



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

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

**Annual Financial Report
30 June 2010**

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DIRECTORS' REPORT

In accordance with the Corporations Act 2001 and the Australian Accounting Standards Board, the Directors of LEX Property Management Limited (ABN 53 111 779 689), the Responsible Entity of LEX Retail Property Trust ("the Fund") a managed investment scheme (ARSN 115 789 243), provide this report for the year ended 30 June 2010.

DIRECTORS

The names, details and qualifications of the Directors of the Responsible Entity 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 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 Fund Services Pty Ltd, 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 25 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 Fund Services Pty Ltd, 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:

	2010		2009	
	Number of Units		Number of Units	
	Directly	Indirectly	Directly	Indirectly
Specified Directors				
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 \$343,000 (30 June 2009: \$1,275,000) after recognising a non-cash fair value deficit adjustment to investment property of \$1,994,000 (30 June 2009: \$900,000). Hence, net profit of the Fund for the year before fair value adjustments was \$2,337,000 (30 June 2009: \$2,175,000).

Quarterly Distributions were paid to unitholders during the year. The distribution for the quarter ended 30 June 2010 was paid on 21 July 2010. Total cash distributions paid to unitholders for the year ended 30 June 2010 amounted to 11.25 cents per unit.

The generally weaker property market caused an increase in the capitalisation rate applied by the valuer at 30 June 2010. However, this capitalisation rate is applied to higher rental income received by the Fund following the March 2010 annual review. The updated valuation of \$47,000,000 represents a 4% decline from the June 2009 independent valuation of \$49,000,000.

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.

STRATEGIC REVIEW AND FUTURE DEVELOPMENTS

As outlined in the product disclosure statement of the Fund dated 9 September 2005, the Responsible Entity undertook to convene a meeting of the unitholders before 31 October 2010 to determine the future strategy of the Fund. Alternatives to be considered at this meeting of unitholders may include the sale of the Fund's property over a defined period or other strategies which would provide unitholders with a clear exit mechanism from the Fund by 31 October 2012.

Following an analysis of the available strategies for the Fund, the Responsible Entity has determined to convene the meeting on 28 October 2010 and has recommended to unitholders that the Responsible Entity be authorised to use its best endeavours to investigate and pursue a sale of the Fund's property asset by 31 October 2012 on terms which the Responsible Entity considers are in the best interests of unitholders having regard to the independent valuation of the property asset at 30 June 2010.

Subject to unitholder approval at the meeting, the Responsible Entity will investigate and pursue a sale of the Fund's property asset on terms which it considers to be in the best interests of unitholders and if possible complete such a sale by 31 October 2012 through an orderly process.

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

On 22 July 2010, a cash distribution of \$598,003 (2.875 cents per unit) was paid to unitholders for the quarter ended 30 June 2010.

On 28 September 2010 the Responsible Entity successfully completed the refinancing of the Fund's debt facility with National Australia Bank Limited which was due to mature in March 2011. In relation to the Fund's refinanced debt facility, the Directors confirm the following key points:

- The term debt facility has a maturity date no earlier than 31 December 2012.
- The bank requires the Fund's loan to value ratio of the facility not to exceed 60.0% (the Fund's loan to value ratio as at 30 June 2010 is 51.8%).
- The bank requires the Fund's interest cover ratio not to fall below 1.90 times (the Fund's ratio for the year to 30 June 2010 is 2.67 times).

As the refinancing of the debt facility was completed subsequent to the balance sheet date, the Fund's debt facility is presented in these financial statements as a current liability with a maturity date in March 2011. The debt facility will revert to a non current liability at the next reporting date of the Fund (31 December 2010) as the maturity date of the new facility is no earlier than 31 December 2012.

Despite the Fund's current liabilities exceeding current assets by \$24,338,000 at the reporting date, the Directors of the Responsible Entity consider it appropriate to present these financial statements on a going concern basis as outlined further in Note 2(a).

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

Subsequent to the reporting date the previous auditor, PKF Chartered Accountants have resigned from the audit on account of changes within their partnership. The Directors have appointed Deloitte Touche Tohmatsu as the auditor of the Fund to fill the casual vacancy.

In accordance with Section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from Deloitte Touche Tohmatsu, 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, 29 September 2010



Nicholas C Wyatt
Managing Director

The Board of Directors
LEX Property Management Limited ARE LEX Retail Property Trust
8B Sunray Drive
INNALOO WA 6018

29 September 2010

Dear Board Members

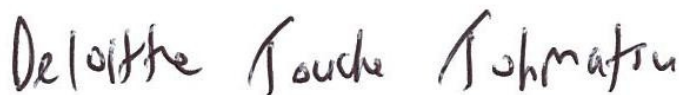
LEX Retail Property Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of LEX Property Management Limited as Responsible Entity of LEX Retail Property Trust.

As lead audit partner for the audit of the financial statements of LEX Retail Property Trust for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	<i>Notes</i>	<i>2010</i> \$'000	<i>2009</i> \$'000
Continuing Operations			
Revenue			
Rental income		5,759	5,540
Other property income		645	599
Interest income		17	19
Total revenue		<u>6,421</u>	<u>6,158</u>
Fair value adjustment to investment property	5	(1,994)	(900)
Property ground rent		(1,081)	(1,053)
Other property expenses		(645)	(599)
Responsible entity's fees		(419)	(433)
Administrative expenses		(108)	(81)
Other compliance expenses		(25)	(25)
Net profit from continuing operations before finance costs		<u>2,149</u>	<u>3,067</u>
Finance costs	3	(1,806)	(1,792)
Net profit from continuing operations attributable to unitholders of the LEX Retail Property Trust		<u>343</u>	<u>1,275</u>
Other comprehensive income		-	-
Total comprehensive income attributable to unitholders of the LEX Retail Property Trust		<u>343</u>	<u>1,275</u>

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

Statement of Financial Position

AS AT 30 JUNE 2010

	<i>Notes</i>	<i>2010</i> \$'000	<i>2009</i> \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	783	695
Prepayments	7	90	90
Total Current Assets		873	785
Non Current Assets			
Investment property	5	47,000	49,000
Total Non Current Assets		47,000	49,000
TOTAL ASSETS		47,873	49,785
LIABILITIES			
Current Liabilities			
Trade and other payables	8	254	260
Distributions payable	4	712	628
Interest bearing liabilities	9	24,245	-
Total Current Liabilities		25,211	888
Non Current Liabilities			
Interest bearing borrowings	9	-	24,196
Total Non Current Liabilities		-	24,196
TOTAL LIABILITIES		25,211	25,084
NET ASSETS		22,662	24,701
UNITHOLDERS' EQUITY			
Equity attributable to unitholders of LEX Retail Property Trust			
Unit Capital	10	15,675	15,675
Undistributed income	11	7,197	9,191
Capital distribution reserve	12	(210)	(165)
TOTAL UNITHOLDERS' EQUITY		22,662	24,701
Net tangible asset value per unit	13	\$1.09	\$1.19

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2010

	<i>Notes</i>	<i>2010</i> \$'000	<i>2009</i> \$'000
Cash flows from operating activities			
Receipts from customers		6,404	6,135
Payments to suppliers		(1,859)	(1,852)
Payments to responsible entity		(419)	(433)
Interest received		17	19
Interest paid		(1,757)	(1,759)
Net cash flows from operating activities	6	2,386	2,110
Cash flows from financing activities			
Distributions paid		(2,298)	(2,220)
Net cash flows used in financing activities		(2,298)	(2,220)
Net increase/(decrease) in cash and cash equivalents		88	(110)
Cash and cash equivalents at beginning of period		695	805
Cash and cash equivalents at end of period	6	783	695

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 2010

	<i>Unit capital \$'000</i>	<i>Undistributed income \$'000</i>	<i>Capital distribution reserve \$'000</i>	<i>Total \$'000</i>
Balance at 1 July 2008	15,675	10,091	(120)	25,646
Net profit for the year	-	1,275	-	1,275
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	1,275	-	1,275
Capital distributions payable	-	-	(45)	(45)
Income distributions payable	-	(2,175)	-	(2,175)
Balance at 30 June 2009	15,675	9,191	(165)	24,701
Net profit for the year	-	343	-	343
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	343	-	343
Capital distributions payable	-	-	(45)	(45)
Income distributions payable	-	(2,337)	-	(2,337)
Balance at 30 June 2010	15,675	7,197	(210)	22,662

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

1 CORPORATE INFORMATION

The financial report of the LEX Retail Property Trust (“the Fund”) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors of LEX Property Management Limited (“the Responsible Entity”) on 29 September 2010.

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 \$343,000 (30 June 2009: \$1,275,000) after recognising a non-cash fair value deficit adjustment to investment property of \$1,994,000 (30 June 2009: \$900,000 deficit). Hence, net profit of the Fund for the year before fair value adjustments was \$2,337,000 (30 June 2009: \$2,175,000 profit).

As at the reporting date, the current liabilities exceed the current assets by \$24,338,000. However, this deficiency has only arisen through the reclassification of the Fund’s interest bearing liabilities of \$24,245,000 as a current liability, being the Fund’s debt facility in place at the reporting date with a maturity date in March 2011.

Subsequent to the reporting date, the Responsible Entity successfully completed the refinancing of the Fund’s debt facility with the following key terms:

- The term debt facility has a maturity date no earlier than 31 December 2012.
- The bank requires the Fund’s loan to value ratio of the facility not to exceed 60.0% (the Fund’s loan to value ratio as at 30 June 2010 is 51.8%).
- The bank requires the Fund’s interest cover ratio not to fall below 1.90 times (the Fund’s ratio for the year to 30 June 2010 is 2.67 times).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

As the refinancing of the debt facility was completed subsequent to the balance sheet date, the Fund's debt facility is presented in these financial statements as a current liability with a maturity date in March 2011. The debt facility will revert to a non current liability at the next reporting date of the Fund (31 December 2010) as the maturity date of the new facility is no earlier than 31 December 2012.

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 cashflow forecasts of the Fund and the successful refinancing of the Fund's debt facility, the Directors of the Responsible Entity are satisfied that the going concern basis of preparation is appropriate. The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(b) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will be mandatory for the Trust's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Trust has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities. The amendments, which will become mandatory for the Trust's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- Revised AASB 2009-5. Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Trust's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*, resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. The amendments, which become mandatory for the Trust's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

(c) Adoption of new or revised accounting standards

The following standards, amendments to standards and interpretations have been adopted by the entity for the current financial year:

- AASB 101 *Presentation of Financial Statements* (revised September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*. AASB 101 (revised September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(d) 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.

(e) 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.

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.

(f) Finance Expenses

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

(g) 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.

(h) 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 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(i) Investment Property

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

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.

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.

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 Capital Gains Tax (“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.

(j) Trade and Other Payables

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

(k) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(l) 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.

(m) Unit Capital

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

Pursuant to amendments AASB 132, unitholders' funds are being classified as equity contribution.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Critical judgements and key sources of estimating uncertainty

Information about areas of estimation uncertainty and critical judgements in applying accounting policies are disclosed in the notes specific to that asset or liability. The key areas where management has applied judgement include:

(i) Investment property

When assessing fair value, discounted cash flows of the investment property, the highest and best use of the investment property and sales of similar properties are considered.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation assuming:

- A willing, but not anxious, buyer and seller on an arm's length basis;
- A reasonable period in which to negotiate the sale, having regard to the nature and situation of the investment property and the state of the market for property of the same kind;
- That the investment property will be reasonably exposed to that market;
- That no account is taken of the value or other advantage or benefit to the buyer, additional to market value, that is incidental to ownership of the investment property being valued; and
- That it is based on all information that the valuer needs for the purposes of the valuation being made available by, or on behalf of the Fund.

The discounted cash flow approach applied for investment properties usually includes assumptions in relation to current and recent investment property prices. If such prices are not available, then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, and appropriate discount rates. The expected future market rentals are determined on the basis of existing contractual terms and current markets for similar properties in the same location and condition.

3 FINANCE COSTS

	2010 \$'000	2009 \$'000
Interest charges and fees – banks	1,761	1,747
Amortisation of debt funding costs	45	45
	<u>1,806</u>	<u>1,792</u>

4 DISTRIBUTIONS PAID OR PAYABLE

	30 June 2010 \$'000	30 June 2009 \$'000
Distributions payable		
Balance brought forward	628	628
Income distributions attributable to unitholders	2,337	2,175
Capital distributions attributable to unitholders	45	45
Cash distributions paid to unitholders	(2,298)	(2,220)
Balance carried forward	<u>712</u>	<u>628</u>

	Cents per unit	Cents per unit
Total distributions attributable to unitholders	11.45	10.67
Cash distributions paid to unitholders	11.05	10.68

Income distributions

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

Capital distributions

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

5 INVESTMENT PROPERTY

Reconciliation of Movements

	2010	2009
	\$'000	\$'000
Fair value of investment property brought forward	49,000	49,800
Cost of leasehold improvements completed in the period and transferred to investment properties at completion	(6)	100
Fair value adjustment to investment property	(1,994)	(900)
Fair value of investment property carried forward	<u>47,000</u>	<u>49,000</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.

An adjustment to costs of \$6,000 which related to the completion of the leasehold improvements was incurred in the period. The effect of this is to reduce the cost of the investment property asset and reduce 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 2010 to be \$47,000,000 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 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 2010

6 CASH AND CASH EQUIVALENTS

	2010 \$'000	2009 \$'000
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank	783	695

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.

	2010 \$'000	2009 \$'000
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit attributable to unitholders of LEX Retail Property Trust	343	1,275
<i>Adjustments for:</i>		
Amortisation of debt funding costs	45	45
Fair value adjustments of investment property	1,994	900
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in prepayments and other assets	4	(16)
Decrease in trade and other payables	-	(94)
Net cash flows from operating activities	2,386	2,110

7 PREPAYMENTS

	2010 \$'000	2009 \$'000
Prepaid ground rent expense	90	90

8 TRADE AND OTHER PAYABLES

	2010 \$'000	2009 \$'000
Trade creditors and accruals	254	260

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 2010

9 INTEREST BEARING BORROWINGS

	2010 \$'000	2009 \$'000
Current		
Interest bearing liabilities at amortised costs	24,245	-
Non Current		
Interest bearing liabilities at amortised costs	-	24,196

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 2010, the Fund had access to a bank bill facility totalling \$24,600,000 through facility agreements with National Australia Bank Limited ("NAB"). The amount of credit unused at 30 June 2010 was \$200,000. The position of the principal amount was:

	<i>Date of Maturity</i>	2010 \$'000	2009 \$'000
Current			
Term debt loan	14/03/11	24,400	-
Non Current			
Term debt loan	14/03/11	-	24,400

The facility is for a period of five years following practical completion and is due to expire on 14 March 2011 and hence has been reclassified as a current liability at the reporting date.

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.

As described further in Note 20, the Responsible Entity successfully completed the refinancing of the Fund's debt facility with National Australia Bank Limited subsequent to the reporting date and, in relation to the Fund's refinanced debt facility, the Directors confirm the following key points:

- The term debt facility has a maturity date no earlier than 31 December 2012.
- The bank requires the Fund's loan to value ratio of the facility not to exceed 60.0% (the Fund's loan to value ratio as at 30 June 2010 is 51.8%).
- The bank requires the Fund's interest cover ratio not to fall below 1.90 times (the Fund's ratio for the year to 30 June 2010 is 2.67 times).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

As the refinancing of the debt facility was completed subsequent to the reporting date, the Fund's debt facility will revert to a non current liability at the next reporting date of the Fund (31 December 2010) as the maturity date of the new facility is no earlier than 31 December 2012.

The Fund's sensitivity of income and equity to a 1% movement in the market interest rate is:

	2010		2009	
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
1% rate increase	(71)	(71)	-	-
1% rate reduction	71	71	-	-

10 UNIT CAPITAL

	No. of units 2010	No. of units 2009
Issued capital		
Fully paid units on issue	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 51.8% at the reporting date (2009: 49.8%).

	2010 \$'000	2009 \$'000
Unit capital		
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 residual interest in assets of the Fund, it is treated as equity 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

	2010 \$'000	2009 \$'000
Balance brought forward	9,191	10,091
Net profit attributable to unitholders	343	1,275
Income distributions payable to unitholders	(2,337)	(2,175)
Balance carried forward	7,197	9,191

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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

	2010 \$'000	2009 \$'000
Balance brought forward	165	120
Capital distributions	45	45
Balance carried forward	210	165

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.

13 NET TANGIBLE ASSET VALUE PER UNIT

	2010 \$'000	2009 \$'000
Net tangible assets (\$'000)	22,662	24,701
Number of units on issue used in the calculation	20,800,100	20,800,100
Net tangible asset value per unit	\$1.09	\$1.19

The net tangible assets of the Fund take into account total equity of the Fund as shown in the balance sheet.

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> 2010 \$'000	<i>Fair value</i> 2010 \$'000	<i>Carrying amount</i> 2009 \$'000	<i>Fair value</i> 2009 \$'000
Cash and cash equivalents	783	783	695	695
Trade and other payables	254	254	260	260
Distributions payable	712	712	628	628
Interest bearing borrowings	24,245	24,182	24,196	23,950

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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 16.

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.

As at 30 June 2010, the entity had no credit exposure from the tenants (2009: \$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:

	2010 \$'000	2009 \$'000
Ageing analysis of trade payables		
0 – 30 days	254	260

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:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	<1 year \$'000	>1 - <2 years \$'000	>2 - <3 years \$'000	>3 - <4 years \$'000	>4 - <5 years \$'000	>5years \$'000	Total \$'000
Year ended 30 June 2010							
Term debt loan	(25,538)	-	-	-	-	-	(25,538)
Trade and other payables	(254)	-	-	-	-	-	(254)
Distributions payable	(712)	-	-	-	-	-	(712)
Year ended 30 June 2009							
Term debt loan	(1,756)	(25,723)	-	-	-	-	(27,479)
Trade and other payables	(260)	-	-	-	-	-	(260)
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.

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 will consider a risk management strategy for refinanced debt facility beyond March 2011 prior to the next reporting date.

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 materially affect the Fund. The Fund's sensitivity to a 1% movement in the market interest rate on the refinanced term debt facility is outlined in Note 9.

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 extended 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 2010 are as follows:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$'000	2009 \$'000
Within one year	1,135	1,081
After one year but not more than five years	4,540	4,324
More than five years	37,377	36,676
	<u>43,052</u>	<u>42,081</u>

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.
- Cebas has the option to renew the lease for three further periods of five years each.
- The current rent comprises property rent of approximately \$4,776,100 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.

Future minimum rentals receivable under the lease with Cebas as at 30 June 2010 are as follows:

	2010 \$'000	2009 \$'000
Within one year	5,911	5,717
After one year but not more than five years	23,644	22,870
More than five years	33,734	38,346
	<u>63,289</u>	<u>66,933</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:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

Related Party	<i>Receipts from related parties \$'000</i>	<i>Payments to related parties \$'000</i>
Year ended 30 June 2010		
Cebas Pty Ltd	6,404	-
LEX Pty Ltd	-	(41)
LEX Property Management Limited	-	(419)
Year ended 30 June 2009		
Cebas Pty Ltd	6,139	-
LEX Pty Ltd	-	(29)
LEX Property Management Limited	-	(433)

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 \$5,759,000 for the period to 30 June 2010. Cebas has also paid operating costs of \$645,000 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 2010, payments totalling \$41,000 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 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 2010, the Fund made payments totalling \$419,000 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 2010.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

18 AUDITORS' REMUNERATION

	2010 \$'000	2009 \$'000
Amounts received or due and receivable for:		
Deloitte Touche Tohmatsu – for audit services	17	-
PKF Chartered Accountants – for audit services	10	29
PKF Chartered Accountants –for taxation services	10	10
	37	39

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.

(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:

	2010 Number of units		2009 Number of units	
	Directly	Indirectly	Directly	Indirectly
Specified Directors				
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

Cash Distributions

On 22 July 2010, a cash distribution of \$598,003 (2.875 cents per unit) was paid to unitholders for the quarter ended 30 June 2010.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

Debt Facility Refinancing

On 28 September 2010 the Responsible Entity successfully completed the refinancing of the Fund's debt facility with National Australia Bank Limited which was due to mature in March 2011. In relation to the Fund's refinanced debt facility, the Directors confirm the following key points:

- The term debt facility has a maturity date no earlier than 31 December 2012.
- The bank requires the Fund's loan to value ratio of the facility not to exceed 60.0% (the Fund's loan to value ratio as at 30 June 2010 is 51.8%).
- The bank requires the Fund's interest cover ratio not to fall below 1.90 times (the Fund's ratio for the year to 30 June 2010 is 2.67 times).

As the refinancing of the debt facility was completed subsequent to the balance sheet date, the Fund's debt facility is presented in these financial statements as a current liability with a maturity date in March 2011. The debt facility will revert to a non current liability at the next reporting date of the Fund (31 December 2010) as the maturity date of the new facility is no earlier than 31 December 2012.

Despite the Fund's current liabilities exceeding current assets by \$24,338,000 at the reporting date, the Directors of the Responsible Entity consider it appropriate to present these financial statements on a going concern basis as outlined further in Note 2(a).

Notice of Unitholder Meeting

As outlined in the product disclosure statement of the Fund dated 9 September 2005, the Responsible Entity undertook to convene a meeting of the unitholders before 31 October 2010 to determine the future strategy of the Fund. Alternatives to be considered at this meeting of unitholders may include the sale of the Fund's property over a defined period or other strategies which would provide unitholders with a clear exit mechanism from the Fund by 31 October 2012.

Following an analysis of the available future strategies of the Fund, the Responsible Entity has determined to convene the meeting on 28 October 2010 and has recommended to unitholders that the Responsible Entity be authorised to use its best endeavours to investigate and pursue a sale of the Fund's property asset by 31 October 2012 on terms which the Responsible Entity considers are in the best interests of unitholders having regard to the independent valuation of the property asset at 30 June 2010.

Subject to unitholder approval at the meeting, the Responsible Entity will investigate and pursue a sale of the Fund's property asset on terms which it considers to be in the best interests of unitholders and if possible complete such a sale by 31 October 2012 through an orderly process.

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"), the Directors declare 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 2010 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.

Signed in accordance with a resolution of the Directors of the Responsible Entity pursuant to Section 295(5) of the Corporations Act 2001.

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



Alan W Tribe
Chairman
Perth, 29 September 2010

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 statement of financial position as at 30 June 2010, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out in pages 6 to 27.

Directors' Responsibility for the Financial Report

The directors of the LEX Property Management Limited as Responsible Entity of LEX Retail Property Trust 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 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 the Australian equivalents to International Financial Reporting Standards ensures that the financial report 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. Those 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 of the financial report that gives a true and fair view, 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.

Auditor's Independence Declaration

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 fund's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a).

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 29 September 2010