



Quarterly Update – 30 June 2009

JUNE 2009 DISTRIBUTION

- A cash distribution of **2.0625 cents per unit** (“cpu”) has been paid by the Fund for the quarter ended 30 June 2009.
- Cash distributions for the full year total **8.25 cpu**, which is in line with the forecast distribution included in the Fund’s Product Disclosure Statement (“PDS”) dated 31 January 2007.
- Enclosed is your distribution statement for the quarter.
- Distributions for the year to 30 June 2009 are 100% tax deferred.

PROPERTY VALUATION

The IKEA Perth Store and perimeter buildings (“Property”) owned by the Fund has been independently valued at \$113.0 million at 30 June 2009.

The much publicised Financial Crisis has led to weaker conditions in the property market. In general, capitalisation rates have increased. In determining the value of the Property at 30 June 2009, the valuer applied a higher capitalisation rate and, although the rental returns derived from the Property have increased due to annual reviews, the updated valuation of \$113.0m is 5.8% less than the June 2008 value of \$120.0m. However, it should be noted that this latest independent valuation still exceeds the original forecast valuation at completion (February 2008) of \$110.5m outlined in the PDS.

NET TANGIBLE ASSET VALUE

Based on the Fund’s updated property value at 30 June 2009, the Fund’s unaudited net tangible asset (“NTA”) value per unit is \$1.04 (from \$1.19 last year).

Investors should note that this NTA value of \$1.04 is based on the independent property valuation at 30 June 2009. However, the underlying value of the Fund’s units may not necessarily reflect this NTA value as other market factors, such as liquidity and the impact of current global economic conditions on equity values, may also need to be taken into account. Investors should therefore seek their own independent advice when considering unit values.

FINANCIAL INDICATORS – JUNE 2009

After reflecting the revaluation of the Property, the Fund’s financial position at 30 June 2009 is expected to show the following indicators:

- External borrowings of \$66.3 million – unchanged since 31 December 2008.
- Gearing ratio on the Fund’s external debt of 58.7% – an increase from 55.3% reported at 31 December 2008.
- NTA backing per unit of \$1.04 – a 12.6% reduction since 30 June 2008 (\$1.19 per unit).

LEASING UPDATE

The IKEA Perth Store and perimeter buildings (Property) owned by the Fund are fully leased. In addition, rental income derived from the Fund’s portfolio of tenancies will increase over the lease terms based on the following annual rent review arrangements in place:

- IKEA Perth Store – annual reviews at CPI, with a market review at every 5th anniversary; and
- Perimeter tenancies – various annual review dates, with a mix of CPI-based or fixed annual percentage increases.

On this basis, property rent for the IKEA Perth Store achieved an annual increase of 3.75% with effect from 4 February 2009 and, with the long leasehold arrangements in place with Cebas Pty Ltd for the IKEA Perth Store (lease expiry 13.6 years) and a weighted average lease term of 4.3 years for the perimeter tenancies, the Fund has a secure base from which to derive future cash income.

CAPITAL AND DEBT MANAGEMENT

In light of the current economic conditions, the Directors completed a capital and debt management review in the quarter. Having regard to the Fund's full compliance with banking covenants and the financial performance to date, the Directors are satisfied that no changes to the Fund's capital and debt structure are necessary at this time. In particular, the Fund's loan to value ratio, interest cover and property valuation are all in line with or slightly better than the forecast position included with the PDS.

Should there be any significant worsening of economic conditions affecting the property market, this might give rise to further downward pressure on property valuations in the sector. Compliance with bank covenants under those circumstances may also be affected. If there is a further decline in the future value of the Fund's property which affects compliance with the Fund's debt covenants, the Directors will assess if there is a requirement to change the capital and debt structure of the Fund. Should this be necessary, measures which could be considered would include:

- Postponement and/or cancellation of future periodic cash distributions to investors.
- An entitlement issue to investors to raise additional equity, the net proceeds of which could be applied to reduce bank debt.

The Directors do not consider such measures to be necessary at the present time.

In relation to the Fund's debt facility at 30 June 2009, the Directors confirm the following key points which provide comfort for investors:

- The Fund has no debt facilities which require renegotiation in the near term.
- The term debt facility has a maturity date in February 2013.
- Interest expense on 100% of the debt drawn under this facility is fixed until the maturity date.
- The loan to value ratio of the facility is 58.7% as at 30 June 2009 (compared to the bank's requirement that this ratio should not exceed 60.0%).
- Interest cover is 1.98 times for the year to 30 June 2009 (compared to the bank's requirement that this ratio should not fall below 1.50 times).

Therefore the Fund's debt facility is operating within the banking covenants agreed with the Fund's lender.

DISCLOSURE TO INVESTORS

In accordance with ASIC's Regulatory Guide 46 ("RG46"), the Responsible Entity is required to disclose certain information regarding the Fund which is aimed at improving disclosure to retail investors in unlisted registered property schemes.

Key principles such as gearing and distribution practices are addressed in this Quarterly Update and an updated commentary on each of the eight disclosure principles is available for viewing by investors on the website at www.lexproperty.com.au/lpf_fund.php.

ANNUAL FINANCIAL REPORT

In accordance with statutory obligations, the Fund's annual unaudited financial report for the period to 30 June 2009 will be lodged with ASIC before 30 September 2009. A copy of this report will be made available on our website, www.lexproperty.com.au as soon as it is lodged with ASIC, or can be sent to you at your request.

ANNUAL TAXATION STATEMENTS

Enclosed is your annual taxation statement for the 2008/2009 tax year. You will need the information on this taxation statement to help you complete your tax return for the year to 30 June 2009.

For further information about the Fund, please visit the website at www.lexproperty.com.au. If you have any questions regarding your investment in the Fund, please do not hesitate to contact LEX Investor Services on 1800 502 464.



Nick Wyatt
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LEX Property Management Limited
20 July 2009