,051	-
One Path Facility - ING funds drawn to date	96,848	-
Non-Current		
Commonwealth Bank facility - funds drawn to date	-	105,901
National Australia Bank facility - funds drawn to date	-	105,901
One Path Facility - ING funds drawn to date	-	100,948
Borrowing Costs	-	(919)
Total facilities	308,949	311,831

Details of the loans and security provided to the lenders are:

A facility of \$355,000,000 (30 June 2010: \$355,000,000), of which \$308,949,000 has been drawn down (2010: \$312,750,000) has been provided by the Commonwealth Bank (\$106,050,650), National Australia Bank (\$106,050,650) and One Path (\$96,848,000) for the purchase of commercial property recorded as investment property under non-current assets. The providers of the facility hold a first registered mortgage over all of the Trust's investment properties including the investment properties directly held by controlled entities. The value of investment property subject to mortgages is contained in note 9.

On 30 June 2011 the facility, which was due to mature in November 2011, was extended for a further three years expiring on 25 July 2014. The execution of the Deed of Variation was however subject to the satisfaction of certain conditions precedent, which were achieved in July 2011 (i.e. subsequent to the year-end). Following the settlement of the McDowell St property on 21 July 2011, \$8,949,000 was repaid to the lenders. The net proceeds from the sale of the McDowell St property were used to reduce the Trust's bank facility to \$300,000,000.

On 26 July 2011, the Trusts debt facility was re-negotiated and the syndicate of lenders changed whereby, Commonwealth Bank and One Path were paid out. The new facility of \$300,000,000 is now provided by National Australia Bank (\$150,000,000) and ANZ Bank (\$150,000,000).

At 30 June 2011 the external interest bearing liabilities of the Fund were classified as current, given the conditions in existence at the reporting date. This classification is consistent with the requirements of AASB 101 "Presentation of Financial Statements", whereby liabilities must be classified as current where the borrower does not have the unconditional right to defer settlement for 12 months.

Given the Deed of Variation did become effective in July 2011, any impact of a significant uncertainty around going concern is eliminated, as the Fund has long term funding in place at the time of signing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

15. Net assets attributable to unitholders

(a) Unitholders' balances	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	units	units	\$	\$
Units on issue at the beginning of the financial year	225,667,727	225,667,727	239,882,354	239,882,354
Balance at the end of period	<u>225,667,727</u>	<u>225,667,727</u>	<u>239,882,354</u>	<u>239,882,354</u>

Net Tangible Assets per Unit	<u>95.10 cents</u>	<u>99.45 cents</u>
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The NTA at a point in time does not represent the return an investor will receive on final settlement as it does not consider future trading performance, distributions, and changes in achieved sales prices or disposal costs.

As stipulated within the Trust Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There was only one class of units being ordinary units. Each unit has the same rights, obligations and valuation methodology attached to it as all other units in the Trust.

(b) Obligation to redeem

On 29 July 2009 the Trust was de-listed from the Bendigo Stock Exchange and currently has no redemption facility available. The units in the Trust are transferable. Unit holders can redeem their units when the Trust is terminated. The Trust's constitution has an effective termination date of August 2081.

(c) Capital risk management

The Trust considers its unit holders' funds as capital. Under the terms of the Trust Constitution, the Responsible Entity has the discretion to reject an application to transfer units if the exercise of such discretion is in the best interest of unitholders.

16. Distributions to unitholders

Date	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	Cents per Unit	Cents per Unit	\$'000	\$'000
July	0.604	0.604	1,364	1,363
August	0.604	0.604	1,364	1,364
September	0.604	0.604	1,364	1,364
October	0.604	0.604	1,364	1,364
November	0.604	0.604	1,364	1,363
December	0.604	0.604	1,363	1,363
January	0.604	0.604	1,363	1,364
February	0.604	0.604	1,363	1,363
March	0.604	0.604	1,363	1,363
April	0.604	0.604	1,363	1,364
May	0.604	0.604	1,363	1,364
June (payable)	0.604	0.604	1,364	1,363
Total distributions to unitholders	<u>7.248</u>	<u>7.248</u>	<u>16,362</u>	<u>16,362</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

18. Parent entity information

	30-Jun-11	30-Jun-10
Statement of Financial Position	\$'000	\$'000
Current assets	35,481	56,325
Total assets	533,507	542,185
Current liabilities	13,606	7,895
Total liabilities	323,387	328,319
<hr/>		
Unitholders' funds	239,882	239,882
Undistributed loss	(29,763)	(26,016)
Total equity	210,120	213,866
<hr/>		
Statement of Comprehensive Income		
Operating loss of the parent entity	12,615	(7,536)
Total comprehensive income of the parent entity	12,615	(7,536)
	<hr/>	<hr/>

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries, nor does it have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2011.

19. Financial risk management

The Trust's principal financial instruments comprise receivables, payables, bank loans, cash and derivatives. It holds these at the discretion of the Responsible Entity in accordance with the Product Disclosure Statement (PDS).

The Trust's investing activities expose it to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The nature and extent of the financial instruments employed by the Trust are discussed below. This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk.

The board of directors for the Responsible Entity has overall responsibility for the establishment and oversight of the Trust's risk management framework.

The board has established an Audit and Risk Committee, which is responsible for developing and monitoring the Trust's risk management policies, including those related to its investment activities. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Trust, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities.

In addition to the policies adopted by the Audit and Risk Committee, the Responsible Entity has in place a compliance plan which is overseen by the Compliance Committee and regularly audited by the Compliance Plan Auditors. This plan outlines the processes that will ensure that both the Trust and the Responsible Entity comply with the requirements of the Australian Securities and Investment Commission (ASIC).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

19. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust. The Trust's management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit risk arises from the financial assets of the Trust, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Trust's exposure to credit risk arises from potential default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

Regarding trade receivables, each tenant, at the commencement of a lease, is required to provide security via means of a cash deposit or bank guarantee. This security is maintained in the Trust's control for the duration of the tenancy and reverts to the Trust in the event of default. To date the Trust has not incurred any losses due to the non-recoverability of its receivables.

The Trust does not hold any credit derivatives to offset its credit exposure.

Regarding derivative financial instruments, the Trust limits its credit risk by only entering into contracts with Australian banks.

(b) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

The table below reflects all contractual financial liabilities. The amounts are based on the contractual undiscounted cashflows.

The remaining contractual maturities of the Trust's financial liabilities are:

	30-Jun-11	30-Jun-10
	\$'000	\$'000
1 year or less	15,677	6,424
1-2 years	-	312,750
2-5 years	300,000	-
Over 5 years	-	-
	315,677	319,174

Maturities of financial liabilities

The following tables analyse the Trust's financial liabilities, gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

19. Financial risk management (continued)

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total Contractual cash flows	Carrying Amount (asset)/ liability
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2011						
Non-derivatives						
Trade and other payables	6,728	-	-	-	6,728	6,728
Interest bearing liabilities	-	-	308,949	-	308,949	308,949
Total non-derivatives	6,728	-	308,949	-	315,677	315,677
Derivatives						
Net settled interest rate swaps	-	629	4,276	4,875	9,780	9,780
Total derivatives	-	629	4,276	4,875	9,780	9,780
As at 30 June 2010						
Non-derivatives						
Trade and other payables	6,424	-	-	-	6,424	6,424
Interest bearing liabilities	-	-	312,750	-	312,750	312,750
Total non-derivatives	6,424	-	312,750	-	319,174	319,174
Derivatives						
Net settled interest rate swaps	2,531	1,111	2,014	5,468	11,124	11,124
Total derivatives	2,531	1,111	2,014	5,468	11,124	11,124

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

19. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

As part of its ordinary course of business, the Trust enters into financial instruments, including derivatives, in order to manage market risks.

Interest Rate Risk

The Trust's exposure to market interest rates relates primarily to the Trust's long-term debt obligations. The level of debt is disclosed in note 15.

The Trust's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Trust's policy is to maintain at least 50% of borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Trust's attempt to manage its cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, the Trust enters into interest-rate swaps, in which the Trust agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designed to hedge underlying debt obligations. At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 71% of the Trust's borrowings are at a fixed rate of interest (2010: 66%).

The Trust constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit or loss and net liabilities to unitholders would have been affected as follows:

	30-Jun-11	30-Jun-10
Judgements of reasonably possible movements:	\$	\$
Profit attributable to unitholders		
+ 1% (100 basis points)	(780,854)	(976,812)
- 1% (100 basis points)	774,582	968,622

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances and the movement in fair value of derivative assets/liabilities as a consequence of interest rate movements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

19. Financial risk management (continued)

The following table details the Trust's exposure to interest rate risk as at 30 June 2011:

30 June 2011	Weighted average interest rate %	Fixed Interest rate maturity				Non interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets							
Cash and cash equivalents	3.40	10,530	-	-	-	-	10,530
Trade and other receivables		-	-	-	-	1,793	1,793
		10,530	-	-	-	1,793	12,323
Financial Liabilities							
Trade and other payables		-	-	-	-	(6,728)	(6,728)
Interest bearing liabilities	6.24	(308,949)	-	-	-	-	(308,949)
		(308,949)	-	-	-	(6,728)	(315,677)
Off-balance sheet Notional Amounts							
Interest rate swaps	6.26	220,000	-	-	-	-	220,000
Interest rate swaps	7.64	-	-	(130,000)	(90,000)	-	(220,000)
Net Financial Assets/ (Financial Liabilities)		(78,419)	-	(130,000)	(90,000)	(4,935)	(303,354)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

19. Financial risk management (continued)

The following table details the Trust's exposure to interest rate risk as at 30 June 2010:

30 June 2010	Weighted average interest rate	Floating interest rate	Fixed Interest rate maturity			Non interest bearing	Total
			Less than 1 year	1 to 5 years	More than 5 years		
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash and cash equivalents	3.49	6,391	-	-	-	-	6,391
Trade and other receivables		-	-	-	-	1,182	1,182
		6,391	-	-	-	1,182	7,573
Financial Liabilities							
Trade and other payables		-	-	-	-	(6,424)	(6,424)
Interest bearing liabilities	5.24	(312,750)	-	-	-	-	(312,750)
		(312,750)	-	-	-	(6,424)	(319,174)
Off-balance sheet Notional Amounts							
Interest rate swaps	6.09	260,000	-	-	-	-	260,000
Interest rate swaps	8.34	-	-	(260,000)	-	-	(260,000)
Net Financial Assets/ (Financial Liabilities)		(46,359)	-	(260,000)	-	(5,242)	(311,601)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19. Financial risk management (continued)

(d) Fair Value Estimation

The carrying amounts of the Trust's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

(i) Fair Value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Trust values its investments in accordance with the accounting policies set out in note 3. For the majority of its investments, the Trust relies on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

As a result of events in global markets in the past year and comparative period, liquidity in some investments markets decreased significantly. As a result, the volume of trading in some of the investments held by the Trust decreased significantly, and accordingly the valuation of those investments is subject to a greater uncertainty and requires greater judgement than would be the case in normal investment market conditions.

(ii) Fair Value in an inactive market or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19. Financial risk management (continued)

(d) Fair Value Estimation (continued)

The fair value of derivatives that are not exchange traded is estimated at the amount the Trust would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the future counterparties. The fair value of forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black schools option valuation model.

Investments in other unlisted unit trusts are recorded at redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Trust holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

(e) Fair Value Hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset of liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the responsible entity. The responsible entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

19. Financial risk management (continued)

(e) Fair Value Hierarchy (continued)

The table below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

	Level 1	Level 2	Level 3	Total
30 June 2011	\$	\$	\$	\$
Financial Liabilities				
Financial liabilities held for trading:				
Derivatives	-	9,780	-	9,780
Total	-	9,780	-	9,780
<hr/>				
	Level 1	Level 2	Level 3	Total
30 June 2010	\$	\$	\$	\$
Financial Liabilities				
Financial liabilities held for trading:				
Derivatives	-	11,124	-	11,124
Total	-	11,124	-	11,124

There have been no transfers between levels during the year ended 30 June 2011 and 30 June 2010.

The following table presents the movement in level 2 instruments for the year ended 30 June 2011 and 30 June 2010 by class of financial instrument.

Derivative Financial Liabilities	30-Jun-11	30-Jun-10
	\$'000	\$'000
Opening balance	11,124	12,199
Gains and losses recognised in profit or loss	(1,344)	(1,075)
Closing balance	9,780	11,124

Total losses for the year included in the statement of comprehensive income for the financial assets and liabilities held at the end of the year

(1,344)	(1,075)
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

20. Financial instruments

The following table details the categories of financial assets and liabilities held by the Trust at the reporting date:

	30-Jun-11	30-Jun-10
Financial Assets	\$'000	\$'000
Cash and cash equivalents	10,530	6,391
Trade and other receivables	2,926	2,168
Total Financial Assets	13,456	8,559

21. Leases

The Trust derives income from the leasing of investment property. As the Trust retains substantially all the risks and rewards from the ownership of the properties the leases are defined as operating leases in accordance with the accounting policies adopted by the Trust. Where possible, the income from operating leases is recognised on a straight line basis over the life of the lease. Lease incentives, either in the form of rent-free periods or cash contributions, are also recognised on a straight line basis over the life of the lease as a reduction in rental income. The remaining minimum lease payments receivable under the existing lease contracts are as follows:

12 months or less	55,079	30,049
1-5 years	185,289	87,840
Over 5 years	7,808	29,638
Total minimum lease payments	248,176	147,527

22. Remuneration of auditors

During the year the following fees were paid or payable to services provided by the auditors of the Trust:

	30-Jun-11	30-Jun-10
	\$	\$
PricewaterhouseCoopers		
Auditing or reviewing the Financial Statements	164,568	122,000
Crowe Howarth		
Auditing the Compliance Plan	2,200	8,000
Total auditor remuneration	166,768	130,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

23. Notes to the statement of cash flow	30-Jun-11	30-Jun-10
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents	<u>10,530</u>	<u>6,391</u>
(b) Reconciliation of profit for the year to net cash flows provided by operating activities		
Net Profit/(loss) from ordinary activities	6,526	(1,374)
Non cash flow in profit:		
Amortisation – borrowing costs	1,019	700
Amortisation – leasing costs	(1,682)	884
Loss/(profit) on sale of investment properties	(200)	1,602
Share of associates(profit)	(328)	471
Change in fair value of derivatives	(1,344)	(1,075)
Fixed rental increase in lease straight-lining	(705)	(939)
Unrealised change in fair value of investment property	12,506	18,655
<i>Changes in net assets and liabilities:</i>		
<i>(Increase)/decrease in assets</i>		
Current receivables	(532)	1,801
Other current assets	(384)	165
<i>Increase/(decrease) in liabilities</i>		
Current payables and accruals	<u>1,052</u>	<u>(1,487)</u>
Net cash from operating activities	<u>15,929</u>	<u>19,403</u>

24. Related Party Disclosures

(a) Responsible Entity

The Responsible Entity of the Trust is APGF Management Limited, which is a wholly owned entity of the Australian Property Growth Fund (APGF).

(b) Key management personnel

(i) Directors

Key management personnel include persons who were directors of APGF Management Limited at any time during the financial year and up to the date of this report are as follows:

Neil Edwin Summerson
 Geoffrey Michael McMahon
 Adriano Julius Cragnolini

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

24. Related Party Disclosures (continued)

(i) Other key management personnel

Other key management personnel include persons who were responsible for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year as follows:

Michael O'Reilly – Director of Property
 Ian Fortescue – Senior Asset Manager
 Andrew Page – Senior Asset Manager (QLD)
 Robert Caruana – Senior Retail Asset Manager
 Marc Lucas – Asset Manager

(i) Key management personnel compensation

Key management personnel are paid by APGF Administration Pty Limited, a wholly owned service entity of APGF. Payments made from the Fund to APGF Management Limited do not include any amounts attributable to the compensation of key management personnel.

(ii) Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the financial year.

(iii) Key management personnel unitholdings

The key management personnel of the Trust did have any unit holdings in the Trust.

(iv) Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving director's interests existing at the year end.

(c) Responsible Entity's remuneration

APGF Management Limited, as Responsible Entity, received management fees from the Trust of \$2,287,000 during the financial year. The fees were for services on normal commercial terms and conditions.

In addition to management fees the Responsible Entity and its associates are entitled to

- i. property management and leasing fees based on market rates;
- ii. advisory fees for acquisitions, project developments and treasury matters based on market rates;
- iii. reimbursement of trust expenses incurred on behalf of the Trust.

(c) Responsible Entity's remuneration (continued)

Set out below are the transactions by Trust and its consolidated entities with the Responsible Entity (and its associates) during the year:

	30-Jun-11	30-Jun-10
	\$	\$
Responsible Entity's fees	2,287,090	2,424,000
Acquisition, performance & disposal fees	458,500	1,070,000
In-house accountancy fees	101,063	110,000
Debt management fees	-	83,000
	2,846,653	3,687,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

24. Related Party Disclosures (continued)

(d) Related party unitholdings	30-Jun-11	30-Jun-10
	Units	Units
Property Funds Australia Limited	-	224,244
APGF Management Limited	224,244	-

(e) Wholly owned group

Details of interests in wholly-owned controlled entities are set out in note 10.

(f) Loans to controlled entities

Loans to entities in an owned group are unsecured and interest bearing at commercial lending rates. Loans from entities in an owned group are unsecured and do not incur interest. Further details can be found in note 12.

25. Subsequent Events

Subsequent to the reporting date, the Trust settled the sale of the following property that was classified as held for sale at 30 June 2011:

Property	Settlement Date	Sale Price \$
33 McDowell Street, Welshpool, WA	21 July 2011	9,500,000

The net proceeds from the sale of the McDowell St property were used to reduce the Trust's bank facility to \$300,000,000.

An offer was received for the Citigate Melbourne property for \$31,000,000 and a contract is expected to be signed by the end of September 2011.

On 30 June 2011 the facility, which was due to mature in November 2011, was extended for a further three years expiring on 25 July 2014. The execution of the Deed of Variation was however subject to the satisfaction of certain conditions precedent, which were achieved in July 2011 (i.e. subsequent to the year-end). Following the settlement of the McDowell St property on 21 July 2011, \$8,949,000 was repaid to the lenders. The net proceeds from the sale of the McDowell St property were used to reduce the Trust's bank facility to \$300,000,000.

On 26 July 2011, the Trusts debt facility was re-negotiated and the syndicate of lenders changed whereby, Commonwealth Bank and One Path were paid out. The new facility of \$300,000,000 is now provided by National Australia Bank (\$150,000,000) and ANZ Bank (\$150,000,000).

Other than the above there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Trust, the results of the Trust, or the state of affairs of the Trust in future financial years.

26. Contingent assets and liabilities and commitments.

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010.

27. Additional Information

Contact Information:

APGF Management Limited, A.C.N. 090 257 480, an unlisted public company incorporated and domiciled in Australia, is the Responsible Entity of the Trust.

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