

**REED PROPERTY TRUST
AND CONTROLLED ENTITY**

**CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**REED PROPERTY TRUST
AND CONTROLLED ENTITY
I N D E X**

	PAGE
Directors' Report	1
Independence Declaration	2
Consolidated Income Statement	3
Consolidated Balance Sheet	4
Consolidated Cash Flow Statement	5
Notes to the Financial Report	6
Directors' Declaration	9
Independent Auditor's Review Report	10

**REED PROPERTY TRUST
AND CONTROLLED ENTITY
DIRECTORS' REPORT**

The Directors of Reed Funds Management Limited ("the responsible entity"), the responsible entity of the Reed Property Trust ("the Trust") present their report together with the financial report of the Trust and controlled entities for the half-year ended 31 December 2008.

Directors

The following persons were Directors of Reed Funds Management Limited at any time during the half-year ended 31 December 2008 and up to the date of this report:

Kenneth Reed, Managing Director

(Appointed and elected Managing Director on 10 December 2003).

Michael Dougherty, Non-Executive Director

Diploma of Financial Services

(Appointed 10 December 2003).

Victoria Richards, Director and CEO

Graduate Diploma of Financial Services, Graduate Certificate in Shopping Centre Management, Associate member of the Australian Property Institute, Deputy Chair - Sunshine Coast Business Council, Licensed Real Estate Agent - Queensland.

(Appointed 10 December 2003).

Simon Hedger, Non-Executive Director

MBA, Associate Diploma Valuation, Diploma Syllabus (Valuation) - The Royal Institute of Chartered Surveyors 1985.

(Appointed 10 December 2003).

Peter Aubort, Non-Executive Director

Chartered Accountant, Bachelor of Business - Accountancy, Graduate Diploma of Information Technology

(Appointed 1 March 2008).

COMPANY SECRETARY

The name of the Company Secretary of the responsible entity in office at the date of this report is: John Calcino.

Review of operations and results

The Directors have reviewed operations for the half-year ended 31 December 2008 and report that operations have been consistent with the 2009 operating budget. The net profit / (loss) of the Trust for the half-year to 31 December 2008 was loss \$2,309,320 (31 December 2007: profit \$594,490).

Significant changes in the state of affairs

During the half-year ended 31 December 2008 the following significant changes in the state of affairs of the Trust occurred:

- (a) The Trust was closed for applications and redemptions with effect from 29 September 2008.

Auditor's Independence Declaration

The Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 is set out on page 2 and forms part of the Directors' report for the half-year ended 31 December 2008.

This report is made in accordance with a resolution of the Board of Directors of Reed Funds Management Limited.



Director

Maroochydore, 10 March 2009

Lead auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Reed Funds Management Limited the responsible entity of Reed Property Trust

I declare that, to the best of my knowledge and belief, in relation to our review of the half-year ended 31 December 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



WHK HORWATH



**DON LANGDON
PRINCIPAL**

Brisbane, 13 March 2009

Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Total Financial Solutions



Horwath refers to Horwath International Association, a Swiss entity.
Each member of the Association is a separate and independent legal entity.

Member Horwath International

WHK Horwath Pty Ltd ABN 84 006 466 351
Level 16, WHK Horwath Centre 120 Edward Street
Brisbane Queensland 4000 Australia
GPO Box 736 Brisbane Queensland 4001 Australia
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183
Email info.bri@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

**REED PROPERTY TRUST AND CONTROLLED ENTITY
CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Consolidated	
	31 Dec 2008	31 Dec 2007
	\$	\$
REVENUE		
Operating Revenue		
Rent receivable	6,815,129	4,403,047
Non-recoverable outgoings	<u>(478,390)</u>	<u>(329,246)</u>
Net Rental income	<u>6,336,739</u>	<u>4,073,801</u>
Non-operating Revenue		
Dividends	250,057	65,922
Interest income	<u>61,227</u>	<u>116,781</u>
TOTAL REVENUE	<u>6,648,023</u>	<u>4,256,504</u>
EXPENSES		
Custodian fees	7,709	5,373
Unrealised loss on revaluation of non-current assets	4,126,145	1,103,517
Finance costs	4,103,984	2,152,523
Administration expenses	126,808	134,881
Other operating expenses	80,797	82,168
Performance fee	<u>-</u>	<u>183,552</u>
Operating expenses	<u>8,445,443</u>	<u>3,662,014</u>
Profit/(Loss) from rental operations	(1,797,420)	594,490
Other expenses		
Property acquisition costs written off	<u>511,900</u>	<u>-</u>
Profit/(Loss) for the half-year	<u>(2,309,320)</u>	<u>594,490</u>

Notes to and forming part of the financial statements are attached.

**REED PROPERTY TRUST AND CONTROLLED ENTITY
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Consolidated	
	31 Dec 2008	30 Jun 2008
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,047,149	1,903,854
Trade and other receivables	960,584	2,471,621
Other current assets	662,056	756,782
TOTAL CURRENT ASSETS	<u>3,669,789</u>	<u>5,132,257</u>
NON-CURRENT ASSETS		
Financial assets	3,423,681	6,255,785
Investment property	168,351,358	169,634,252
Trade and other receivables	2,724,933	2,047,326
Other non-current assets	364,719	446,037
TOTAL NON-CURRENT ASSETS	<u>174,864,691</u>	<u>178,383,400</u>
TOTAL ASSETS	<u>178,534,480</u>	<u>183,515,657</u>
CURRENT LIABILITIES		
Trade and other payables	1,090,363	1,383,950
TOTAL CURRENT LIABILITIES	<u>1,090,363</u>	<u>1,383,950</u>
NON-CURRENT LIABILITIES		
Long-term borrowings	113,669,000	113,669,000
TOTAL NON-CURRENT LIABILITIES	<u>113,669,000</u>	<u>113,669,000</u>
TOTAL LIABILITIES (excluding net assets attributable to unit holders)	<u>114,759,363</u>	<u>115,052,950</u>
Net assets attributable to unit holders	<u>63,775,117</u>	<u>68,462,707</u>
TOTAL LIABILITIES	<u>178,534,480</u>	<u>183,515,657</u>

Notes to and forming part of the financial statements are attached.

**REED PROPERTY TRUST AND CONTROLLED ENTITY
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Consolidated	
	31 Dec 2008	31 Dec 2007
	Inflows (Outflows)	Inflows (Outflows)
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	7,820,871	4,151,144
Payments to suppliers and employees	(1,881,803)	(2,236,624)
Distribution received	578,817	274,418
Interest received	61,227	116,781
Finance costs paid	(4,062,725)	(2,188,143)
NET CASH FROM OPERATING ACTIVITIES	<u>2,516,387</u>	<u>117,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of investments in unit trusts	-	(10,000,000)
Payment for purchase of investment properties	-	(51,278,110)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(61,278,110)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions paid	(1,741,477)	(1,757,135)
Net proceeds from recoverable outgoings	5,178	(21,953)
Net proceeds from issue/(redemption) of units	(636,793)	23,793,260
Loan facility	-	45,393,000
NET CASH FROM FINANCING ACTIVITIES	<u>(2,373,092)</u>	<u>67,407,172</u>
Net increase/(decrease) in cash held	143,295	6,246,638
Cash and cash equivalent at the beginning of the period	<u>1,903,854</u>	<u>2,281,587</u>
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>2,047,149</u>	<u>8,528,225</u>

Notes to and forming part of the financial statements are attached.

REED PROPERTY TRUST AND CONTROLLED ENTITY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by the Trust during the half-year in accordance with the continuous disclosure obligations of the Corporations Act 2001.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The consolidated interim financial report was authorised for issue by the Directors of the responsible entity on 9 March 2009.

NOTE 2 - NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

	Number of units on issue	Retained earning \$	Settlement Capital \$	Total \$
Balance at 1 July 2007	42,904,252	2,390,965	41,354,757	43,745,722
Issue of units				
- Founder units	15,000,000	-	15,000,000	15,000,000
- Ordinary units	13,777,786	-	15,080,365	15,080,365
- Distributions reinvested	120,424	-	129,259	129,259
Redemption of Founder units				
- Founder units	(5,000,000)	-	(5,000,000)	(5,000,000)
- Ordinary units	(217,236)	-	(225,495)	(225,495)
Sub-total	66,585,226	2,390,965	66,338,886	68,729,851
Capital raising costs	-	-	(892,830)	(892,830)
Net Profit/(loss)	-	594,490	-	594,490
Distributions paid		(2,290,182)	-	(2,290,182)
Balance at 31 December 2007	66,585,226	695,273	65,446,056	66,141,329
Balance at 1 July 2008	67,145,355	2,638,050	65,824,657	68,462,707
Issue of units				
- Founder units	-	-	-	-
- Ordinary units	286,693	-	319,416	319,416
- Distributions reinvested	99,552	-	110,818	110,818
Redemption of units				
- Founder units	-	-	-	-
- Ordinary units	(882,610)	-	(942,164)	(942,164)
Sub-total	66,648,990	2,638,050	65,312,727	67,950,777
Capital raising costs	-	-	(14,045)	(14,045)
Net Profit/(loss)	-	(2,309,320)	-	(2,309,320)
Distributions paid		(1,852,295)	-	(1,852,295)
Balance at 31 December 2008	66,648,990	(1,523,565)	65,298,682	63,775,117

REED PROPERTY TRUST AND CONTROLLED ENTITY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 3 - SEGMENT REPORTING

The Trust currently operates in one business and geographical segment being the ownership and leasing of investment properties throughout Australia.

NOTE 4 - EVENTS SUBSEQUENT TO REPORTING DATE

No other events have occurred subsequent to reporting date that will have a material effect on the financial report of the company for the half-year ended 31 December 2008.

NOTE 5 - CONTINGENT LIABILITIES

There has been no change in the contingent liabilities since the last annual reporting date.

NOTE 6 - DISTRIBUTIONS

	31 Dec 2008	31 Dec 2007
	\$	\$
Interim distributions paid		
September	925,517	974,680
Interim distributions paid		
December	<u>926,778</u>	<u>1,315,502</u>
	<u>1,852,295</u>	<u>2,290,182</u>

NOTE 6 - PRIOR PERIOD ERROR

The Trust accounts for income on fixed increase leases in accordance with *AASB117: Leases*, whereby rental income is recognised on a straight line basis over the period of the lease.

During the half-year ended 31 December 2008 an error in the calculation of the rental income for the duration of the lease agreements was identified. The error had a retrospective effective on the rental income recognised in prior periods and the comparative figures for the half-year ended 31 December 2008 have been restated accordingly.

The comparative figures for the periods ended 31 December 2007 and 30 June 2008 were restated as follows:

	Restated balance	Adjustment as a result of error	Previously reported balance
	\$	\$	\$
Income Statement 31 December 2007			
Revenue	4,402,555	279,373	4,123,182
Net profit for the year	594,490	279,373	315,117
Balance Sheet 30 June 2008			
Non-current receivables	2,047,326	755,669	1,291,657
Net assets attributable to unitholders	68,462,707	755,669	67,707,038

REED PROPERTY TRUST AND CONTROLLED ENTITY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Restated balance \$	Adjustment as a result of error \$	Previously reported balance \$
Note 2 - Net Assets attributable to unit holders			
Balance at 1 July 2007			
- Retained earnings	2,390,965	(55,451)	2,446,416
- Total	43,745,722	(55,451)	43,801,173
Net profit for the period	594,490	279,373	315,117
Balance at 31/12/2007			
- Retained earnings	695,273	223,923	471,350
- Total	66,141,329	223,923	65,917,406
Balance at 1/7/2008			
- Retained earnings	2,638,050	755,669	1,882,381
- Total	68,462,707	755,669	67,707,038

**REED PROPERTY TRUST
AND CONTROLLED ENTITY
DIRECTORS' DECLARATION**

In the opinion of the Directors of Reed Funds Management Limited, the responsible entity of Reed Property Trust (the Trust):

- (a) The financial statements and notes set out on pages 3 to 8 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, for the half-year year ended on that date; and
 - (ii) comply with Accounting Standard AASB134: Interim financial reporting and the Corporations Regulations.
- (b) In the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of the responsible entity.



Kenneth Reed
Managing Director

Maroochydore, 10 March 2009

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Reed Property Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Reed Property Trust (the consolidated entity) which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Trust and the entity it controlled during the period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the consolidated half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Total Financial Solutions



Horwath refers to Horwath International Association, a Swiss Verein.
Each member of the Association is a separate and independent legal entity.

Member Horwath International

WHK Horwath Pty Ltd ABN 84 006 466 351
Level 16, WHK Horwath Centre 120 Edward Street
Brisbane Queensland 4000 Australia
GPO Box 736 Brisbane Queensland 4001 Australia
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183
Email info.bri@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

Independence

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

Conclusion

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

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



WHK HORWATH



**DON LANGDON
PRINCIPAL**

Brisbane, 3 March 2009

