



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

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

**Annual Financial Report
30 June 2008**

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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 2008.

DIRECTORS

The names, details and qualifications of the directors in office during the year and until the date of this report are below. Directors were in office for this entire period unless otherwise stated.

Alan W Tribe CPA, FCCA

Non Executive Director and Chairman

A CPA with extensive experience from a broad range of commercial roles in Australia and overseas. He became Managing Director of Cebas Pty Ltd, the IKEA franchisee for South Australia and Western Australia, in 1997 and maintains overall control of retail operations and the performance of the retail business with specific responsibility for the planning and development of Cebas' franchise expansion opportunities. He has broad experience in corporate matters in both the public and private sectors. He is an associate of The Queensgate Trust, 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:

	2008		2007	
	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.

On 19 July 2007, the Directors resolved to reduce the Fund's bank bill facility with National Australia Bank Limited ("NAB") from \$25,500,000 to \$24,600,000. On the same day, the Fund's borrowings with NAB were reduced from \$24,770,000 to \$24,400,000 through the application of surplus cash funds. This payment will reduce interest over the term of the loan.

Distributions for the quarters ended 30 June 2007, 30 September 2007, 31 December 2007 and 31 March 2008 were paid to unitholders during the year ended 30 June 2008. The distribution for the quarter ended 30 June 2008 was paid on 18 July 2008. Total cash distributions paid to unitholders for the year ended 30 June 2008 amounted to 10.40 cents per unit.

The Directors obtained an independent valuation of the property as at 30 June 2008 of \$49,800,000, which represented a revaluation surplus of \$300,000 compared to the previous independent valuation as at 30 June 2007.

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

- the term debt facility has a maturity date in April 2011;
- interest expense on 100% of the debt drawn under this facility is fixed until the maturity date; and
- the loan to value ratio of the facility is 49.0% at 30 June 2008.

The total cash distribution paid, together with the increased net asset value per unit, produced a total unitholder return of 11.80 cents per unit in the year, based on the issue price of units issued pursuant to the Product Disclosure Statement dated 9 September 2005.

SIGNIFICANT CHANGES IN THE STATE OF THE COMPANY'S AFFAIRS

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

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

On 18 July 2008, a cash distribution of \$551,203 (2.6500 cents per unit) was paid to unitholders for the quarter ending 30 June 2008.

ROUNDING

The amounts contained in the annual financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Fund under ASIC Class Order 98/0100. 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.

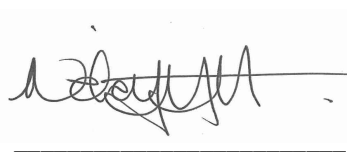
AUDITORS' INDEPENDENCE DECLARATION

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, 25 September 2008



Nicholas C Wyatt
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

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

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



PKF
Chartered Accountants



Chris Nicoloff
Partner

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

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PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2008

	<i>Notes</i>	<i>2008</i> \$'000	<i>2007</i> \$'000
Continuing Operations			
Revenue			
Rental income		5,335	5,142
Other property income		504	488
Interest income		38	42
Fair value adjustment to investment property	5	410	4,613
Total revenue		6,287	10,285
Property ground rent		(1,022)	(992)
Other property expenses		(504)	(488)
Responsible entity's fees		(381)	(348)
Administrative expenses		(49)	(56)
Other expenses		(23)	(23)
Net profit from continuing operations before finance costs		4,308	8,378
Finance costs	3	(1,729)	(1,730)
Net profit from continuing operations attributable to unitholders of the LEX Retail Property Trust		2,579	6,648
STATEMENT OF DISTRIBUTION			
Undistributed income at the beginning of the financial period		9,681	5,068
Net profit attributable to unitholders of the LEX Retail Property Trust		2,579	6,648
Distributions paid or payable	4	(2,169)	(2,035)
Undistributed income at the end of the financial period	11	10,091	9,681
The income statement is to be read in conjunction with the attached notes.			

Balance Sheet

AS AT 30 JUNE 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	805	1,594
Prepayments	7	86	84
Total Current Assets		891	1,678
Non Current Assets			
Investment property	5	49,800	49,500
Total Non Current Assets		49,800	49,500
TOTAL ASSETS		50,691	51,178
LIABILITIES			
Current Liabilities			
Trade and other payables	8	254	835
Distributions payable	4	628	576
Total Current Liabilities		882	1,411
Non Current Liabilities			
Interest bearing borrowings	9	24,163	24,486
Unit capital	10	15,675	15,675
Total Non Current Liabilities		39,838	40,161
TOTAL LIABILITIES		40,720	41,572
NET ASSETS		9,971	9,606
UNITHOLDERS' EQUITY			
Equity attributable to unitholders of LEX Retail Property Trust			
Undistributed income	11	10,091	9,681
Capital distribution reserve	12	(120)	(75)
TOTAL UNITHOLDERS' EQUITY		9,971	9,606
Net tangible asset value per unit	13	\$1.23	\$1.22

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2008

	<i>Notes</i>	<i>2008</i> \$'000	<i>2007</i> \$'000
Cash flows from operating activities			
Receipts from customers		6,320	6,463
Payments to suppliers		(2,518)	(2,200)
Payments to responsible entity		(425)	(373)
Interest received		38	42
Interest paid		(1,672)	(1,676)
Net cash flows from operating activities	6	<u>1,743</u>	<u>2,256</u>
Net cash flows used in investing activities			
		-	-
Cash flows from financing activities			
Repayment of borrowings		(370)	-
Distributions paid		(2,162)	(1,987)
Net cash flows used in financing activities		<u>(2,532)</u>	<u>(1,987)</u>
Net (decrease)/increase in cash and cash equivalents		(789)	269
Cash and cash equivalents at beginning of period		1,594	1,325
Cash and cash equivalents at end of period	6	<u>805</u>	<u>1,594</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 2008

	<i>Undistributed income \$'000</i>	<i>Capital distribution reserve \$'000</i>	<i>\$'000</i>
Balance at 1 July 2006	5,068	(30)	5,038
Net profit for the year	6,648	-	6,648
Capital distributions payable	-	(45)	(45)
Income distributions payable	(2,035)	-	(2,035)
Balance at 30 June 2007	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)
Balance at 30 June 2008	10,091	(120)	9,971

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

1 CORPORATE INFORMATION

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

The Fund is a managed investment scheme 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.

Going Concern

The financial report has been prepared on a going concern basis. The Trust would generate adequate cash flows to meet its obligations as and when they fall due. As at the reporting date, the Trust had unused credit facilities of \$200,000.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$’000) unless otherwise stated under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the class order applies.

(b) Changes to Accounting Standards, Not Yet Adopted

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective. These standards have not been adopted by the Fund for the year ended 30 June 2008. Amendments issued affecting the Fund are outlined below:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

Reference	Title	Summary	Application date of standard	Impact on Fund's financial report	Application date for Fund
AASB 101	Presentation of Financial Statements (Revised)	The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that Australian issuers must make use in financial reports of the descriptions- Statement of Financial Performance and Position rather than Balance Sheet and Income Statement and use the term "financial report" and not "financial statement." The Amending Standard updates references in various other pronouncements.	1 January 2009	AASB 101 is a disclosure standard, so will have no direct impact on amounts in the financial report. However amendments will result in changes in disclosures in the financial report.	1 January 2009

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

(c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

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

Rental Income

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

Interest Income

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

(d) Financial Assets and Financial Liabilities

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

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

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

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

(e) Finance Expenses

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

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank.

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

(g) Trade and Other Receivables

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

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

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

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

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

(h) Investment Property

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

Land, buildings and integral fixed assets are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standards do not require investment properties to be depreciated. Accordingly, the buildings and components thereof (including plant and equipment) are not depreciated.

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.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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

(k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the net profit in equal instalments over the lease term.

(l) Unit Capital

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

Pursuant to AASB 132, unitholders' funds are recognised as liabilities rather than equity as the Fund's Constitution does not contain a perpetuity clause.

(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) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3 FINANCE COSTS

	2008	2007
	\$'000	\$'000
Interest charges and fees – banks	1,684	1,685
Amortisation of debt funding costs	45	45
	<u>1,729</u>	<u>1,730</u>

4 DISTRIBUTIONS PAID OR PAYABLE

	30 June 2008	30 June 2007
	\$'000	\$'000
Distributions payable		
Balance brought forward	576	483
Income distributions to unitholders	2,169	2,035
Capital distributions to unitholders	45	45
Cash distributions paid to unitholders	(2,162)	(1,987)
Balance carried forward	<u>628</u>	<u>576</u>

	30 June 2008	30 June 2007
	Cents per unit	Cents per unit
Cash distributions paid to unitholders	<u>10.39</u>	<u>9.55</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 2008

5 INVESTMENT PROPERTY

Reconciliation of Movements

	2008	2007
	\$'000	\$'000
Fair value of investment property brought forward	49,500	45,100
Cost of leasehold improvements completed in the period and transferred to investment properties at completion	(110)	(213)
Fair value adjustment to investment property	410	4,613
Fair value of investment property carried forward	<u>49,800</u>	<u>49,500</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.

Costs of \$110,000 previously carried in the accounts for payments that were forecast to be paid during the year were written back against the value of the Property. The effect of this is to decrease the cost of the construction and increase the revaluation uplift.

The Directors have assessed the fair value of the investment property at 30 June 2008 to be \$49,800,000 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 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.

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.

6 CASH AND CASH EQUIVALENTS

	2008	2007
	\$'000	\$'000
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank	805	1,594

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$'000	2007 \$'000
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit attributable to unitholders of LEX Retail Property Trust	2,579	6,648
<i>Adjustments for:</i>		
Amortisation of debt funding costs	45	45
Fair value adjustments of investment property	(410)	(4,613)
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	-	3
Increase in prepayments and other assets	-	(3)
(Decrease) Increase in trade and other payables	(469)	75
(Decrease) Increase in GST recoverable	(2)	101
Net cash flows from operating activities	<u>1,743</u>	<u>2,256</u>

7 PREPAYMENTS

	2008 \$'000	2007 \$'000
Prepaid ground rent expenses	<u>86</u>	<u>84</u>

8 TRADE AND OTHER PAYABLES

	2008 \$'000	2007 \$'000
Trade creditors and accruals	<u>254</u>	<u>835</u>

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.

9 INTEREST BEARING BORROWINGS

	2008 \$'000	2007 \$'000
Non Current		
Interest bearing liabilities at amortised costs	<u>24,163</u>	<u>24,486</u>

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 2008, the Fund had access to a bank bill facility totalling \$24,600,000 through facility agreements with NAB. The amount of credit unused at 30 June 2008 was \$200,000. The position of the principle amounts were:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	<i>Date of Maturity</i>	<i>2008 \$'000</i>	<i>2007 \$'000</i>
Non Current			
Term debt loan	14/03/11	24,400	24,770

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

On 19 July 2007, the Fund reduced its borrowings with National Australia Bank (“NAB”) from \$24,770,000 to \$24,400,000 through the application of surplus cash funds. On the same date, at the request of the Directors, the Fund’s bank bill facility was reduced from \$25,500,000 to \$24,600,000.

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

	<i>No. of units 2008</i>	<i>No. of units 2007</i>
Issued capital		
Fully paid units on issue	20,800,100	20,800,100
Movements in issued capital		
Balance brought forward and carried forward	20,800,100	20,800,100

The Responsible Entity monitors the adequacy of its capital, and gearing to meet debt covenants in place. The debt covenants include a maximum loan to value ratio of 60%, compared to the actual loan to value ratio of 49% at the reporting date.

	<i>2008 \$'000</i>	<i>2007 \$'000</i>
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 finite life, it is treated as a liability under AASB 132 “Financial Instruments: Presentation”.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

11 UNDISTRIBUTED INCOME

	2008 \$'000	2007 \$'000
Balance brought forward	9,681	5,068
Net profit attributable to unitholders	2,579	6,648
Income distributions payable to unitholders	(2,169)	(2,035)
Balance carried forward	<u>10,091</u>	<u>9,681</u>

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

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

12 CAPITAL DISTRIBUTION RESERVE

	2008 \$'000	2007 \$'000
Balance brought forward	75	30
Capital distributions	45	45
Balance carried forward	<u>120</u>	<u>75</u>

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

	2008 \$'000	2007 \$'000
Net tangible assets (\$'000)	25,646	25,281
Number of units on issue used in the calculation	20,800,100	20,800,100
Net tangible asset value per unit	\$1.23	\$1.22

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:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	<i>Carrying Amount 2008 \$'000</i>	<i>Fair Values 2008 \$'000</i>	<i>Carrying Amount 2007 \$'000</i>	<i>Fair Value 2007 \$'000</i>
Cash and cash equivalents	805	805	1,594	1,594
Trade and other payables	254	254	835	835
Distributions payable	628	628	576	576
Interest bearing borrowings	24,163	23,620	24,486	23,901

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 (i. 8.2% to 8.57%). Management does not expect prepayments of the loans.

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

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.

As at 30 June 2008, the entity had no credit exposure from the tenants (2007: \$Nil)

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

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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

	2008 \$'000	2007 \$'000
Ageing analysis of trade payables		
0 – 30 days	254	835

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

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

Year ended 30 June 2008	<1 year	>1 - <2	>2 - <3	>3 - <4	>4 - <5	>5 years	Total
	years \$'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)

Year ended 30 June 2007	<1 year	>1 - <2	>2 - <3	>3 - <4	>4 - <5	>5 years	Total
	years \$'000	years \$'000	years \$'000	years \$'000	years \$'000	\$'000	\$'000
Term debt loan	(1,673)	(1,783)	(1,785)	(26,114)	-	-	(31,355)
Trade and other payables	(835)	-	-	-	-	-	(835)
Distributions payable	(576)						(576)

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 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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 2008 are as follows:

	2008 \$'000	2007 \$'000
Within one year	1,041	1,014
After one year but not more than five years	4,165	4,055
More than five years	36,374	36,429
	41,581	41,498

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 \$4,424,000 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 2008 are as follows:

	2008 \$'000	2007 \$'000
Within one year	5,466	5,280
After one year but not more than five years	21,862	21,120
More than five years	42,122	45,971
	69,450	72,371

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).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

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:

Related party	<i>Receipts from related parties \$'000</i>	<i>Payments to related parties \$'000</i>	<i>Payable to related parties \$'000</i>
Year ended 30 June 2008			
Cebas Pty Ltd	5,839	-	-
LEX Pty Ltd	-	(4)	-
LEX Property Management Limited	-	(381)	(6)
	<u>5,839</u>	<u>(385)</u>	<u>(6)</u>
Year ended 30 June 2007			
Cebas Pty Ltd	5,630	-	-
LEX Pty Ltd	-	(14)	-
LEX Property Management Limited	-	(348)	-
	<u>5,630</u>	<u>(362)</u>	<u>-</u>

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 \$5,335,000 for the period to 30 June 2008. Cebas has also paid operating costs of \$504,000 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 2008, payments totalling \$4,000 were made to LEX Pty Ltd for the reimbursement of asset management 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 2008, the Fund made payments totalling \$381,000 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 0.75% per annum (plus GST) in the years ended 30 June 2007 and 2008 respectively.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

18 AUDITORS' REMUNERATION

	2008 \$'000	2007 \$'000
Amounts received or due and receivable by PKF for:		
Audit and financial report	28	15
Taxation services	12	13
	40	28

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:

	2008		2007	
	<i>Directly</i>	<i>Indirectly</i>	<i>Directly</i>	<i>Indirectly</i>
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

On 18 July 2008, a cash distribution of \$551,203 (2.6500 cents per unit) was paid to unitholders for the quarter ending 30 June 2008.

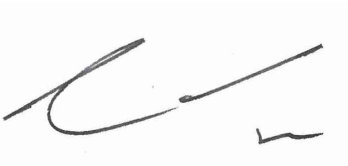
No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations or the state of affairs of the Fund in future financial years.

Directors' Declaration

In accordance with a resolution of the directors of LEX Property Management Limited, 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 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Alan W Tribe
Chairman
Perth, 25 September 2008

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF LEX RETAIL PROPERTY TRUST

Report on the Financial Report

We have audited the accompanying financial report of LEX Retail Property Trust, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the LEX Property Management Limited, as a 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 controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

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PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).



PKF
Chartered Accountants



Chris Nicoloff
Partner

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