



**LEX Property Fund
(ARSN 123 437 838)**

**Responsible Entity:
LEX Property Management Limited
(ABN 53 111 779 689)**

**Annual Financial Report
30 June 2007**

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DIRECTORS' REPORT

In accordance with the Corporations Act 2001 and the Australian Accounting Standards Board, the Directors of LEX Property Management Limited (ABN 53 111 779 689), the Responsible Entity of LEX Property Fund, a managed investment scheme (ARSN 123 457 838), provide this report for the year ended 30 June 2007.

DIRECTORS

The names, details and qualifications of the directors in office during the year and until the date of this report are below. Directors were in office for this entire period unless otherwise stated.

Alan W Tribe CPA, FCCA

Non Executive Director and Chairman

Over 29 years experience in a broad range of commercial roles in Australia and overseas. He became Managing Director of Cebas Pty Ltd in 1997 and maintains overall control of retail operations and the performance of the retail business with specific responsibility for the planning and development of Cebas' franchise expansion opportunities. He has broad experience in corporate matters in both the public and private sectors. He is an associate of The Queensgate Trust which is the major shareholder of the Responsible Entity.

Nicholas C Wyatt BA (Hons), ACA (UK)

Managing Director

A Chartered Accountant from the UK, who has worked in commerce and industry for over 16 years and gained an exposure to a range of industries. During this time, he has developed his career through various finance and company secretarial functions into broader operational and corporate management roles, more recently specialising in acquisitions, property development and corporate finance opportunities. He is an associate of The Bridgewater Trust which is a shareholder of the Responsible Entity. As Managing Director, he has overseen all aspects of the Responsible Entity's formation and strategic growth to date, including the structuring, debt-funding and capital raising completed for both the Fund and LEX Retail Property Trust.

Stephen R Dixon B.Bus, CPA

Director – Funds Management

A CPA with broad experience in all aspects of fund management with specific experience in managing listed property trusts, unlisted property trusts, property excluded offers, life insurance, superannuation, retail and wholesale managed funds. Extensive experience through a variety of previous roles with Armstrong Jones, Guardian Funds Management Limited, Acumen Capital Limited. He was a founding shareholder and director of Macro Funds Limited, a shareholder of the Responsible Entity. As Director – Funds Management, he has a focus on product structuring, capital raising and operational matters.

Peter M Morrison CPA

Non Executive Director

A CPA with over 23 years experience in the funds management industry. Joining Armstrong Jones in 1980, he gained experience across all funds management business units including listed and unlisted property trusts, mortgage funds and managed investment funds. Following roles at Oakvale Capital Limited and Settlers Lifestyle Limited, he became a founding shareholder and director of Macro Funds Limited, a shareholder of the Responsible Entity.

DIRECTORS' INTERESTS

Details of the interests of the directors in the units of the Fund at the end of the year are set out below:

	2007		2006	
	Directly	Indirectly	Directly	Indirectly
Specified Directors				
Alan W Tribe	-	16,399,850	-	100
Nicholas C Wyatt	300,000	150,000	-	-
Stephen R Dixon	-	30,000	-	-
Peter M Morrison	-	50,000	-	-

PRINCIPAL ACTIVITY

The Fund is the developer of a new retail centre in Perth, Western Australia which will comprise a purpose-built IKEA Store (26,500sqm) to be leased to the IKEA franchisee, together with other perimeter buildings which will provide additional showroom retail and office space (2,850sqm) adjacent to the IKEA Store to be leased to other tenants.

REVIEW AND RESULTS OF OPERATIONS

On 1 December 2006, the Fund changed its name from Australian Land Retail Trust to LEX Property Fund and appointed LEX Property Management Limited as the new trustee. On 9 January 2007, LEX Property Management Limited was appointed as the Responsible Entity of the Fund and, on 25 January 2007, the Fund became a managed investment scheme when it was registered with the Australian Securities and Investments Commission ("ASIC").

The Responsible Entity offered 31,200,000 units in the Fund at \$1.00 per unit to investors pursuant to a Product Disclosure Statement dated 31 January 2007. The offer was fully subscribed, and all unitholders were advised of their allotted units in a letter dated 29 March 2007.

The IKEA Store and other perimeter buildings (together, the "Property") are being constructed on a development site in Innaloo, Western Australia. It is being constructed on freehold land that is also owned by the Fund.

Construction of the Property commenced in December 2006 and is expected to be completed by the end of February 2008.

Following Practical Completion of the Property and commencement of the leases, the Responsible Entity intends to pay distributions to unitholders on a quarterly basis after debt servicing commitments and expenses of operating the Fund have been met. The first cash distribution of income is expected to be paid for the period ending 31 March 2008.

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations, or state of affairs of the Fund in subsequent financial years.

ROUNDING

The amounts contained in the annual financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies.

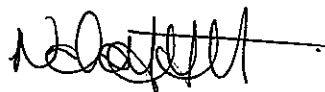
AUDITORS' INDEPENDENCE DECLARATION

In accordance with Section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from PKF Chartered Accountants, the entity's auditors. The declaration of independence is at page 4 of this report.

Signed in accordance with a resolution of the Directors of LEX Property Management Limited:



Alan W Tribe
Chairman



Nicholas C Wyatt
Managing Director

Perth, 24 September 2007

AUDITOR'S INDEPENDENCE DECLARATION

As lead engagement partner for the audit of LEX Property Fund for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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



PKF
Chartered Accountants



Ian Olson
Partner

Dated in Perth, Western Australia this 24th day of September 2007

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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Income Statement

FOR THE YEAR ENDED 30 JUNE 2007

	<i>Notes</i>	<i>2007</i> \$'000	<i>2006</i> \$'000
Continuing Operations			
Revenue			
Interest income	3	130	24
Total revenue		<u>130</u>	<u>24</u>
Expenses			
Responsible entity's fees	5	16	-
Administrative expenses	4	53	1
Total expenses		<u>69</u>	<u>1</u>
Net profit from continuing operations attributable to unitholders of the LEX Property Fund		<u>61</u>	<u>23</u>
STATEMENT OF DISTRIBUTION			
Net profit attributable to unitholders of the LEX Property Fund		61	23
Accumulated net loss attributable to unitholders of the LEX Property Fund		-	(14)
Distribution paid or payable	6(b)	(61)	(9)
Undistributed income at the end of the financial period	15	<u>-</u>	<u>-</u>

The income statement is to be read in conjunction with the attached notes.

Balance Sheet

AS AT 30 JUNE 2007

	Notes	2007 \$'000	2006 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	828	2,744
Trade and other receivables	9	1,131	661
Other financial assets	10	243	-
Total Current Assets		2,202	3,405
Non Current Assets			
Property, plant and equipment	7	70,511	15,717
Borrowing costs	11	582	44
Total Non Current Assets		71,093	15,761
TOTAL ASSETS		73,295	19,166
LIABILITIES			
Current Liabilities			
Trade and other payables	12	7,332	4,782
Interest bearing liabilities	13	-	14,375
Distributions payable	6(a)	61	9
Total Current Liabilities		7,393	19,166
Non Current Liabilities			
Interest bearing liabilities	13	27,690	-
Unit capital	14	38,212	-
Total Non Current Liabilities		65,902	-
TOTAL LIABILITIES		73,295	19,166
NET ASSETS		-	-
UNITHOLDERS' EQUITY			
Equity attributable to unitholders of LEX Property Fund			
Undistributed income	15	-	-
TOTAL UNITHOLDERS' EQUITY		-	-

The balance sheet is to be read in conjunction with the attached notes.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Interest received		130	24
Payments to non construction suppliers		(69)	-
Net cash flows from operating activities	8	<u>61</u>	<u>24</u>
Cash flows from investing activities			
Payment of costs of property, plant and equipment		(52,957)	(2,411)
Payment of borrowing costs		(538)	(44)
Net cash flows used in investing activities		<u>(53,495)</u>	<u>(2,455)</u>
Cash flows from financing activities			
Proceeds from issue of units – capital raising		31,200	-
Costs of issuing units – capital raising		(3,138)	-
Proceeds from issue of convertible loan note – related entity		4,650	5,500
Proceeds from secured loan facility – related entity		14,653	4,650
Repayments of secured loan facility – related entity		(23,528)	(5,500)
Proceeds from borrowings – external		27,690	-
Distributions paid		(9)	-
Net cash flows from financing activities		<u>51,518</u>	<u>4,650</u>
Net increase in cash and cash equivalents		(1,916)	2,219
Cash and cash equivalents at beginning of period		2,744	525
Cash and cash equivalents at end of period	8	<u>828</u>	<u>2,744</u>

The cash flow statement is to be read in conjunction with the attached notes

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

	<i>Undistributed income/(loss)</i> \$'000	<i>Capital distribution reserve</i> \$'000	<i>Total</i> \$'000
Balance at 1 July 2005	(14)	-	(14)
Net profit for the year	23	-	23
Income distributions payable	(9)	-	(9)
Balance at 30 June 2006	-	-	-
Net profit for the year	61	-	61
Income distributions payable	(61)	-	(61)
Balance at 30 June 2007	-	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

1 CORPORATE INFORMATION

The financial report of the LEX Property Fund ("the Fund") for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors of LEX Property Management Limited ("the Responsible Entity") on 24 September 2007.

The Fund is a managed investment scheme, which was registered with ASIC on 25 January 2007. The Fund has been established initially for the purpose of developing a new retail centre in Perth, Western Australia which will comprise a purpose built IKEA Store to be leased to the IKEA franchisee for that state, together with other perimeter buildings which will provide additional showroom retail and office space adjacent to the IKEA Store to be leased to other tenants.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations (AASB's) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by AASB. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the class order applies.

(b) Changes to accounting standards, not yet adopted

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective. These standards have not been adopted by the Fund for the year ended 30 June 2007. Amendments issued affecting the Fund are outlined below:

Reference	Title	Summary	Application date of standard	Impact on Fund's financial report	Application date for fund
AASB 101	Presentation of Financial Statements (Revised).	Removes Australian specific requirements for AASB 101, but incorporates amendments made on the introduction of AASB 7 surrounding the disclosure of the entity's objectives, policies and processes for managing capital.	1 July 2007	AASB 101 is a disclosure standard so will have no direct impact on amounts in the financial report. However amendments will result in changes in disclosures in the financial report.	1 July 2007
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038].	Amendments arise from the release in August 2005 of AASB 7 Financial Instruments: Disclosures.	1 July 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Fund's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Fund's financial report.	1 July 2007

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

Reference	Title	Summary	Application date of standard	Impact on Fund's financial report	Application date for fund
AASB 7	Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB 132.	1 July 2007	As above.	1 July 2007
AASB 123	Borrowing Costs (Revised).	Eliminates the option of expensing borrowing costs relating to qualifying assets, instead requiring capitalisation. Transitional provisions require prospective application to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after application date. An entity may however, designate any date before the application date and apply the Standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date.	1 July 2009	Unless the Fund becomes involved in a qualifying asset in future periods; amendments are not expected to have any impact on the financial report.	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12].	These amendments arise from the issuance in June 2007 of a revised AASB 123 Borrowing Costs.	1 July 2009	As above.	1 July 2009

(c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Interest Income

Interest income is recognised as income when control of the right to receive the interest payment is attained.

(d) Borrowing costs

Borrowing costs are recognised as an expense when incurred, with the exception of charges in relation to the establishment, arrangement and documentation of loans. These debt funding costs will be amortised over the period of the Term Loan Facility once Practical Completion of the Property has been achieved.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

For the purposes of the Cash Flow Statement, cash and cash equivalents are as defined above.

(f) Trade and other receivables

Trade receivables have less than 90 day terms and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

(g) Investment property

The investment property represents an investment interest in land and buildings held for the purpose of producing rental income.

Land, buildings and integral fixed assets are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standards do not require investment properties to be depreciated. Accordingly, the buildings and components thereof (including plant and equipment) are not depreciated.

Subsequent to initial recognition and, from the date of Practical Completion of the investment property asset, the investment property will be at fair value.

Fair value is determined by independent valuations of property investments which are obtained at intervals of not more than three years. Notwithstanding this, the Directors of the Responsible Entity assess the carrying value at each reporting period to ensure carrying values do not differ materially from fair values. When carrying value differs from fair values, those assets are adjusted to their fair value.

A revaluation increment is credited directly to the income statement.

Expenditure capitalised as leasehold improvements includes the cost of acquisition, capital and refurbishment additions, and during development includes rates, taxes, financing charges and related fees incurred, and net of sundry cost recoveries.

Where assets have been revalued, the potential effect of CGT on disposal has not been taken into account in the determination of the revalued carrying amount because the Fund does not expect to be ultimately liable for CGT in respect of assets.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition. Any potential effect of CGT on derecognition of an investment property has not been taken into account because the Fund does not expect to be ultimately liable for CGT in respect of assets.

The property is currently under construction, and in accordance with AASB 140 "Investment Property", all amounts are carried at cost until completion.

As these assets are considered to have the function of an investment they are not depreciated.

Deferred borrowing costs comprise all the costs in relation to the establishment, arrangement and documentation of the debt facilities including the establishment fees, legal fees, mortgage stamp duty and other associated costs. Such costs are deferred and amortised over five years following the practical completion of the property.

(h) Interest bearing borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the net profit in equal instalments over the lease term.

(j) Unit capital

Unit capital represents receipts from unitholders, less the capital raising costs.

Pursuant to AASB 132, unitholders' funds are recognised as liabilities rather than equity as the Fund's Constitution contains a perpetuity clause.

(k) Capital raising costs

All costs directly related to the raising of equity funds for the Fund are offset against unitholders' equity as a reduction of proceeds from the issue of units in accordance with AASB 132 "Financial Instruments: Presentation".

(l) Taxation

Under current Australian income tax legislation, the Fund is not liable for income tax provided that its taxable income, including any realised capital gains, is fully distributed to unitholders each year.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority.

Receivables and payables 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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, are classified as operating cash flows.

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

3 REVENUES

	2007	2006
	\$'000	\$'000
Interest income	130	24

4 OTHER EXPENSES

Administrative Expenses

	2007	2006
	\$'000	\$'000
Professional fees	49	1
Other administrative expenses	4	-
	53	1

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

5 RESPONSIBLE ENTITY'S FEES

	2007 \$'000	2006 \$'000
Expenses		
Management fees	16	-
Equity raising costs		
Capital raising arrangement fees	213	-
Issuer fees	2,925	-
	<u>3,138</u>	<u>-</u>

Management fees

The Responsible Entity is entitled to a monthly fee of up to 1% per annum (plus GST) of the gross value of the Fund's assets but has agreed to waive part of this fee and accept a fee of 0.1% per annum (plus GST) between the Allotment Date of the units (28 March 2007) and the date of Practical Completion, and 0.4% per annum (plus GST) of the gross value of the Fund's assets from the date of Practical Completion to 30 June 2009.

Capital raising arrangement fees

The Responsible Entity is entitled to be reimbursed for any expenses incurred in establishing and operating the Fund. During the year to 30 June 2007, the Responsible Entity was reimbursed \$213,000 in respect of capital raising costs.

Issuer fees

The Responsible Entity is entitled to a fee of up to 3% per annum (plus GST) of money raised or borrowed by the Fund. During the year to 30 June 2007, the Responsible Entity was entitled to \$2,925,000 in respect of issuer fees.

6 DISTRIBUTIONS PAID OR PAYABLE

	30 June 2007 \$'000	30 June 2006 \$'000
(a) Distributions payable		
At 1 July 2006	9	-
Distributions paid or payable to unitholders (note 6(b))	61	9
Cash distributions paid to unitholders (note 6(c))	(9)	-
At 30 June 2007	<u>61</u>	<u>9</u>
	30 June 2007 \$'000	30 June 2006 \$'000
(b) Distributions paid or payable to unitholders		
30 June 2006		
Net profit attributable to unitholders	-	9
30 June 2007		
Net profit attributable to unitholders	61	-
	<u>61</u>	<u>9</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007 \$ per unit	30 June 2006 \$ per unit	30 June 2007 \$'000	30 June 2006 \$'000
(c) Cash distributions paid to unitholders				
30 June 2006				
June 2005 income distribution	-	-	-	-
30 June 2007				
June 2006 income distribution	90	-	9	-
			<u>9</u>	<u>-</u>

Income distributions

Income distributions represent distributions from the profit attributable to unitholders of the Fund.

7 PROPERTY, PLANT & EQUIPMENT (NON CURRENT)

	2007 \$'000	2006 \$'000
At 1 July 2006	15,717	10,352
Cost of freehold improvements completed in the period	54,794	5,365
At 30 June 2007	<u>70,511</u>	<u>15,717</u>

The costs associated with the construction of the property are carried at cost with reference to AASB 116 "Property, Plant and Equipment" until the construction is complete.

8 CASH AND CASH EQUIVALENTS (CURRENT)

	2007 \$'000	2006 \$'000
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank	<u>828</u>	<u>2,744</u>

	2007 \$'000	2006 \$'000
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit attributable to unitholders of LEX Property Fund	61	23
<i>Changes in assets and liabilities</i>		
Decrease in non construction trade and other receivables	-	1
Increase in non construction trade and other payables	-	-
Net cash flows from operating activities	<u>61</u>	<u>24</u>

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	2007 \$'000	2006 \$'000
Trade receivables	429	536
GST receivable	702	125
	<u>1,131</u>	<u>661</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

10 OTHER FINANCIAL ASSETS (CURRENT)

	2007	2006
	\$'000	\$'000
Prepaid interest charges	243	-

11 BORROWING COSTS (NON CURRENT)

	2007	2006
	\$'000	\$'000
Cost		
At 1 July 2006	44	-
Additions in the period	538	44
At 30 June 2007	582	44
Net Book Value		
At 30 June 2007	582	44

Borrowing costs comprise costs in relation to the establishment, arrangement and documentation of the debt facilities including the establishment fees, legal fees, mortgage stamp duty and other costs associated with the debt facilities.

12 TRADE AND OTHER PAYABLES (CURRENT)

	2007	2006
	\$'000	\$'000
Trade creditors and accruals	7,732	4,782

Trade payables are non-interest bearing and are normally settled on 30-day terms. Australian Accounting Standard AASB 101 requires financial liabilities to be classified as current when they are due to be settled within twelve months after the reporting date.

13 INTEREST BEARING LIABILITIES

	2007	2006
	\$'000	\$'000
Current		
Secured loan facility (related entity)	-	8,875
Convertible loan note facility (related entity)	-	5,500
	-	14,375

Secured Loan Facility

The Fund entered into a Secured Loan Facility with Cebas to provide secured loan funding up to the value of \$27,975,000 (excluding accrued interest) for the acquisition of land and payment of costs associated with the development of the Property.

The Secured Loan Facility was secured by the following:

- A fixed and floating charge over all the assets and undertakings of the Responsible Entity; and
- Mortgages over the freehold land owned by the Fund.

The Secured Loan Facility was repaid in full, together with accrued interest, on 29 March 2007 from the proceeds of the capital raising.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

Convertible Loan Note Facility

The Fund entered into a Convertible Loan Note Facility with Cebas to provide funding of up to \$10,150,000. As at 30 June 2006, Cebas had advanced \$5,500,000 to the Fund under the terms of this facility, with a further amount of \$4,650,000 advanced on 30 November 2006.

The full amount of \$10,150,000 advanced under the terms of this facility was converted into units of the Fund on 30 November 2006 (see note 14).

	2007 \$'000	2006 \$'000
Non Current		
Construction facility (external)	27,690	-

The Fund has access to bank bill lines totalling \$66,300,000 through facility agreements with National Australia Bank Limited ("NAB"). The amount of credit unused at 30 June 2007 was \$38,610,000.

The facility has two phases, being the construction facility ("Construction Facility") and the term/investment facility ("Term Facility") (together, the "Facilities").

The Construction Facility is a facility to allow the development of the Property and expires on 27 February 2008, or the certified Practical Completion date of the Property.

The Construction Facility is secured by the following:

- A registered mortgage over the Property;
- A fixed and floating charge over the present and future property, assets and undertakings of the Fund;
- A deed of guarantee where Cebas guarantees to pay the portion of total development costs that exceed \$103.65 million (excluding GST) subject to certain exclusions in respect of:
 - (a) variations which are not permitted variations in respect of construction works;
 - (b) force majeure provisions; and
 - (c) industrial disputes.
- A building tripartite deed between NAB, the Responsible Entity and Multiplex Constructions Pty Ltd.

The Term Facility is a bill facility to refinance the Construction Facility after Practical Completion and to assist the Fund with long term ownership of the Property. It will be in place for a term of five years following the expiry of the Construction Facility.

The Term Facility is secured by the following:

- A registered mortgage over the Property; and
- A fixed and floating charge over the present and future property, assets and undertakings of the Fund.

The Fund must maintain a loan to valuation ratio of not greater than 60%, and an interest coverage ratio of greater than 1.50 times. The Fund must also enter into and maintain hedging transactions with NAB to hedge its interest exposure of at least 75% of the outstanding amount at any time.

14 UNIT CAPITAL

	2007	2006
Issued capital		
Fully paid units on issue	45,700,100	100

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

	<i>No. of units 2007</i>	<i>No. of units 2006</i>
<i>Movements in issued capital</i>		
Balance brought forward	100	100
Issued on 30 November 2006	14,500,000	-
Issued on 28 March 2007	31,200,000	-
Balance carried forward	<u>45,700,100</u>	<u>100</u>
	<i>2007 \$'000</i>	<i>2006 \$'000</i>
<i>Proceeds from issue of units on:</i>		
30 November 2006	10,150	-
28 March 2007	31,200	-
Less: equity raising costs	<u>(3,138)</u>	<u>-</u>
At 30 June 2007	<u>38,212</u>	<u>-</u>

Unit capital represents receipts from unitholders less capital raising costs incurred. As the unit capital has a finite life, it is treated as a liability under AASB 132 "Financial Instruments: Presentation".

On 30 November 2006, 14,500,000 units were allotted to raise total equity of \$10,150,000 pursuant to the terms of the Convertible Loan Note Facility.

15 UNDISTRIBUTED INCOME

	<i>2007 \$'000</i>	<i>2006 \$'000</i>
Balance brought forward	-	(14)
Net profit attributable to unitholders	61	23
Income distributions payable to unitholders	<u>(61)</u>	<u>(9)</u>
Balance carried forward	<u>-</u>	<u>-</u>

Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to distribute both the capital and income of the Fund. At 30 June 2007 there was no undistributed income.

16 FINANCIAL INSTRUMENTS

The Fund's principal financial instrument comprises of a bank loan in order to finance the construction of the Property.

The Fund has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Fund's financial instruments are interest rate risk, liquidity risk, and credit risk. The directors of the Responsible Entity review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

During the term of the Construction Facility there is no requirement to hedge the loan from exposure to interest rate changes. The Directors therefore select the optimum interest rate and length of rollover period for each bill's duration.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

Year ended 30 June 2007	<1 year \$'000	>1 - <2 years \$'000	>2 - <3 years \$'000	>3 - <4 years \$'000	>4 - <5 years \$'000	>5 years \$'000	Total \$'000
<i>Floating rate</i>							
Construction facility	(27,690)	-	-	-	-	-	(27,690)
Cash and cash equivalents	828	-	-	-	-	-	828
Trade and other receivables	430	-	-	-	-	-	430
Trade and other payables	(6,631)	-	-	-	-	-	(6,631)
Year ended 30 June 2006	<1 year \$'000	>1 - <2 years \$'000	>2 - <3 years \$'000	>3 - <4 years \$'000	>4 - <5 years \$'000	>5 years \$'000	Total \$'000
<i>Floating rate</i>							
Secured loan – related entity	(14,375)	-	-	-	-	-	(14,375)
Cash and cash equivalents	2,744	-	-	-	-	-	2,744
Trade and other receivables	536	-	-	-	-	-	536
Trade and other payables	(4,656)	-	-	-	-	-	(4,656)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

The other financial instruments of the Fund that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. Cash flow risk is the risk that future cash flows associated with the financial instruments will fluctuate in amount.

During the construction period, the main receipts will be from draw downs from NAB, and the main payments are to the construction contractors and consultants. Due to the timing of the receipts and payments, the Fund believes its exposure to liquidity risk is not significant.

Credit risk

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract. The Fund's maximum credit risk exposure at the balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

17 COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Fund as lessor

The Fund has entered into an agreement to lease the property with Cebas Pty Ltd, the key terms of which are as follows:

- Commencement of the lease is on the earlier of Practical Completion or the date on which Cebas commences trading;
- The initial term is for fifteen years with three further option periods of five years each;
- Commencing rental on the IKEA Store is calculated at 8.75% of the total development cost of the IKEA Store;
- Annual rent reviews at the rate of CPI with market reviews every five years. The rent following any review cannot be lower than the rent in the preceding year;
- A bank guarantee equivalent to six monthly instalments of rent;
- Cebas is responsible for all apportioned outgoings and operating costs;
- Cebas is responsible for the costs of all structural repairs caused by its actions;

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

- Cebas is responsible for all repairs and maintenance subject to the usual exceptions for fair wear and tear; and
- Cebas has a first right of refusal to purchase the Property during the term.

The Fund will enter into lease arrangements with tenants for various tenancy areas within the other perimeter buildings prior to the completion of these units.

Guarantees

The Fund entered into a Deed of Guarantee with Cebas and NAB. Cebas has guaranteed to pay the portion of total development costs that exceed \$103.65 million (excluding GST), subject to certain exclusions detailed in note 18.

18 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

Related party	Receipts from related parties \$'000	Payments to related parties \$'000	Funding interest paid to related parties \$'000	Advances received from related parties \$'000	Repayments to related parties \$'000	Equity allotted to related parties \$'000
Year ended 30 June 2007						
Cebas	1,567	(286)	(1,925)	19,303	(25,453)	10,150
LEX Pty Ltd	-	(937)	-	-	-	-
LEX Property Management Limited	-	(3,154)	-	-	-	-
Year ended 30 June 2006						
Cebas	-	-	-	14,375	-	-
LEX Pty Ltd	-	(7)	-	-	-	-
LEX Property Management Limited	-	(71)	-	-	-	-

Relationship with Cebas

Cebas will be the tenant of the IKEA Store. Mr Tribe has an indirect interest in Cebas as a beneficiary of a discretionary trust that indirectly controls Cebas.

Cebas has paid monies to the Fund for tenant-related costs incurred during the construction of the Property. The total amount of these cost recoveries in the year is \$1,567,000 (2006 : \$Nil)

Secured Loan Facility

The Fund entered into a Secured Loan Facility with Cebas to provide secured loan funding up to the value of \$27,975,000 (excluding accrued interest) for the acquisition of land and payment of associated costs in connection with the development of the Property.

The Secured Loan Facility was secured by the following:

- A fixed and floating charge over all the assets and undertakings of the Responsible Entity; and
- Mortgages over the freehold land owned by the Fund.

The Secured Loan Facility was repaid in full, together with accrued interest, on 29 March 2007 from the proceeds of the capital raising.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

Convertible Loan Note Facility

The Fund entered into a Convertible Loan Note Facility with Cebas to provide funding of up to \$10,150,000. As at 30 June 2006, Cebas had advanced \$5,500,000 to the Fund under the terms of this facility, with a further amount of \$4,650,000 advanced on 30 November 2006.

The full amount of \$10,150,000 advance under the terms of this facility was converted into units of the Fund on 30 November 2006 (see note 14).

Deed of Guarantee

The Fund entered into a Deed of Guarantee with Cebas and NAB, where Cebas guarantees to pay the portion of total development costs that exceed \$103.65 million (excluding GST) subject to certain exclusions in respect of:

- (a) variations which are not permitted variations in respect of construction works;
- (b) force majeure provisions; and
- (c) industrial disputes.

Relationship with LEX Pty Ltd

Mr Tribe and Mr Wyatt are directors of LEX Pty Ltd and Mr Tribe has an indirect interest in LEX Pty Ltd as a beneficiary of a discretionary trust that controls LEX Pty Ltd.

During the year to 30 June 2007, payments totalling \$937,000 were made to LEX Pty Ltd for services provided in respect of project and development management fees (2006: \$78,000).

Relationship with LEX Property Management Limited

LEX Property Management Limited is the responsible entity for the Fund. The directors of the responsible entity each have an ownership interest in the responsible entity, with Mr Tribe holding an indirect controlling interest as a beneficiary of a discretionary trust that indirectly controls LEX Property Management Limited.

During the year to 30 June 2007, the Fund made payments totalling \$3,154,000 to the Responsible Entity (2006: \$Nil).

The payments included the following amounts:

	<i>\$'000</i>
Issuer fees	2,925
Capital raising arrangement fees	213
Management fees	16
	<u>3,154</u>

19 AUDITORS' REMUNERATION

	2007 \$'000	2006 \$'000
Amounts received or due and receivable by PKF for:		
• investigating accountant's and taxation reports	67	5
• audit and financial report	30	-
• taxation services	15	-
	<u>112</u>	<u>5</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

20 DIRECTOR DISCLOSURES

(a) Details of Specified Directors

The following persons were specified directors of the Responsible Entity, LEX Property Management Limited during the financial year:

Mr Alan W Tribe	Non Executive Director and Chairman
Mr Nicholas C Wyatt	Managing Director
Mr Stephen R Dixon	Director – Funds Management
Mr Peter M Morrison	Non Executive Director

(b) Remuneration of Specified Directors

Remuneration Policy

The right of the Responsible Entity to be remunerated and indemnified by the Fund is set out in the Constitution of the Fund. The Constitution is available from ASIC and is available to unitholders on request.

Remuneration expenses of the Responsible Entity are not borne by the Fund. Directors are remunerated by the responsible entity in accordance with service agreements entered into.

(c) Unit holdings

Details of the interests of the directors in the units of the Fund at the end of the year are set out below:

	2007		2006	
	<i>Directly</i>	<i>Indirectly</i>	<i>Directly</i>	<i>Indirectly</i>
Specified Directors				
Alan W Tribe	-	16,399,850	-	100
Nicholas C Wyatt	300,000	150,000	-	-
Stephen R Dixon	-	30,000	-	-
Peter M Morrison	-	50,000	-	-

21 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations, or state of affairs of the Fund in subsequent financial years.

Directors' Declaration

In accordance with a resolution of the directors of LEX Property Management Limited, Responsible Entity for the LEX Property Fund ("the Fund"), I state that :

1. In the opinion of the directors:
 - (a) the financial statements and notes of the Fund are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declaration required to be made by the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2007.

For and on behalf of the board of LEX Property Management Limited.



Alan W Tribe
Chairman
Perth, 24 September 2007

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF LEX PROPERTY FUND**

We have audited the accompanying financial report of LEX Property Fund, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' of LEX Property Management Limited responsibility for the Financial Report

The directors of LEX Property Management Limited ("the Responsible Entity") are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

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

Independence

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

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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Auditor's Opinion

In our opinion the financial report of LEX Property Fund is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



PKF
Chartered Accountants



Ian Olson
Partner

Dated at Perth, Western Australia this 24th day of September 2007