DB RREEF Property Syndicates

gordon property trust and gordon property investment trust

annual report 2007

DB RREEF

Managed in partnership with Deutsche Bank

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letter from the chair

I AM PLEASED TO PRESENT THE ANNUAL REPORT FOR THE GORDON PROPERTY TRUST AND THE GORDON PROPERTY INVESTMENT TRUST FOR THE YEAR ENDING 30 JUNE 2007

Dear Investor

The Gordon Property Trust and Gordon Property Investment Trust highlights for the year ending 30 June 2007 include:

- an income return of 13.01 cents per unit;
- the property valuation increasing to $85.4 million, an increase of 4.8 percent over the previous valuation;
- occupancy for the centre increasing from 93.8 percent to 98.9 percent; and
- weighted average lease expiry profile of 4.5 years.

On behalf of the Board, I wish to thank you for your continued support of the DB RREEF Property Syndicates.

Yours sincerely

Christopher T Beare
Chair

DB RREEF Funds Management Limited

17 September 2007

key financial data

gordon property trust

	June 2007	June 2006
Investment property	$85,400,000	$81,500,000
Total assets	$86,138,000	$82,259,000
Borrowings	$820,000	–
Total liabilities	$4,160,000	$1,911,000
Net assets attributable to members	$81,978,000	$80,348,000
Net distributable income	$6,097,000	$10,168,000
Net property income	$9,124,000	$10,984,000
Number of units on issue	21,700,000	21,700,000
Number of unitholders	128	129
Net asset backing per unit attributable to members	$3.78	$3.70
	Cents per unit	**Cents per unit**
Gross distribution	20.58	20.55
Less loan interest expense	7.57	8.08
Net distribution	13.01	12.47
Tax-deferred amount	10.92	0.75
Assessable income	9.66	19.80
Tax advantage portion	53.06%	3.65%

gordon property investment trust

	June 2007	June 2006
Investment property	$55,664,000	$54,557,000
Total assets	$56,326,000	$55,018,000
Borrowings	$16,944,000	$16,944,000
Borrowings (percentage of total assets)	30%	31%
Total liabilities	$17,472,000	$17,314,000
Net assets attributable to members	$38,854,000	$37,704,000
Net distributable income	$3,067,000	$6,044,000
Number of units on issue	14,734,000	14,734,000
Number of unitholders	310	332
Net asset backing per unit attributable to members	$2.64	$2.56
	Cents per unit	**Cents per unit**
Gross distribution	13.01	12.47
Tax-deferred amount	11.20	0.65
Assessable income	1.81	11.82
Tax advantage portion	86.09%	5.22%

gordon shopping complex, gordon new south wales

Gordon Shopping Complex (the Complex) comprises the Gordon Centre (the Centre) and the Gordon Village Arcade (the Arcade). The Complex has a total lettable area of 13,817 square metres comprising mainly retail with some commercial tenancies. The Centre includes a total of 575 car spaces in a multi-level car park, whilst the Arcade has direct access to a council car park comprising 320 car spaces.

The Complex is located on the Pacific Highway, Gordon, a suburb located 16 kilometres north of the Sydney CBD.

performance

The Centre has performed in line with expectations with income distributions paid to unitholders at 13.01 cents per unit for the year (refer to the distribution history on page 5).

centre performance

The Centre has continued to trade satisfactorily despite the relatively high number of shops closing and re-opening as a result of the large lease renewal program during the year.

Overall Moving Annual Turnover (MAT) for the Complex for the year to June 2007 was $96.0 million, being an increase of 2.89 percent over the previous year. In particular, Woolworths has continued to show strong sales growth over the period of 5.62 percent to $47.4 million, a trend which will be enhanced now that their new Woolworths Liquor store has opened.

The specialty retail performance has been impacted by an unusually high level of retailer turnover, arising from the large number of lease renewals occurring during the year. This was foreshadowed in previous reports and has provided a welcome opportunity to refresh the specialty retail offer within the Centre.

This leasing activity is further described below and the Manager believes that it positions the Centre well for enhanced retail sales growth going forward.

valuation

The property was valued as at June 2007 at $85.4 million, representing a 4.8 percent increase over the previous valuation in June 2006. The Centre is valued at $74 million and the Arcade at $11.4 million.

The revaluation has resulted in a net asset backing per unit attributable to members of $3.78 for the Gordon Property Trust ($3.70 at June 2006) and $2.64 for the Gordon Investment Trust ($2.56 at June 2006).

The increase in capital value is primarily a result of firming in the capitalisation rate reflecting the strong market demand for retail assets.

leasing

The Complex is 98.9 percent occupied at 30 June 2007. The Centre is 98.7 percent leased and the Arcade is 100 percent leased.

There have been 10 new specialty retail leases granted within the Centre during the year including four existing tenants renewing their leases. This has resulted in some exciting new national and local names coming to the Centre during the year. On completion of the remaining transactions that are currently being negotiated, the Centre will have a total of nine new specialty tenants since June 2006. This will bring the specialty retail within the Centre back to full occupancy and provide a new platform for sales growth in the coming year.

The new leases granted during the year include:

- Woolworths Liquor;
- Roger David Fashion;
- Gloria Jeans;
- Flight Centre;
- Gordon Florist; and
- Mansours.

The following tenants renewed their leases following expiries during the year:

- Devereaux Café;
- Bush's Meats;
- Gordon Newsagency; and
- Shear Talent.

In addition, terms have been agreed for the relocation of the St George Bank ATM.

This represents a strong outcome from the large number of concurrent lease renewals. The Centre is now strongly positioned, with a refreshed tenant mix and retail appearance, to achieve future growth in retail sales.

Significantly, the lease to Harvey Norman was due to expire in March 2008 and negotiations commenced during the past year. The Manager is pleased to report that terms have now been agreed for a new ten year lease, commencing from 1 July 2007, thus securing this important anchor retailer to the Centre for the foreseeable future.

The Arcade is fully occupied. During the year, new leases have been signed or leases renewed with the following tenants:

- Gordon Lebanese Cuisine;
- Bar Fresco Café;
- L'Image Skin Care;
- Sonic Healthcare;
- Gordon Physio & Sports Clinic; and
- Helen's Dressmaking.

The Arcade continues to attract customers with a wide range of goods, services and cafés as well as providing a valuable pedestrian link across the Pacific Highway between the Centre and the council car park adjacent to Gordon Station.

improvements

During the year, improvement work has been concentrated on completing the refurbishment of the Centre lifts and on managing the turnover of retailers and the associated shop-fitting works.

During the coming year, preliminary work will be carried out with a view to replacing the two main escalators within the Centre which service the Harvey Norman store.

town planning

The Manager has been actively involved with Ku-ring-gai Council during the year, participating in both public consultation and direct communication with council as they have formulated their new Local Environmental Plan (LEP). This currently awaits ministerial approval.

The draft LEP identifies Gordon Town Centre as the primary retail focus for the area and the Centre and Arcade have been identified as the likely core of future retail and mixed-use development.

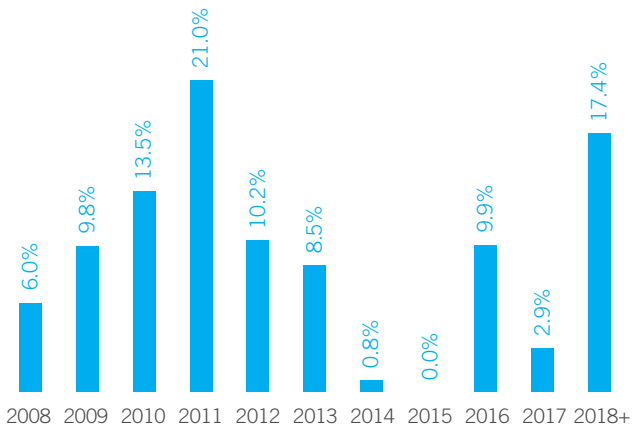
market commentary

The retail sector in New South Wales has performed well over the past year due to a combination of growing household incomes and relatively low unemployment. In May 2007 the unemployment rate was 4.9 percent. Retail turnover in NSW grew by a steady 4.1 percent in the year to May 2007, a little below the national average which was itself buoyed by outstanding performances from the resource-led states of Western Australia and Queensland.[1]

The food and household goods categories have shown reasonable turnover growth over the past year while clothing and recreational goods were off-pace in the last 12 months. Over the next year, retail turnover at the Sydney and State level is expected to continue to expand reflecting rising incomes and positive employment growth. In addition, consumer sentiment remains relatively positive, although it will be tempered by the ongoing impact of high fuel prices and the prospect of higher interest rates.

1 Australian Bureau of Statistics.

lease expiry at 30 June 2007 by net passing income



property details

	Centre	Arcade
Type	Neighbourhood Centre	Retail arcade
Date built	Established 1964	Established 1964
Site area (m^2)	7,928	651
Net lettable area (m^2)	11,973	1,844
Office content (%)	19.46	0
Car parking spaces	575	320[1]

1 Access to council car park at rear of Arcade.

	Complex
Acquisition date	30 November 1998
Purchase price ($ million)	40.965
Valuation date	30 June 2007
Valuation ($ million)	85.4
Valuer	Jones Lang LaSalle
Major tenants	Woolworths, Harvey Norman
Occupancy at 30 June 2007 (%)	95.3

distribution history

gordon property trust

	30/6/07 cpu	30/6/06 cpu	30/6/05 cpu	30/6/04 cpu	30/6/03 cpu	30/6/02 cpu	30/6/01 cpu	30/6/00 cpu	30/6/99[1] cpu
Gross distribution	20.58	20.55	22.12	21.41	19.77	18.75	17.96	17.37	10.110
Loan interest expense	7.57	8.08	8.12	7.41	7.27	7.25	7.21	6.97	4.046
Net distribution	13.01	12.47	14.00	14.00	12.50	11.50	10.75	10.40	6.064
Tax free[2] (%)	–	–	–	–	–	–	2.28	3.68	0.00
Tax-deferred (%)	53.06	3.65	16.11	6.71	3.21	2.25	0.00	8.03	0.00

gordon property investment trust

	30/6/07 cpu	30/6/06 cpu	30/6/05 cpu	30/6/04 cpu	30/6/03 cpu	30/6/02 cpu	30/6/01 cpu	30/6/00 cpu	30/6/99[1] cpu
Gross distribution	13.01	12.47	14.00	14.00	12.50	11.50	10.75	10.40	6.064
Tax free[2] (%)	–	–	–	–	–	–	3.80	6.15	0.00
Tax-deferred (%)	86.09	5.22	25.45	11.24	8.33	7.21	3.78	17.31	0.00

1 Period from 30 November 1998, the inception of the Trust, to 30 June 1999.
2 From 1 July 2001, the treatment of tax free income for taxation purposes was changed and is now distributed as tax-deferred income.

financial reports

ANNUAL FINANCIAL REPORT 30 JUNE 2007

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All press releases, financial reports and other information are available on our website: www.dbrreef.com

The Directors of DB RREEF Funds Management Limited (DRFM) as Responsible Entity of the Gordon Property Investment Trust (GPIT) and the Gordon Property Trust (GPT) (together Trusts) present their Directors' Report together with the Financial Statements for the year ended 30 June 2007.

1. directors and other key management personnel

1.1 directors

The following persons were Directors or Alternate Directors of DRFM at all times during the year and to the date of this Directors' Report.

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander AM	1 January 2005
Barry R Brownjohn	1 January 2005
Stewart F Ewen OAM	4 August 2004
Victor P Hoog Antink	1 October 2004
Charles B Leitner III	10 March 2005
Brian E Scullin	1 January 2005
Alternate Director	
Andrew J Fay for Charles B Leitner III	30 January 2006

1.2 other key management personnel

In addition to the Directors listed above, the following persons were deemed by the Board Nomination and Remuneration Committee to be key management personnel (KMP) during all or part of the financial year and up to the date of this report.

Name	Title	The date they qualified or ceased to qualify as a KMP during the 12 months ended 30 June 2007
Victor P Hoog Antink	Chief Executive Officer	
Tanya L Cox	Chief Operating Officer	
John C Easy	General Counsel	
Ben J Lehmann	Fund Manager, DB RREEF Trust	
Peter C Roberts[1]	Chief Finance Officer	Ceased to qualify 8 June 2007
Paul G Say	Head of Corporate Development	Qualified 19 March 2007
Mark F Turner	Head of Unlisted Funds	

1 Resigned 8 June 2007.

2. remuneration report

Remuneration received by key management personnel of the Trusts are a cost of DRFM and not the Trusts. DRFM does not recover any proportion of their remuneration from the Trusts.

3. directors' interests

As at the date of this Directors' Report, no Director or Alternate Director directly or indirectly held:

- options over, or any other contractual interest in, units in the Trusts; or
- units in the Trusts.

4. principal activities

During the year the principal activity of the Gordon Property Trust consisted of investment in real property in Australia, whilst the principal activity of the Gordon Property Investment Trust consisted of investment in units of the Gordon Property Trust.

5. total value of trust assets

The total consolidated value of the assets of the Trusts as at 30 June 2007 was $86.32 million (2006 $82.36 million). Details of the basis of the valuation are outlined in note 1 of the Notes to the financial statements and form part of this Directors' Report.

6. review and results of operations

The consolidated Trusts' results for the year ended 30 June 2007 were:

- Profit before finance costs was $6.18 million (2006: $10.49 million);
- Finance costs paid and payable to members was $1.92 million (2006: $1.84 million);
- Total assets was $86.32 million (2006: $82.36 million); and
- Net assets attributable to members and minority interests was $65.17 million (2006: $63.50 million).

As a result of the impending termination date of the Trusts' (14 September 2010), management have recognised during the period, a performance fee (payable on termination) of $2.1 million. Otherwise, the operations of the Trusts have been in line with expectations.

7. likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information regarding business strategies and the future developments or results of the Trusts, other than the information already outlined in this Directors' Report or the Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Trusts.

8. significant changes in the state of affairs

The Directors of DRFM are not aware of any matter or circumstance, not otherwise dealt with in this Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Trusts, the results of those operations, or the state of the Trusts' affairs in future financial years.

9. matters subsequent to the end of the financial year

Since the end of the year the Directors of DRFM are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Trusts, the results of those operations, or the state of the Trusts' affairs in future financial years.

10. finance costs/distributions

Finance costs/distributions paid or payable by the Trusts for the year ended 30 June 2007 are outlined in note 19 of the Notes to the financial statements and forms part of this Directors' Report.

11. DRFM fees and associate interests

Details of fees paid or payable by the Trusts to DRFM for the year ended 30 June 2007 are outlined in note 23 of the Notes to the financial statements and form part of this Directors' Report.

The number of units in the Trusts held by DRFM or its associates as at the end of the financial year are disclosed in note 23 of the Notes to the financial statements and form part of this Directors' Report.

12. interests in the trusts

The movement in units on issue in the Trusts during the year and the number of units on issue as at 30 June 2007 are detailed in note 16 of the Notes to the financial statements and form part of this Directors' Report.

The Trusts did not have any options on issue as at 30 June 2007 (2006: nil).

13. environmental regulation

The Directors of DRFM are satisfied that adequate systems are in place for the management of its environmental responsibilities and compliance with its various licence requirements and regulations. Further, the Directors are not aware of any breaches of these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

14. indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by DRFM. The auditors are in no way indemnified out of the assets of the Trusts.

15. audit

15.1 auditor

PricewaterhouseCoopers (PwC or the Auditor) continues in office in accordance with section 327 of the *Corporations Act 2001*.

15.2 non-audit services

Details of the amounts paid to the Auditor, which include amounts paid for non-audit services are set out in note 7 of the Notes to the financial statements.

The Board Audit Committee is satisfied that the provision of non-audit services provided during the year by the Auditor (or by another person or firm on the Auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The reasons for the Directors being satisfied are:

- Board Audit Committee has determined that the external auditor will not provide services that have the potential to impair the independence of its audit role, including:
  - participating in activities that are normally undertaken by management; and
  - being remunerated on a "success fee" basis.
- Board Audit Committee has determined that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
  - the preparation of accounting records;
  - the design and implementation of information technology systems;
  - conducting valuation, actuarial or legal services;
  - promoting, dealing in or underwriting securities; or
  - providing internal audit services.
- Board Audit Committee regularly reviews the performance and independence of the Auditor and whether the independence of this function has been maintained having regard to the provision of non-audit services. The Auditor has provided a written declaration to the Board regarding its independence at each reporting period and Board Audit Committee approval is required before the engagement of the Auditor to perform any non-audit service for a fee in excess of $100,000.

The above Directors' statements are in accordance with the advice received from the Board Audit Committee.

15.3 audit independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out in the Financial Statements and forms part of this Directors' Report.

16. combined financial statements

The Trusts have applied Class Order 06/441 issued by the Australian Securities & Investments Commission which allows the Financial Statements of different registered schemes with a common Responsible Entity to be presented in adjacent columns in a single financial report.

17. rounding of amounts and currency

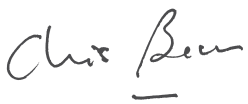
The Trusts are registered schemes of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

18. management representation

The Chief Executive Officer and Chief Operating Officer, the person who effectively holds the role of Chief Financial Officer, have reviewed the Trusts' financial reporting processes, policies and procedures together with its risk management and internal control and compliance policies and procedures. Following that review it is their opinion that the Trusts' financial records for the financial year have been properly maintained in accordance with the *Corporations Act 2001* and the Financial Statements and their notes comply with the accounting standards and give a true and fair view.

19. directors' authorisation

This Directors' Report is made in accordance with a resolution of the Directors.



Christopher T Beare
Chair

27 August 2007

Victor P Hoog Antink
Chief Executive Officer

27 August 2007

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Auditor's Independence Declaration

As lead auditor for the audit of Gordon Property Investment Trust for the year ended 30 June 2007, 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.

This declaration is in respect of Gordon Property Investment Trust and the entities it controlled during the period.

JA Dunning

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
27 August 2007

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Auditor's Independence Declaration

As lead auditor for the audit of Gordon Property Trust for the year ended 30 June 2007, 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.

This declaration is in respect of Gordon Property Trust during the period.

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
27 August 2007

income statements

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		GPIT		GPT	
	Note(s)	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Revenue from ordinary activities							
Property revenue	2	7,101	6,971	–	–	7,101	6,971
Distribution revenue	3	–	–	3,033	3,025	–	–
Interest revenue	4	49	51	–	–	49	51
Total revenue from ordinary activities		**7,150**	**7,022**	**3,033**	**3,025**	**7,150**	**7,022**
Net fair value gain of investment properties		3,780	5,717	–	–	3,780	5,717
Net fair value gain of investments		–	–	1,107	3,879	–	–
Net fair value gain of derivatives		84	326	84	326	–	–
Total income		**11,014**	**13,065**	**4,224**	**7,230**	**10,930**	**12,739**
Expenses (excluding finance costs)							
Property expenses		(1,757)	(1,712)	–	–	(1,757)	(1,712)
Responsible Entity fees	23	(2,941)	(759)	–	–	(2,941)	(759)
Net fair value loss of investment properties		–	–	–	–	–	–
Other expenses	6	(132)	(109)	(34)	(9)	(98)	(100)
Total expenses (before finance costs)		**(4,830)**	**(2,580)**	**(34)**	**(9)**	**(4,796)**	**(2,571)**
Profit (before finance costs)		**6,184**	**10,485**	**4,190**	**7,221**	**6,134**	**10,168**
Finance costs							
Finance costs to financial institutions	5	(1,160)	(1,177)	(1,123)	(1,177)	(37)	–
Finance costs to members	19	(1,917)	(1,837)	(1,917)	(1,837)	(4,467)	(4,459)
Finance costs to minority interests		(1,957)	(3,264)	–	–	–	–
Increase in net assets attributable to members	16	(1,150)	(4,207)	(1,150)	(4,207)	(1,630)	(5,709)
Net profit for the year		–	–	–	–	–	–

Earnings per unit		Cents	Cents	Cents	Cents	Cents	Cents
Basic earnings per unit	27	–	–			–	–
Diluted earnings per unit	27	–	–	–	–	–	–

The above Income Statements should be read in conjunction with the accompanying notes.

balance sheets

AS AT 30 JUNE 2007

	Note(s)	Consolidated 2007 $'000	Consolidated 2006 $'000	GPIT 2007 $'000	GPIT 2006 $'000	GPT 2007 $'000	GPT 2006 $'000
Current assets							
Cash and cash equivalents		510	656	–	–	510	656
Receivables	8	134	2	482	361	134	2
Derivative financial instruments	9	171	87	171	87	–	–
Other	10	103	117	9	13	94	101
Total current assets		**918**	**862**	**662**	**461**	**738**	**759**
Non-current assets							
Investment properties	11	85,400	81,500	–	–	85,400	81,500
Other financial assets at fair value through profit and loss	12	–	–	55,664	54,557	–	–
Total non-current assets		**85,400**	**81,500**	**55,664**	**54,557**	**85,400**	**81,500**
Total assets		**86,318**	**82,362**	**56,326**	**55,018**	**86,138**	**82,259**
Current liabilities							
Payables	13	564	1,391	48	9	516	1,380
Provisions	15	707	531	480	361	710	531
Total current liabilities		**1,271**	**1,922**	**528**	**370**	**1,226**	**1,911**
Non-current liabilities							
Payables	13	2,114	–	–	–	2,114	–
Interest bearing liabilities	14	17,764	16,944	16,944	16,944	820	–
Total non-current liabilities		**19,878**	**16,944**	**16,944**	**16,944**	**2,934**	**–**
Total liabilities (excluding amounts attributable to members and minority interests)		**21,149**	**18,866**	**17,472**	**17,314**	**4,160**	**1,911**
Net assets attributable to members	16	38,854	37,704	38,854	37,704	81,978	80,348
Net assets attributable to minority interests	18	26,315	25,792	–	–	–	–
Net assets attributable to members and minority interests		**65,169**	**63,496**	**38,854**	**37,704**	**81,978**	**80,348**
Net assets		**–**	**–**	**–**	**–**	**–**	**–**

The above Balance Sheets should be read in conjunction with the accompanying notes.

statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		GPIT		GPT	
	Note(s)	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Total equity at the beginning of the year		**–**	**57,695**	**–**	**33,735**	**–**	**74,639**
Adjustment on adoption of AASB 132 and AASB 139:							
Undistributed income	17	–	(20,582)	–	(20,582)	–	(30,312)
Contributed equity	16	–	(13,153)	–	(13,153)	–	(44,327)
Minority interests		–	(23,960)	–	–	–	–
Restated equity at the beginning of the financial year		**–**	**–**	**–**	**–**	**–**	**–**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**
Total recognised income and expense for the year		**–**	**–**	**–**	**–**	**–**	**–**
Transactions with equity holders in their capacity as equity holders:							
Finance costs paid on behalf of members		–	–	–	–	–	–
Distributions provided for or paid		–	–	–	–	–	–
Transactions with minority interest:							
Distributions provided for or paid		–	–	–	–	–	–
Finance costs paid on behalf of minority interests		–	–	–	–	–	–
Total transactions with equity holders		**–**	**–**	**–**	**–**	**–**	**–**
Total equity at the end of the year		**–**	**–**	**–**	**–**	**–**	**–**
Total recognised income and expense for the year is attributable to:							
Members of Gordon Property Investment Trust and Gordon Property Trust		–	–	–	–	–	–
Minority interest		–	–	–	–	–	–
Total recognised income and expense for the year		**–**	**–**	**–**	**–**	**–**	**–**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

cash flow statements

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		GPIT		GPT	
	Note(s)	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash flows from operating activities							
Receipts in the course of operations (inclusive of GST)		7,072	7,797	–	–	7,072	7,797
Payments in the course of operations (inclusive of GST)		(2,807)	(3,442)	(115)	(14)	(2,814)	(3,428)
Interest received		49	51	–	–	49	51
Finance costs paid to financial institutions		(1,160)	(1,177)	(1,120)	(1,177)	(40)	–
Distributions received		–	–	3,033	3,183	–	–
Net cash inflow from operating activities	26	**3,154**	**3,229**	**1,798**	**1,992**	**4,267**	**4,420**
Cash flows from investing activities							
Payments for capital expenditure on investment properties		(946)	(5)	–	–	(946)	(5)
Net cash outflow from investing activities		**(946)**	**(5)**	**–**	**–**	**(946)**	**(5)**
Cash flows from financing activities							
Proceeds from borrowings		820	–	–	–	820	–
Finance costs paid to members		(1,740)	(2,236)	(1,798)	(1,992)	(4,287)	(4,688)
Finance costs paid to minority interests		(1,434)	(1,261)	–	–	–	–
Net cash outflow from financing activities		**(2,354)**	**(3,497)**	**(1,798)**	**(1,992)**	**(3,467)**	**(4,688)**
Net outflow in cash and cash equivalents		**(146)**	**(273)**	**–**	**–**	**(146)**	**(273)**
Cash and cash equivalents at the beginning of the year		656	929	–	–	656	929
Cash and cash equivalents at the end of the year		**510**	**656**	**–**	**–**	**510**	**656**

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

note 1. summary of significant accounting policies

(a) basis of preparation

This general financial report for the year ended 30 June 2007 has been prepared in accordance with the requirements of the Trusts' Constitution, the *Corporations Act 2001* and Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated Financial Statements and notes comply with International Financial Reporting Standards (IFRS). The Trusts changed their accounting policies on 1 July 2005 to comply with AIFRS.

This financial report is prepared on the going concern basis and in accordance with historical cost conventions and has not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the revaluation of certain non-current assets and financial instruments (refer notes 1(e), 1(k), 1(l), 1(n) and 1(o)).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting estimates

The preparation of Financial Statements in conformity with AIFRS may require the use of certain critical accounting estimates and that management exercise its judgement in the process of applying the Trusts' accounting policies. Other than the estimation of fair values described in notes 1(e) and 1(l), no key assumptions concerning the future or other estimation of uncertainty at the reporting date have a significant risk of causing material adjustments to the Financial Statements in the next annual reporting period.

(b) principles of consolidation

Controlled entities

The Financial Statements incorporate an elimination of inter-entity transactions and balances to present the Financial Statements on a consolidated basis.

The Financial Statements incorporate all the assets, liabilities and results of the parent and its controlled entities.

Where control of an entity is gained during a financial year, its results are included in the Income Statements from the date on which control is gained.

Net profit and equity in controlled entities, which is attributable to the unitholdings of minority interests, is shown separately in the Income Statements and Balance Sheets respectively.

(c) revenue recognition

Rent

Rental income is brought to account on a straight-line basis over the lease term for leases with fixed rent review clauses. In all other circumstances rental Income is brought to account on an accruals basis. If not received at balance date, rental income is reflected in the Balance Sheets as a receivable.

Recoverability of receivables is reviewed on an ongoing basis. Debts which are known to be not collectable are written off.

Interest income

Interest income is brought to account on an accruals basis using the effective interest rate method and, if not received at the balance date, is reflected in the Balance Sheets as a receivable.

(d) expenses

Expenses are brought to account on an accruals basis and, if not paid at the balance date, are reflected in the Balance Sheets as a payable.

Property expenses

Property expenses include rates, taxes and other property outgoings incurred in relation to investment properties where such expenses are the responsibility of the Trusts.

Financing costs to financial institutions

Financing costs include interest expense and other costs incurred in respect of obtaining finance. Other transaction costs incurred including loan establishment fees in respect of obtaining finance are applied against the related financings with the amortisation of such costs being recognised through the effective interest rate on the financing over the term of the respective agreement.

Financing costs are expensed unless they relate to qualifying assets. Qualifying assets are assets which take a substantial period of time to prepare for their intended use or sale. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, financing costs capitalised are those incurred in relation to that financing, net of any interest earned on those financings. Where funds are borrowed generally, financing costs are capitalised using a weighted average capitalisation rate.

Responsible Entity fees

Under the constitution the responsible entity is entitled to a management fee and a performance fee.

(i) Management fee

The management fee is brought to account on an accruals basis and if not paid at balance date, is reflected in the Balance Sheets as a payable.

(ii) Performance fee

A performance fee (refer note 23) is recognised when the Trusts have a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Performance fees are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(e) derivatives and other financial instruments

(i) Derivatives

The Trusts' activities expose themselves to changes in interest rates. Accordingly, the Trusts enter into various derivative financial instruments to manage their exposure to the movements in interest rates. There are policies and limits approved by the Board of Directors of the Responsible Entity in respect of the usage of derivatives and other financial instruments to hedge those cash flows and earnings which are subject to interest rate risks. In conjunction with its advisers, the Responsible Entity continually reviews the Trusts' exposures and updates treasury policies and procedures. The Trusts do not trade in derivative instruments for speculative purposes.

Even though the derivatives entered into aim to provide an economic hedge to interest rate risks, the Trusts have elected not to apply hedge accounting under AASB 139: *Financial Instruments – Recognition and Measurement*. Accordingly, interest rate swaps, are measured at fair value with any changes in fair value recognised immediately in the Income Statements.

note 1. summary of significant accounting policies (continued)

(e) derivatives and other financial instruments (continued)

(ii) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the Income Statements.

(iii) Debt and equity instruments issued by the Trusts

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements. Units issued by the Trusts are classified as liabilities.

Interest and distributions are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

Transaction costs arising on the issue of equity instruments are recognised directly in net assets attributable to members and minority interests (net of tax) as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

All undistributed profits of the Trusts are classified as a liability on the Balance Sheets called Net assets attributable to members, and all profits attributable to members are shown as Finance costs to members on the Income Statements.

(f) goods and services tax

Revenues, expenses and capital assets are recognised net of the amount of goods and services tax (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 the expense.

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

(g) taxation

Under current legislation, the Trusts and their controlled entities are not liable for income tax, provided they satisfy the requirements of the ATO.

(h) finance costs paid to members

In accordance with the Trusts' Constitution, the Trusts distribute their distributable income to unitholders by cash or reinvestment. Distributions are provided for when they are declared. As units in the Trusts are now classified as liabilities, distributions paid to unitholders are now classified as Finance costs paid to members.

(i) repairs and maintenance

Plant is required to be overhauled on a regular basis and is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the replaced component will be derecognised and the replacement costs capitalised in accordance with note 1(l). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(j) cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, which is based on the invoiced amount less provision for doubtful debts. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the Trusts will not be able to collect all amounts due according to the original terms of the receivables.

(l) investment properties

Investment properties consist of properties held for long-term rental yields, capital appreciation or both. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value in the Financial Statements.

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Where this is not available, an appropriate valuation method is used, which may include the discounted cashflow and the capitalisation method. Discount rates and capitalisation rates are determined based on the industry expertise and knowledge, and where possible a direct comparison to third party rates for similar assets in a comparable location. Rental income from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value.

External valuations of the individual investments are carried out in accordance with the Trusts' Constitutions, or may be earlier where the Responsible Entity believes there is a potential for a material change in the fair value of the property.

Changes in fair values are recorded in the Income Statements. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Income Statements in the year of disposal.

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property. Repairs and maintenance are accounted for in accordance with note 1(i).

Investment properties intended for sale are separately disclosed on the Balance Sheets as "Held for sale investment properties". Such properties are measured using the same methodology as investment properties.

(m) leasing fees

Leasing fees incurred are capitalised and amortised over the lease periods to which they relate.

(n) lease incentives

Prospective lessees may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs.

The costs of incentives are recognised as a reduction of rental income on a straight-line basis from the earlier of the date which the tenant has effective use of the premises or the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

(o) acquisition of assets

The purchase method of accounting is used for all acquisitions including business combinations. Cost is measured as the fair value of the assets given up, shares issued or liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values. The excess of the acquisition cost over the fair value of the assets and liabilities acquired is recorded as goodwill. If the cost is less than the fair value of the net assets acquired, the difference is recognised directly in the Income Statements.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange discounted at the entity's incremental financing rate.

(p) fair value estimation of financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Trusts is the current bid price, the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques including dealer quotes for similar instruments and discounted cash flows. In particular, the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows and the fair value of forward exchange rate contracts is determined using forward exchange market rates at the balance sheet date.

(q) payables

These amounts represent liabilities for amounts owing at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) interest bearing liabilities

All loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(s) net assets attributable to members

Net assets attributable to members is equal to the unit price at balance date multiplied by the number of units on issue at balance date.

(t) earnings per unit

Basic and diluted earnings per unit is determined by dividing the net profit attributable to members of the Trust by the weighted average number of ordinary units outstanding during the year. Basic and diluted earnings per unit before finance costs to members is determined by dividing the profit (excluding finance costs), less finance costs paid to financial institutions by the weighted average number of ordinary units outstanding during the year.

(u) segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing services within a particular geographic environment and is subject to risks and returns that are different from those of segments operating in other geographic environments.

(v) combined financial statements

The Trusts have applied Class Order 06/441 issued by the Australian Securities & Investments Commission which allows the Financial Statements of different registered schemes with a common responsible entity to be presented in adjacent columns in a single financial report.

(w) rounding of amounts

The Trusts are the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

note 1. summary of significant accounting policies (continued)

(x) new accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2007 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 7: *Financial Instruments Disclosure* and AASB 2005-10: *Amendments to Australian Accounting Standards* (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038).

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 requires qualitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk. The Trusts have elected not to adopt the standard early. Application of this standard will not affect any of the amounts recognised in the Financial Statements.

(ii) AASB 8: *Operating Segments* and 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 134, AASB 136, AASB 1023 and AASB 1038), are applicable to annual reporting periods beginning on or after 1 January 2009. It requires segment information disclosure based on segments monitored by the chief operating decision maker in allocating resources and in assessing their performance rather than on a business/geographical basis. This will require more qualitative disclosure for single segment entities. Application of this standard will not affect the amounts recognised in the Financial Statements.

note 2. property revenue

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Rent and recoverable outgoings	7,073	6,974	–	–	7,073	6,974
Incentive amortisation	(40)	(13)	–	–	(40)	(13)
Other revenue	68	10	–	–	68	10
Total property revenue	**7,101**	**6,971**	**–**	**–**	**7,101**	**6,971**

note 3. distribution revenue

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Distribution from Gordon Property Trust	–	–	3,033	3,025	–	–
Total distribution revenue	**–**	**–**	**3,033**	**3,025**	**–**	**–**

note 4. interest revenue

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Interest income from financial institutions	49	51	–	–	49	51
Total interest revenue	**49**	**51**	**–**	**–**	**49**	**51**

note 5. finance costs to financial institutions

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Interest paid/payable	1,134	1,138	1,098	1,138	36	–
Other finance costs	26	39	25	39	1	–
Total finance costs to financial institutions	**1,160**	**1,177**	**1,123**	**1,177**	**37**	**–**

note 6. other expenses

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Audit and advisory fees (refer note 7)	42	41	15	9	27	32
Legal and other professional fees	(1)	(9)	–	–	(1)	(9)
Other expenses	91	77	19	–	72	77
Total other expenses	**132**	**109**	**34**	**9**	**98**	**100**

note 7. audit and advisory fees

During the year the auditor of the parent entity and its related practices and non-related audit firms earned the following remuneration.

(a) assurance services

Audit services

	Consolidated		GPIT		GPT	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Fees paid to PwC Australia for audit and review of financial reports and other audit work under the *Corporations Act 2001*	33,500	26,372	14,500	6,000	19,000	20,372
Fees paid to non-PwC audit firms	4,100	–	–	–	4,100	–
Total remuneration for assurance services	**37,600**	**26,372**	**14,500**	**6,000**	**23,100**	**20,372**

(b) taxation services

	Consolidated		GPIT		GPT	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Fees paid to PwC Australia	4,507	14,580	305	2,550	4,202	12,030
Total remuneration for taxation services	**4,507**	**14,580**	**305**	**2,550**	**4,202**	**12,030**

note 8. current assets – receivables

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Rent receivable	154	–	–	–	154	–
Less: Provision for doubtful debts	(22)	–	–	–	(22)	–
Total rental receivables	**132**	**–**	**–**	**–**	**132**	**–**
Finance costs to members from Gordon Property Trust	–	–	482	361	–	–
Interest receivable	2	2	–	–	2	2
Other receivables	–	–	–	–	–	–
Total other receivables	**2**	**2**	**482**	**361**	**2**	**2**
Total current assets – receivables	**134**	**2**	**482**	**361**	**134**	**2**

note 9. current assets – derivative financial instruments

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Interest rate swap contracts	171	87	171	87	–	–
Total current assets – derivative financial instruments	**171**	**87**	**171**	**87**	**–**	**–**
Net current derivative financial instruments	**171**	**87**	**171**	**87**	**–**	**–**

Refer note 20 for further discussion regarding derivative financial instruments.

note 10. current assets – other

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Prepayments	103	117	9	13	94	101
Total current assets – other	**103**	**117**	**9**	**13**	**94**	**101**

note 11. (a) non-current assets – investment properties

Property	Ownership (%)	Acquisition date	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value	
							30 June 2007 $'000	30 June 2006 $'000
Gordon Centre and Gordon Village Arcade, NSW	100	Nov 1998	45,383	Jun 2007	85,400	Jones Lang LaSalle	85,400	81,500
Total investment properties – non-current			**45,383**		**85,400**		**85,400**	**81,500**

The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Properties independently valued in the last 12 months were based on independent assessments by a member of the Australian Property Institute.

note 11. (b) non-current assets – investment properties

reconciliation

	Consolidated and GPT	
	30 June 2007 $'000	30 June 2006 $'000
Carrying amount at 1 July 2006	81,500	75,000
Additions	21	789
Lease incentives	139	7
Amortisation of lease incentives	(40)	(13)
Net gain from fair value adjustments	3,780	5,717
Carrying amount as at 30 June 2007	**85,400**	**81,500**

note 12. non-current assets – other financial assets at fair value through profit and loss

Investments are adjusted to their fair value through the Income Statements.

Name of entity	Principal activity	Ownership interest		GPIT	
		2007 (%)	2006 (%)	2007 $'000	2006 $'000
Controlled entities					
Gordon Property Trust	Retail property investment	67.90	67.90	55,664	54,557
Total non-current assets – other financial assets at fair value through profit and loss				**55,664**	**54,557**

reconciliation

Name of entity	Principal activity	GPIT	
		2007 $'000	2006 $'000
Opening balance as at 1 July 2006		54,557	50,678
Fair value gain		1,107	3,879
Closing balance as at 30 June 2007		**55,664**	**54,557**

note 13. (a) payables

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade creditors	90	876	34	–	56	876
Accruals	100	80	11	9	89	69
Prepaid income	59	89	–	–	59	89
Responsible Entity fee payable	206	63	–	–	206	63
GST payable	106	111	–	–	106	111
Accrued interest	3	172	3	–	–	172
Total current liabilities – payables	**564**	**1,391**	**48**	**9**	**516**	**1,380**

note 13. (b) non-current liabilities – payables

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Responsible Entity fee payable	2,114	–	–	–	2,114	–
Total non-current liabilities – payables	**2,114**	**–**	**–**	**–**	**2,114**	**–**

note 14. non-current – interest bearing liabilities

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Secured						
Bank loans	17,764	16,944	16,944	16,944	820	–
Total secured	**17,764**	**16,944**	**16,944**	**16,944**	**820**	**–**
Total non-current liabilities – interest bearing liabilities	**17,764**	**16,944**	**16,944**	**16,944**	**820**	**–**

financing arrangements

The Trusts have access to the following lines of credit:

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Borrowing facilities						
Bank loans	26,500	26,500	25,000	25,000	1,500	1,500
Less: Loans advanced to members of Gordon Property Trust in their personal capacity	(8,011)	(8,011)	(8,011)	(8,011)	–	–
	18,489	**18,489**	**16,989**	**16,989**	**1,500**	**1,500**
Used at balance date	**(17,764)**	**(16,944)**	**(16,944)**	**(16,944)**	**(820)**	**–**
Unused at balance date	**725**	**1,545**	**45**	**45**	**680**	**1,500**

Bank loans have been arranged for the Gordon Property Trust in the form of a drawdown facility of $1,500,000 ($820,000 drawn). Bank loans have also been arranged on behalf of the unitholders and the Gordon Property Investment Trust in the form of a term facility of $25,00,000 ($24,955,000 drawn) from the Commonwealth Bank of Australia. The maturity date of both loan facilities is 30 November 2008. The Gordon Property Investment Trust has currently borrowed $16,944,000 against the term facility and the balance of the facility represents loans advance to the Gordon Property Trust unitholders, in their personal capacity.

Both loans to the Gordon Property Trust unitholders are secured by a first ranking registered mortgage over the property (see note 11) and a first ranking fixed and floating charge over the assets and undertakings of the Gordon Property Trust. The Bank's recourse in the event of a default on the loan is limited to the property and assets of the Gordon Property Trust.

Interest expense has been fixed to 30 November 2008, by an interest rate swap with a notional face value of $25 million. The interest rate fixed on the swap is 5.98 percent per annum (including the bank margin).

note 15. current liabilities – provisions

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Provision for finance costs/distributions						
Opening balance as at 1 July 2006	531	760	361	516	531	760
Additional provisions	4,463	4,459	1,917	1,837	4,467	4,459
Payment of finance costs/distributions	(4,287)	(4,688)	(1,798)	(1,992)	(4,287)	(4,688)
Closing balance as at 30 June 2007	**707**	**531**	**480**	**361**	**710**	**531**

provision for finance costs/distributions

Provision is made for distributions to be paid for the period ending 30 June 2007 payable on 15 August 2007.

note 16. net assets attributable to members

(a) value of units on issue

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Opening balance as at 1 July 2006	–	13,153	–	13,153	–	44,327
Transfer contributed equity to net assets attributable to members	–	(13,153)	–	(13,153)	–	(44,327)
Closing balance as at 30 June 2007	**–**	**–**	**–**	**–**	**–**	**–**

(b) number of units on issue

	2007 Number of units	2006 Number of units	2007 Number of units	2006 Number of units	2007 Number of units	2006 Number of units
Opening balance as at 1 July 2006	14,734,000	14,734,000	14,734,000	14,734,000	21,700,000	21,700,000
Closing balance as at 30 June 2007	**14,734,000**	**14,734,000**	**14,734,000**	**14,734,000**	**21,700,000**	**21,700,000**

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Net assets attributable to members at 1 July 2006	**37,704**	**–**	**37,704**	**–**	**80,348**	**–**
Transfer of contributed equity to net assets attributable to members	–	13,153	–	13,153	–	44,327
Transfer of retained earnings to net assets attributable to members	–	20,582	–	20,582	–	30,312
Recognition of net derivative asset and liability per AASB 132 and 139	–	(238)	–	(238)	–	–
Increase in net assets attributable to members	1,150	4,207	1,150	4,207	1,630	5,709
Net assets attributable to members at 30 June 2007	**38,854**	**37,704**	**38,854**	**37,704**	**81,978**	**80,348**

Under previous AGAAP, unitholders' funds invested in the Trusts were classified as equity on the Balance Sheet. Under Accounting Standard AASB 132: *Financial Instruments – Disclosure and Presentation*, units in a fixed life trust are classified as a liability due to the fixed life of the issuance. At 1 July 2005, unitholders' funds have been reclassified as a liability on the Balance Sheets called Net assets attributable to members.

terms and conditions

Each unit ranks equally with all other ordinary units for the purposes of distributions and on termination of the Trust. Ordinary units entitle the holder to one vote, either in person or by proxy, at a meeting of the Trust.

note 17. undistributed income

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Undistributed income as at 1 July 2006	–	20,582	–	20,582	–	30,312
Net profit attributable to members	–	–	–	–	–	–
Distributions provided for or paid	–	–	–	–	–	–
Adjustment on adoption of AASB 132 and 139	–	(20,582)	–	(20,582)	–	(30,312)
Undistributed income as at 30 June 2007	**–**	**–**	**–**	**–**	**–**	**–**

note 18. net assets attributable to minority interests

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Interest in						
Contributed equity	14,230	14,230	–	–	–	–
Undistributed income	12,085	11,562	–	–	–	–
Total minority interests	**26,315**	**25,792**	**–**	**–**	**–**	**–**

note 19. finance costs to members paid and payable

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
30 September	479	492	479	492	1,121	1,184
31 December	479	492	479	492	1,120	1,168
31 March	479	492	479	492	1,111	1,151
30 June	480	361	480	361	1,115	956
Total finance costs of members paid and payable	**1,917**	**1,837**	**1,917**	**1,837**	**4,467**	**4,459**

	Consolidated		GPIT		GPT	
	2007 Cents per unit	2006 Cents per unit	2007 Cents per unit	2006 Cents per unit	2007 Cents per unit	2006 Cents per unit
30 September	3.25	3.34	3.25	3.34	5.16	5.46
31 December	3.25	3.34	3.25	3.34	5.16	5.38
31 March	3.25	3.34	3.25	3.34	5.12	5.30
30 June	3.26	2.45	3.26	2.45	5.14	4.41
Total cents per unit	**13.01**	**12.47**	**13.01**	**12.47**	**20.58**	**20.55**

Under AASB 132: *Financial Instruments – Disclosure and Presentation* and AASB 139: *Financial Instruments – Recognition and Measurement*, distributions to members are now classified as finance costs (refer note 1(h)).

note 20. financial risk management

The Trusts' activities expose them to a variety of financial risks: credit risk, market risk and liquidity risk. The Trusts' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trusts.

Accordingly, the Trusts enters into various derivative financial instruments to manage exposure to the movements in interest rates. There are policies and limits approved by the Board of Directors of the Responsible Entity in respect of the usage of derivatives and other financial instruments to hedge those cash flows and earnings which are subject to interest rate risks. In conjunction with its advisers, the Responsible Entity continually reviews the Trusts' exposures and updates treasury policies and procedures. The Trusts do not trade in derivative instruments for speculative purposes.

(a) credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Concentrations of credit risk are minimised primarily by:

- ensuring tenants, together with the respective credit limits, are approved and ensuring that leases are undertaken with a large number of tenants; and
- ensuring derivative counterparties and cash transactions are limited to high credit quality financial institutions.

Furthermore, the Trusts do not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

On-balance sheet financial instruments

The Trusts' exposure to credit risk on their financial assets is the carrying amount of their financial assets, as recognised in the Balance Sheets.

(b) market risk

(i) Fair value interest rate risk

Fair value interest rate risk is the risk of an adverse change in the net fair (or market) value of an asset or liability due to movements in interest rates.

(ii) Price risk

This is the risk that the value of the Trusts' investment portfolio will fluctuate as a result of changes in valuations. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

On-balance sheet financial instruments

The net fair value of cash and non-interest bearing monetary financial assets and liabilities approximate their carrying value.

(c) liquidity risk

Liquidity risk is the risk that the Trusts will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments. The risk management guidelines adopted are designed to minimise liquidity risk through maintaining sufficient cash balances and the availability of funding through an adequate amount of committed credit facilities.

(d) cash flow and fair value interest rate risk

Interest rate risk for the Trusts arises from their borrowings. Borrowings issued at variable rates expose the Trusts to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trusts to fair value interest rate risk.

The Trusts' exposure to interest rate risk is hedged with interest rate swaps and the weighted average effective interest rate (for each class of financial asset and financial liability, and each maturity bracket including floating rate financial assets and liabilities) and is set out in the following table.

note 20. financial risk management (continued)

30 June 2007

Consolidated		Fixed interest maturing in								
	Note(s)	Floating interest rate $'000	1 year or less $'000	Over 1 and less than 2 years $'000	Over 2 and less than 3 years $'000	Over 3 and less than 4 years $'000	Over 4 and less than 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets										
Cash and cash equivalents		510	–	–	–	–	–	–	–	510
Receivables	8	–	–	–	–	–	–	–	134	134
Derivative financial instruments	9	171	–	–	–	–	–	–	–	171
Other	10	–	–	–	–	–	–	–	103	103
Total		**681**	**–**	**–**	**–**	**–**	**–**	**–**	**237**	**918**
Weighted average interest rate		6.10%	–	–	–	–	–	–		
Financial liabilities										
Payables	13	–	–	–	–	–	–	–	564	564
Interest bearing liabilities	14	17,764	–	–	–	–	–	–	–	17,764
Provisions	15	–	–	–	–	–	–	–	707	707
Interest rate swaps[1,2]		(16,944)	–	16,944	–	–	–	–	–	–
Total		**820**	**–**	**16,944**	**–**	**–**	**–**	**–**	**1,271**	**19,035**
Weighted average interest rate (including swaps)		6.60%	–	5.98%	–	–	–	–	–	–
Net financial (liabilities)/assets		**(139)**	**–**	**(16,944)**	**–**	**–**	**–**	**–**	**(1,034)**	**(18,117)**

30 June 2006

Consolidated		Fixed interest maturing in								
	Note(s)	Floating interest rate $'000	1 year or less $'000	Over 1 and less than 2 years $'000	Over 2 and less than 3 years $'000	Over 3 and less than 4 years $'000	Over 4 and less than 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets										
Cash and cash equivalents		656	–	–	–	–	–	–	–	656
Receivables	8	–	–	–	–	–	–	–	2	2
Derivative financial instruments	9	87	–	–	–	–	–	–	–	87
Other	10	–	–	–	–	–	–	–	117	117
Total		**743**	**–**	**–**	**–**	**–**	**–**	**–**	**119**	**862**
Weighted average interest rate		7.67%	–	–	–	–	–	–		
Financial liabilities										
Payables	13	–	–	–	–	–	–	–	1,391	1,391
Interest bearing liabilities	14	16,944	–	–	–	–	–	–	–	16,944
Provisions	15	–	–	–	–	–	–	–	531	531
Interest rate swaps[1,2]		(16,944)	–	–	16,944	–	–	–	–	–
Total		**–**	**–**	**–**	**16,944**	**–**	**–**	**–**	**1,922**	**18,866**
Weighted average interest rate (including swaps)		6.94%	–	–	5.98%	–	–	–	–	–
Net financial (liabilities)/assets		**743**	**–**	**–**	**(16,944)**	**–**	**–**	**–**	**(1,803)**	**(18,004)**

1 Notional principal amounts.

2 Swaps currently in place cover approximately 95 percent (2006:100 percent) of the loan principle outstanding.

note 21. contingent liabilities

The Directors of the Responsible Entity are not aware of any other contingent liabilities in relation to the Trusts as at 30 June 2007.

note 22. commitments

(a) capital commitments

The following amounts represent capital expenditure on investment properties contracted at the reporting date but not recognised as liabilities payable.

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Capital expenditure commitments in relation to development works:						
Not longer than one year	–	–	–	–	–	–
Later than one year but not later than five years	–	–	–	–	–	–
Later than five years	–	–	–	–	–	–
Total capital commitments	**–**	**–**	**–**	**–**	**–**	**–**

(b) lease receivable commitments

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
The future minimum lease payments receivable by the Trusts are:						
Within one year	5,764	6,929	–	–	5,764	6,929
Later than one year but not later than five years	14,420	31,313	–	–	14,420	31,313
Later than five years	30,120	66,276	–	–	30,120	66,276
Total lease receivable commitments	**50,304**	**104,518**	**–**	**–**	**50,304**	**104,518**

note 23. related parties

responsible entity

DB RREEF Funds Management Limited (DRFM), a wholly owned subsidiary of DB RREEF Holdings Pty Ltd, is the Responsible Entity of the Trusts.

responsible entity fees

Under the terms of the Trusts' Constitution, the Responsible Entity is entitled to receive fees in relation to the management of the Trusts. In addition, the Responsible Entity is entitled to property management fees and to be reimbursed for expenses incurred on behalf of the Trusts.

related party transactions

All related party transactions are conducted on normal commercial terms and conditions unless otherwise stated.

unitholdings

DB RREEF Holdings Pty Limited and its related parties, schemes and portfolios managed by DB RREEF Holdings Pty Limited and its related parties held nil units (2006: nil) in the Trusts.

The Trusts have no investments in the Responsible Entity or its affiliates or any trusts managed by DB RREEF Holdings Pty Limited or its affiliates.

note 23. related parties (continued)

DB RREEF funds management limited

DB RREEF Funds Management is the Responsible Entity of the Trusts. There were a number of transactions and balances between the Trusts and the Responsible Entity and related entities as detailed below:

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Responsible Entity fees paid and payable	827	759	–	–	827	759
Accrued performance fee [1]	2,114	–	–	–	2,114	–
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Trusts' Constitution	105	85	–	–	105	85

1 Refer note 1(d)(ii).

The following persons were Directors of DRFM during the whole of the financial year and up to the date of this report, unless otherwise stated:

Directors	Appointed
C T Beare BSc, BE (Hons), MBA, PhD, FAICD[1, 4, 5]	4 August 2004
E A Alexander AM, BComm, FCA, FAICD, FCPA[1, 2, 3]	1 January 2005
B R Brownjohn BComm[1, 2, 5]	1 January 2005
S F Ewen OAM FILE[1, 4]	4 August 2004
V P Hoog Antink BComm, MBA, FCA, FAPI, MAICD[5]	1 October 2004
C B Leitner III BA	10 March 2005
B E Scullin BEc[2, 3, 4]	1 January 2005
Alternate Director	
A J Fay BAg Ec (Hons), ASIA (Alternate to C B Leitner)[4]	30 January 2006

1 Independent Director.
2 Audit Committee Member.
3 Risk and Compliance Committee Member.
4 Nomination and Remuneration Committee Member.
5 Treasury Policy Committee Member.

No Directors held an interest in the Trusts as at 30 June 2007 or at the date of this report.

other key management personnel

In addition to the Directors listed above the following persons were deemed by the Board Nomination and Remuneration Committee to be key management personnel during all or part of the financial year and up to the date of this report:

Name	Position	Qualification date of key management personnel during the 12 months ended 30 June 2007
Victor P Hoog Antink	Chief Executive Officer	
Tanya L Cox	Chief Operating Officer	
John C Easy	General Counsel	
Ben J Lehmann	Fund Manager, DB RREEF Trust	
Peter C Roberts [1]	Chief Financial Officer	Ceased to qualify 8 June 2007
Paul G Say	Head of Corporate Development	Qualified 19 March 2007
Mark F Turner	Head of Unlisted Funds	

1 Resigned 8 June 2007.

No key management personnel or their related parties held an interest in the Trusts for the years ended 30 June 2006 and 30 June 2007 or at the date of this report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2006 and 30 June 2007 or at the date of this report.

note 24. events occurring after reporting date

Since the end of the year, the Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in their report or the Financial Statements that has significantly or may significantly affect the operations of the Trusts, the results of those operations, or state of the Trusts' affairs in future periods.

note 25. segment information

geographical segments

The Trusts' investments are all located in Australia.

business segments

The Complex is a retail property and all information relating to the property comes under one segment being the retail property segment of Australian based properties.

note 26. reconciliation of net profit/(loss) to net cash inflow from operating activities

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit	–	–	–	–	–	–
Finance costs paid to members	1,917	1,837	1,917	1,837	4,467	4,459
Finance costs paid to minority interests	1,957	3,264	–	–	–	–
Net increment on revaluation of investment properties	(3,780)	(5,717)	–	–	(3,780)	(5,717)
Net increment on revaluation of investments	–	–	–	(3,879)	–	–
Net increment on revaluation of derivatives	(84)	(326)	(84)	(326)	–	–
Increase in net assets attributable to members	1,150	4,207	1,150	4,207	1,630	5,709
Incentive amortisation	40	13	–	–	40	13
Change in operating assets and liabilities						
(Increase)/decrease in receivables	(132)	113	(121)	156	(132)	113
Decrease/(increase) in other non-current assets – investments	785	(791)	(1,107)	1	785	(791)
Decrease/(increase) in other current assets	14	(4)	4	16	7	12
(Decrease)/increase in current payables	(827)	633	39	(20)	(864)	622
Increase in non-current payables	2,114	–	–	–	2,114	–
Net cash inflow from operating activities	**3,154**	**3,229**	**1,798**	**1,992**	**4,267**	**4,420**

note 27. earnings per unit

(a) basic earnings per unit

	Consolidated		GPIT		GPT	
	2007 Cents	2006 Cents	2007 Cents	2006 Cents	2007 Cents	2006 Cents
	–	–	–	–	–	–

(b) diluted earnings per unit

	Consolidated		GPIT		GPT	
	2007 Cents	2006 Cents	2007 Cents	2006 Cents	2007 Cents	2006 Cents
	–	–	–	–	–	–

(c) basic earnings per unit before finance costs to members

	Consolidated		GPIT		GPT	
	2007 Cents	2006 Cents	2007 Cents	2006 Cents	2007 Cents	2006 Cents
	34.10	63.17	20.82	41.02	28.10	46.86

note 27. earnings per unit (continued)

(d) diluted earnings per unit before finance costs to members

	Consolidated		GPIT		GPT	
	2007 Cents	2006 Cents	2007 Cents	2006 Cents	2007 Cents	2006 Cents
	34.10	63.17	20.82	41.02	28.10	46.86

(e) reconciliation of earnings used in calculating earnings per unit

Basic and diluted earnings per unit

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Net profit	–	–	–	–	–	–
Net profit attributable to other minority interests	–	–	–	–	–	–
Net profit attributable to the unitholders of the Trust in calculating basic and diluted earnings per unit	**–**	**–**	**–**	**–**	**–**	**–**

Basic and diluted earnings per unit before finance costs to members

	Consolidated		GPIT		GPT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit (before finance costs)	–	–	–	–	–	–
Increase in net assets attributable to members	1,150	4,207	1,150	4,207	1,630	5,709
Add finance costs to members	1,917	1,837	1,917	1,837	4,467	4,459
Add finance costs to minority interests	1,957	3,264	–	–	–	–
Profit before finance costs to the members of the Trust in calculating basic and diluted earnings per unit	**5,024**	**9,308**	**3,067**	**6,044**	**6,097**	**10,168**

(f) weighted average number of units used as a denominator

	Consolidated		GPIT		GPT	
	2007 Number of units '000	2006 Number of units '000	2007 Number of units '000	2006 Number of units '000	2007 Number of units '000	2006 Number of units '000
Weighted average number of units outstanding used in the calculation of basic and diluted earnings per unit	14,734	14,734	14,734	14,734	21,700	21,700

directors' declaration

FOR THE YEAR ENDED 30 JUNE 2007

The Directors of DB RREEF Funds Management Limited as Responsible Entity of Gordon Property Investment Trust and Gordon Property Trust (the Trusts) declare that the Financial Statements and notes set out on pages 11 to 29:

(i) comply with applicable Australian Equivalents to International Financial Reporting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the Trusts' and consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

(a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;

(b) there are reasonable grounds to believe the Trusts and their consolidated entities will be able to pay their debts as and when they become due and payable; and

(c) the Trusts have operated in accordance with the provisions of the Constitution dated 14 August 1997 (as amended) during the year ended 30 June 2007.

This declaration is made in accordance with a resolution of the Directors.

Christopher T Beare
Chair

Sydney
27 August 2007

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the unitholders of Gordon Property Investment Trust

Report on the financial report

We have audited the accompanying financial report of Gordon Property Investment Trust (the Trust), which comprises the balance sheet as at 30 June 2007, 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 for both Gordon Property Investment Trust and the Gordon Property Investment Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DB RREEF Funds Management Limited (the Responsible Entity of the 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, 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 controls 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.

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Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Gordon Property Investment Trust is in accordance with the *Corporation Act 2001*, including:

  (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2007 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*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
27 August 2007

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Independent auditor's report to the unitholders of Gordon Property Trust

Report on the financial report

We have audited the accompanying financial report of Gordon Property Trust (the Trust), which comprises the balance sheet as at 30 June 2007, 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 DB RREEF Funds Management Limited (the Responsible Entity of the 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, 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 controls 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

"In our opinion:

(a) the financial report of Gordon Property Trust is in accordance with the *Corporation Act 2001*, including:

  (i) giving a true and fair view of the Trust's financial position as at 30 June 2007 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 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
27 August 2007

about DB RREEF

DB RREEF Head Office, 343 George Street, Sydney NSW

DB RREEF is one of Australia's largest integrated property groups with total funds under management of approximately $13.6 billion. The group comprises a direct property portfolio held by DB RREEF Trust (DRT) and a funds management business which is responsible for managing approximately $4.6 billion of unlisted funds.

The depth of the group's experience in the property sector is highlighted by its broad exposure to both the listed and unlisted sectors through the management of a number of listed and unlisted property trusts and mandates including DRT, DB RREEF Wholesale Property Fund, a number of property syndicates and direct property mandates for SAS Trustee Corporation (STC) and AXA Asia Pacific (AXA).

The group is one of the largest property owners, managers and developers in Australia. Its operations include all aspects of direct property ownership, asset and development management and funds management across the retail, office and industrial property sectors.

Internationally, DB RREEF owns property in New Zealand, the USA, France and Germany. The group has a strategic partnership with Deutsche Bank's global real estate investment division, RREEF, which manages in excess of US$71.9 billion of assets. RREEF is a leading global real estate investment manager with significant research and management capabilities.

DB RREEF is committed to the long-term integration of sustainability practices throughout its property portfolio.

investor information

unit registry

If you have administrative inquiries such as change of address or the way in which you wish your distribution to be paid, please contact Link Market Services on 1300 554 474 or +61 2 8280 7111.

Link Market Services' website can be accessed at www.linkmarketservices.com.au

The following information is available to view, update or download:

- check your holding balance;
- choose your preferred annual report option;
- update your address details;
- update your bank details;
- confirm whether you have lodged your Tax File Number (TFN), Australian Business Number (ABN) or exemption;
- check transaction and distribution history; and
- download instruction forms.

This information is accessed via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or Trust name) and postcode (this must be the postcode recorded on your holding record).

website

Our website can be accessed at www.dbrreef.com
You will be able to find information for the DB RREEF Property Syndicates such as annual and half year reports, DRFM's privacy policy, corporate governance statement and sustainability report.

complaints handling

DB RREEF Funds Management Limited (DRFM) has established a procedure for dealing with formal complaints. Complaints should be made in writing and forwarded to:

Investor Relations
DB RREEF Property Syndicates
C/– DB RREEF
PO Box R1822
Royal Exchange NSW 1225

Alternatively, please phone Investor Relations on +61 2 9017 1221.

The Responsible Entity is a member of the Financial Industry Complaints Scheme (FICS). This is an independent dispute resolution scheme. If you are unhappy with our dealings of your complaint, please contact FICS on 1300 780 808.

payment of distribution

The DB RREEF Property Syndicates pay income distributions to unitholders on a quarterly basis. The income distribution is normally paid within two months of the end of each respective quarter end. With respect to your distributions, you can choose to:

- have a direct credit to your bank, building society or credit union account; or
- receive a cheque mailed to your postal address.

Please note that direct crediting of distribution payments ensures same day receipt, which enables you to access the monies more quickly. You will receive written confirmation of the payment from Link Market Services. If you have not nominated an account for direct credit, you will receive a cheque. To select direct credit payments, please contact Link Market Services on 1300 554 474.

annual tax statement

After the end of a financial year you will receive a tax statement. This statement summarises the distributions paid to you during the year and includes information required to complete your tax return.

no buy back or redemption facility

There is no buy back or redemption facility in relation to the DB RREEF Property Syndicates. If you wish to transfer your unitholding please note that DB RREEF must receive confirmation and verification of the transferee prior to any transfer being processed.

directory

responsible entity

DB RREEF Funds Management Limited
ABN 24 060 920 783

registered office

Level 9, 343 George Street
Sydney NSW 2000

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Royal Exchange NSW 1225

Phone: + 61 2 9017 1100
Fax: + 61 2 9017 1107

head of unlisted funds

Mark Turner

syndicate manager

Renée Mooney

investor relations

Phone: +61 2 9017 1221

Email: syndicates@dbrreef.com

Website: www.dbrreef.com

unit registry enquiries

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Phone: 1300 554 474
Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

For enquiries regarding holding, change of address, or other matters please contact the unit registry.

custodian

Perpetual Trustee Company Limited
Level 11, 123 Pitt Street
Sydney NSW 2000

WOOD FIBRE FROM SUSTAINABLE FORRESTS
EMS ENVIRONMENTAL MANAGEMENT SYSTEMS
ECO BLEACHING PROCESS

Consistent with DB RREEF's commitment to sustainability, this report is printed with soy inks on an Australian made paper, manufactured under the highest level of international environmental standards. The paper pulp is Elemental Chlorine Free (ECF) and is sourced from sustainable forests. The principal energy source (92 percent) of the mill is hydroelectric and wind farm and waste from the mill is recycled for compost. The mill is certified under ISO14001 environmental management systems.