



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

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

**Half-Year Financial Report  
31 December 2008**

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## DIRECTORS' REPORT

In accordance with the Corporations Act 2001 and AASB 134, the Directors of LEX Property Management Limited (ABN 53 111 779 689), the Responsible Entity of LEX Property Fund, a managed investment scheme (ARSN 123 437 838), provide this report for the half-year ended 31 December 2008.

### DIRECTORS

The names of the directors of LEX Property Management Limited in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

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

### PRINCIPAL ACTIVITY

The Fund is a managed investment scheme, which was registered with ASIC on 25 January 2007. The Fund was established by the Responsible Entity for the purpose of developing a new retail centre in Perth, Western Australia which comprises a purpose-built IKEA store leased to the IKEA franchise, 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 period, the Fund continued to collect rental income from the tenants and completed the leasing of the perimeter buildings. The retail centre owned by the Fund is now fully leased and no significant asset management issues have arisen to date in relation to the property. The Fund has generated a net profit available for distribution to unitholders of \$1,790,000 in the half year to 31 December 2008 (2007: \$30,000 loss).

#### *Distributions*

Cash distributions for the quarters ending 30 June 2008 and 30 September 2008 were paid in the half year to 31 December 2008.

The distribution for the quarter ended 31 December 2008 was paid on 19 January 2009. This means that total cash distributions have now been paid to unitholders for the half year ended 31 December 2008 amounting to 4.125 cents per unit which is in line with the Directors' current full year forecast cash distribution of 8.25 cents per unit.

Distributions for the year to 30 June 2009 are forecast to be 100% tax deferred.

#### *Property Valuation*

There continues to be significant volatility in the global financial markets and property sector generally. As a result, capitalisation rates used to value properties have experienced a general softening, with a risk that property values generally may fall when portfolios are revalued.

The Directors of the Responsible Entity have consulted with the Fund's advisers and have concluded that the value of the Fund's property should remain unchanged at 31 December 2008 from the independent valuation of the property adopted at 30 June 2008. The Directors consider that the annual rent increases expected will compensate for any softening in the capitalisation rate used to value the property and have therefore determined the property value at 31 December 2008 to be \$120,000,000.

**Debt Management**

As previously outlined to investors, the debt management policy for the Fund is considered by the Responsible Entity to be conservative and one which positions the Fund to provide stability for investors. The Directors of the Responsible Entity again confirm that 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 55.3% as at 31 December 2008 (with the term facility of \$66,300,000 now fully drawn).

**Net Tangible Asset Value**

At 30 June 2008, the Fund's gearing level was 54.1% and net tangible asset ("NTA") value per unit of \$1.19. Based on the Fund's balance sheet at 31 December 2008, which includes the Fund's property at a value unchanged from the independent valuation at 30 June 2008, the Fund's gearing level at 31 December 2008 is 55.3% and the NTA value per unit is \$1.19.

Investors should note that the NTA value of \$1.19 is based on a valuation methodology adopted which the Directors consider reflects of the market value of the property. 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 the current financial crisis on equity values, also need to be taken into account. Investors should therefore seek their own independent advice when considering unit values.

**SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE**

On 19 January 2009, distribution payments totalling \$942,600 (2.0625 cents per unit) were made to unitholders for the quarter ended 31 December 2008.


**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 5 of this report.


**ROUNDING**

The amounts contained in the half-year 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.

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



Alan W Tribe  
Chairman  
Perth, 26 February 2009



Nicholas C Wyatt  
Managing Director

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of LEX Property Fund for the half year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



**PKF**  
Chartered Accountants



**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia this 26<sup>th</sup> day of February 2009

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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.

**CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<i>Notes</i>	<i>31 Dec 2008 \$'000</i>	<i>31 Dec 2007 \$'000</i>
<b>Continuing operations</b>			
<b>Revenue</b>			
Rental income		4,568	-
Other property income		553	-
Interest income		16	34
Fair value adjustment to investment property	5	-	-
<b>Total revenue</b>		<u>5,137</u>	<u>34</u>
Other property expenses		(553)	-
Responsible entity's fees		(240)	(41)
Administrative expenses		(67)	(23)
<b>Net profit/(loss) from continuing operations before finance costs</b>		<u>4,277</u>	<u>(30)</u>
Finance costs	3	(2,487)	-
<b>Net profit/(loss) from continuing operations attributable to unitholders of the LEX Property Fund</b>		<u>1,790</u>	<u>(30)</u>
<b>STATEMENT OF DISTRIBUTION</b>			
Undistributed income at the beginning of the financial period		16,378	-
Net profit/(loss) attributable to unitholders of the LEX Property Fund		1,790	(30)
Distributions paid or payable	4	(1,790)	30
<b>Undistributed income at the end of the financial period</b>	8	<u><u>16,378</u></u>	<u><u>-</u></u>

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

**CONDENSED BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	<i>Notes</i>	<i>31 Dec 2008 \$'000</i>	<i>30 Jun 2008 \$'000</i>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,241	12
Trade and other receivables		36	31
<b>Total Current Assets</b>		<u>1,277</u>	<u>43</u>
<b>Non-Current Assets</b>			
Investment property	5	120,000	120,000
<b>Total Non Current Assets</b>		<u>120,000</u>	<u>120,000</u>
<b>TOTAL ASSETS</b>		<u>121,277</u>	<u>120,043</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		535	1,498
Distributions payable	4	1,077	935
<b>Total Current Liabilities</b>		<u>1,612</u>	<u>2,433</u>
<b>Non-Current Liabilities</b>			
Interest bearing borrowings	6	65,245	63,096
Unit capital	7	38,212	38,212
<b>Total Non-Current Liabilities</b>		<u>103,457</u>	<u>101,308</u>
<b>TOTAL LIABILITIES</b>		<u>105,069</u>	<u>103,741</u>
<b>NET ASSETS</b>		<u>16,208</u>	<u>16,302</u>
<b>UNITHOLDERS' EQUITY</b>			
<b>Equity attributable to unitholder of LEX Property Fund</b>			
Undistributed income	8	16,378	16,378
Capital distribution reserve		(170)	(76)
<b>TOTAL EQUITY</b>		<u>16,208</u>	<u>16,302</u>
<b>Net tangible asset value per unit</b>	9	<u>\$1.19</u>	<u>\$1.19</u>

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

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<i>Notes</i>	<i>31 Dec 2008 \$'000</i>	<i>31 Dec 2007 \$'000</i>
<b>Cash flows from operating activities</b>			
Receipts from customers		5,099	-
Interest received		16	34
Payments to suppliers		(1,566)	(22)
Payments to responsible entity		(240)	(41)
Interest paid		(1,667)	-
<b>Net cash flows from/(used in) operating activities</b>		<u>1,642</u>	<u>(29)</u>
<b>Cash flows from investment activities</b>			
Payment of cost of property, plant & equipment		-	(29,423)
<b>Net cash flows used in investing activities</b>		<u>-</u>	<u>(29,423)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings – external		1,426	29,192
Payment of borrowing costs		(97)	-
Distributions paid	4	(1,742)	-
<b>Net cash flows from financing activity</b>		<u>(413)</u>	<u>29,192</u>
Net increase/(decrease) in cash and cash equivalents		1,229	(260)
Cash and cash equivalents at beginning of period		12	828
<b>Cash and cash equivalents at end of period</b>		<u>1,241</u>	<u>568</u>

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

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<i>Undistributed income/(loss) \$'000</i>	<i>Capital distribution reserve \$'000</i>	<i>Total \$'000</i>
<b>Balance at 1 July 2007</b>	-	-	-
Net loss for the period	(30)	-	(30)
Income distributions payable	30	-	30
Capital distributions payable	-	-	-
<b>Balance at 31 December 2007</b>	-	-	-
<b>Balance at 1 July 2008</b>	16,378	(76)	16,302
Net profit for the period	1,790	-	1,790
Income distributions payable	(1,790)	-	(1,790)
Capital distributions payable	-	(94)	(94)
<b>Balance at 31 December 2008</b>	16,378	(170)	16,208

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

### **1. CORPORATE INFORMATION**

The financial report of the LEX Property Fund (“the Fund”) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the Directors of LEX Property Management Limited (“the Responsible Entity”) on 26 February 2009.

The Fund is a managed investment scheme, which was registered with ASIC on 25 January 2007. The Fund’s main asset is 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**

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Fund as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of the Fund as at 30 June 2008.

#### **(a) Basis of Preparation**

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except where stated.

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 98/0100. The Fund is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### *Going concern basis of preparation*

At 31 December 2008, the Fund’s balance sheet includes an apparent working capital deficiency of \$335,000, where working capital is defined for reporting purposes as current assets less current liabilities.

This working capital position is reported after allowing for the prepayment of interest monthly in advance on the Fund’s debt facilities, together with the recognition of accrued distributions declared for each reporting period which are payable to unitholders after the end of each reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

As in previous reporting periods, the working capital requirement of the Fund is managed by maintaining positive but minimal bank balances. The Fund is in full compliance with all banking covenants, has a net asset position of \$16,208,000 at 31 December 2008 and generated a profit for the reporting period of \$1,790,000.

Based on the above, the directors of LEX Property Management Limited are satisfied that the Fund is able to meet its liabilities as and when they fall due and the going concern basis of preparation is appropriate.

### (b) Significant accounting policies

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

### (c) Changes in accounting policies

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 period ended 31 December 2008. 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)	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/revisions of other Accounting Standards and interpretations would not impact the Fund.

### 3. FINANCE COSTS

	<i>31 Dec 2008</i>	<i>31 Dec 2007</i>
	<i>\$'000</i>	<i>\$'000</i>
Interest charges - banks	2,393	832
Amortisation of debt funding costs	94	23
	2,487	855

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**4. DISTRIBUTIONS PAID OR PAYABLE**

	<i>31 Dec 2008</i>	<i>30 June 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>Distributions payable</b>		
Balance brought forward	935	61
Income distributions payable to unitholders	1,790	1,255
Capital distributions payable to unitholders	94	76
Cash distributions paid to unitholders	(1,742)	(457)
Balance carried forward	<u>1,077</u>	<u>935</u>
	<i>31 Dec 2008</i>	<i>30 June 2008</i>
	<i>Cents per unit</i>	<i>Cents per unit</i>
Cash distributions paid to unitholders	<u>3.81</u>	<u>1.00</u>

*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*

	<i>31 Dec 2008</i>	<i>30 June 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Fair value of investment property brought forward	120,000	-
Cost of leasehold improvements completed 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	<u>120,000</u>	<u>120,000</u>

*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 31 December 2008 to be \$120,000,000, which has not changed since an independent valuation report was prepared by Knight Frank Valuations (WA) as at 30 June 2008.

*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 Director's valuation. The methodology and assumptions of such Directors' valuations are subject to an independent verification process.

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

### 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.

The key terms of operating lease arrangements for the IKEA Store are included in detail in Note 10.

### 6. INTEREST BEARING BORROWINGS

	<i>31 Dec 2008</i>	<i>30 June 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>Non Current</b>		
Interest bearing liabilities at amortised costs	65,245	63,096

The interest bearing liabilities expose the entity to liquidity and interest rate risks.

The fund has access to bank bill lines totalling \$66,300,000 through facility agreements with National Bank Limited ("NAB"). At 31 December 2008 there were no amounts undrawn and the position of the principal amounts is:

	<i>Date of</i>	<i>31 Dec 2008</i>	<i>30 June 2008</i>
	<i>Maturity</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Non Current</b>			-
Term Facility	04/02/13	66,300	64,874

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, 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 period.

### 7. UNIT CAPITAL

	<i>31 Dec 2008</i>	<i>30 June 2008</i>
	<i>No. of units</i>	<i>No. of units</i>
<b>Issued capital</b>		
Fully paid units on issue	45,700,100	45,700,100
<b>Movements in issued capital</b>		
Balance brought forward and carried forward	45,700,100	45,700,100

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 54% at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	31 Dec 2008 \$'000	30 June 2008 \$'000
<b>Unit Capital</b>		
Balance brought forward and carried forward	38,212	38,212

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: Disclosure and Presentation."

**8. UNDISTRIBUTED INCOME**

	31 Dec 2008 \$'000	30 June 2008 \$'000
Balance brought forward	16,378	-
Net profit attributable to unitholders of the Fund	1,790	17,633
Distributions payable to unitholders of the Fund	(1,790)	(1,255)
Balance carried forward	16,378	16,378

The balance of undistributed income at the end of the half-year represents the fair value adjustment to the investment property which was accounted for to date and credited to the Profit and 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 and Loss Statement to comply with the fair value method, the Directors have deemed that such an adjustment to the Profit and Loss Statement will not be distributed to unitholders. It is therefore carried forward at the balance sheet date as an undistributed income balance.

**9. NET TANGIBLE ASSET VALUE PER UNIT**

	31 Dec 2008 \$'000	30 June 2008 \$'000
Net tangible assets (\$'000)	54,419	54,514
Number of units on issue used in calculation	45,700,100	45,700,100
Net tangible asset value per unit	\$1.19	\$1.19

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.

**10. COMMITMENTS AND CONTINGENCIES**

*Operating lease commitments – the 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:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

- 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 will enter into lease arrangements with tenants for various tenancy areas within the other perimeter buildings.

Future minimum rentals receivable under the lease arrangements contracted at 31 December 2008 are as follows:

	<i>31 Dec 2008</i>	<i>30 Jun 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year	9,248	9,117
After one year but not more than five years	36,557	36,626
More than five years	75,702	79,989
	<u>121,507</u>	<u>125,732</u>

*Guarantees*

Cebas has provided a bank guarantee to the Fund for an amount equivalent to six month's 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 Half-Year Financial Report.

**11. EVENTS AFTER THE BALANCE SHEET DATE**

On 19 January 2009, a cash distribution of \$942,600 (2.0625 cents per unit) was paid to unitholders for the quarter ending 31 December 2008.

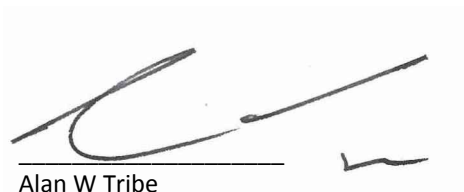
No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or state of affairs of the Fund in future financial years.

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of LEX Property Management Limited, the 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 the 31 December 2008 and of its performance for the half-year ended on that date; and
  - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the 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.

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



Alan W Tribe  
Chairman

Perth, 26 February 2009

## TO THE UNITHOLDERS OF LEX PROPERTY FUND

### REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of LEX Property Fund, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the LEX Property Management Limited, as Responsible Entity of LEX Property Fund, are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of LEX Property Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of LEX Property Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the LEX Property Fund's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



**PKF**  
Chartered Accountants



**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia this 26<sup>th</sup> day of February 2009