

# Reed Property Trust

## ANNUAL FINANCIAL REPORT

For The Year Ending 30 June 2008



Reed Property Trust ARSN 109 684 773



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# 1 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 year ended 30 June 2008 and the auditor's report thereon.

## Directors of the Responsible Entity

The Directors of Reed Funds Management Limited at any time during or since the end of the financial year are:

### Kenneth Reed, Managing Director

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

Mr Reed has a background in finance and management, working previously for a national banking institution within its international division. Prior to establishing Reed Property Group, Ken managed the Queensland arm of a major international building products company. Ken is a Senior Fellow of the University of the Sunshine Coast and his credentials also include executive positions on regional committees of the Urban Development Institute of Australia and Queensland Master Builders Association. Ken oversees all facets of Reed Property Group's growth and strategic development.

### Victoria Richards, Director & 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).

Ms Richards past roles include, Director, Australian Unity Property Funds Management, Managing Director, FPD Savills (Victoria), National Director, Byvan Professional Services and State Director, Byvan (Vic) Pty Ltd. Chair, Property Council of Australia - Sunshine Coast, member of the Property Advising Committee for Uniting Care - Queensland, national committee member of the Australian Direct Property Investment Association.

### John Calcino, Director

B Bus, Post-graduate Diploma - Securities Institute of Australia 1990 (Appointed 10 December 2003, Resigned 1 March 2008).

Chief Financial Officer of Reed Property Group since 1995. Mr Calcino has extensive experience in the financial analysis and securities industries within Australia and the UK. He oversees the Reed Property Group's operations and administration, ensuring all aspects of compliance, accountability and financial management. John has held a role on the Executive Committee of the Sunshine Coast Branch of the Urban Development Institute of Australia and memberships of the Australian Society of CPAs and the Securities Institute of Australia.

### Michael Dougherty, Non-Executive Director

Diploma of Financial Services  
(Appointed 10 December 2003).

Chairman, Westlawn Financial Planning since 1996, Director, Clarence Property Corporation Pty Ltd since 2002.

### Simon Hedger, Non-Executive Director

MBA, Associate Diploma Valuation, Diploma Syllabus (Valuation) - The Royal Institute of Chartered Surveyors 1985 (Appointed 10 December 2003).

Director, Portfolio Management Principal Global Investors (Europe), Head of Property Securities, Principal Global Investors (Aust.) Ltd 2003 to 2006, Real Estate Analyst, BNP Paribas Equities Australia 1998 to 2002, Property Trust Analyst, Prudential-Bache Securities Australia 1997 to 1998, Fund Manager, Paladin Commercial Trust 1996 to 1997, Fund Manager, GEM Commercial Property Trust 1994 to 1996.

### Peter Aubort, Non-Executive Director

Chartered Accountant, Bachelor of Business - Accountancy, Graduate Diploma of Information Technology (Appointed 1 March 2008).

Mr Aubort has extensive executive experience in the funds management industry from his previous roles as director and/or responsible officer for a number of funds management businesses. In particular, Peter was the managing director of Austcorp Capital Limited and prior to that was an executive director of LM Investment Management Ltd one of Australia's largest commercial property mortgage trusts.

Directors have been in office for the whole of the financial year and up to the date of this report unless otherwise stated.

## Company Secretary

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

## Independence

No Directors or executives of the Trust and controlled entities or the responsible entity have been partners of the Trust's auditors, WHK Horwath.

## Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the responsible entity during the financial year are:

	Board meetings		Compliance committee meetings	
	A	B	A	B
Ken Reed	5	5		
Victoria Richards	5	5	4	4
John Calcino	3	3		
Michael Dougherty	4	5		
Simon Hedger	3	5		
Peter Aubort	2	2		

A - Number of meeting attended. B - Number of meetings held during the time the Director/member held office during the year.

A compliance committee has been formed for the Trust and controlled entities, comprising one internal member (a member associated with the responsible entity) and two external members. The compliance committee's role is to monitor compliance with the Trust and controlled entities' Constitution, Compliance Plan, and the Corporations Act 2001 ('the Act'). The compliance committee meets at least quarterly to assess the performance of the Manager and is obliged to report any breaches of the Constitution, Compliance Plan or the Act to the Manager's Board of Directors, and in some cases, directly to ASIC.

## Principal activities

The Trust is a registered managed investment scheme incorporated and domiciled in Australia.

The principal activity of the Trust and controlled entities during the financial year comprised the raising of funds from unitholders and investing in income-producing property. There were no significant changes in the principal activity during the financial year.

The Trust and controlled entities did not have any employees during the year.

## Operating results

The net profit of the Trust for the financial period ended 30 June 2008 was \$3,947,435 (2007 - \$5,252,750). There was no requirement to provide for income tax as the Trust fully distributes its taxable income to unitholders.

## Distributions to unitholders

During the financial year distributions totalling \$4,511,470 (2007: \$2,721,806) were made to unitholders.

	2008		2007	
	\$	CPU	\$	CPU
Interim distributions paid	3,241,071	0.05640	1,810,091	0.06375
Final distribution payable	1,270,399	0.01892	911,715	0.02125
	<b>4,511,470</b>	<b>0.07532</b>	<b>2,721,806</b>	<b>0.08500</b>

## Interests of the responsible entity

The following fees were paid to Reed Funds Management Limited and its associates out of the Trust property during the financial year:

	2008	2007
	\$	\$
Responsible entity Property acquisition fee	1,278,346	1,042,000
Responsible entity Initial service fee	865,897	1,141,646
Responsible entity Performance fee on revaluation of investment properties	183,552	-

## Significant changes in state of affairs

During the financial year ended 30 June 2008:

- (a) A Product Disclosure Statement was launched to the public dated 18 December 2007.
- (b) The Trust raised \$31.2 million in unitholder's funds.
- (c) The Trust acquired a commercial property in Coolum, Queensland known as "BlueScope Coolum". Settlement occurred on 27 September 2007.
- (d) The Trust acquired a commercial property in Dickson, Australian Capital Territory known as "Telstra ACT". Settlement occurred on 18 December 2007.
- (e) The Trust acquired a commercial property in Symonston, Australian Capital Territory known as "Eye Hospital ACT". Settlement occurred on 12 March 2008.
- (f) The Trust acquired a commercial property in Toowoomba, Queensland known as "APN Toowoomba". Settlement occurred on 18 April 2008.

The Trust's total debt as at 30 June 2008 was \$113.669 million (2007: \$56.045 million).

## Likely developments

The Trust and controlled entities will continue to pursue their principal activities.

Further information about likely development in the operations of the Trust and controlled entities and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Trust and controlled entities.

## Environmental regulation

The Trust and controlled entities' operations are not regulated by any significant environmental law or regulation under either Commonwealth or State legislation.

However, the responsible entity believes that the Trust and controlled entities have adequate systems in place for the management of its environmental requirements and is not aware of any instances of non-compliance of those environmental requirements as they apply to the Trust.

# 1 Directors' report

## Events subsequent to balance date

The following events have occurred since balance date:

- (a) The responsible entity has expressed an interest in the purchase of a number of properties subject to due diligence. As at reporting date, the responsible entity has not signed any contract for the acquisition of any of these properties.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the responsible entity, to affect significantly the operations of the Trust and controlled entities, the results of those operations, or the state of affairs of the scheme, in future financial years.

## Interests of responsible entity and directors

Individual Directors of the responsible entity whom are current unitholders in the Trust and their interests are as follows:

	Units held directly	Units held indirectly
Ken Reed	-	81,865
Victoria Richards	-	268,723
John Calcino	-	113,214
Michael Dougherty	-	5,716
Simon Hedger	-	-
Peter Aubort	-	-

## Remuneration

### Responsible entity remuneration

Details of remuneration paid to the responsible entity is set out in Note 17.

### Directors and executive remuneration

Details of remuneration paid to the Directors' and executives is set out in Note 15.

During, or since the end of the financial year, no Director has received or become entitled to receive, a benefit by reason of a contract entered into by the responsible entity with the Director, a firm of which a Director is a member, or an entity in which the Director has substantial financial interest.

### Custodian remuneration

The Custodian is Trust Company Limited. Its total fee for the year 2007/2008 financial year was 0.025% (plus GST) of the gross asset value of the Trust, with a minimum of \$15,000 plus GST. In addition the Custodian is entitled to be paid any out-of-pocket expenses incurred in the performance of its duties.

## Property asset management

### Leasing

The current property portfolio is 100% leased with weighted average lease expiry of 8.8 years.

## Borrowing policy

The National Australia Bank bill facilities total \$113.669 million (2007: \$56.045 million). The borrowing represents 62% (2007: 60%) LVR based on independent property valuations. The facilities consist of \$53.58 million (2007: \$53.58 million) on fixed rate terms and a facility for \$60.089 million (2007: \$2.465 million) on variable rate terms.

## Indemnities and insurance premiums for officers or auditors

### Indemnification

During the financial period the responsible entity paid an insurance premium in respect of an insurance policy for the benefit of Directors, secretaries, and executive officers of the Trust. The insurance policy grants indemnification in respect of certain liabilities for which the Corporations Act 2001 allows indemnification. The insurance policy does not permit the disclosure of the nature of the liabilities insured nor the amount of the premium.

The company has not during or since the financial year end, in respect of any person who is or has been an officer or auditor of the company or of a related body corporate;

- (a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

The Trust has not indemnified any auditor of the Trust.

### Insurance

No insurance premiums are paid out of the Trust's assets in relation to insurance cover for the responsible entity, its officers and employees, the compliance committee or the auditors of the Trust.

## Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the year ended 30 June 2008.

Signed in accordance with a resolution of the Board of Directors of Reed Funds Management Limited, the responsible entity of Reed Property Trust.

Dated at Maroochydore, Queensland  
16 September 2008.



Kenneth Reed  
Managing Director



## Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

To the Directors of the Responsible Entity of Reed Property Trust

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there has been:

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

**WHK HORWATH**  
ABN 79 981 227 862

**D W LANGDON**  
**PRINCIPAL**

Signed at Maroochydore on 18 September 2008.

*Liability Limited by a scheme approved under Professional Standards Legislation*

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

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A WHK Group firm

# 3 Income statements



## Reed Property Trust and controlled entity - income statements for the year ended 30 June 2008

		Consolidated		Parent	
	Note	2008	2007	2008	2007
		\$	\$	\$	\$
<b>REVENUE</b>					
Operating Revenue					
Rent		10,272,688	6,635,154	7,354,640	5,366,428
Non-recoverable outgoings		(812,767)	(169,317)	(789,723)	(164,781)
Rental income		9,459,921	6,465,837	6,564,917	5,201,647
<b>Non-Operating Revenue</b>					
Dividends		727,371	323,317	3,339, 556	1, 588,161
Interest income		284,261	139,359	282,061	138,705
Unrealised gains on revaluation of non-current assets		-	2,173,433	-	2,173,433
Other income		1,168,886	35,976	1,168,886	35,976
<b>Net investment income</b>	2	<b>11,640,439</b>	<b>9,137,922</b>	<b>11,355,420</b>	<b>9,137,922</b>
<b>EXPENSES</b>					
Custodian fees		(13,069)	(17,600)	(13,069)	(17,600)
Unrealised loss on revaluation of non-current assets		(1,112,857)	-	(827,838)	-
Finance costs		(6,180,910)	(3,558,496)	(6,180,910)	(3,558,496)
Administration expenses		-	(192,957)	-	(192,957)
Other operating expenses		(202,616)	(116,119)	(202,616)	(116,119)
Performance fee		(183,552)	-	(183,552)	-
<b>Operating expenses</b>	3	<b>(7,693,004)</b>	<b>(3,885,172)</b>	<b>(7,407,985)</b>	<b>(3,885,172)</b>
<b>Profit for the year</b>		<b>3,947,435</b>	<b>5,252,750</b>	<b>3,947,435</b>	<b>5,252,750</b>

The accompanying notes form part of these financial statements.



## Reed Property Trust and controlled entity - balance sheets as at 30 June 2008

	Note	Consolidated 2008 \$	2007 \$	Parent 2008 \$	2007 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	4	1,903,854	2,281,587	1,903,854	2,281,587
Trade and other receivables	5	2,471,621	509,688	2,471,621	509,688
Other current assets	6	756,782	141,862	756,782	141,862
<b>TOTAL CURRENT ASSETS</b>		<b>5,132,257</b>	<b>2,933,137</b>	<b>5,132,257</b>	<b>2,933,137</b>
<b>NON-CURRENT ASSETS</b>					
Financial assets	8	6,255,785	1,513,024	49,695,507	32,189,583
Investment properties	7	169,634,252	96,035,954	126,479,549	65,359,395
Trade and other receivables	5	1,291,657	887,023	1,006,638	887,023
Other non-current assets	9	446,037	406,071	446,037	406,071
<b>TOTAL NON-CURRENT ASSETS</b>		<b>177,627,731</b>	<b>98,842,072</b>	<b>177,627,731</b>	<b>98,842,072</b>
<b>TOTAL ASSETS</b>		<b>182,759,988</b>	<b>101,775,209</b>	<b>182,759,988</b>	<b>101,775,209</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	1,383,950	1,929,036	1,383,950	1,929,036
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,383,950</b>	<b>1,929,036</b>	<b>1,383,950</b>	<b>1,929,036</b>
<b>NON CURRENT LIABILITIES</b>					
Long-term borrowings	11	113,669,000	56,045,000	113,669,000	56,045,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>113,669,000</b>	<b>56,045,000</b>	<b>113,669,000</b>	<b>56,045,000</b>
<b>TOTAL LIABILITIES</b> (excluding net assets attributable to unitholders)		<b>115,052,950</b>	<b>57,974,036</b>	<b>115,052,950</b>	<b>57,974,036</b>
<b>Net assets attributable to unitholders</b>	13	67,707,038	43,801,173	67,707,038	43,801,173
<b>TOTAL LIABILITIES</b>		<b>182,759,988</b>	<b>101,775,209</b>	<b>182,759,988</b>	<b>101,775,209</b>

The accompanying notes form part of these financial statements.

# 5 Cash flow statement

## Reed Property Trust and controlled entity - cash flow statements for the year ended 30 June 2008

		Consolidated		Parent	
		2008 Inflows (Outflows) \$	2007 Inflows (Outflows) \$	2008 Inflows (Outflows) \$	2007 Inflows (Outflows) \$
	Note				
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		10,146,491	4,504,634	7,377,848	3,507,701
Payments to suppliers and employees		(3,369,503)	(401,894)	(3,056,959)	(401,894)
Distribution received		514,879	1,464,607	3,127,064	2,729,451
Interest received		284,261	138,705	282,061	138,051
Finance costs		(6,671,584)	(3,655,862)	(6,671,584)	(3,655,862)
NET CASH FROM OPERATING ACTIVITIES	14(b)	904,544	2,050,190	1,058,430	2,317,447
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans raised - wholly owned subsidiary		-	-	(153,886)	(267,257)
Payments for purchase of units in wholly owned subsidiary		-	-	(12,763,163)	(30,676,559)
Payments for purchase of investments in unit trusts		(10,011,204)	-	(10,011,204)	-
Payments for purchase of investments in properties		(69,442,712)	(55,447,854)	(56,679,549)	(24,771,295)
NET CASH FROM INVESTING ACTIVITIES		(79,453,916)	(55,447,854)	(79,607,802)	(55,715,111)
CASH FLOWS FROM FINANCING/ UNITHOLDERS' ACTIVITIES					
Loan facility		57,624,000	32,545,000	57,624,000	32,545,000
Distributions paid		(3,841,156)	(2,098,187)	(3,841,156)	(2,098,187)
Net proceed from recoverable outgoings		230,525	94,694	230,525	94,694
Proceeds from issue of units		24,158,270	23,876,266	24,158,270	23,876,266
NET CASH FROM FINANCING ACTIVITIES		78,171,639	54,417,773	78,171,639	54,417,773
Net increase (decrease) in cash and cash equivalents		(377,733)	1,020,109	(377,733)	1,020,109
Cash and cash equivalents at the beginning of the year		2,281,587	1,261,478	2,281,587	1,261,478
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14(a)	1,903,854	2,281,587	1,903,854	2,281,587

The accompanying notes form part of these financial statements.

## NOTE 1 - Statement of significant accounting policies

The Reed Property Trust "the Trust" is a registered managed investment scheme incorporated under the Corporations Act 2001 in Australia. The consolidated financial report of the Trust as at the year ended 30 June 2008 comprises the Trust and its subsidiary the Yandina Sub-Trust, a discretionary trust established and domiciled in Australia (together referred to as the "Trust").

Reed Funds Management Limited is the responsible entity of the Trust (the responsible entity).

Trust Company Limited is the Custodian of the Trust (the Custodian).

The relationship of these parties with the Trust is governed by the terms and conditions specified in the Constitution.

The financial report was authorised for issue by the board of directors of the responsible entity on the 16 September 2008.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report of the Reed Property Trust and controlled entity, and Reed Property Trust as an individual parent entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Trust in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and liabilities for which the fair value basis of accounting has been applied.

### Accounting policies

#### (a) Principles of consolidation

A controlled entity is any entity Reed Property Trust has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 20 of the financial statements. All controlled entities have a June year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

#### (b) Investment properties

Investment properties comprise of nine properties which are held to generate long term rental yield. All tenant leases are on an arms length basis.

The investment properties are initially brought to account at cost, including the costs of acquisition. At each subsequent reporting date investment properties are revalued and recorded at fair value. Costs of acquisition include stamp duty and fees for professional services incurred by the responsible entity and reimbursed by the Trust. The costs of any subsequent development and refurbishment, including financing charges incurred in respect of development or refurbishment, will be capitalised. The responsible entity's intention is that the properties will be independently re-valued at fair value on an annual basis. A gain or loss arising from a change in the fair value of a property shall be recognised in profit or loss for the period in which it arises.

#### (c) Financial instruments

##### Recognition & initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Trust becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Trust no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

##### Classification & subsequent measurement

##### Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if designated by management and within the requirements of AASB 139: Financial Instruments: Recognition and Measurement.

# 6 Notes to the financial statements

## NOTE 1 - Statement of significant accounting policies (con't)

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Trust's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

### Available-for-sale investments

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities including recent arm's length transactions, reference to similar instruments and option pricing models.

### Impairment

At each reporting date, the Trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### (d) Impairment of assets

At each reporting date the Trust reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that these assets have not been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell at value-in-use, is compared to the asset's carrying value.

An excess to the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (e) Provisions

Provisions are recognised when the Trust has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

For the purposes of the cash flow statement, cash includes cash on hand, in the bank and at call, deposits with other financial institutions, and net of outstanding bank overdrafts.

### (g) Receivables

Rental debtors to be settled within 30 days are carried at amounts due.

### (h) Interest bearing liabilities

Interest bearing liabilities are recognised in the financial statements on the basis of the nominal amounts outstanding at balance date.

### (i) Net fair value

The net fair value of cash, receivables, inventory and payables approximates their carrying value.

### (j) Recognition of revenue

#### Dividends/distributions

Dividend and distribution revenue is recognised when the right to receive the dividend/distribution has been established.

#### Rent

Revenue from rental properties is recognised on a straight-line basis for leases with fixed rental increases. For all other leases, revenue is recognised when the Trust has a right to receive the rent in accordance with the lease agreement.

#### Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

### (k) Borrowing costs

Borrowing costs are capitalised and amortised over five years on a straight line basis.

## (l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement inclusive of GST. The amounts of GST paid to or recovered from the ATO are classified as cash flows from operations.

## (m) Property operating expenses

Property expenses such as rates, taxes and other property outgoings in relation to investment property are recognised on an accrual basis when incurred.

## (n) Outgoings recovered

Outgoings recovered represent the portion of property expenses that are recoverable from tenants.

## (o) Loan establishment costs

Loan establishment costs are capitalised and amortised over the period of the loan on a straight line basis.

## (p) Income tax

Under current income tax legislation the Trust is not liable for taxation where the taxable income is distributed in full to unitholders. Tax allowances for building and plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

## (q) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## (r) Critical accounting estimates and judgements

The directors of the responsible entity evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Trust.

### Key estimates-impairment

The Trust assess impairment at each reporting date by evaluating conditions specific to the Trust that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporated a number of key estimates.

No impairment has been recognised in respect of assets owned by the Trust during the year ended 30 June 2008.

## (s) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below:

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, AASB 1038].
- AASB 2007-3 is applicable to annual reporting periods beginning on or after 1 January 2009. The Trust has not adopted the standard early. AASB 2007-3 consequentially amends a number of standards arising from the issue of AASB 8. These amendments result from the change of name to AASB 8. AASB 8 is a disclosure standard and will therefore have no impact on the Trust's reported position and performance.
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. AASB 2007-8 is applicable to annual reporting periods beginning on or after 1 January 2009. The Trust has not adopted the standard early. AASB 2007-8 consequentially amends a number of standards arising from the revision of AASB 101. This amending standard also changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements' in application paragraphs, where relevant, of Australian Accounting Standards (including interpretations) to better align with IFRS terminology. Revised AASB 101 introduces as a financial statement (formerly 'primary' statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by AASBs. The Trust has not yet determined the potential effect of the revised standard on the disclosures in the financial report.
- Revised AASB 123 Borrowing costs are applicable to annual reporting periods beginning on or after 1 January 2009. The revised standard removes the option to expense borrowing costs and requires that the Trust capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The revised standard is not expected to have any impact on the Trust's financial report.
- AASB 8 Operating Segments is applicable to annual reporting periods beginning on or after 1 January 2009. The standard introduces the "management approach" to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the board of directors in order to assess each segment's performance and to allocate resources to them. This standard is a disclosure standard, and is not expected to have any impact on the reported financial position or performance or the disclosures in the financial report. The Trust has not adopted the standard early.

# 6 Notes to the financial statements

## NOTE 2 - Revenue

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Operating activities</b>				
Rent	10,272,688	6,635,154	7,354,640	5,366,428
Non-recoverable outgoings	(812,767)	(169,317)	(789,723)	(164,781)
<b>Rental income</b>	<b>9,459,921</b>	<b>6,465,837</b>	<b>6,564,917</b>	<b>5,201,647</b>
<b>Non-operating activities</b>				
Unit trust distributions	727,371	323,317	3,339,556	1,588,161
Interest	284,261	139,359	282,061	138,705
Unrealised gains on non-current assets	-	2,173,433	-	2,173,433
	<b>1,011,632</b>	<b>2,636,109</b>	<b>3,621,617</b>	<b>3,900,299</b>
Other income	-	35,976	-	35,976
Reed Funds Management Limited support	1,168,886	-	1,168,886	-
	1,168,886	35,976	1,168,886	35,976
<b>Total revenue</b>	<b>11,640,439</b>	<b>9,137,922</b>	<b>11,355,420</b>	<b>9,137,922</b>

## NOTE 3 - Auditors' remuneration

- Audit	17,600	16,000	17,600	16,000
- Other services	25,689	17,000	25,689	17,000

## NOTE 4 - Cash and cash equivalents

Cash at bank	1,903,854	2,281,587	1,903,854	2,281,587
	<b>1,903,854</b>	<b>2,281,587</b>	<b>1,903,854</b>	<b>2,281,587</b>

Cash earns interest at a variable rate.

## NOTE 5 - Trade and other receivables

Current				
Trade receivables	2,471,621	509,688	2,471,621	509,688
	<b>2,471,621</b>	<b>509,688</b>	<b>2,471,621</b>	<b>509,688</b>
Non-current				
Trade receivables	1,291,657	887,023	585,495	619,766
Loan - wholly owned subsidiary	-	-	421,143	267,257
	<b>1,291,657</b>	<b>887,023</b>	<b>1,006,638</b>	<b>887,023</b>

(a) The loan to the subsidiary is unsecured, bears no interest and has no fixed terms of repayment.

(b) Leasing arrangements

The Trust, as lessor, has entered into operating leases with tenants for periods of 5 to 10 years with renewal option periods provided in the majority of cases.

The lease agreements provide for either rental increases as specified in each agreement or CPI increases with market rental reviews annually, provided rent does not fall below the level of the last rental review.



## NOTE 5 - Trade and other receivables (con't)

(c) Future minimum lease payments receivable from non-cancellable	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Not later than 1 year	12,106,681	7,199,514	9,150,866	5,182,741
Later than 1 year and not later than 5 years	42,782,091	27,118,092	30,230,891	18,427,543
Later than 5 years	63,155,674	48,071,282	21,506,295	7,005,609
	<b>118,044,446</b>	<b>82,388,888</b>	<b>60,888,052</b>	<b>30,615,893</b>

## NOTE 6 - Other current assets

Prepayments	595,125	141,862	595,125	141,862
Loan establishment costs	161,657	-	161,657	-
	<b>756,782</b>	<b>141,862</b>	<b>756,782</b>	<b>141,862</b>

## NOTE 7 - Investment properties

Chancellor Homemaker Centre	24,800,000	23,000,000	24,800,000	23,000,000
Chancellor Village Convenience Centre	7,250,000	6,300,000	7,250,000	6,300,000
Noosa Gateway	11,900,000	11,300,000	11,900,000	11,300,000
Silver @ The Exchange	25,850,000	24,759,395	25,850,000	24,759,395
APN Yandina	30,400,000	30,676,559	-	-
BlueScope Coolum	5,356,734	-	-	-
Telstra ACT	45,746,655	-	45,746,655	-
Eye Hospital ACT	10,932,894	-	10,932,894	-
APN Toowoomba	7,397,969	-	-	-
	<b>169,634,252</b>	<b>96,035,954</b>	<b>126,479,549</b>	<b>65,359,395</b>

Movements in investment properties				
Balance at the beginning of the financial year	96,035,954	38,482,654	65,359,395	38,482,654
Additions during the year	69,442,712	55,447,854	56,679,549	24,771,295
Disposals during the year	-	-	-	-
Revaluation of investment properties	4,155,586	2,105,446	4,440,605	2,105,446
<b>Balance at the end of the financial year</b>	<b>169,634,252</b>	<b>96,035,954</b>	<b>126,479,549</b>	<b>65,359,395</b>

The fair value model is applied to all investment properties. Investment properties are independently revalued at least every year. Values are based on an active market value and are performed by a registered independent valuer. Director's valuations are prepared at each balance date where an independent valuation has not been obtained.

## NOTE 8 - Financial assets

Current				
Unlisted units in Principal Property Securities Fund	6,255,785	1,513,024	6,255,785	1,513,024
Unlisted units in controlled entity	-	-	43,439,722	30,676,559
	<b>6,255,785</b>	<b>1,513,024</b>	<b>49,695,507</b>	<b>32,189,583</b>

# 6 Notes to the financial statements

## NOTE 9 - Other non-current assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loan establishment costs	446,037	406,071	446,037	406,071
	<b>446,037</b>	<b>406,071</b>	<b>446,037</b>	<b>406,071</b>

## NOTE 10 - Trade and other payables

Current				
Unsecured liabilities				
Trade creditors and accruals	97,970	976,954	97,970	976,954
Other creditors	15,581	40,367	15,581	40,367
Distribution payable	1,270,399	911,715	1,270,399	911,715
	<b>1,383,950</b>	<b>1,929,036</b>	<b>1,383,950</b>	<b>1,929,036</b>

## NOTE 11 - Borrowings

Non-current				
(a) Secured bank bill facilities	113,669,000	56,045,000	113,669,000	56,045,000
(b) The bill facilities are secured by a registered first mortgage over the freehold land and buildings of the investment properties.				
(c) The carrying amounts of the non-current assets pledged as security are:				
Investment properties	169,634,252	96,035,954	126,479,549	65,359,395
Units in controlled entity	-	-	43,439,722	30,676,559
	<b>169,634,252</b>	<b>96,035,954</b>	<b>169,919,271</b>	<b>96,035,954</b>
(d) A list of the bill facilities and their terms is disclosed in Note 18.				

## NOTE 12 - Distributions

Interim distributions paid	3,241,071	1,810,091	3,241,071	1,810,091
Final distribution payable	1,270,399	911,715	1,270,399	911,715
	<b>4,511,470</b>	<b>2,721,806</b>	<b>4,511,470</b>	<b>2,721,806</b>



## NOTE 13 - Net assets attributable to unitholders

	Number of units on issue \$	Retained earnings \$	Settlement capital \$	Total \$
Balance 1 July 2007	42,904,252	2,446,416	41,354,757	43,801,173
Issue of units				
- Founder units	15,000,000	-	15,000,000	15,000,000
- Ordinary units	15,664,942	-	16,200,365	16,200,365
- Distributions reinvested	291,128	-	311,630	311,630
Redemption - founder units	(5,000,000)		(5,000,000)	(5,000,000)
Redemption - ordinary units	(1,714,967)	-	(1,800,496)	(1,800,496)
Sub-total	67,145,355	2,446,416	66,066,256	68,512,672
Capital raising costs	-	-	(241,599)	(241,599)
Net profit/(loss) for the year	-	3,947,435	-	3,947,435
Distributions paid	-	(4,511,470)	-	(4,511,470)
<b>Balance at 30 June 2008</b>	<b>67,145,355</b>	<b>1,882,381</b>	<b>65,824,657</b>	<b>67,707,038</b>

Balance 1 July 2006	17,740,812	(84,528)	16,825,906	16,741,378
Issue of units				
- Founder units	10,000,000	-	10,000,000	10,000,000
- Ordinary units	21,854,678	-	22,441,910	22,441,910
- Distributions reinvested	91,487		92,481	92,481
Redemption	(6,782,725)	-	(6,782,246)	(6,782,246)
Sub-total	42,904,252	(84,528)	42,578,051	42,493,523
Capital raising costs	-	-	(1,223,294)	(1,223,294)
Net profit/(loss) for the year	-	5,252,750	-	5,252,750
Distributions paid	-	(2,721,806)	-	(2,721,806)
<b>Balance at 30 June 2007</b>	<b>42,904,252</b>	<b>2,446,416</b>	<b>41,354,757</b>	<b>43,801,173</b>

## NOTE 14 - Cash flow information

### (a) Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	1,903,854	2,281,587	1,903,854	2,281,587
	<b>1,903,854</b>	<b>2,281,587</b>	<b>1,903,854</b>	<b>2,281,587</b>

### (b) Reconciliation of cash flow from operations with profit/(loss) after income tax

Profit/(loss) after income tax	3,947,435	5,252,750	3,947,435	5,252,750
Non-cash items				
Unrealised (gain)/loss on investments	1,112,857	(2,173,433)	827,838	(2,173,433)
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade and other receivables	(2,659,388)	(890,078)	(2,220,483)	(622,821)
Prepayments	(654,886)	(97,366)	(654,886)	(97,366)
Increase/(decrease) in liabilities:				
Trade and other payables	(841,474)	(41,683)	(841,474)	(41,683)
<b>Net cash from operating activities</b>	<b>904,544</b>	<b>2,050,190</b>	<b>1,058,430</b>	<b>2,317,447</b>

# 6 Notes to the financial statements

## NOTE 14 - Cash flow information (con't)

### (c) Non-cash investing and unitholder activities

	Units	Units	Units	Units
Units issued under the distribution reinvestment plan	291,128	91,487	291,128	91,487
	\$	\$	\$	\$
	311,630	92,481	311,630	92,481

(d) The Trust currently holds a number of bill facilities with National Australia Bank, details are included in Note 18.

## NOTE 15 - Key management personnel

(a) Directors' remuneration	Short-term benefits			Post-employment benefits		Total
	Fees	Super	Other	Non-cash benefits	Long service leave	
30 June 2008						
Total compensation	321,101	28,899	-	-	-	350,000
30 June 2007						
Total compensation	137,615	12,385	-	-	-	150,000

### (b) Directors' names

The names of directors of the responsible entity who have held office at any time during the year are:  
Kenneth Reed, Victoria Richards, John Calcino, Michael Dougherty, Simon Hedger and Peter Aubort.

## NOTE 16 - Statement of Operations by segments

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

## NOTE 17 - Related party disclosures related parties

The Trust is managed by Reed Funds Management Limited as responsible entity. The names of the persons holding position of directors of Reed Funds Management Limited during the period are: Kenneth Reed (appointed 10 December 2003), Victoria Richards (appointed 10 December 2003), John Calcino (appointed 10 December 2003 and resigned 1 March 2008), Michael Dougherty (appointed 10 December 2003), Simon Hedger (appointed 10 December 2003), and Peter Aubort (appointed 1 March 2008).

### Related party transactions

#### Responsible entity remuneration

In accordance with the terms of the Trust Constitution and the product disclosure statement, Reed Funds Management Limited is entitled to receive a management fee based on a specified percentage of the value of the Trust's assets. The Management Expense Ratio (MER) for the 2008 period was 0.15% (2007: 1%)

## Related party transactions

### Responsible entity remuneration (con't)

Set out below are the fees paid or payable by the Trust to the responsible entity during the year:

	2008	2007
	\$	\$
Responsible entity Property acquisition fee	1,278,346	1,042,000
Responsible entity Initial service fee	865,897	1,141,646
Responsible entity Performance fee on revaluation of investment properties	183,552	-

### Unitholdings

As at 30 June 2008 the following fully paid units are held directly or beneficially by related parties:

	Balance as at 1 July 2007	Additions/ (Disposals)	Balance as at 30 June 2008
Kenneth Reed	51,067	30,798	81,865
Victoria Richards	5,322	394	5,716
John Calcino	91,627	21,587	113,214
Michael Dougherty	268,723	-	268,723
Simon Hedger	-	-	-
Peter Aubort	-	-	-

(Other movement recorded to recognise appointment/resignation as a director during the financial year.)

### Directors' remuneration - executive directors

No salary, cash bonus or monetary benefit was paid to the executive directors of the responsible entity during the period.

The Trust has no directors or executives.

## NOTE 18 - Bill facility

Following are the details of the current National Australia Bank debt facilities that the Trust holds:

	Bill facility	Unused facility	Status	End of fixed rate term
	\$	\$		
1	7,080,000	-	Fixed	31/10/2011
2	15,636,000	514,000	Variable	n/a
3	16,587,000	3,084,000	Variable	n/a
4	4,217,000	7,833,000	Variable	n/a
5	17,000,000	-	Capped	n/a
6	6,649,000	-	Variable	31/10/2011
7	16,500,000	-	Fixed	4/01/2010
8	20,000,000	-	Fixed	31/12/2010
9	10,000,000	-	Fixed	4/11/2011
<b>Total</b>	<b>113,669,000</b>	<b>11,431,000</b>		

The capped facility is subject to a variable interest rate capped at 6.5%.

## NOTE 19 - Events subsequent to balance date

The following events have occurred since balance date:

- (a) The responsible entity has expressed an interest in the purchase of a number of properties subject to due diligence. As at reporting date, the responsible entity has not signed any contract for the acquisition of any of these properties.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the responsible entity, to affect significantly the operations of the Trust and controlled entities, the results of those operations, or the state of affairs of the scheme, in future financial years.

## NOTE 20 - Controlled entities

	Country of incorporation	Percentage owned (%)	
		2008	2007
Parent Entity:			
Reed Property Trust			
Subsidiary of Reed Property Trust:			
Yandina Sub-Trust	Australia	100%	100%

# 6 Notes to the financial statements

## NOTE 21 - Trust details

The registered office and principal place of business of the Trust is 17 Duporth Avenue, Maroochydore QLD 4558.

The principal activities for the Trust are investing in commercial rental properties.

## NOTE 22 - Contingent assets/liabilities

There are no contingent liabilities or contingent assets as at 30 June 2008 which require disclosure in the financial statements.

## NOTE 23 - Financial instruments

### Financial risk management

The Trust's financial instruments consist mainly of deposits with banks, short-term investments, unlisted unit trusts, bank loans, accounts receivable and accounts payable.

The directors' overall risk management strategy seeks to assist the Trust in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the board of directors of the responsible entity on a regular basis. These include the credit risk policies and future cash flow requirements.

The Trust does not have any derivative instruments at 30 June 2008.

The Trust and the parent entity hold the following financial instruments.

### Treasury management

The directors of the responsible entity meet on a regular basis to review interest rates to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

### Financial risks

The main risks that the Trust is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

### Credit risk

Credit risk refers to the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers. The Trust and parent entity do not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	1,903,854	2,281,587	1,903,854	2,281,587
Trade and other receivables	3,763,278	1,396,711	3,478,259	1,396,711
Unlisted units	6,255,785	1,513,024	6,255,785	1,513,024
	<b>11,922,917</b>	<b>5,191,322</b>	<b>11,637,898</b>	<b>5,191,322</b>
Financial liabilities				
Trade and other payables	1,383,950	1,929,036	1,383,950	1,929,036
Interest bearing loans and borrowings	113,669,000	56,045,000	113,669,000	56,045,000
	<b>115,052,950</b>	<b>57,974,036</b>	<b>115,052,950</b>	<b>57,974,036</b>

The ageing of the consolidated trade receivables at the reporting date was:

	2008		2007	
	Gross	Impairment	Gross	Impairment
	\$	\$	\$	\$
Not past due (current)	2,359,046	-	481,063	-
Not past due (non-current)	1,291,657	-	887,023	-
Past due 0-30 days (30 day aging)	-	-	-	-
Past due 31-60 days (60 day aging)	112,575	-	-	-
Past due more than 60 days (+90 day aging)	-	-	28,625	-
	<b>3,763,278</b>	<b>-</b>	<b>1,396,711</b>	<b>-</b>

## NOTE 23 - Financial instruments (con't)

The ageing of the parent's trade receivables at the reporting date was:

	2008		2007	
	Gross \$	Impairment \$	Gross \$	Impairment \$
Not past due (current)	3,365,684	-	1,368,086	-
Not past due (non-current)	1,006,638	-	887,023	-
Past due 0-30 days (30 day aging)	-	-	-	-
Past due 31-60 days (60 day aging)	112,575	-	-	-
Past due more than 60 days (+90 day aging)	-	-	28,625	-
	<b>4,484,897</b>	<b>-</b>	<b>2,283,734</b>	<b>-</b>

None of the past due receivables at 30 June 2008 were impaired. The past due receivable relates to a deposit paid on a settlement of a property. It is expected that this amounts will be received in full if or when the property is settled.

The other classes of other receivables do not contain impaired assets and are not past due. Based on the credit history of the receivables, it is expected that these amount will be received when due.

The credit risk policies remain unchanged from the previous year.

### Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

The Trust manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, and ensuring that adequate cash reserves are maintained.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	1-5 Years \$	Over 5 years \$
<b>Consolidated</b>					
Trade and other payables	1,383,950	1,383,950	1,383,950	-	-
Interest bearing borrowings	113,669,000	113,669,000	73,803,120	105,865,880	-
	<b>115,052,950</b>	<b>115,052,950</b>	<b>75,187,070</b>	<b>105,865,880</b>	<b>-</b>
<b>Parent 30 June 2008</b>					
Trade and other payables	1,383,950	1,383,950	1,383,950	-	-
Interest bearing borrowings	113,669,000	113,669,000	73,803,120	105,865,880	-
	<b>115,052,950</b>	<b>115,052,950</b>	<b>75,187,070</b>	<b>105,865,880</b>	<b>-</b>
<b>Consolidated 30 June 2007</b>					
Trade and other payables	1,929,036	1,929,036	1,929,036	-	-
Interest bearing borrowings	56,045,000	56,045,000	2,465,000	53,580,000	-
	<b>57,974,036</b>	<b>57,974,036</b>	<b>4,394,036</b>	<b>53,580,000</b>	<b>-</b>
<b>Parent 30 June 2007</b>					
Trade and other payables	1,929,036	1,929,036	1,929,036	-	-
Interest bearing borrowings	56,045,000	56,045,000	2,465,000	53,580,000	-
	<b>57,974,036</b>	<b>57,974,036</b>	<b>4,394,036</b>	<b>53,580,000</b>	<b>-</b>

# 6 Notes to the financial statements

## NOTE 23 - Financial instruments (con't)

### Market risk

#### (a) Foreign exchange risk

The Trust is not exposed to fluctuations in foreign currencies.

#### (b) Interest rate risk

Interest rate risk refers to the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

Interest rate risk is managed through a mix of fixed and floating rate debt. At 30 June 2008 approximately 47% (2007: 96%) of the Trust's debt was fixed.

At the reporting date the interest rate profile of the parent entity's and the consolidated entity's interest-bearing financial instruments was:

	30 June 2008		30 June 2007	
	Effective interest rate %	Balance \$	Effective interest rate %	Balance \$
<b>Consolidated</b>				
<b>Variable rate instruments</b>				
Cash and cash equivalents	7.10	1,903,854	6.21	2,281,587
Interest bearing loans and borrowings	7.45	60,089,000	6.87	2,465,000
		<b>61,992,854</b>		<b>4,746,587</b>
<b>Fixed rate instruments</b>				
Interest bearing loans and borrowings	6.36	53,580,000	6.85	53,580,000
		<b>53,580,000</b>		<b>53,580,000</b>

#### Parent

<b>Variable rate instruments</b>				
Cash and cash equivalents	7.10	1,903,854	6.21	2,281,587
Interest bearing loans and borrowings	7.45	60,089,000	6.87	2,465,000
		<b>61,992,854</b>		<b>4,746,587</b>
<b>Fixed rate instruments</b>				
Interest bearing loans and borrowings	6.36	53,580,000	6.85	53,580,000
		<b>53,580,000</b>		<b>53,580,000</b>

#### Cash flow sensitivity analysis for variable rate instruments

The sensitivity analysis has been determined based on the exposure of the Trust to interest rates for non-derivative financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.5% increase or decrease is used when reporting interest rates internally to key management personnel and represents management's assessment of the possible change in interest rates.

#### Consolidated entity sensitivity

At 30 June 2008, if interest rates had changed by +/- 50 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$128,328 higher/lower (2007: \$18,293 higher/lower), mainly as a result of lower/higher interest expense on variable bank loans offset by higher/lower interest income from cash and cash equivalents.

#### Parent entity sensitivity

At 30 June 2008, if interest rates had changed by +/- 50 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$128,220 higher/lower (2007: \$18,256 higher/lower), mainly as a result of lower/higher interest expense on variable bank loans offset by higher/lower interest income from cash and cash equivalents. There has been no change to the Trust's exposure to interest rates or the manner in which it manages and measures the risk.

#### Fair values

The carrying values of financial assets and liabilities are assumed to approximate their fair values due to their relatively short-term nature.

#### Capital risk management

The consolidated and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to unitholders, through the optimization of debt and equity balances. The Trust continues to raise funds to finance existing and future investment property acquisitions in accordance with the principle objectives.

The capital structure of the Trust consists of cash and cash equivalents and equity, comprising of units issued to unitholders and retained earnings.

The board of directors of the responsible entity reviews this structure and the associated risks with each class of capital on a regular basis.

Capital risk management policies remain unchanged from the prior year.

## Directors' declaration for the year ended 30 June 2008

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 6 to 20, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Trust's and the consolidated entity's financial position as at 30 June 2008 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) 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 at Maroochydore, Queensland  
16 September 2008.



Kenneth Reed  
Managing Director



# 8 Independent auditor's report



## INDEPENDENT AUDITOR'S REPORT

To the investors of Reed Property Trust

### Report on the Financial Report

We have audited the accompanying financial report of Reed Property Trust, which comprises the balance sheet as at 30 June 2008, and the income statement, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the trust and the entities it controlled at the year end or from time to time during the financial year.

### The Responsibility of the Directors for the Financial Report

The directors of the responsible entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes 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 1, the directors of the responsible entity 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, 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 judgment, 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.

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Total Financial Solutions



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

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#### Independence

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

#### Audit Opinion

In our opinion:

- a. the financial report of Reed Property Trust and controlled entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2008 and of their 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.
- b. the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

**WHK HORWATH**  
ABN 79 981 227 862

**D W LANGDON**  
PRINCIPAL

Dated this 18<sup>th</sup> day of September 2008.

Maroochydore, Australia.

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## Printing

This report was produced using the following environmental initiatives:

All water used in the printing process was 100% roof harvested.

Only biodegradable soy based inks have been used in the production of this report.

All energy used to produce this report was derived from 100% green sources (wind).



## Paper Stocks

### Cover - ecoStar Uncoated

The stock chosen for the cover of this report is an environmentally responsible 100% recycled paper made from 100% post-consumer waste that has been processed chlorine free (PCF). All recycled pulps are chain of custody, third party certified. The mill operates under the ISO 14001 Environmental Management System which guarantees continuous improvement and is PEFC certified (Programme for the Endorsement of Forest Certification schemes) for traceability.



### Text - Envi 50/50 Recycled Uncoated (p1~p24)

The inside pages have been printed on a Carbon Neutral recycled paper produced and certified, in conjunction with the Australian Government's Department of Climate Change. Australian Paper has conducted a thorough Life Cycle Analysis (LCA) and has implemented a range of activities to reduce their greenhouse gas emissions and the need to purchase carbon offsets.

These activities include;

- Reducing electricity usage by 1.5% and gas by 1%.
- A minimum of 42% of energy sourced is from renewable sources.
- Switching to gas fired boilers—saving 33,000 tonnes of CO<sub>2</sub> emissions
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carbon  
neutral



recycled



australian  
made



renewable  
energy



elemental  
chlorine  
free



sustainable  
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