LEX Property Fund
(ARSN 123 437 838)

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

Annual Financial Report
30 June 2008

Contents

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 2008.

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**
A CPA with extensive experience from a broad range of commercial roles in Australia and overseas. He became Managing Director of Cebas Pty Ltd, the IKEA franchisee for South Australia and Western Australia, 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 a shareholder of the Responsible Entity.

Nicholas C Wyatt BA (Hons), ACA (UK) **Managing Director**
A Chartered Accountant originally from the UK, who has gained significant exposure in a whole range of industries. 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 Company. 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 investment funds under management.

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. He has extensive experience through a variety of previous roles with Armstrong Jones, Guardian Funds Management Limited and Acumen Capital Limited. He is also a current 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 24 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 is also now a current 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:

	2008		*2007*	
	Directly	*Indirectly*	*Directly*	*Indirectly*
Specified Directors				
Alan W Tribe	-	16,399,850	-	16,399,850
Nicholas C Wyatt	300,000	150,000	300,000	150,000
Stephen R Dixon	-	30,000	-	30,000
Peter M Morrison	-	50,000	-	50,000

PRINCIPAL ACTIVITY

The Fund is a managed investment scheme, which was registered with ASIC on [January 2007]. The Fund was established by the Responsible Entity for the purpose of the developing a new retail centre in Perth, Western Australia which comprises a purpose-built IKEA Store leased to the IKEA franchisee, together with other perimeter buildings which provide additional showroom retail and office space adjacent to the IKEA Store.

REVIEW AND RESULTS OF OPERATIONS

During the year, the Fund completed the development of the IKEA Store and other perimeter buildings (together, the "Property") at the freehold site in Innaloo, Western Australia. Practical Completion of the IKEA Store was achieved on 4 February 2008 and the tenant opened the IKEA Store to the public on 14 February 2008.

The development was completed ahead of the forecast practical completion date outlined in the Fund's Product Disclosure Statement ("PDS") dated 31 January 2007. The total development cost incurred of $103,622,000 was completed within the development budget which was also included in the PDS.

Following Practical Completion of the Property, the Responsible Entity commenced the payment of distributions to unitholders. The first cash distribution of income was paid for the period ending 31 March 2008. A cash distribution for the quarter ended 30 June 2008 was paid on 18 July 2008. Total cash distributions paid to unitholders for the year ended 30 June 2008 amounted to 2.75 cents per unit, which exceeded the PDS forecast (2.49 cents per unit).

The Directors obtained an independent valuation of the property as at 30 June 2008 of $120,000,000, which represented a revaluation surplus of $16,378,000 at completion. This valuation exceeded the forecast at completion valuation which was included in the PDS of $110,500,000. As a result, the Fund's net tangible asset backing per unit at 30 June 2008 is $1.19.

In light of the recent volatility in the global financial markets and property sector generally, the Directors confirm that the Fund has adopted a conservative approach to its debt funding. The Fund has no debt facilities which require renegotiation in the near term and other key points to note are:

- the term debt facility has a maturity date in February 2013;
- interest expense on 90% of the debt drawn under this facility is fixed until the maturity date; and
- the loan to value ratio of the facility is 54.1% at 30 June 2008.

The total cash distributions paid, together with the increased net asset value per unit, produced a total unitholder return of 21.75 cents per unit, based on the issue price of units ($1.00) issued pursuant to the PDS.

SIGNIFICANT CHANGES IN THE STATE OF THE COMPANY'S AFFAIRS

There were no significant changes in the state of the Fund's affairs during the year.

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

On 18 July 2008, a cash distribution of $799,752 (1.75 cents per unit) was paid to unitholders for the quarter ending 30 June 2008.

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.

INDEMNITY TO DIRECTORS AND OFFICERS

The Responsible Entity paid premiums in respect of a contract insuring the Directors against liabilities while acting as an officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the premium. The Responsible Entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor against a liability incurred as such by an officer or auditor.

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 6 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, 25 September 2008

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of LEX Property Fund for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of LEX Property Fund.

PKF
Chartered Accountants

Chris Nicoloff
Partner

Dated at Perth, Western Australia this 25th day of September 2008

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Income Statement
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	*2008 $'000*	*2007 $'000*
Continuing Operations			
Revenue			
Rental income		3,459	-
Other property income		441	-
Interest income		60	130
Fair value adjustment to investment property	5	16,378	-
Total revenue		20,338	130
Expenses			
Other property expenses		(441)	-
Responsible entity's fees		(251)	(16)
Administrative expenses		(71)	(53)
Net profit from continuing operations before finance costs		19,575	61
Finance costs	3	(1,942)	-
Net profit from continuing operations attributable to unitholders of the LEX Property Fund		17,633	61
STATEMENT OF DISTRIBUTION			
Net profit attributable to unitholders of the LEX Property Fund		17,633	61
Accumulated net loss attributable to unitholders of the LEX Property Fund		-	-
Distributions paid or payable	4	(1,255)	(61)
Undistributed income at the end of the financial period	12	16,378	-

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

Balance Sheet

AS AT 30 JUNE 2008

	Notes	2008 $'000	2007 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	12	828
Trade and other receivables	8	31	1,131
Total Current Assets		43	1,959
Non Current Assets			
Investment property	5	120,000	-
Property, plant and equipment	6	-	70,511
Total Non Current Assets		120,000	70,511
TOTAL ASSETS		120,043	72,470
LIABILITIES			
Current Liabilities			
Trade and other payables	9	1,498	7,332
Distributions payable	4	935	61
Total Current Liabilities		2,433	7,393
Non Current Liabilities			
Interest bearing borrowings	10	63,096	26,865
Unit capital	11	38,212	38,212
Total Non Current Liabilities		101,308	65,077
TOTAL LIABILITIES		103,741	72,470
NET ASSETS		16,302	-
UNITHOLDERS' EQUITY			
Equity attributable to unitholders of LEX Property Fund			
Undistributed income	12	16,378	-
Capital distribution reserve	13	(76)	
TOTAL UNITHOLDERS' EQUITY		16,302	-
Net tangible asset value per unit	14	$1.19	$0.84

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 $'000	2007 $'000
Cash flows from operating activities			
Receipts from customers		4,436	-
Refund of GST paid to suppliers		702	-
Payments to suppliers		(563)	(69)
Payments to responsible entity		(251)	-
Interest received		60	130
Interest paid		(2,808)	-
Net cash flows from operating activities	7	1,576	61
Cash flows from investing activities			
Payment of costs of property, plant and equipment		(38,789)	(52,957)
Net cash flows used in investing activities		(38,789)	(52,957)
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
Proceeds from secured loan facility – related entity		-	14,653
Repayments of secured loan facility – related entity		-	(23,528)
Proceeds from borrowings – external		37,184	27,690
Payment of borrowing costs		(330)	(538)
Distributions paid		(457)	(9)
Net cash flows from financing activities		36,397	50,980
Net (decrease)/increase in cash and cash equivalents		(816)	(1,916)
Cash and cash equivalents at beginning of period		828	2,744
Cash and cash equivalents at end of period	7	12	828

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 2008

	Undistributed income $'000	*Capital distribution reserve $'000*	*$'000*
Balance at 1 July 2006	-	-	-
Net profit for the year	61	-	61
Income distributions payable	(61)	-	(61)
Balance at 30 June 2007	-	-	-
Net profit for the year	17,633	-	17,633
Capital distributions payable	-	(76)	(76)
Income distributions payable	(1,255)	-	-
Balance at 30 June 2008	16,378	(76)	16,302

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

1 CORPORATE INFORMATION

The financial report of the LEX Property Fund ("the Fund") for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors of LEX Property Management Limited ("the Responsible Entity") on 25 September 2008.

The Fund is a managed investment scheme, which was registered with ASIC on 25 January 2007. The Fund's main asset is a an investment property situated on freehold land owned by the Fund in Innaloo, Western Australia,

The investment property is a new retail centre which comprises a purpose built IKEA Store, together with other perimeter buildings which provide additional showroom retail and office space adjacent to the IKEA Store. The IKEA Store is leased to Cebas Pty Ltd ("Cebas"), the IKEA franchisee for Western Australia and South Australia.

The Fund is domiciled in Australia and the principle office is located at 8B Sunray Drive, Innaloo, Western Australia 6018.

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. The financial report of the Fund complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report has also been prepared on a historical cost basis, except for the investment property which has been measured at fair value.

Going Concern

The financial report has been prepared on a going concern basis. As at the reporting date, the current liabilities exceed the current assets by $2.390 million. However, the Fund has access to unused bank facilities of $1.515 million and is expected to generate adequate revenues to meet the obligations of the Fund as and when they fall due. The management does not foresee the need to substantially curtail the operations of the Fund.

Rounding

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 2008. Amendments issued affecting the Fund are outlined below:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

Reference	Title	Summary	Application date of standard	Impact on Fund's financial report	Application date for Fund
AASB 101	Presentation of Financial Statements (Revised)	The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that Australian issuers must make use in financial reports of the descriptions- Statement of Financial Performance and Position rather than Balance Sheet and Income Statement and use the term "financial report" and not "financial statement." The Amending Standard updates references in various other pronouncements.	1 January 2009	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 January 2009

Amendments / revision of other Accounting Standards and interpretations would not impact the Fund.

(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.

The following specific recognition criteria must also be met before revenue is recognised:

Rental Income

Rental income is recognised as income when receivable under the terms of the relevant lease agreement.

Interest Income

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

(d) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the balance sheet when the Fund becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

Impairment in carrying amount of the financial assets is initially recorded in an allowance account. The carrying amount of the financial asset is reduced directly for the impairment loss when the loss is crystallised. Crystallisation of such losses is recorded initially against the allowance account (to the extent of losses recognised in previous financial years in allowance account), and the balance in the Profit and Loss statement. Allowances for impairment losses of financial assets are derecognised simultaneously with derecognition of the financial asset.

(e) Finance Expenses

Finance expenses are measured at amortised costs applying the effective interest rate method.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank.

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

(g) Trade and Other Receivables

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

An assessment of recoverability of trade and other receivables is performed by the management at each reporting date.

An allowance account is initially used to provide for doubtful receivables. Where there are objective evidence exists to suggest non-recoverability, then the receivable is written off against the allowance account.

Management considers various factors to determine the recoverability of receivables including factors such as (i) existence of bank guarantees; (ii) deposits held; (iii) recent payment patterns, and (iv) correspondence with tenants.

The movements in allowance accounts are recognised in the income statement, either as gain or loss.

(h) Investment property

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

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.

Investment property is initially recognised at cost, being the fair value of the consideration given and directly attributable transaction costs.

Subsequently investment property is measured at fair value at each reporting date.

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 or decrement is credited or charged directly to the income statement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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.

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 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 was under construction until completion, and in accordance with AASB 140 "Investment Property", all amounts were carried at cost until completion.

As assets under the course of construction are considered to have the function of an investment they are not depreciated.

(i) Trade and Other Payables

Trade creditors and accruals are recognised and measured at amortised cost upon the receipt of or consumption of goods and services.

(j) 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 borrowings.

An assessment of the borrowings effective interest rate is made at initial recognition based on the estimated cash-flows relating to such borrowing.

After initial recognition, the borrowings are measured at each reporting date at amortisation cost applying the effective interest rate.

Gains and losses are recognised in the Profit and Loss statement through the amortisation process and also at derecognition of the borrowings. However finance costs relating to a qualifying asset is capitalised as part of the asset's cost.

(k) 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.

(l) 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 does not contain a perpetuity clause.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

(m) 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".

(n) Income Tax

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.

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.

(o) 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 FINANCE COSTS

	2008 *$'000*	*2007* *$'000*
Interest charges and fees – banks	1,866	-
Amortisation of debt funding costs	76	-
	1,942	-

4 DISTRIBUTIONS PAID OR PAYABLE

	30 June 2008 *$'000*	*30 June 2007* *$'000*
Distributions payable		
Balance brought forward	61	9
Income distributions to unitholders	1,255	61
Capital distributions to unitholders	76	-
Cash distributions paid to unitholders	(457)	(9)
Balance carried forward	935	61

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	30 June 2008 Cents per unit	*30 June 2007 Cents per unit*
Cash distributions paid to unitholders	1.00	0.02

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

Capital distributions
Capital distributions relate to amortisation arising from establishment fees associated with the debt.

5 INVESTMENT PROPERTY

Reconciliation of Movements

	2008 $'000	*2007 $'000*
Fair value of investment property brought forward	-	-
Cost of land and buildings constructed in the period and transferred to investment properties at completion	103,622	-
Fair value adjustment to investment property	16,378	-
Fair value of investment property carried forward	120,000	-

Valuation Policy
Investment properties are carried at fair value.

Fair value is determined by a full independent valuation 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.

The Directors have assessed the fair value of the investment property at 30 June 2008 to be $120,000,000 using an independent valuation report prepared by Knight Frank Valuations (WA) as at the balance sheet date. This independent report was prepared for trust reporting purposes and for mortgage security reporting purposes and was prepared as an update of the previous full detailed independent valuation report prepared by and Knight Frank (WA) Pty Ltd which was included within the Product Disclosure Statement dated 31 January 2007.

Valuation Methodology and Significant Assumptions
Independent valuations are carried out by a valuer who holds a relevant professional qualification and has recent experience in the location and category of the investment property.

Properties that have not been independently valued are carried at fair value by way of a Directors' valuation. The methodology and assumptions of such Directors' valuations are subject to an independent verification process.

Operating Leases
The investment property comprises a purpose-built IKEA Store in Perth, Western Australia together with other perimeter buildings. The property is constructed on freehold land which is owned by the Fund. The Fund (as lessor) has entered into long term lease arrangements with the tenant of the investment property, Cebas Pty Ltd and tenants of the other perimeter building tenancies.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

The key terms of operating lease arrangements for the IKEA Store are included in detail in Note 17.

6 PROPERTY, PLANT & EQUIPMENT (NON CURRENT)

	2008 $'000	*2007 $'000*
Balance brought forward	70,511	15,717
Cost of freehold improvements completed in the period	33,111	54,794
Transfer to investment properties	(103,622)	-
Balance carried forward	-	70,511

The investment property was in the course of construction at 30 June 2007. In accordance with AASB 140 : Investment Properties, the costs associated with the construction of the investment property were carried at cost with reference to AASB 116 : Property, Plant and Equipment until construction was complete. Assets under constructions are not subject to depreciation until practical completion.

The investment property was certified as practically complete on 4 February 2008. The final costs associated with construction at that date amounted to $103,622,000 and this amount was therefore transferred to investment properties and subsequently revalued by the Directors. Further details of the investment property are included in Note 5.

7 CASH AND CASH EQUIVALENTS

	2008 $'000	*2007 $'000*
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank	12	828

The entity is exposed to credit risk and interest rate risk on account of cash and cash equivalents. Refer to Note 16 for further discussion.

	2008 $'000	*2007 $'000*
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit attributable to unitholders of LEX Property Fund	17,633	61
Adjustments for:		
Amortisation of debt funding costs	76	-
Fair value adjustments of investment property	(16,378)	-
Changes in assets and liabilities		
Decrease in trade and other receivables	415	-
Increase in prepayments	(942)	-
Decrease in GST recoverable	772	-
Net cash flows from operating activities	1,576	61

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

8 TRADE AND OTHER RECEIVABLES

	2008 $'000	*2007 $'000*
Trade receivables	11	429
GST receivable	17	702
Other costs recoverable	3	-
	31	1,131

Trade receivables are non-interest bearing and are normally settled on 30-day terms.

Trade and other receivables expose the entity to liquidity risks. Refer to Note 16 for further discussion on risk management.

9 TRADE AND OTHER PAYABLES

	2008 $'000	*2007 $'000*
Trade creditors and accruals	1,498	7,332

Trade payables are unsecured, non-interest bearing and are normally settled on 30-day terms.

Trade and other payables expose the entity to liquidity risks. Refer to Note 16 for further discussion on risk management.

10 INTEREST BEARING BORROWINGS

	2008 $'000	*2007 $'000*
Non Current		-
Interest bearing liabilities at amortised costs	63,096	26,865

The interest bearing liabilities expose the entity to liquidity and interest rate risks. Refer to Note 16 for further discussion regarding risk management strategy.

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 2008 was $1,426,000.

The facility comprised two phases, being the construction facility ("Construction Facility") and the term/investment facility ("Term Facility") (together, the "Facilities"). The position of the principle amounts were:

	Date of Maturity	*2008 $'000*	*2007 $'000*
Non Current			
Construction Facility	04/02/08	-	27,690
Term Facility	04/02/13	64,874	-
		64,874	27,690

The Construction Facility was a facility to allow the development of the Property and expired on 4 February 2008, being the date of Practical Completion of the IKEA Store.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

The Construction Facility was 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 guaranteed to pay the portion of total development costs that exceeded $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 practical completion, hence is due to expire on 4 February 2013.

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 facility is an interest only facility with 90% of the interest exposure subject to an agreed schedule of fixed rates for the term of the loan. The Fund is in full compliance with the terms of its borrowings. No breach of the terms has been noted during the year.

11 UNIT CAPITAL

	No. of units 2008	*No. of units 2007*
Issued capital		
Fully paid units on issue	45,700,100	45,700,100

	No. of units 2008	*No. of units 2007*
Movements in issued capital		
Balance brought forward and carried forward	45,700,100	100
Units issued on 30 November 2006	-	14,500,000
Units issued on 28 March 2007	-	31,200,000
Balance brought forward and carried forward	45,700,100	45,700,100

Capital Management Policy

The Responsible Entity monitors the adequacy of its capital, and gearing to meet debt covenants in place. The debt covenants include a maximum loan to value ratio of 60%, compared to the actual loan to value ratio of approximately 54% at the reporting date.

	2008 $'000	*2007 $'000*
Unit capital		
Balance brought forward	38,212	-
Proceeds from issue of units on:		
30 November 2006	-	10,150
28 March 2007	-	31,200
Less: equity raising costs	-	(3,138)
Balance carried forward	38,212	38,212

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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".

12 UNDISTRIBUTED INCOME

	2008 *$'000*	*2007* *$'000*
Balance brought forward		-
Net profit attributable to unitholders	17,633	61
Income distributions payable to unitholders	(1,255)	(61)
Balance carried forward	16,378	-

The balance of undistributed income at the end of the financial year represents the fair value adjustment to the investment property which has been accounted for to date and credited to the Profit & Loss Statement after initial recognition at cost in accordance with AASB 140 "Investment Properties". This treatment is consistent with the Directors having elected to adopt the fair value method.

Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to distribute both the capital and income of the Fund. As the fair value adjustment to investment property is credited to the Profit & Loss Account to comply with the fair value method, the Directors have deemed that such an adjustment to the Profit & Loss Account will not be distributed to unitholders. It is therefore carried forward at the balance sheet date as an undistributed income balance.

13 CAPITAL DISTRIBUTION RESERVE

	2008 *$'000*	*2007* *$'000*
Balance brought forward	-	-
Capital distributions	76	-
Balance carried forward	76	-

Capital distributions represent the amount distributed by the Fund in excess of the taxable income and arise from the non cash impact of amortisation charges expensed for accounting purposes in respect of debt funding costs incurred.

14 NET TANGIBLE ASSET VALUE PER UNIT

	2008 *$'000*	*2007* *$'000*
Net tangible assets ($'000)	54,514	38,212
Number of units on issue used in the calculation	45,700,100	45,700,100
Net tangible asset value per unit	$1.19	$0.84

The net tangible assets of the Fund take into account unit capital and total equity of the Fund as shown in the balance sheet. Net tangible asset value per unit is calculated as if unit capital is classified as equity even though AASB 132 "Financial Instruments: Presentation" requires unit capital to be disclosed as non current liabilities. The definition of "liability" in the Fund's Constitution was amended allowing the unit capital to be classified as equity for the purposes of calculating net tangible assets.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values and carrying amounts of various financial instruments recognised at reporting date are noted below:

	Carrying Amount 2008 $'000	*Fair Values 2008 $'000*	*Carrying Amount 2007 $'000*	*Fair Value 2007 $'000*
Cash and cash equivalents	12	12	828	828
Trade and other receivables	31	31	1,131	1,131
Trade and other payables	1,498	1,498	7,732	7,732
Distributions payable	935	935	61	61
Interest bearing borrowings	63,096	61,701	26,865	28,099

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and distributions payable are reasonable approximation of their fair values, on account of their short maturity cycle.

The fair value of interest bearing borrowings are estimated by discounting the future expected cash-flows applying the current Government yield curve at reporting date plus an adjustment for entity's credit spread (ie 8.2% to 8.57%). Management does not expect prepayments of the loans.

The fair value of unit capital financial liability has not been assessed. The unit holders hold residual interest in the equity of the Fund.

16 RISK MANAGEMENT STRATEGY

The Fund is primarily exposed to credit risks, liquidity risks and interest rate risks. The nature and extent of risk exposure, and the Fund's risk management strategies are noted below.

Credit Risk

The Fund's credit risks arise from:

- Failure of its tenants to pay rent
- Failure of the Fund's banking institution

Cebas Pty Ltd is the anchor tenant of the investment property and has entered into a long term lease with the Fund, the key terms are detailed in Note 17.

Receivables (rent payments) are made by Cebas and other tenants at the beginning of each month.

They are normally paid on the first of each month, and are generally not paid later than four days from the first of the month.

As at 30 June 2008, the entity had maximum credit exposure from the tenants was $11,000 (2007: $Nil)

The Fund does not monitor the credit risks in relation to cash which is transacted through NAB. The Directors believe NAB is subject to strict regulations through legislation, the Reserve Bank and other regulatory bodies.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

Liquidity Risk
Liquidity risk is the risk the Fund will not be able to meet its financial liabilities. The entity is exposed to liquidity risk on account of (i) trade and other payables; and (ii) interest bearing borrowings.

Liquidity risk is constantly monitored to ensure that cleared funds are always available to meet financial liabilities.

The Fund's trading terms with suppliers generally grant 30 days' credit from the invoice date.

The ageing analysis of trade payables details supplier invoices outstanding for over 30 days at each reporting date as:

	2008 *$'000*	*2007* *$'000*
Ageing analysis of trade payables		
0 – 30 days	1,498	7,332

The Fund's principal financial instrument comprises of a bank term debt loan. The main purpose of the term debt loan was to refinance the construction debt advanced during the construction of the investment property.

Maturity analysis of contractual undiscounted cash-flows on financial liabilities at reporting date:

Year ended 30 June 2008	*<1 year* *$'000*	*>1 - <2 years* *$'000*	*>2 - <3 years* *$'000*	*>3 - <4 years* *$'000*	*>4 - <5 years* *$'000*	*>5years* *$'000*	*Total* *$'000*
Term debt loan	(4,695)	(4,922)	(5,098)	(5,140)	(68,860)	-	(88,719)
Trade and other payables	(1,498)	-	-	-	-	-	(1,498)
Distributions payable	(935)	-	-	-	-	-	(935)

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*
Construction debt loan	(2,590)	(2,239)	(2,384)	(2,458)	(2,475)	(29,682)	(41,828)
Trade and other payables	(7,332)	-	-	-	-	-	(7,332)
Distributions payable	(61)	-	-	-	-	-	(61)

Interest Rate Risk
Interest rate risk is the risk that fair values and cash flows of the Fund's financial instruments will be affected by changes in the market interest rates.

Entity's cash and cash equivalent, and interest bearing loans are impacted by interest rate risks. Other receivables and payables have short maturities and are non-interest bearing.

The management does not closely monitor the interest rates offered on cash and cash equivalent as the entity's primary objective is to earn rental income rather than interest income. The excess cash balances are invested at the prevailing short term market interest rates with credit worthy financial institutions.

The interest rate risk exposure on account of interest bearing loans has been mitigated as the entire loan bears fixed interest rate up to February 2013. The management has not devised risk management strategy for periods beyond February 2013 as the future strategy of the Fund would be decided by the unit holders.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

The fair value of the loans is affected by the movement in market interest rates. However the management does not monitor such fair value movements as the Fund does not intend to trade in its liabilities.

However, as the loans are subject to fixed interest rates for the period until 4 February 2013, the Directors do not believe changes in the market interest rate affect the Fund.

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 of 4 February 2008, being the date of Practical Completion;
- 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;
- 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 has also entered into lease arrangements with tenants for various tenancy areas within the other perimeter buildings.

Future minimum rentals receivable under all lease arrangements contracted at 30 June 2008 are as follows:

	2008 $'000	*2007 $'000*
Within one year	9,117	-
After one year but not more than five years	36,626	-
More than five years	79,989	-
	125,732	-

Guarantees

Cebas has provided a bank guarantee to the Fund for an amount equivalent to six months' rent under the terms of the lease between the Fund (as lessor) and Cebas (as lessee). The Fund is also in receipt of other bank guarantees and security deposits provided by various other tenants under the terms of leases for other perimeter buildings.

There have been no other material commitments or contingencies affecting the Fund's Financial Report.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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 2008						
Cebas Pty Ltd	11,269	(250)	-	-	-	-
LEX Pty Ltd	134	(1,932)	-	-	-	-
LEX Property Management Limited	-	(251)	-	-	-	-
Year ended 30 June 2007						
Cebas Pty Ltd	1,567	(286)	(1,925)	19,303	(25,453)	10,150
LEX Pty Ltd	-	(937)	-	-	-	-
LEX Property Management Limited	-	(3,154)	-	-	-	-

Relationship with Cebas

Cebas is the tenant of the IKEA Store and is the tenant of one perimeter building tenancy. Mr Tribe has an indirect interest in Cebas as a beneficiary of a discretionary trust that indirectly controls Cebas.

As tenant, Cebas has made lease rental payments to the Fund of $3,410,000 for the period to 30 June 2008. Cebas has also paid operating costs of $436,000 during the same period in respect of property outgoings.

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 $7,423,000 (2007: $1,567,000)

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. Amounts advanced under the terms of this facility were repaid in full by the Fund in the year ended 30 June 2007.

Deed of Guarantee

The Fund entered into a Deed of Guarantee with Cebas and NAB, where Cebas guaranteed to pay the portion of total development costs that exceeded $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.

With the Fund having finalised the development cost at completion at $103,622,000, Cebas has not been required to pay any portion of the total development costs under the terms of this guarantee.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

During the year to 30 June 2008, payments totalling $1,932,000 were made to LEX Pty Ltd for fees and disbursements in respect of project and development management services provided to the Fund (2007: $937,000).

As tenant of one perimeter building tenancy, LEX Pty Ltd has made lease rental payments to the Fund of $15,000 for the period to 30 June 2008. LEX Pty Ltd has also paid operating costs of $2,000 during the same period in respect of property outgoings.

LEX Pty Ltd 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 $117,000.

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 2008, the Fund made payments totalling $251,000 to the Responsible Entity (2007: $3,154,000) in respect of the following amounts:

	2008 *$'000*	*2007* *$'000*
Issuer fees	-	2,925
Capital raising arrangement fees	-	213
Management fees	251	16
	251	3,154

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. No such expenses were incurred or reimbursed in the year.

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. No such expenses were incurred or reimbursed in the year.

19 AUDITORS' REMUNERATION

	2008 *$'000*	*2007* *$'000*
Amounts received or due and receivable by PKF for:		
• investigating accountant's and taxation reports	-	67
• audit and financial report	29	30
• taxation services	10	15
	39	112

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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:

	2008		*2007*	
	Directly	*Indirectly*	*Directly*	*Indirectly*
Specified Directors				
Alan W Tribe	-	16,399,850	-	16,399,850
Nicholas C Wyatt	300,000	150,000	300,000	150,000
Stephen R Dixon	-	30,000	-	30,000
Peter M Morrison	-	50,000	-	50,000

21 EVENTS AFTER THE BALANCE SHEET DATE

On 18 July 2008, a cash distribution of $799,752 (1.75 cents per unit) was paid to unitholders for the quarter ending 30 June 2008.

No other 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:

(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 2008 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

Alan W Tribe
Chairman
Perth, 25 September 2008

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF LEX PROPERTY FUND

Report on the Financial Report

We have audited the accompanying financial report of LEX Property Fund, which comprises the balance sheet as at 30 June 2008, 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' Responsibility for the Financial Report

The directors of the LEX Property Management Limited, as the Responsible Entity of LEX Property Fund, 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 establishing and maintaining internal controls 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. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

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Chartered Accountants
& Business Advisers

Independence

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

In our opinion:

(a) the financial report of LEX Property Fund is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

PKF

PKF
Chartered Accountants

Chris Nicoloff

Chris Nicoloff
Partner

Dated at Perth, Western Australia this 25th day of September 2008