



**LEX Retail Property Trust  
(ARSN 115 789 243)**

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

**Annual Financial Report  
30 June 2009**

## Contents

<b>DIRECTORS’ REPORT .....</b>	<b>2</b>
<b>AUDITORS’ INDEPENDENCE DECLARATION .....</b>	<b>5</b>
<b>INCOME STATEMENT .....</b>	<b>6</b>
<b>BALANCE SHEET .....</b>	<b>7</b>
<b>CASH FLOW STATEMENT .....</b>	<b>8</b>
<b>STATEMENT OF CHANGES IN EQUITY .....</b>	<b>9</b>
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>10</b>
<b>1 CORPORATE INFORMATION .....</b>	<b>10</b>
<b>2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>10</b>
<b>3 FINANCE COSTS.....</b>	<b>14</b>
<b>4 DISTRIBUTIONS PAID OR PAYABLE .....</b>	<b>14</b>
<b>5 INVESTMENT PROPERTY.....</b>	<b>15</b>
<b>6 CASH AND CASH EQUIVALENTS.....</b>	<b>16</b>
<b>7 PREPAYMENTS.....</b>	<b>16</b>
<b>8 TRADE AND OTHER PAYABLES .....</b>	<b>16</b>
<b>9 INTEREST BEARING BORROWINGS .....</b>	<b>17</b>
<b>10 UNIT CAPITAL.....</b>	<b>17</b>
<b>11 UNDISTRIBUTED INCOME .....</b>	<b>18</b>
<b>12 CAPITAL DISTRIBUTION RESERVE .....</b>	<b>18</b>
<b>13 NET TANGIBLE ASSET VALUE PER UNIT .....</b>	<b>19</b>
<b>14 FAIR VALUE OF FINANCIAL INSTRUMENTS.....</b>	<b>19</b>
<b>15 RISK MANAGEMENT STRATEGY .....</b>	<b>19</b>
<b>16 COMMITMENTS AND CONTINGENCIES.....</b>	<b>21</b>
<b>17 RELATED PARTY DISCLOSURES .....</b>	<b>22</b>
<b>18 AUDITORS’ REMUNERATION.....</b>	<b>23</b>
<b>19 DIRECTOR DISCLOSURES .....</b>	<b>23</b>
<b>20 EVENTS AFTER THE BALANCE SHEET DATE .....</b>	<b>24</b>
<b>21 SEGMENT REPORTING .....</b>	<b>24</b>
<b>DIRECTORS’ DECLARATION.....</b>	<b>25</b>
<b>AUDIT REPORT.....</b>	<b>26</b>

## 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 Retail Property Trust ("the Fund") a managed investment scheme (ARSN 115 789 243), provide this report for the year ended 30 June 2009.

### 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, 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 Responsible Entity. As Managing Director, he has overseen all aspects of LPML'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:

	2009		2008	
	Directly	Indirectly	Directly	Indirectly
<b>Specified Directors</b>				
Alan W Tribe	1,182,468	2,600,100	1,182,468	2,600,100
Nicholas C Wyatt	100,000	240,000	100,000	240,000
Stephen R Dixon	-	75,000	-	75,000
Peter M Morrison	-	250,000	-	250,000

## PRINCIPAL ACTIVITY

The Fund is a managed investment scheme, which was registered with ASIC on 26 August 2005. The Fund was established by the Responsible Entity for the purpose of developing a purpose-built IKEA store in Adelaide, South Australia to be leased to the IKEA franchisee for that state.

## REVIEW AND RESULTS OF OPERATIONS

During the year, the Fund has continued to collect rental income from the tenant and no significant asset management issues have arisen in relation to the property.

The Fund has recorded a net profit for the year of \$1,275,000 (30 June 2008: \$2,579,000) after recognising a non-cash fair value deficit adjustment to investment property of \$900,000 (30 June 2008: \$410,000 surplus). Hence, net profit of the Fund for the year before fair value adjustments was \$2,175,000 (30 June 2008: \$2,169,000 profit).

Quarterly Distributions were paid to unitholders during the year. The distribution for the quarter ended 30 June 2009 was paid on 20 July 2009. Total cash distributions paid to unitholders for the year ended 30 June 2009 amounted to 10.7 cents per unit.

The generally weaker property market caused an increase in the capitalisation rate applied by the valuer at 30 June 2009. However, this capitalisation rate is applied to higher rental income received by the Fund following the March 2009 annual review. The updated valuation of \$49,000,000 represents a relatively stable 1.6% decline from the June 2008 independent valuation of \$49,800,000. Development costs of \$100,000 were finalised in the year and were treated as an additional revaluation deficit of \$100,000. These costs do not impact the assessed fair value of the property at 30 June 2009.

In light of the current economic conditions, the Directors completed a capital and debt management review in the quarter to 30 June 2009. 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 relation to the Fund's debt facility at 30 June 2009, the Directors confirm the following key points:

- The Fund has no debt facilities which require renegotiation in the near term.
- The term debt facility has a maturity date in April 2011.
- 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 49.8% as at 30 June 2009 (compared to the bank's requirement that this ratio should not exceed 60.0%).
- Interest cover is 2.58 times for the year to 30 June 2009 (compared to the bank's requirement that this ratio should not fall below 1.90 times).

## 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 20 July 2009, a cash distribution of \$556,403 (2.675 cents per unit) was paid to unitholders for the quarter ending 30 June 2009.

## 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. LEX Retail Property Trust 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 5 of this report.

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



---

Alan W Tribe  
Chairman  
Perth, 3 September 2009



---

Nicholas C Wyatt  
Managing Director

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead engagement partner for the audit of LEX Retail Property Trust for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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



**PKF**  
Chartered Accountants



**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia this 3<sup>rd</sup> day of September 2009.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://www.pkf.com.au)  
West Australian Partnership | ABN 39 542 778 278  
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia  
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF Perth is a member of the PKF International Limited network of legally independent member firms. PKF Perth is also a member of PKF Australia Limited, a national network of legally independent firms each trading as PKF. PKF Perth does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

## Income Statement

### FOR THE YEAR ENDED 30 JUNE 2009

	<i>Notes</i>	<i>2009</i> \$'000	<i>2008</i> \$'000
<b>Continuing Operations</b>			
<b>Revenue</b>			
Rental income		5,540	5,335
Other property income		599	504
Interest income		19	38
Fair value adjustment to investment property	5	(900)	410
<b>Total revenue</b>		<b>5,258</b>	<b>6,287</b>
Property ground rent		(1,053)	(1,022)
Other property expenses		(599)	(504)
Responsible entity's fees		(433)	(381)
Administrative expenses		(81)	(49)
Other expenses		(25)	(23)
<b>Net profit from continuing operations before finance costs</b>		<b>3,067</b>	<b>4,308</b>
Finance costs	3	(1,792)	(1,729)
<b>Net profit from continuing operations attributable to unitholders of the LEX Retail Property Trust</b>		<b>1,275</b>	<b>2,579</b>
<b>STATEMENT OF DISTRIBUTION</b>			
Undistributed income at the beginning of the financial period		10,091	9,681
Net profit attributable to unitholders of the LEX Retail Property Trust		1,275	2,579
Distributions paid or payable	4	(2,175)	(2,169)
Undistributed income at the end of the financial period	11	9,191	10,091
The income statement is to be read in conjunction with the attached notes.			

## Balance Sheet

AS AT 30 JUNE 2009

	Notes	2009 \$'000	2008 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	695	805
Prepayments	7	90	86
<b>Total Current Assets</b>		<b>785</b>	<b>891</b>
<b>Non Current Assets</b>			
Investment property	5	49,000	49,800
<b>Total Non Current Assets</b>		<b>49,000</b>	<b>49,800</b>
<b>TOTAL ASSETS</b>		<b>49,785</b>	<b>50,691</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	260	254
Distributions payable	4	628	628
<b>Total Current Liabilities</b>		<b>888</b>	<b>882</b>
<b>Non Current Liabilities</b>			
Interest bearing borrowings	9	24,196	24,163
Unit capital	10	15,675	15,675
<b>Total Non Current Liabilities</b>		<b>39,871</b>	<b>39,838</b>
<b>TOTAL LIABILITIES</b>		<b>40,759</b>	<b>40,720</b>
<b>NET ASSETS</b>		<b>9,026</b>	<b>9,971</b>
<b>UNITHOLDERS' EQUITY</b>			
<b>Equity attributable to unitholders of LEX Retail Property Trust</b>			
Undistributed income	11	9,191	10,091
Capital distribution reserve	12	(165)	(120)
<b>TOTAL UNITHOLDERS' EQUITY</b>		<b>9,026</b>	<b>9,971</b>
<b>Net tangible asset value per unit</b>	13	<b>\$1.19</b>	<b>\$1.23</b>

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

## Cash Flow Statement

### FOR THE YEAR ENDED 30 JUNE 2009

	<i>Notes</i>	<i>2009</i> \$'000	<i>2008</i> \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		6,135	6,320
Payments to suppliers		(1,852)	(2,518)
Payments to responsible entity		(433)	(425)
Interest received		19	38
Interest paid		(1,759)	(1,672)
<b>Net cash flows from operating activities</b>	6	<u>2,110</u>	<u>1,743</u>
<b>Net cash flows used in investing activities</b>			
		-	-
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(370)
Distributions paid		(2,220)	(2,162)
<b>Net cash flows used in financing activities</b>		<u>(2,220)</u>	<u>(2,532)</u>
Net decrease in cash and cash equivalents		(110)	(789)
Cash and cash equivalents at beginning of period		805	1,594
<b>Cash and cash equivalents at end of period</b>	6	<u>695</u>	<u>805</u>

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

## Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	<i>Undistributed income \$'000</i>	<i>Capital distribution reserve \$'000</i>	<i>\$'000</i>
<b>Balance at 1 July 2007</b>	9,681	(75)	9,606
Net profit for the year	2,579	-	2,579
Capital distributions payable	-	(45)	(45)
Income distributions payable	(2,169)	-	(2,169)
<b>Balance at 30 June 2008</b>	10,091	(120)	9,971
Net profit for the year	1,275	-	1,275
Capital distributions payable	-	(45)	(45)
Income distributions payable	(2,175)	-	(2,175)
<b>Balance at 30 June 2009</b>	9,191	(165)	9,026

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

---

## 1 CORPORATE INFORMATION

The financial report of the LEX Retail Property Trust (“the Fund”) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors of LEX Property Management Limited (“the Responsible Entity”) on 28 August 2009.

The Fund is a managed investment scheme with its main asset being an investment property situated on land leased under long term lease arrangements with a third party.

The investment property is constructed on the leased land and is a purpose-built IKEA store in Adelaide, South Australia. The investment property is leased to Cebas Pty Ltd (“Cebas”), the IKEA franchisee for South Australia and Western 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.

#### *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.

#### *Going Concern*

The Fund has recorded a net profit for the year of \$1,275,000 (30 June 2008: \$2,579,000) after recognising a non-cash fair value deficit adjustment to investment property of \$900,000 (30 June 2008: \$410,000 surplus). Hence, net profit of the Fund for the year before fair value adjustments was \$2,175,000 (30 June 2008: \$2,169,000 profit).

As at the reporting date, the current liabilities exceed the amount of assets by \$103,000. However, the directors of the Responsible Entity have prepared cash flow forecasts that indicate that the Fund will have sufficient cashflows for a period of at least 12 months from the date of this report and the Fund is expected to generate adequate revenues to meet the obligations of the Fund as and when they fall due.

Based on the cash flow forecasts, the directors of the Responsible Entity are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

### (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 2009. Amendments issued affecting the Fund are outlined below:

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

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 presentation standard, so will have no direct impact on amounts in the financial report. However amendments will result in changes in presentation to 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 2009

---

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 Income 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.

Initially, the investment property was measured at cost including transaction costs.

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 2009

---

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.

**(i) Trade and Other Payables**

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

**(j) Interest Bearing Borrowings**

All borrowings are initially recognised at fair value of the consideration received less transaction costs, which are directly attributable to 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 Income 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.

**(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.

**(n) Distributions payable**

The Responsible Entity determines the distributions entitlement of each unit on a quarterly basis. The Fund recognises liability to the extent of unpaid distributions at each reporting date.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

### (o) 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.

### (p) 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

	2009	2008
	\$'000	\$'000
Interest charges and fees – banks	1,747	1,684
Amortisation of debt funding costs	45	45
	<u>1,792</u>	<u>1,729</u>

## 4 DISTRIBUTIONS PAID OR PAYABLE

	30 June	30 June
	2009	2008
	\$'000	\$'000
<b>Distributions payable</b>		
Balance brought forward	628	576
Income distributions to unitholders	2,175	2,169
Capital distributions to unitholders	45	45
Cash distributions paid to unitholders	(2,220)	(2,162)
Balance carried forward	<u>628</u>	<u>628</u>

	30 June	30 June
	2009	2008
	Cents	Cents
	per unit	per unit
Cash distributions paid to unitholders	<u>10.68</u>	<u>10.39</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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

### 5 INVESTMENT PROPERTY

#### *Reconciliation of Movements*

	2009	2008
	\$'000	\$'000
Fair value of investment property brought forward	49,800	49,500
Cost of leasehold improvements completed in the period and transferred to investment properties at completion	100	(110)
Fair value adjustment to investment property	(900)	410
Fair value of investment property carried forward	49,000	49,800

#### *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.

Costs of \$100,000 which related to the completion of the leasehold improvements were incurred in the period. The effect of this is to increase the cost of the investment property asset and increase the deficit on revaluation of the investment property asset recorded in the period.

The Directors have assessed the fair value of the investment property at 30 June 2009 to be \$49,000,000 using a short form independent valuation report prepared by Knight Frank Valuations SA as at the balance sheet date. This independent report was prepared for reporting purposes and was prepared as an update of the previous full detailed independent valuation report prepared by Knight Frank Valuations SA and Knight Frank (WA) Pty Ltd, for mortgage purposes which was included within the Product Disclosure Statement dated 9 September 2005.

#### *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.

The valuer's assessment of the property's fair value includes a consideration of the following factors:

- recent market data for property transactions at a comparable level;
- tenancy profile of the Fund's property and comparable properties;
- recent economic factors, including movements in interest rates; and
- characteristics specific to the Fund's property.

#### *Operating Leases*

The investment property is a purpose-built IKEA Store in Adelaide, South Australia constructed on land which is held by the Fund (as lessee) under long term lease arrangements with Adelaide Airport Limited ("AAL"). The Fund (as lessor) has entered into long term lease arrangements with the tenant of the investment property, Cebas Pty Ltd.

The key terms of both of these operating lease arrangements are included in detail in Note 16.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

### 6 CASH AND CASH EQUIVALENTS

	2009 \$'000	2008 \$'000
<b>Reconciliation of cash</b>		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank	695	805

The entity is exposed to credit risk and interest rate risk on account of cash and cash equivalents. Refer to Note 15 for further discussion.

	2009 \$'000	2008 \$'000
<b>Reconciliation from the net profit after tax to the net cash flows from operations</b>		
Net profit attributable to unitholders of LEX Retail Property Trust	1,275	2,579
<i>Adjustments for:</i>		
Amortisation of debt funding costs	45	45
Fair value adjustments of investment property	900	(410)
<i>Changes in assets and liabilities</i>		
Increase in prepayments and other assets	(16)	-
Decrease in trade and other payables	(94)	(469)
Decrease in GST recoverable	-	(2)
Net cash flows from operating activities	2,110	1,743

### 7 PREPAYMENTS

	2009 \$'000	2008 \$'000
Prepaid ground rent expense	90	86

### 8 TRADE AND OTHER PAYABLES

	2009 \$'000	2008 \$'000
Trade creditors and accruals	260	254

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 15 for further discussion on risk management.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

### 9 INTEREST BEARING BORROWINGS

	2009 \$'000	2008 \$'000
<b>Non Current</b>		
Interest bearing liabilities at amortised costs	24,196	24,163

The interest bearing liabilities expose the entity to liquidity and interest rate risks. Refer to Note 15 for further discussion regarding risk management strategy.

At 30 June 2009, the Fund had access to a bank bill facility totalling \$24,600,000 through facility agreements with National Australia Bank ("NAB"). The amount of credit unused at 30 June 2009 was \$200,000. The position of the principal amount was:

	Date of Maturity	2009 \$'000	2008 \$'000
<b>Non Current</b>			
Term debt loan	14/03/11	24,400	24,400

The facility is for a period of five years following practical completion and is due to expire on 14 March 2011.

The term debt loan facility is secured by the following:

- Registered Mortgage Debenture over the assets and undertakings of LEX Property Management Limited ATF LEX Retail Property Trust;
- Mortgage by way of sub-demise over the leasehold site; and
- Bank Guarantees from Cebas equal to six months' ground rent and six months' property rent.

The facility is an interest only facility with all of the interest 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.

### 10 UNIT CAPITAL

	No. of units 2009	No. of units 2008
<b>Issued capital</b>		
Fully paid units on issue	20,800,100	20,800,100

	No. of units 2009	No. of units 2008
<b>Movements in issued capital</b>		
Balance brought forward and carried forward	20,800,100	20,800,100

#### 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 49.8% at the reporting date.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$'000	2008 \$'000
<b>Unit capital</b>		
Balance brought forward and carried forward	15,675	15,675

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".

Under the constitution of the Fund, the Fund is to be wound up at the end of 80 years (less one day) from the commencement date, being 12 August 2004. The Fund could be wound up earlier either by determination of the manager, or when required by law.

### 11 UNDISTRIBUTED INCOME

	2009 \$'000	2008 \$'000
Balance brought forward	10,091	9,681
Net profit attributable to unitholders	1,275	2,579
Income distributions payable to unitholders	(2,175)	(2,169)
Balance carried forward	9,191	10,091

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 in the Income 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 recorded in the Income Statement to comply with the fair value method, the Directors have deemed that such an adjustment to the Income Statement will not be distributed to unitholders. It is therefore carried forward at the balance sheet date as an undistributed income balance.

### 12 CAPITAL DISTRIBUTION RESERVE

	2009 \$'000	2008 \$'000
Balance brought forward	120	75
Capital distributions	45	45
Balance carried forward	165	120

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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

### 13 NET TANGIBLE ASSET VALUE PER UNIT

	2009 \$'000	2008 \$'000
Net tangible assets (\$'000)	24,701	25,646
Number of units on issue used in the calculation	20,800,100	20,800,100
Net tangible asset value per unit	\$1.19	\$1.23

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.

### 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	<i>Carrying Amount</i> 2009 \$'000	<i>Fair Values</i> 2009 \$'000	<i>Carrying Amount</i> 2008 \$'000	<i>Fair Values</i> 2008 \$'000
Cash and cash equivalents	695	695	805	805
Trade and other payables	260	260	254	254
Distributions payable	628	628	628	628
Interest bearing borrowings	24,196	23,950	24,163	23,620

The carrying amounts of cash and cash equivalents, 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. 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.

### 15 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 tenant to pay rent
- Failure of the Fund's banking institution

Cebas Pty Ltd is the tenant of the investment property and has entered into a long term lease with the Fund, the key terms are detailed in Note 18.

Receivables (rent payments) are made by Cebas at the beginning of each month. They are normally paid on the first of each month, and were not paid later than four days from the first of the month.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2009

As at 30 June 2009, the entity had no credit exposure from the tenants (2008: \$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.

#### 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:

	2009 \$'000	2008 \$'000
Ageing analysis of trade payables		
0 – 30 days	260	254

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 2009	<1 year	>1 - <2	>2 - <3	>3 - <4	>4 - <5	>5 years	Total
	\$'000	years \$'000	years \$'000	years \$'000	years \$'000	\$'000	\$'000
Term debt loan	(1,756)	(25,723)					(27,479)
Trade and other payables	(260)						(260)
Distributions payable	(628)						(628)

  

Year ended 30 June 2008	<1 year	>1 - <2	>2 - <3	>3 - <4	>4 - <5	>5 years	Total
	\$'000	years \$'000	years \$'000	years \$'000	years \$'000	\$'000	\$'000
Term debt loan	(1,759)	(1,762)	(25,726)	-	-	-	(29,247)
Trade and other payables	(254)	-	-	-	-	-	(254)
Distributions payable	(628)						(628)

#### 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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

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 March 2011. The management has not devised risk management strategy for periods beyond March 2011 as the future strategy of the Fund would be decided by the unit holders.

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 14 March 2011, the Directors do not believe changes in the market interest rate affect the Fund.

### 16 COMMITMENTS AND CONTINGENCIES

#### *Operating lease commitments - the Fund as lessee*

The Fund has entered into long term lease arrangements with AAL for the land area on which the investment property is situated, the key terms of which are as follows:

- The initial term of the lease commenced on 19 March 2005 and expires on 27 May 2048.
- The term of renewal is for 49 years less one day commencing on 28 May 2048 and may be executed upon the satisfaction of certain conditions.
- The rent is reviewed annually to the Consumer Price Index ("CPI"), except on the market review dates, which are at the commencement of year 6 and every succeeding fifth year during the term, when it is reviewed to market rent.
- The Fund has provided a bank guarantee in the amount equivalent to six months' rent.

Future minimum rentals payable under the lease as at 30 June 2009 are as follows:

	2009 \$'000	2008 \$'000
Within one year	1,081	1,041
After one year but not more than five years	4,324	4,165
More than five years	36,676	36,374
	42,081	41,581

#### *Operating lease commitments - the Fund as lessor*

The Fund has entered into long term lease arrangements for the investment property with Cebas Pty Ltd, the key terms of which are as follows:

- The initial term of the lease is fifteen years, commencing on 14 March 2006 - the date of Practical Completion.
- Cebas has the option to renew the lease for three further periods of five years each.
- The current rent comprises property rent of approximately \$4,636,600 per annum and ground rent recoveries at cost.
- The property rent is reviewed annually to CPI plus 1%, except on the market review dates when it is reviewed to market rent. The market review dates are every five years throughout the term of the lease. The rent payable following any review cannot be lower than the rent in the preceding year.
- Cebas has provided a bank guarantee in the amount equivalent to six months' rent.
- Cebas has first right of refusal to purchase the IKEA store.
- Cebas is responsible for all outgoings and maintaining certain insurances.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2009

Future minimum rentals receivable under the lease with Cebas as at 30 June 2009 are as follows:

	2009 \$'000	2008 \$'000
Within one year	5,717	5,466
After one year but not more than five years	22,870	21,862
More than five years	38,346	42,122
	<u>66,933</u>	<u>69,450</u>

#### *Guarantees*

The Fund has guaranteed an amount equivalent to six months' ground rent payments to AAL under the terms of the lease. The tenant has provided a bank guarantee to the Fund for the same amount under the terms of the lease between the Fund (as lessor) and Cebas (as lessee).

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

## 17 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:

<b>Related Party</b>	<i>Receipts from related parties \$'000</i>	<i>Payments to related parties \$'000</i>
<b>Year ended 30 June 2009</b>		
Cebas Pty Ltd	6,139	-
LEX Pty Ltd	-	(29)
LEX Property Management Limited	-	(433)
<b>Year ended 30 June 2008</b>		
Cebas Pty Ltd	5,839	-
LEX Pty Ltd	-	(4)
LEX Property Management Limited	-	(381)

#### *Relationship with Cebas*

Cebas is the tenant of the investment property. 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 \$5,540,000 for the period to 30 June 2009. Cebas has also paid operating costs of \$599,000 during the same period in respect of property outgoings.

#### *Relationship with LEX Pty Ltd*

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

During the year to 30 June 2009, payments totalling \$29,000 were made to LEX Pty Ltd for the reimbursement of asset management and other general administrative expenses.

#### *Relationship with LEX Property Management Limited*

LEX Property Management Limited is the responsible entity for the Fund. The directors of the responsible

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2009

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 2009, the Fund made payments totalling \$433,000 to the Responsible Entity in respect of management fees.

#### *Management fees*

The Responsible Entity is entitled to a monthly fee of up to 1% per annum (plus GST) of the gross asset value of the Fund but has agreed to waive part of this fee and accept a fee of 0.85% per annum (plus GST) in the years ended 30 June 2009.

## 18 AUDITORS' REMUNERATION

	2009 \$'000	2008 \$'000
Amounts received or due and receivable by PKF Australia for:		
Audit and financial report	29	28
Taxation services	10	12
	39	40

## 19 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.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2009

#### (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:

	2009		2008	
	<i>Directly</i>	<i>Indirectly</i>	<i>Directly</i>	<i>Indirectly</i>
<b>Specified Directors</b>				
Alan W Tribe	1,182,468	2,600,100	1,182,468	2,600,100
Nicholas C Wyatt	100,000	240,000	100,000	240,000
Stephen R Dixon	-	75,000	-	75,000
Peter M Morrison	-	250,000	-	250,000

## 20 EVENTS AFTER THE BALANCE SHEET DATE

On 20 July 2009, a cash distribution of \$556,403 (2.6750 cents per unit) was paid to unitholders for the quarter ending 30 June 2009.

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

## 21 SEGMENT REPORTING

The Fund operates in one business and geographic segment, being holder of investment property in Australia.

## Directors' Declaration

In accordance with a resolution of the directors of LEX Property Management Limited, Responsible Entity for the LEX Retail Property Trust ("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 2009 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, 3 September 2009

## INDEPENDENT AUDITOR'S REPORT

### TO THE UNITHOLDERS OF LEX RETAIL PROPERTY TRUST

We have audited the accompanying financial report of LEX Retail Property Trust, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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

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

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://www.pkf.com.au)  
West Australian Partnership | ABN 39 542 778 278  
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia  
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF Perth is a member of the PKF International Limited network of legally independent member firms. PKF Perth is also a member of PKF Australia Limited, a national network of legally independent firms each trading as PKF. PKF Perth does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

**Independence**

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

**Auditor's Opinion**

In our opinion:

- (a) the financial report of LEX Retail Property Trust 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 2009 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**  
Chartered Accountants



**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia this 3<sup>rd</sup> day of September 2009.

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead engagement partner for the audit of LEX Retail Property Trust for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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



**PKF**  
Chartered Accountants



**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia this 3<sup>rd</sup> day of September 2009.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://www.pkf.com.au)  
West Australian Partnership | ABN 39 542 778 278  
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia  
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF Perth is a member of the PKF International Limited network of legally independent member firms. PKF Perth is also a member of PKF Australia Limited, a national network of legally independent firms each trading as PKF. PKF Perth does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.