

SAMPLE ONLY

29 September 2003

Mr and Mrs J & M Citizen
123 ABC Street
BRISBANE Q 4000



Dear Mr and Mrs Citizen,

**THE TRILOGY TRUST
NOW KNOWN AS THE PFA DIVERSIFIED PROPERTY TRUST
2003 ANNUAL REPORT**

I am pleased to enclose your *2003 Annual Report* for **The Trilogy Trust** (now known as the PFA Diversified Property Trust) incorporating the relevant Financial Statements for the financial year ended June 30, 2003.

Effective 1 July, 2003, The Trilogy Trust acquired units in a number of other trusts managed by Property Funds Australia and thereby expanded its portfolio of property related interests. As at that date, it also changed its name to the PFA Diversified Property Trust and varied its fixed term nature. The enclosed Annual Report relates to your Trilogy Trust investment prior to the implementation of the merger.

In future, all reports and investor updates will relate to the merged entity known as the PFA Diversified Property Trust. We will forward to you in the next month an investor update on the PFA Diversified Property Trust.

Please do not hesitate to contact Mary Gallegos or myself on (07) 3221 7170 if you have any queries in relation to the enclosed report or your investment.

Yours faithfully,
PROPERTY FUNDS AUSTRALIA LIMITED

Bronwyn Risk
Manager – Investment Services

PFA Diversified Property Trust

(FORMERLY THE TRILOGY TRUST)

ARSN 097 860 690

2003 ANNUAL REPORT

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The PFA Diversified Property Trust (formerly The Trilogy Trust) was up until 1 July, 2003 a multiple asset, fixed term property trust. It owned up until then three Queensland properties being:-

- 388 Queen Street, a modern office building in the Brisbane CBD;
- Centro on James – Stage 3, a new mixed use in the Fortitude Valley/Teneriffe area of Brisbane;
- Cairns Hypermart, a mixed use property located on the fringe of the Cairns CBD.

During the year it listed on the Bendigo Stock Exchange.

The Trilogy Trust acquired units in a number of other trusts managed by Property Funds Australia Limited on 1 July, 2003 and thereby expanded its portfolio of property related interests. As at that date, it also changed its name to the PFA Diversified Property Trust and varied its fixed term nature.

The Trust remains managed by Property Funds Australia Limited. Details of the Manager can be obtained from the Manager's website www.pfaltd.com.au.



HIGHLIGHTS

FINANCIAL YEAR 2002/03

Distribution rate per annum	10.0%
Tax Sheltered Percentage	100%
Est. Net Asset Backing** per unit	96.05¢
% Borrowings to Total Assets*	52.03%
Book Value of Properties*	\$42.81M
Total Unitholders' Equity*	\$22.38M
Percentage of Net Lettable Area unlet*	0%
Capital Expenditure during the year	\$368,313
Weighted Average Interest Rate*	6.4%

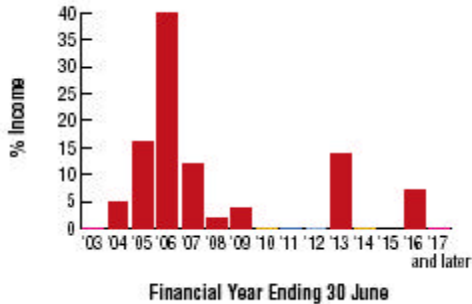
* as at 30 June, 2003

** This amount is calculated by dividing trust equity (as at the balance date) by contributed capital. It should not be interpreted as indicative of realizable value as at balance date. The amount contains intangible assets (see Note 8) and is not a NTA.

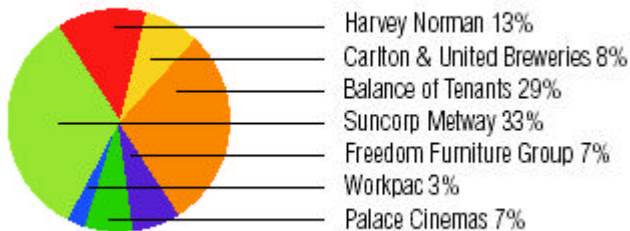


PORTFOLIO STATUS

LEASE EXPIRY PROFILE



TENANT BREAKDOWN (BY INCOME)



MANAGER'S REPORT

The Directors of Property Funds Australia Limited (the Manager) as responsible entity submit the following Annual Report of The PFA Diversified Property Trust (formerly The Trilogy Trust) (referred to as the Trust) for the financial year ended 30 June, 2003.

DIRECTORS OF THE MANAGER

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

Christopher A Morton	
Archibald N Douglas	(retired 23 rd April, 2003)
David J Conquest	
Elizabeth A Pidgeon	
Matthew B Madsen	(retired 5 th September, 2003)

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

PRINCIPAL ACTIVITIES

The principal activity of the Trust is to invest in three properties being the properties referred to in the Prospectus. There has been no significant change in the nature of the activities of the Trust during the year.

DISTRIBUTIONS – FOR THE YEAR ENDED 30 JUNE, 2003

Distributions for the year equated to 10.0% per annum on the contributed capital subscribed by unitholders in the Trust.

DISTRIBUTION POLICY – FOR THE YEAR ENDING 30 JUNE, 2004

In the Explanatory Memorandum dated 2 June, 2003 relating to the merger of the Trust with other property funds managed by the Manager ("the Explanatory Memorandum"), the forecast annual distribution for the year ending 30 June, 2004 was 9.4766 cents per unit held in the PFA Diversified Property Trust. The Manager has declared its distribution policy up to September, 2003 as being 0.79 cents per Unit per month.

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

OPERATING RESULTS

The Trust's profit was \$1,454,278. This profit was determined after deduction of non cash items such as amortisation of acquisition and borrowing costs totalling \$688,988.

REVIEW OF OPERATIONS

Set out below is a brief summary of the year:-

Property Related

388 Queen Street

- 388 Queen St is now fully leased with RESI Mortgage Corporation occupying the remaining ground floor tenancy on a five year lease.



Centro on James (Stage 3)

- We recently lodged an objection to the Valuer Generals proposed increase in this property's unimproved land value from \$1.4M to \$2.3M. Increases in unimproved values have flow on effects to operating costs such as land tax, and rates. This objection is still being pursued and may take time to resolve.
- As contemplated in the prospectus for the Trust, the purchase of additional car parking adjacent to Centro on James (Stage 3) proceeded, and settled on the 30 June, 2003 with the purchase price being \$334,660. This purchase price was paid out of established reserves. Additional revenue from this car parking will flow in the new financial year.

Cairns Hypermart

- During the course of the year, the lease terms and conditions with Harvey Norman were re-negotiated, with an initially lesser rent being achieved in exchange for a longer lease (i.e. a new 10 year lease). Coupled with this, Harvey Norman have agreed to sublease the Carlton United Breweries building which adjoins their existing tenancy.
- The lessee occupying shop 3 vacated upon their lease expiry in January, 2003. These premises representing 598m² have recently been re-leased to Furniture Traders Australia on a 4 year lease.

Fund Related

- The renegotiation of the lease term with Harvey Norman provided the opportunity to restructure the debt associated with the Cairns Hypermart. The initial acquisition finance facility with ING Funds Management was refinanced with the new financier being the Commonwealth Bank of Australia. This resulted in a reduced level of debt by \$900,000 and a lower interest rate.
- Asset Revaluations – All investment properties were revalued as at 30 June, 2003 and are:-

	New Valuation	Previous Valuation
388 Queen Street	\$16,250,000	\$16,000,000
Centro on James (Stage 3)	\$9,760,000	\$9,240,669
Cairns Hypermart	\$16,800,000	\$16,800,000

- The Fund was listed on the Bendigo Stock Exchange (BSX) in March 2003.

Merger

As contemplated in the Explanatory Memorandum, and after the unitholders meeting on 27 June, 2003, the Trust merged with all the other Property Funds Australia Limited managed property funds and was renamed the PFA Diversified Property Trust, with effect from 1st July 2003. The Trust now has an expanded property portfolio of ten (10) properties. As part of the merger, significant constitutional changes were effected including the change of the fixed term nature of the Trust. Furthermore, Units in the Trust were allotted to investors in the other funds involved in the merger at various allotment ratios.



SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the Trust's state of affairs during the year other than those referred to elsewhere in this report.

AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the year and the date of this report, any item, transaction or event (other than as disclosed in this report) of a material or unusual nature likely, in the opinion of the Manager, to significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust, in future financial years.

FUTURE DEVELOPMENTS

The likely developments in the operation of the Trust and the expected results of those operations are currently not anticipated to vary significantly from that disclosed in the Explanatory Memorandum.

ENVIRONMENTAL ISSUES

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

OPTIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

PROCEEDINGS ON BEHALF OF MANAGER

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

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



Christopher A. Morton
Managing Director
19 September, 2003



CORPORATE GOVERNANCE

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

THE MANAGER

Property Funds Australia Limited (the Manager) is the Responsible Entity of the Trust. The role of the Responsible Entity is to manage the Trust in the Investors' best interests in accordance with the Constitution and the Law.

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

THE BOARD OF THE MANAGER

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

- Christopher A Morton (Managing Director)
- Elizabeth A Pidgeon (Non-Executive)
- David J Conquest (Executive)

The Board has access to all documents and information necessary to discharge its duties and responsibilities. Board meetings are generally held monthly with additional meetings held as necessary.

COMPLIANCE MONITORING AND REPORTING

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

THE COMPLIANCE COMMITTEE

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

- Mr Bede King (External Chairman): Mr King is a senior legal practitioner previously practising in corporate and property areas of the law and is a partner of the legal firm Tobin King Lateef.
- Mr Ray Kellerman (External Member): Mr Kellerman is the former Head of Compliance Services, Perpetual Trustees Limited, a long established trustee company.
- Mr Chris Morton (Managing Director).



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

The Committee generally meets bi-monthly, or as necessary. It is provided, by the compliance officer, with comprehensive compliance reports. The Committee reports its findings to the Board of the Manager.

INDEPENDENT PROFESSIONAL ADVICE

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

ACCESS TO INFORMATION

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

RISK MANAGEMENT

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

REMUNERATION OF EXPENSES

The Directors of the Manager are remunerated by the Manager itself. There is no remuneration payable to the Directors by the Trust. The Board of the Manager contractually establishes the remuneration of the external Compliance Committee Members.

The Trust meets the costs associated with external Compliance Committee Members and committee related costs.

AUDIT

The Manager does not have a formally constituted audit committee.

The Manager has appointed an external auditor to audit the operations of the Fund and its financial statements. An external auditor has also been appointed to audit the Manager's compliance with the Compliance Plan.



STATEMENT OF FINANCIAL PERFORMANCE

for the Year Ended 30 June, 2003

	Note	2003 \$	2002 \$
Revenue from ordinary activities	2	5,451,029	2,931,431
Expenses from ordinary activities			
Property expenses	2	(1,148,918)	(572,991)
Fund expenses			
Direct expenses	2	(562,816)	(198,856)
Amortisation	2	(466,294)	(233,307)
		(1,029,110)	(432,163)
Borrowing costs			
Interest	2	(1,596,029)	(850,578)
Amortisation	2	(222,694)	(42,359)
		(1,818,723)	(892,937)
Profit/(Loss) from ordinary activities before income tax expense		1,454,278	1,033,340
Income tax expense relating to ordinary activities	1(d)	-	-
Profit/(Loss) after income tax expense attributable to Unitholders		1,454,278	1,033,340
Increase in asset revaluation reserve	14	363,475	-
Total changes in Trust equity other than those resulting from transactions with Unitholders as Unitholders		1,817,753	1,033,340

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



STATEMENT OF FINANCIAL POSITION

as at 30 June, 2003

	Note	2003 \$	2002 \$
CURRENT ASSETS			
Cash assets	4	449,134	2,461,100
Receivables	5	136,346	165,591
Other	6	116,566	69,496
TOTAL CURRENT ASSETS		702,046	2,696,187
NON-CURRENT ASSETS			
Investment – Property	7	42,810,000	42,051,661
Investment – Equity	8	4	-
Cash assets	9	300,000	-
Other	10	3,434,311	3,858,009
TOTAL NON-CURRENT ASSETS		46,544,315	45,909,670
TOTAL ASSETS		47,246,361	48,605,857
CURRENT LIABILITIES			
Payables	11	285,086	231,012
Interest bearing liabilities	12	-	1,171
TOTAL CURRENT LIABILITIES		285,086	232,183
NON-CURRENT LIABILITIES			
Interest bearing liabilities	12	24,582,485	25,482,644
TOTAL NON-CURRENT LIABILITIES		24,582,485	25,482,644
TOTAL LIABILITIES		24,867,571	25,714,827
NET ASSETS		22,378,790	22,891,030
EQUITY			
Unitholders' equity	13	22,015,315	22,891,030
Reserves	14	363,475	-
TOTAL EQUITY		22,378,790	22,891,030

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



STATEMENT OF CASH FLOWS

for the Year Ended 30 June, 2003

	Note	2003 \$	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Rent & outgoings received		5,882,714	3,129,319
Interest received		78,040	53,717
Sundry income		4	-
Payments to suppliers		(2,449,557)	(1,428,295)
Interest paid		(1,596,029)	(850,578)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15	1,915,172	904,163
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition and establishment costs		-	(3,732,907)
Purchase of investment – property and capital improvements		(395,815)	(42,051,661)
NET CASH USED IN INVESTING ACTIVITIES		(395,815)	(45,784,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions to Unitholders		(2,329,993)	(1,054,772)
Cost of equity raising		-	(387,538)
Units issued		-	23,300,000
Reduction in borrowings		(900,159)	-
Net proceeds from borrowings		-	25,482,644
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(3,230,152)	47,340,334
NET INCREASE/(DECREASE) IN CASH HELD		(1,710,795)	2,459,929
Cash at the beginning of the financial year		2,459,929	-
CASH AT 30 JUNE	12	749,134	2,459,929

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



NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June, 2003

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the terms of the Trust Constitution.

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

The following is a summary of material accounting policies adopted by the Trust in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Income & Expenditure

Property and other income and expenditure are accounted for on an accruals basis.

(b) Investment - Property

Investment – Property consists of investments in property, primarily of land, buildings and improvements to land and buildings. Investment property is measured on the fair value basis. Annual assessments are undertaken by the Manager to ensure the carrying amount of investment property is not significantly different to the fair value of the investment property.

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

(c) Non-Current Other Assets

Other Assets consist of acquisition costs, establishment and borrowing costs.

Acquisition and establishment costs include but are not limited to stamp duty on purchase, legal costs, Manager's initial fee and due diligence costs.

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

The borrowing costs are amortised on a straight-line basis over the term of the loan. The acquisition and establishment costs are amortised on a straight-line basis over the remaining current initial term of the Trust.

(d) Income Tax

The Trust adopts the liability method of tax effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for income tax as it is unlikely that any taxable income will be retained by the Trust in 2003.

(e) Cash

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

(f) Distributions Paid

Distributions have been recognised when paid. No accrual for distribution entitlements is recognised.

(g) Comparatives

Where necessary, comparatives have been adjusted to compile with changes in accounting standards. The prior period was from 18 December, 2001 to 30 June, 2002.

	2003	2002
	\$	\$
NOTE 2: REVENUE & EXPENSES FROM ORDINARY ACTIVITIES		
REVENUE FROM ORDINARY ACTIVITIES		
Rent received	4,801,286	2,699,339
Outgoings recovered	571,699	178,375
Sundry income	4	-
Interest received	78,040	53,717
	5,451,029	2,931,431



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003 \$	2002 \$
PROPERTY EXPENSES		
Airconditioning maintenance	28,111	15,231
Cleaning	153,841	66,444
Electricity & gas	195,349	94,543
Fire protection costs	37,928	9,725
Garden maintenance	7,823	2,108
Insurance	110,708	67,574
Land tax	111,375	49,359
Licences & fees	-	2,234
Lift maintenance	37,182	19,114
Professional fees	11,208	4,157
Property management costs	119,780	46,254
Rates	249,243	152,856
Repairs & maintenance	63,357	31,877
Security costs	23,013	11,515
	1,148,918	572,991
DIRECT EXPENSES		
Accountancy	24,175	16,966
Advertising	1,884	110
Auditors remuneration	15,380	10,150
Bad debts	4,070	-
Bank charges	3,928	4,296
Borrowing costs – Bill facility	110,896	33,616
BSX listing fees	9,645	-
Commission - leasing	31,400	-
Compliance committee costs	12,034	9,462
Consultants fees	21,656	19,830
Custodian fees	15,005	10,500
Legal fees	34,770	8,782
Licence & permits	2,209	1,319
Postage	2,540	1,794
Registry fees	6,580	1,750
Reporting expenses	27,986	4,081
Managers fees	210,068	76,200
Travelling expenses	2,390	-
Valuation fees	26,200	-
	562,816	198,856
AMORTISATION		
Acquisition and establishment costs	466,294	233,307
	466,294	233,307
BORROWING COSTS		
Interest	1,596,029	850,578
Amortisation	222,694	42,359
	1,818,723	892,937



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003 \$	2002 \$
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	1,454,278	1,033,340
NOTE 3: AUDITORS REMUNERATION		
Audit of financial report	15,100	10,150
Other services	8,937	1,750
	24,037	11,900
NOTE 4: CASH ASSETS		
Cash at bank and term deposits	449,134	2,461,100
NOTE 5: RECEIVABLES		
Trade debtors	78,413	83,014
Other debtors	35,316	16,075
Accrued income	22,617	66,502
	136,346	165,591
NOTE 6: CURRENT OTHER ASSETS		
Prepaid expenses	114,016	56,896
Deposits	2,550	12,600
	116,566	69,496
NOTE 7: INVESTMENT – PROPERTY		
Property described as Centro on James (Stage 3), Cnr James & Robertson Streets, Fortitude Valley, Brisbane, Queensland		
Investment in Land & Buildings – at independent valuation (2003)	9,760,000	-
Investment in Land & Buildings – at purchase price (2002)	-	9,240,669
	9,760,000	9,240,669
Property described as 388 Queen Street, Brisbane, Queensland		
Investment in Land & Buildings – at independent valuation (2003)	16,250,000	-
Investment in Land & Buildings – at purchase price (2002)	-	16,000,000
Development Works in Progress – at cost	-	7,732
	16,250,000	16,007,732



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003 \$	2002 \$
Property described as Cairns Hypermart, 101 – 113 Spence Street, Cairns, Queensland		
Investment in Land & Buildings – at independent valuation (2003)	16,800,000	-
Investment in Land & Buildings – at purchase price (2002)	-	16,800,010
Development Works in Progress – at cost	-	3,250
	<hr/> 16,800,000	<hr/> 16,803,260
TOTAL INVESTMENT – PROPERTY	<hr/> 42,810,000	<hr/> 42,051,661

Independent Valuations

Centro on James (Stage 3), Brisbane: An Independent valuation of land and buildings was undertaken by Gregory P. Bremner AAPI, Certified Practising Valuer of Chesterton. The valuation was based on market value as at 30 June, 2003.

388 Queen Street, Brisbane: An Independent valuation of land and buildings was undertaken by Christopher Andrew AAPI ASIA, Certified Practising Valuer of LandMark White. The valuation was based on market value as at 30 June, 2003.

Cairns Hypermart, Cairns: An Independent valuation of land and buildings was undertaken by Fraser Bentley AAPI, Certified Practising Valuer of LandMark White. The valuation was based on market value as at 30 June, 2003.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003 \$	2002 \$
Property described as Centro on James (Stage 3), Brisbane		
Carrying amount at the beginning of financial year	9,240,669	-
Purchase of Investment – Property	-	9,240,669
Purchase of Car Park Lots	334,660	-
Net additions	6,500	-
Revaluation increment	178,171	-
Carrying amount at the end of the financial year	9,760,000	9,240,669

Property described as 388 Queen Street, Brisbane

Carrying amount at the beginning of financial year	16,007,732	-
Purchase of Investment – Property	-	16,000,000
Accrued capital works	27,400	-
Net additions	8,803	7,732
Revaluation increment	206,065	-
Carrying amount at the end of the financial year	16,250,000	16,007,732

Property described as Cairns Hypermart, Cairns

Carrying amount at the beginning of financial year	16,803,260	-
Purchase of Investment - Property	-	16,800,010
Net additions	18,350	3,250
Accrued capital works	2,401	-
Previous year work in progress expensed	(3,250)	-
Revaluation increment/(decrement)	(20,761)	-
Carrying amount at the end of the financial year	16,800,000	16,803,260

NOTE 8: INVESTMENT – EQUITY

Investment in Property Trusts	4	-
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NOTE 9: NON-CURRENT CASH ASSETS

Security deposit (refer note 15(d)(iii))	300,000	-
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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003 \$	2002 \$
NOTE 10: NON-CURRENT OTHER ASSETS		
Borrowing costs	520,460	400,768
Accumulated amortisation	(119,456)	(42,359)
	<u>401,004</u>	<u>358,409</u>
Acquisition and establishment costs	3,732,907	3,732,907
Accumulated amortisation	(699,600)	(233,307)
	<u>3,033,307</u>	<u>3,499,600</u>
	<u>3,434,311</u>	<u>3,858,009</u>

NOTE 11: PAYABLES**Current**

Trade creditors	44,277	14,787
Accrued expenses	127,146	125,319
GST payable	83,862	50,705
Rental/Outgoings received in advance	-	6,215
Other creditors	29,801	33,986
	<u>285,086</u>	<u>231,012</u>

NOTE 12: INTEREST BEARING LIABILITIES**Current**

Bank Overdraft	-	1,171
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Non-Current

Mortgage Loans	24,582,485	25,482,644
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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003 \$	2002 \$
NOTE 13: UNITHOLDERS' EQUITY		
Contributed Capital	23,300,000	23,300,000
Accumulated profits/(losses) beginning of financial year	1,033,340	-
Current year profit	1,454,278	1,033,340
Capital raising costs	(387,538)	(387,538)
Accumulated distributions beginning of financial year	(1,054,772)	-
Current year distributions	(2,329,993)	(1,054,772)
	<u>22,015,315</u>	<u>22,891,030</u>
The number of units on issue in the Trust at year end	23,300,000	23,300,000
There were no issues or withdrawals during the year.		

NOTE 14: RESERVES

Opening balance	-	-
Asset revaluation increment	363,475	-
Closing balance	<u>363,475</u>	<u>-</u>

The purpose of the asset revaluation reserve is to record the revaluation increments and decrements of investment property.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003	2002
	\$	\$

NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of cash**

Cash at the end of the financial year as shown in The Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: (refer to note 4 & 10)

Cash at bank and term deposits	749,134	2,461,100
Bank overdraft	-	(1,171)
	<u>749,134</u>	<u>2,459,929</u>

(b) Reconciliation of net cash provided by activities to profit from ordinary activities after income tax expense

Profit from ordinary activities after income tax expense	1,454,278	1,033,340
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Non cash items in profit from ordinary activities:

Amortisation – Acquisition and establishment costs	466,294	233,307
Amortisation – Borrowing costs	222,694	42,359
Sundry Income	(4)	-
Work in progress at 30 June 2002 expensed	3,250	-
Bad debts	4,070	-

Changes in Assets and Liabilities:

(Increase) / decrease in Receivables	52,677	(165,591)
(Increase) / decrease in Current other assets	(47,070)	(69,496)
(Increase) / decrease in Borrowing costs	(265,290)	(400,768)
Increase / (decrease) in Payables	24,273	231,012

Net Cash Provided by Operating Activities	<u>1,915,172</u>	<u>904,163</u>
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(c) Financing arrangements

Finance facilities available	24,585,000	25,485,000
Finance facilities utilised	24,582,485	25,482,644
Unused finance facilities	<u>2,515</u>	<u>2,356</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

(d) Credit standby arrangements with Banks

Bank Overdrafts

There are currently no overdraft facilities available.

Mortgage Loans

- (i) A Fixed Rate Bill Facility from Commonwealth Bank of Australia for a five year term (expiring in December, 2006) of \$9,100,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Cairns Hypermart, 101 - 113 Spence Street, Cairns, Queensland. Interest is payable monthly on rollover date on the first day of each month.

The Manager purchased an interest rate risk management product of a "cap and collar" nature from the Commonwealth Bank of Australia which has had the effect of providing a maximum interest rate of 6.15% per annum and a minimum interest rate of 5.6% per annum depending on the movement of 90 day bank swap rates.

- (ii) A Fixed Rate Bill Facility from Commonwealth Bank of Australia for a five year term (expiring in December, 2006) of \$5,885,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Centro on James (Stage 3), cnr James and Robertson Streets, Brisbane, Queensland. Interest is payable monthly on rollover date on the first day of each month.
- (iii) A Mortgage Loan from Citibank Limited comprising a fixed rate five year facility (expiring in December, 2006) of \$9,600,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at 388 Queen Street, Brisbane, Queensland, and an interest bearing deposit of \$300,000 (refer note 9). Interest on the loan is payable monthly in arrears on the 19th day of each month.
- (iv) The borrowings were undertaken by Property Funds Australia Limited as Manager of the Trust. Trust Company of Australia Limited as Custodian granted mortgages over the investment property and interest bearing deposits to secure the borrowings. Neither the Unitholders, the Manager or Custodian are personally liable beyond the value of the capital contributed.

NOTE 16: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Trust has paid a Distribution to Unitholders for the month of June 2003 totalling \$194,167 (June 2002 \$194,167).

NOTE 17: PRINCIPAL ACTIVITY

The principal activity of the Trust during the year was investment in income producing retail and commercial buildings at 388 Queen Street, Centro on James Street, Fortitude Valley, Brisbane and Cairns Hypermart, Cairns, Queensland. Refer to note 26 for information relating to subsequent events relevant to this note.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

NOTE 18: CONTINGENT LIABILITY**Sale Performance Management Fees**

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

- (i) In consideration for arranging the sale of any Individual Property and only in the event that the sale price of the Individual Property after deduction of agents' fees, legal fees relating to the sale, advertising and auction expenses exceeds the Purchase Price of the Individual Property, the Manager will be paid 2% of the sale price of the Individual Property. Such sum will be paid to the Manager upon the date that the sale proceeds are received by the Manager.
- (ii) If upon the sale of the last of the Individual Properties during the term of the Trust at a price, which after the deduction of agent's fees and expenses of sale, has resulted in a premium on the subscribed amount by Unitholders at:-
- More than 50% on their original subscribed amount, then the Manager will be paid an additional fee ("the Additional Fee") of 2.5% calculated on the gross sale price achieved in respect of all of the Individual Properties before the subtraction of the usual selling expenses; or
 - 50% or less but more than 30% on their original subscribed amount, then the Manager will be paid a marginal fee ("the Marginal Fee") of 1.5% calculated on the gross sale price achieved in respect of all of the Individual Properties before the subtraction of the usual selling expenses;

PROVIDED HOWEVER that if the payment of the Additional Fee or Marginal Fee reduces the premium on the subscribed amount to less than 50% or 30% respectively then the Additional Fee or Marginal fee will reduce by an amount that will ensure that the 50% or 30% premium is payable to each Unitholder.

This is outlined in Section 15.3 of the prospectus and Clause 18.4 and 18.5 of the Trust Constitution.

Refer to note 26 for information relating to subsequent events relevant to this note.

NOTE 19: OPERATING LEASE COMMITMENT RECEIVABLE

	2003	2002
	\$	\$
Operating Lease Commitments contracted as receivables:		
- not later than 1 year	5,206,495	4,767,219
- later than 1 year but not later than 5 years	11,289,280	12,011,948
- later than 5 years	7,264,645	3,716,179
<hr/> Aggregate lease revenue contracted for at balance date	<hr/> 23,760,420	<hr/> 20,495,346



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

NOTE 20: OTHER STATUTORY INFORMATION

- (a) The Trust was deemed to have commenced operations on the Commencement Date, being 13 September, 2001 (the date of receipt by the Custodian of the first contribution). Under the Trust Constitution, the property cannot be held for more than eight years from 19 December, 2001 unless all of the Investors agree that it should be retained for a further period.
- (b) The land title to the property is registered in the name of Trust Company of Australia Limited who is appointed under the Custody Agreement to act as the Custodian on behalf of the Manager who in turn is trustee for the Unitholders.
- (c) The PFA Diversified Property Trust is a Trust settled and domiciled in Australia.

NOTE 21: RELATED PARTY TRANSACTIONS

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

Manager

Property Funds Australia Limited ACN 078 199 569

Directors who held office during the year were -

Christopher Arthur Morton
 Archibald Norman Douglas (retired 23rd April 2003)
 Elizabeth Ann Pidgeon
 David John Conquest
 Matthew Bradley Madsen (retired 5th September, 2003)

Custodian

Trust Company of Australia Limited ACN 004 027 749

Directors who held office during the year were -

John M Thame – Chairman
 John G Macarthur Stanham – Vice Chairman
 Jonathan W Sweeney – Managing Director
 Laurence J Gluskie
 Peter C Cadwallader
 Warren J McLeland
 Robert B Corlett
 Robert D Jeremy
 Robert G Lloyd
 Duncan P Saville
 Gordon M Moffatt (retired 12th December, 2002)



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

	2003 \$	2002 \$
(ii) Related party transactions during the year were as follows:-		
<u>The Manager</u>		
Management fee for the year was paid to Property Funds Australia Limited as provided for in the prospectus and in accordance with the Trust Constitution.	210,068	76,200
Initial fee as provided for in the prospectus and in accordance with the Trust Constitution.	-	2,120,141
Inhouse accountancy fee for the year was paid to Property Funds Australia Limited. This fee was determined on a commercial basis.	20,160	10,460
Registry fee for the year was paid to Property Funds Australia Limited. This fee was determined on a commercial basis.	4,500	-
<u>The Custodian</u>		
Custodian fee for the year was paid to Trust Company of Australia Limited in accordance with the Custody Agreement.	15,005	10,500
<u>Investment Management Australia Limited</u>		
Mr A. Douglas a Director of the Manager, was a Director of Investment Management Australia Limited. Investment Management Australia Limited was paid a fee for assisting the Compliance Committee to perform its statutory functions.	956	1,439
(iii) As at 30 June, 2003 the Trust held 4 \$1 units in other trusts managed by Property Funds Australia Limited.		
The Garden Square Property Trust		1 \$1 unit
The Metropolitan Collection – Brisbane Property Trust		1 \$1 unit
The Capital Collection – Diverse Sector Fund Trust No. 1		1 \$1 unit
The Riverdale Fixed Term Property Trust		1 \$1 unit



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

NOTE 22: FINANCIAL INSTRUMENTS**(a) Interest Rate Risk**

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

(b) Net Fair Values

The net fair values of all financial assets and liabilities approximates their carrying values.

	Weighted Average Effective Interest Rate		Floating Interest Rate		1 to 5 Years		Non - Interest Bearing		Total	
	30/6/03	30/6/02	30/6/03	30/6/02	30/6/03	30/6/02	30/6/03	30/6/02	30/6/03	30/6/02
Financial Assets										
Cash assets	5.75	3.8	-	-	749,134	2,461,100	-	-	749,134	2,461,100
Other	-	-	-	-	-	-	2,550	12,600	2,550	12,600
Receivables	-	-	-	-	-	-	136,346	165,591	136,346	165,591
Total Financial Assets					749,134	2,461,100	138,896	178,191	888,030	2,639,291
Financial Liabilities										
Interest Bearing Liabilities	6.41	6.68	-	10,000,000	24,582,485	15,483,815	-	-	24,582,485	25,483,815
Payables	-	-	-	-	-	-	285,086	231,012	285,086	231,012
Total Financial Liabilities			-	10,000,000	24,582,485	15,483,815	285,086	231,012	24,867,571	25,714,827

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

NOTE 23: SEGMENT INFORMATION

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

NOTE 24: UNITS ISSUE

The Trilogy Trust (now The PFA Diversified Property Trust) was approved by the Australian Securities & Investment Commission as a managed investment scheme on 23 August, 2001. Pursuant to this, the Manager issued a Prospectus dated 4 September, 2001 inviting offers for investment in the Trust. On 18 December, 2001, the Manager resolved to allot 23,300,000 units at \$1.

NOTE 25: BENDIGO STOCK EXCHANGE SUPPLEMENTARY INFORMATION

- (a) The information in this note is current as at 31 August, 2003 and is stated as it applies to the PFA Diversified Property Trust.
- (b) Voting rights of Unitholders:
1 vote for each \$1 of value of the units held.
- (c) There are 2,796 Unitholders in the PFA Diversified Property Trust.
- (d) PFA Diversified Property Trust spread of Unitholders:

\$ Amount	Total No. of Unitholders
1 – 1,000	1
1,001 - 5,000	7
5,001 – 10,000	749
10,001 – 100,000	1,940
100,001 and over	99



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2003

(e) 10 largest Unitholders of the PFA Diversified Property Trust:

Investor	As Trustee For	No. of Units held	% of Equity
RBC Global Services Australia Nominees Pty Ltd	Acf APNFM A/C	5,297,480	5.6953
RBC Global Services Australia Nominees Pty Ltd	Atf BKCust A/C	929,374	0.9992
P A Hadley & I M Hadley	N/A	400,000	0.4300
Krisjade Pty Ltd	Atf The JLW Superannuation Fund A/C	392,480	0.4220
A B Caradine & J L Caradine	Atf AB & JL Caradine Superannuation Fund	389,329	0.4186
B Y Stevenson & T J Stevenson	Atf B & T Stevenson Superannuation Fund	315,630	0.3393
Torumba Pty Ltd	Atf The West End Trust	289,060	0.3108
A Robinson	N/A	285,263	0.3067
A Matheson & S Matheson	Atf Golden Dawn Pty Ltd Superannuation Fund	250,300	0.2691
Avis Marketing Consultants Pty Ltd	N/A	250,000	0.2688
JJ Invest Pty Ltd	Atf JL Management Trust	250,000	0.2688

NOTE 26: MERGER

As contemplated in the Explanatory Memorandum dated 2nd June, 2003, The Trilogy Trust merged with all the other Property Funds Australia Limited managed funds and was renamed the PFA Diversified Property Trust with effect from 1st July, 2003.

NOTE 27: ECONOMIC DEPENDENCY

Where the rental income from a tenant is greater than 10% of the total rental income of the scheme, the tenant is considered to be a key tenant. The operation of the scheme is dependent upon the continuation of receipts from a number of key tenants. Those key tenants as at 30 June, 2003 are Harvey Norman and Suncorp Metway.



DECLARATION BY THE DIRECTORS OF THE MANAGER

The directors of Property Funds Australia Limited as Manager of The PFA Diversified Property Trust (formerly The Trilogy Trust) declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Trust's financial position as at 30 June, 2003 and of its performance for the year ended on that date;
2. In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



C A Morton
Managing Director

Brisbane
19 September, 2003



INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF THE PFA DIVERSIFIED PROPERTY TRUST (FORMERLY THE TRILOGY TRUST)

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, notes to the financial statements, and the declaration by the directors of the Manager for The PFA Diversified Property Trust for the year ended 30 June 2003.

The directors of the Manager are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the unitholders of the trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors of the Manager.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



**INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF THE PFA DIVERSIFIED PROPERTY TRUST
(FORMERLY THE TRILOGY TRUST) (CONT)**

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of The PFA Diversified Property Trust is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the trust's financial position as at 30 June 2003 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

BDO Kendalls
Chartered Accountants

BDO Kendalls

.....

P A Gallagher

.....

P A Gallagher
Partner

Brisbane:
19 September, 2003



DIRECTORY

MANAGER

Property Funds Australia Limited
ACN 078 199 569
AFSL No. 224106

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Christopher A Morton (Managing
Director)
Elizabeth A Pidgeon
David J Conquest

SECRETARY OF THE MANAGER

Christopher A Morton

AUDITOR

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