# 2010

**DEXUS Property Syndicate**

Gordon Property Trust and
Gordon Property Investment Trust

ANNUAL REPORT


DEXUS
PROPERTY GROUP

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

# LETTER FROM THE CHAIR

## Dear Investor

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 2010.

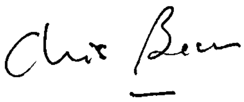
The performance of the Gordon Property Trust and the Gordon Property Investment Trust has been strong throughout the year with:

- Income return for the year ending 30 June 2010 at 11.0 cents per unit
- Occupancy for the retail tenancies as at 30 June 2010 at 100.0%

As you are aware, the original term of the Syndicate expired in June 2010. As we reported in our last communication, the Board is focused on maximising returns to investors and will therefore ensure active leasing and property management continue to support our sale aspirations. Further information regarding the sales process is detailed later in this report.

On behalf of the Board, I wish to thank you for your continued support of the Gordon Property Trust and the Gordon Property Investment Trust.

Yours sincerely,



Christopher T Beare
Chair

10 September 2010
DEXUS Funds Management Limited

# KEY FINANCIAL DATA

## Gordon Property Trust

| | June 2010 | June 2009 |
|---|---|---|
| Investment property | 75,994,000 | 80,400,000 |
| Total assets | 76,777,000 | 81,567,000 |
| Borrowings | 3,175,000 | 2,755,000 |
| Total liabilities | 6,837,000 | 6,814,000 |
| Net assets attributable to members | 69,940,000 | 74,753,000 |
| Net (loss) before distributions to members | (508,000) | (3,033,000) |
| Number of units on issue | 21,700,000 | 21,700,000 |
| Number of unitholders | 134 | 135 |
| Net asset backing per unit attributable to members | $3.22 | $3.44 |
| | **Cents per unit** | **Cents per unit** |
| Gross distribution | 19.83 | 20.63 |
| Less loan interest expense | 8.83 | 8.14 |
| Net distribution | 11.00 | 12.49 |
| Tax deferred amount | 1.56 | 1.40 |
| Assessable income | 18.27 | 19.23 |
| Tax advantage portion | 14.15% | 6.78% |

## Gordon Property Investment Trust

| | June 2010 | June 2009 |
|---|---|---|
| Investment property | 47,489,000 | 50,758,000 |
| Total assets | 47,903,000 | 51,248,000 |
| Borrowings | 16,944,000 | 16,944,000 |
| Total liabilities | 17,599,000 | 18,247,000 |
| Net assets attributable to members | 30,304,000 | 33,001,000 |
| Net (loss) before distributions to members | (1,075,000) | (4,474,000) |
| Number of units on issue | 14,734,000 | 14,734,000 |
| Number of unitholders | 308 | 304 |
| Net asset backing per unit attributable to members | $2.06 | $2.24 |
| | **Cents per unit** | **Cents per unit** |
| Net distribution | 11.00 | 12.49 |
| Tax deferred amount | 2.95 | 1.67 |
| Assessable income | 8.05 | 10.82 |
| Tax advantage portion | 26.85% | 13.33% |

# MANAGER'S REPORT

## The Gordon Shopping Complex

### Description

The Gordon Shopping Complex (the Complex) comprises two retail assets, the Gordon Centre (the Centre) and the Gordon Village Arcade (the Arcade). The Complex has a total lettable area of 13,817 square metres. The Centre is anchored by a supermarket with speciality retail and commercial office tenancies located over three levels. The Arcade provides retail accommodation for approximately 26 speciality retailers over four levels and is linked by a foot bridge over the Pacific Highway to the Centre.

### Location

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

### Term

The original term of the two trusts that comprise the Syndicate, the Gordon Property Trust and Gordon Property Investment Trust (collectively the Trusts) expired on 15 June 2010, however the Trusts continue to operate as normal.

### Sale Progress

Since our last communication and in accordance with the strategy outlined in the December 2009 Half Year Report, the Complex was offered for sale via an open market campaign.

The sales campaign concluded in April of this year and whilst a number of offers were received, all were below expectations and not reflective of the December 2009 valuation, therefore were not considered acceptable.

The Manager will continue to offer the property for sale to interested parties with a view to achieving an acceptable sale as soon as practicable.

### Duration of the Trust and the Practical Implications

Given the property has not been sold, the practical effect is that the Trusts will continue to operate until the property is sold.

During this time the Manager will continue to actively manage the Complex to maximise performance and income distributions will be paid quarterly.

The existing debt facility is due to expire in June 2011. If the property has not been sold and the Trusts continue to operate by December of this year, an extension of the existing debt term will be sought.


### Performance

The Trusts' performance for the year is in line with expectations. The income distributions paid to unit holders of 11.00 cents per unit declined slightly from the previous distribution of 12.49 cents per unit to June 2009.

The net asset backing per unit as at 30 June 2010 attributable to members is $3.22 for Gordon Property Trust (previously reported at $3.22 at December 2009) and $2.06 for Gordon Property Investment Trust, (previously $2.04 at December 2009).

### Valuation

An internal valuation was performed for the Complex as at 30 June 2010. The internal valuation reflected a slight increase in value since 31 December 2009, from $75.4 million to $76.0 million which supports the book value at 30 June 2010. The internal valuation comprises the Centre at $65.5 million and the Arcade at $10.5 million.

### Sales Performance

There have been some significant increases in sales during the last 12 months in an environment that has been tough for retail. As the economy recovers from the global slow down and stimulus measures subside, retail sales growth has been mixed. Despite this, the Complex has achieved a total Moving Annual Turnover (MAT) of $108.3 million, which for the year ending June 2010 represents an increase of 4.9%.

While speciality sales were mixed, it was pleasing to see the travel sector rebound from poor sales the previous year. The Arcade had sales growth overall of 12.1%, which reflects the high level of occupancy during the year.

Harvey Norman sales were flat for the year, in line with the rest of the industry. Sales growth continued for Woolworths following on from their store upgrade the previous year. A strong increase for Woolworths of 4.5% underpinned customer visitation and speciality sales across the whole Centre.

### Leasing

At 30 June 2010, retail tenancies across the entire Complex were 100% leased. During the year leasing activity was strong with a total of ten deals completed. Of these, six were renewals resulting in growth of 3.0% above passing net rent and four new leases were concluded at 8.4% above budgeted net rent.

A key leasing transaction was the replacement of the Gordon Grill with St George Bank, a key service provider.

OPSM, a key tenant in the arcade has renewed.

## Planning

In May the Local Environmental Plan (LEP) was gazetted. This provided the Complex with some benefits in relation to zoning, height restrictions and floor space ratios. In the long-term this will assist in the potential development and integration of the Complex into the Ku-ring-gai town centre. While not providing immediate financial benefit, it may make the property more attractive to the market when conditions improve and assist with long-term planning and development potential. The LEP recognises the strategic importance of the Complex to the town centre and has not sought to inhibit any aspect of the site.

## Market Commentary

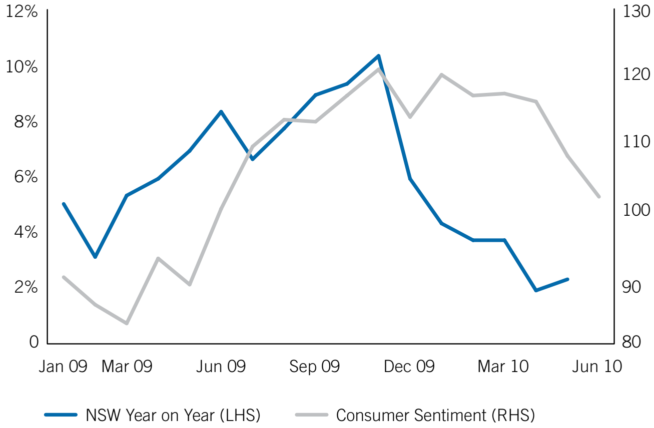
The retail sector in NSW is experiencing lower growth in 2010 after significant government and monetary stimulus inflated sales growth in 2009. Seasonally adjusted MAT for the year to May 2010 was just 2.3%, well below the 20 year state average of 4.9%.

Sales growth for all retail categories has been sluggish in 2010. All retail categories excluding cafés and takeaway food outlets have recorded six months of below average sales growth (all below 2.5%). Department stores, fashion and household goods categories have been particularly weak, averaging between negative 2% and zero sales growth in the past six months.

Retail turnover nationally appears to have moved into a post stimulus flat spot. However NSW appears to have weakened earlier than the other major states due to a greater sensitivity to rising interest rates. Mortgage interest rates of more than 7% are constraining both confidence and retail spending. Margin pressure on retailers has limited growth in speciality rents over the past year.

Access Economics is forecasting above average economic growth and employment gains for NSW over the next three years. This is likely to underpin an improvement in retail sales growth. However high and rising interest rates seem likely to constrain the extent of the upside (particularly in the mortgage belt areas of Sydney).

## NSW retail sales growth %




Source: ABS, Westpac-Melbourne Institute, DEXUS Research

## 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] |

| | Complex |
|---|---|
| Acquisition date | 30 November 1998 |
| Purchase price ($ million) | 40.965 |
| Valuation date | 31 December 2009 |
| Valuation ($ million) | 75.4 |
| Valuer | Jones Lang LaSalle |
| Major tenants | Woolworths, Harvey Norman |
| Occupancy by area at 30 June 2010 (%) | 94.9 |

1 Access to council car park at rear of Arcade.

## Distribution history

### Gordon Property Trust

| | 30/6/10 cpu | 30/6/09 cpu | 30/6/08 cpu | 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[1] cpu |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross distribution | 19.83 | 20.63 | 20.93 | 20.58 | 20.55 | 22.12 | 21.41 | 19.77 | 18.75 | 17.96 | 17.37 |
| Loan interest expense | 8.83 | 8.14 | 7.73 | 7.57 | 8.08 | 8.12 | 7.41 | 7.27 | 7.25 | 7.21 | 6.97 |
| Net distribution | 11.00 | 12.49 | 13.20 | 13.01 | 12.47 | 14.00 | 14.00 | 12.50 | 11.50 | 10.75 | 10.40 |
| Tax free[2] (%) | – | – | – | – | – | – | – | – | – | 2.28 | 3.68 |
| Tax deferred (%) | 14.15 | 6.78 | 0.32 | 53.06 | 3.65 | 16.11 | 6.71 | 3.21 | 2.25 | – | 8.03 |

### Gordon Property Investment Trust

| | 30/6/10 cpu | 30/6/09 cpu | 30/6/08 cpu | 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[1] cpu |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross distribution | 11.00 | 12.49 | 13.20 | 13.01 | 12.47 | 14.00 | 14.00 | 12.50 | 11.50 | 10.75 | 10.40 |
| Tax free[2] (%) | – | – | – | – | – | – | – | – | – | 3.80 | 6.15 |
| Tax deferred (%) | 26.85 | 13.33 | 1.54 | 86.04 | 5.22 | 25.45 | 11.24 | 8.33 | 7.21 | 3.78 | 17.31 |

1 Period from 30 November 1998, the inception of the Trust, to 30 June 2000.

2 From 1 July 2001, the treatment of tax free income for taxation purposes was changed and is now distributed as tax deferred income.


GORDON
CENTRE
WOOLWORTHS

# ABOUT DEXUS

Members of the DEXUS team at Gateway, 1 Macquarie Place, Sydney, NSW

DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total assets under management of $13.3 billion.

In Australia, DEXUS is the largest listed owner/manager of office and one of the largest in industrial.

On behalf of third party clients, DEXUS is a leading manager and developer of shopping centres.

Operating in the United States since 2004, DEXUS owns 98 industrial properties totalling more than 24 million square feet in 17 industrial and logistics markets.

Listed on the ASX, DEXUS has a track record of financial strength and prudent capital management.

The Group has two areas of operation:

- A $7.4 billion direct property portfolio – one of Australia's largest listed property trusts – which owns, manages and develops high quality office and industrial properties primarily in Australia and the US
- A $5.9 billion property funds management business, one of the largest in Australia, which manages and develops office, industrial and retail properties on behalf of third party investors. In Australia, this includes the DEXUS Wholesale Property Fund, two blue-chip private client mandates, the Gordon Property Syndicate and, in the US, industrial property mandates

DEXUS is committed to the long-term integration of Corporate Responsibility and Sustainability (CR&S) practices into our business and we are proud to be recognised as a market leader in this important area.

The Group's overall strategy is to deliver superior results for our stakeholders by:

- Offering world-class sustainable property solutions for our tenants
- Being a preferred employer
- Ensuring we have a positive impact on the environment and the communities in which we operate
- Maximising returns for our investors

Group Management Committee (L to R): John Easy – General Counsel, Paul Say – Chief Investment Officer, Victor Hoog Antink – Chief Executive Officer, Craig Mitchell – Chief Financial Officer, Tanya Cox – Chief Operating Officer

# DISCLOSURE FOR RETAIL INVESTORS

The Australian Securities & Investments Commission (ASIC) has developed eight disclosure principles for unlisted property schemes that are intended to assist retail investors to better understand the risks of investing in unlisted schemes, assess the rewards being offered and decide whether these investments are suitable for them.

Provided below is a summary of the guidelines and information specific to the Trusts. We recommend that you seek independent financial advice if you require further information in relation to your investment.

## Disclosure

| **Syndicate Capital Management – Gordon** | |
|---|---|
| Borrowings[1] | $28.130 million |
| Gearing (% of total assets) | 37% |
| Gearing covenant | n/a |
| Interest cover covenant EBIT/IE | > 2x |
| Interest cover[2] | 2.23x |
| Security ratio covenant[3] | < 60% |
| Current security ratio | 39% |
| Debt maturity | June 2011 |

1 Includes members' loan of $8.01 million.

2 Includes interest paid on behalf of members.

3 Security ratio – total commitment to value ratio.

Borrowings will be financed prior to maturity if required.

## Portfolio diversification

The Trusts comprise a single asset syndicate. There is no portfolio diversification strategy.

## Valuation policy

An external valuation is undertaken annually.

The DEXUS valuation policy states that:

- the valuer is appraised of all material issues which may affect the value of the asset;
- the requirements of the Corporations Act, the Constitution and any relevant offer document are taken into account when instructing valuers; and
- valuers are changed every two years.

## Related party transactions

Property management of the Trusts' assets is undertaken by DEXUS Property Services Limited – a wholly owned subsidiary of the DEXUS Property Group. No other related party agreements exist.

Management of the property is subject to commercial agreement and monitoring of compliance with the agreement.

## Distribution practices

Distributions are paid quarterly, no later than 90 days after the end of the distribution period.

The distributable income of the Fund for a distribution period is an amount determined by the Responsible Entity prior to the end of the distribution period.

## Withdrawal rights

As disclosed in the original offer document, investment in the Trusts is illiquid. For the duration of the Trusts, no unitholder has the right to redeem units. Neither the Manager nor the Trustee is permitted to buy back units in the Trusts and there is unlikely to be a secondary market for the units in the Trusts.


Table 1: Disclosure principles for unlisted property schemes

| | |
|---|---|
| **1. Gearing ratio** | Scheme's gearing ratio indicates the extent to which a scheme's assets are funded by external liabilities. |
| **2. Interest cover** | Information on a scheme's interest cover indicates the scheme's ability to meet interest payments from earnings. |
| **3. Scheme borrowing** | This principle requires information on when the scheme's debts and credit facilities will mature and any associated risks. It is also important that investors are kept informed and updated with information they would reasonably require on breach of loan covenants. |
| **4. Portfolio diversification** | This information addresses the scheme's investment practices and portfolio risk. |
| **5. Valuation policy** | Key aspects of the scheme's valuation policy for real property assets should be disclosed so that investors can assess the reliability of the valuations. |
| **6. Related party transactions** | Investors need to be able assess the Responsible Entity's approach to related party transactions. |
| **7. Distribution practices** | Information on the scheme's distribution practices is required so that investors can assess the sources of the distributions and be informed as to the sustainability of distributions from sources other than realised income. |
| **8. Withdrawal rights** | If a scheme gives investors withdrawal rights, these rights should be clearly explained. |

Source: Australian Securities & Investments Commission – Consultation Paper 100: *Unlisted property schemes – improving disclosure for retail investors, July 2008.*

# FINANCIAL STATEMENTS

**GORDON PROPERTY INVESTMENT TRUST**
(ARSN 092 631 297)

**AND GORDON PROPERTY TRUST**
(ARSN 092 632 052)

**FINANCIAL STATEMENTS**



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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of Gordon Property Investment Trust (GPIT) and the Gordon Property Trust (GPT) (together "the Trusts") present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2010.

## 1. Directors and other key management personnel

### 1.1 Directors

The following persons were Directors of DXFM during all or part of the financial year and up to the date of this Directors' report, unless otherwise stated:

| Directors | Title | Date of qualification as a KMP |
|---|---|---|
| Christopher T Beare | Non-Executive Chair | Appointed 1 October 2004 |
| Elizabeth A Alexander AM | Non-Executive Director | Appointed 1 January 2005 |
| Barry R Brownjohn | Non-Executive Director | Appointed 1 January 2005 |
| John C Conde AO | Non-Executive Director | Appointed 29 April 2009 |
| Stewart F Ewen OAM | Non-Executive Director | Appointed 1 October 2004 |
| Brian E Scullin | Non-Executive Director | Appointed 1 January 2005 |
| Peter B St George | Non-Executive Director | Appointed 29 April 2009 |

### 1.2 Other key management personnel

In addition to the Directors listed above the following persons were deemed by the Board to be key management personnel ("KMP") during all or part of the financial year, unless otherwise stated:

| Name | Title | Date of qualification as a KMP |
|---|---|---|
| Victor P Hoog Antink | Chief Executive Officer | Appointed 1 October 2004 |
| Tanya L Cox | Chief Operating Officer | Appointed 1 October 2004 |
| Craig D Mitchell | Chief Financial Officer | Appointed 17 September 2007 |
| Paul G Say | Head of Corporate Development | Appointed 19 March 2007 |
| John C Easy | General Counsel | Appointed 1 October 2004 |
| Patricia A Daniels | Head of Human Resources | Appointed 14 January 2008 |
| Mark F Turner | Head of Funds Management | Appointed 1 October 2004 |
| Louise J Martin | Head of Office and Retail | Appointed 27 March 2008 |
| Andrew P Whiteside | Head of Industrial | Appointed 28 April 2008 |
| Jane R Lloyd | Head of US Investments[1] | Appointed 14 July 2008 |

1 During the year Jane R Lloyd changed role from Head of Retail to Head of US Investments.

Following a streamlining of the DEXUS Property Group's executive structure in July 2010 the DEXUS Executive Committee was replaced by a new, smaller Group Management Committee. This change will impact those positions which qualify as key management personnel in the 2010/11 year.

## 2. Remuneration report

Remuneration received by key management personnel of the Trusts is a cost of DEXUS Holdings Pty Limited (DXH) and not the Trusts. DXH does not recover any proportion of their remuneration from the Trusts.

## 3. Directors' interests

As at the date of this Directors' Report, no 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

The principal activity of the Gordon Property Trust during the course of the year 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 value of the assets of the Gordon Property Investment Trust as at 30 June 2010 was $47.90 million (2009: $51.25 million). The total value of the assets of the Gordon Property Trust as at 30 June 2010 was $76.78 million (2009: $81.57 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 Gordon Property Investment Trusts' results for the year ended 30 June 2010 were:

- net (Loss) was ($1.08) million (2009: ($4.47) million);
- total assets was $47.90 million (2009: $51.25 million); and
- net assets were $30.30 million (2009: $33.00 million).

The Gordon Property Trusts' results for the year ended 30 June 2010 were:

- net (Loss) was ($0.51) million (2009: ($3.03) million);
- total assets was $76.78 million (2009: $81.57 million); and
- net assets were $69.94 million (2009: $74.75 million).

## 7. Likely developments and expected results of operations

In accordance with their Trust Constitutions, both Gordon Property Trust and Gordon Property Investment Trust were due to terminate on 15 June 2010. The Constitution wind up provisions require the realisation of the assets of the Trusts and the distribution of proceeds, after satisfaction of the liabilities of the Trusts, to unitholders. Until that process occurs, the Trusts (and the investors' interests in the Trusts represented by units) remain on foot. It is only once these procedures have been complied with, and a final distribution of assets of the Trusts is made in accordance with these procedures that the Trusts will cease to exist.

As previously communicated, the Board approved a proposal to commence proceedings to sell the Gordon Centre to allow the expiration of the Trust and the subsequent wind up, including the realisation of all the Trusts' assets and liabilities (inclusive of financial derivative liabilities), of Gordon Property Trust and Gordon Property Investment Trust as intended. Marketing of the properties has commenced with the aim of securing a purchaser within the next 12 months. There can be no assurance that an acceptable price will be achieved and a sale consummated. Refer to note 1(a) of the Notes to the Financial Statements that discusses the uncertainty of property valuations in current global financial markets.

The Board will continue to monitor the progress of the property marketing campaign to ensure that the Trusts' financing facilities are refinanced prior to maturity if required.

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 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 DXFM 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 Trust, the results of those operations, or state of the Trusts' affairs in future financial years.

## 10. Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2010 are outlined in note 20 of the Notes to the Financial Statements and form part of this Directors' Report.

## 11. DXFM fees and associate interests

Details of fees paid or payable by the Trusts to DXFM for the year ended 30 June 2010 are outlined in note 24 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of units in the Trusts held by DXFM or its associates as at 30 June 2010 is nil (2009: nil).

## 12. Interests in the Trust

The movement in units on issue in the Trusts during the year and the number of units on issue as at 30 June 2010 are outlined in note 18 of the Notes to the Financial Statements and form part of this Directors' Report.

## 13. Environmental regulation

The Trusts' senior management, through its Board Risk Management Committee, oversees the policies, procedures and systems that have been implemented to ensure the adequacy of its environmental risk management practices. It is the opinion of this Committee that adequate systems are in place both for the management of its environmental responsibilities and compliance with its various licence requirements and regulations. Further, the Committee is not aware of any breaches of these requirements and to the best of its 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 DXH.

The Auditor, PricewaterhouseCoopers (PwC), is indemnified out of the assets of the Trusts pursuant to the DEXUS Specific Terms of Business agreed for all engagements with PwC, to the extent that the Trusts inappropriately use or disclose a report prepared by PwC. The Auditor, PwC, is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

## 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

The Trusts may decide to employ the Auditors on assignments additional to their statutory audit duties where the Auditors' expertise and experience with the Trusts are important.

Details of the amounts paid or payable to the Auditor, for audit and non-audit services provided during the year are outlined 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 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 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 Auditor's 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

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 the 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. Presentation of parent entity Financial Statements

The Trusts are registered schemes of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Trusts continue to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

## 19. Management representation

The Chief Executive Officer and 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.

## 20. Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Report was authorised for issue by the Directors on 27 August 2010. The Directors have the power to amend and reissue the financial report.

| | |
|---|---|
| Christopher T Beare | Victor P Hoog Antink |
| Chair | Chief Executive Officer |
| 27 August 2010 | 27 August 2010 |

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia

## Auditor's Independence Declaration

As lead auditor for the audit of Gordon Property Investment Trust for the year ended 30 June 2010, 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
Partner
PricewaterhouseCoopers

Sydney
27 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia

## Auditor's Independence Declaration

As lead auditor for the audit of Gordon Property Trust for the year ended 30 June 2010, 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 2010

## Statements of Comprehensive Income

For the year ended 30 June 2010

| | | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|---|
| | Notes | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| **Revenue from ordinary activities** | | | | | | | |
| Property revenue | 2 | 7,649 | 7,663 | – | – | 7,649 | 7,663 |
| Distribution revenue | 3 | – | – | 2,925 | 3,041 | – | – |
| Interest revenue | 4 | 24 | 34 | – | – | 24 | 34 |
| **Total revenue from ordinary activities** | | **7,673** | **7,697** | **2,925** | **3,041** | **7,673** | **7,697** |
| **Total income** | | **7,673** | **7,697** | **2,925** | **3,041** | **7,673** | **7,697** |
| **Expenses** | | | | | | | |
| Property expenses | | (2,221) | (2,056) | – | – | (2,221) | (2,056) |
| Responsible Entity fees | | (667) | (710) | – | – | (667) | (710) |
| Other expenses | 6 | (99) | (119) | (23) | (28) | (76) | (91) |
| Net fair value loss of investment properties | 11 | (5,095) | (7,762) | – | – | (5,095) | (7,762) |
| Net fair value loss of investments | 12 | – | – | (3,269) | (5,099) | – | – |
| **Total expenses** | | **(8,082)** | **(10,647)** | **(3,292)** | **(5,127)** | **(8,059)** | **(10,619)** |
| **(Loss) before finance costs** | | **(409)** | **(2,950)** | **(367)** | **(2,086)** | **(386)** | **(2,922)** |
| Finance costs to financial institutions | 5 | (830) | (2,499) | (708) | (2,388) | (122) | (111) |
| Finance costs to non-controlling interests | | 164 | 975 | – | – | – | – |
| **Net (loss)** | | **(1,075)** | **(4,474)** | **(1,075)** | **(4,474)** | **(508)** | **(3,033)** |
| Other comprehensive income | | – | – | – | – | – | – |
| **Total comprehensive (loss)** | | **(1,075)** | **(4,474)** | **(1,075)** | **(4,474)** | **(508)** | **(3,033)** |
| **Total comprehensive (loss) for the year attributable to:** | | | | | | | |
| Owners of the parent entity | | (1,075) | (4,474) | (1,075) | (4,474) | (508) | (3,033) |
| **Total comprehensive (loss) for the year** | | **(1,075)** | **(4,474)** | **(1,075)** | **(4,474)** | **(508)** | **(3,033)** |

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

## Statements of Financial Position

As at 30 June 2010

| | Notes | Consolidated 2010 $'000 | Consolidated 2009 $'000 | Consolidated 1 July 2008[1] $'000 | GPIT 2010 $'000 | GPIT 2009 $'000 | GPIT 1 July 2008[1] $'000 | GPT 2010 $'000 | GPT 2009 $'000 | GPT 1 July 2008[1] $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Current assets** | | | | | | | | | | |
| Cash and cash equivalents | 8 | 434 | 859 | 584 | – | – | – | 434 | 859 | 584 |
| Receivables | 9 | 25 | 80 | 78 | 414 | 490 | 430 | 131 | 165 | 126 |
| Derivative financial instruments | 15 | – | – | 471 | – | – | 471 | – | – | – |
| Other current assets | 10 | 218 | 143 | 141 | – | – | 3 | 218 | 143 | 138 |
| Investment properties held for sale | 11 | 75,994 | – | – | – | – | – | 75,994 | – | – |
| Other financial assets at fair value through profit and loss | 12 | – | – | – | 47,489 | – | – | – | – | – |
| **Total current assets** | | **76,671** | **1,082** | **1,274** | **47,903** | **490** | **904** | **76,777** | **1,167** | **848** |
| **Non-current assets** | | | | | | | | | | |
| Investment properties | 11 | – | 80,400 | 86,250 | – | – | – | – | 80,400 | 86,250 |
| Other financial assets at fair value through profit and loss | 12 | – | – | – | – | 50,758 | 55,857 | – | – | – |
| **Total non-current assets** | | **–** | **80,400** | **86,250** | **–** | **50,758** | **55,857** | **–** | **80,400** | **86,250** |
| **Total assets** | | **76,671** | **81,482** | **87,524** | **47,903** | **51,248** | **56,761** | **76,777** | **81,567** | **87,098** |
| **Current liabilities** | | | | | | | | | | |
| Payables | 13 | 3,025 | 1,326 | 938 | 128 | 125 | 25 | 2,897 | 1,202 | 913 |
| Provisions | 14 | 651 | 732 | 702 | 405 | 460 | 476 | 765 | 847 | 705 |
| Derivative financial instruments | 15 | 122 | 718 | – | 122 | 718 | – | – | – | – |
| Interest bearing liabilities | 16 | 20,119 | – | – | 16,944 | – | – | 3,175 | – | – |
| Non-controlling interest in minority unitholding | 17 | 22,450 | – | – | – | – | – | – | – | – |
| **Total current liabilities** | | **46,367** | **2,776** | **1,640** | **17,599** | **1,303** | **501** | **6,837** | **2,049** | **1,618** |
| **Non-current liabilities** | | | | | | | | | | |
| Payables | 13 | – | 2,010 | 2,146 | – | – | – | – | 2,010 | 2,146 |
| Interest bearing liabilities | 16 | – | 19,699 | 18,014 | – | 16,944 | 16,944 | – | 2,755 | 1,070 |
| Non-controlling interest in minority unitholding | 17 | – | 23,996 | 26,408 | – | – | – | – | – | – |
| **Total non-current liabilities** | | **–** | **45,705** | **46,568** | **–** | **16,944** | **16,944** | **–** | **4,765** | **3,216** |
| **Total liabilities** | | **46,367** | **48,481** | **48,208** | **17,599** | **18,247** | **17,445** | **6,837** | **6,814** | **4,834** |
| **Net assets** | | **30,304** | **33,001** | **39,316** | **30,304** | **33,001** | **39,316** | **69,940** | **74,753** | **82,264** |
| **Equity** | | | | | | | | | | |
| Contributed equity | 18 | 13,153 | 13,153 | 13,153 | 13,153 | 13,153 | 13,153 | 44,327 | 44,327 | 44,327 |
| Undistributed income | 19 | 17,151 | 19,848 | 26,163 | 17,151 | 19,848 | 26,163 | 25,613 | 30,426 | 37,937 |
| **Total equity** | | **30,304** | **33,001** | **39,316** | **30,304** | **33,001** | **39,316** | **69,940** | **74,753** | **82,264** |

1 Refer note 1(a) for details regarding the change in accounting policy.

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

# Statements of Changes in Equity

For the year ended 30 June 2010

| | Consolidated | | | GPIT | | | GPT | | |
|---|---|---|---|---|---|---|---|---|---|
| | Contributed equity $'000 | Undistributed income $'000 | Total equity $'000 | Contributed equity $'000 | Undistributed income $'000 | Total equity $'000 | Contributed equity $'000 | Undistributed income $'000 | Total equity $'000 |
| Opening balance at 1 July 2008 | 13,153 | 26,163 | 39,316 | 13,153 | 26,163 | 39,316 | 44,327 | 37,937 | 82,264 |
| Comprehensive (loss) for the year attributable to: | | | | | | | | | |
| Owners of the parent entity | – | (4,474) | (4,474) | – | (4,474) | (4,474) | – | (3,033) | (3,033) |
| **Total comprehensive (loss)** | **–** | **(4,474)** | **(4,474)** | **–** | **(4,474)** | **(4,474)** | **–** | **(3,033)** | **(3,033)** |
| **Transactions with unitholders in their capacity as unitholders** | | | | | | | | | |
| Distributions paid or provided for | – | (1,841) | (1,841) | – | (1,841) | (1,841) | – | (4,478) | (4,478) |
| **Total transactions with unitholders in their capacity as unitholders** | **–** | **(1,841)** | **(1,841)** | **–** | **(1,841)** | **(1,841)** | **–** | **(4,478)** | **(4,478)** |
| **Closing balance at 30 June 2009** | **13,153** | **19,848** | **33,001** | **13,153** | **19,848** | **33,001** | **44,327** | **30,426** | **74,753** |
| Opening balance at 1 July 2009 | 13,153 | 19,848 | 33,001 | 13,153 | 19,848 | 33,001 | 44,327 | 30,426 | 74,753 |
| **Comprehensive (loss) for the year attributable to** | | | | | | | | | |
| Owners of the parent entity | – | (1,075) | (1,075) | – | (1,075) | (1,075) | – | (508) | (508) |
| **Total comprehensive (loss)** | **–** | **(1,075)** | **(1,075)** | **–** | **(1,075)** | **(1,075)** | **–** | **(508)** | **(508)** |
| **Transactions with unitholders in their capacity as unitholders** | | | | | | | | | |
| Distributions paid or provided for | – | (1,622) | (1,622) | – | (1,622) | (1,622) | – | (4,305) | (4,305) |
| **Total transactions with unitholders in their capacity as unitholders** | **–** | **(1,622)** | **(1,622)** | **–** | **(1,622)** | **(1,622)** | **–** | **(4,305)** | **(4,305)** |
| **Closing balance at 30 June 2010** | **13,153** | **17,151** | **30,304** | **13,153** | **17,151** | **30,304** | **44,327** | **25,613** | **69,940** |

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

## Statements of Cash Flows

For the year ended 30 June 2010

| | Notes | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|---|
| | | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| **Cash flows from operating activities** | | | | | | | |
| Receipts in the course of operations (inclusive of GST) | | 8,672 | 8,557 | – | – | 8,649 | 8,517 |
| Payments in the course of operations (inclusive of GST) | | (4,401) | (3,524) | (21) | (96) | (4,488) | (3,485) |
| Interest received | | 24 | 37 | – | – | 24 | 37 |
| Finance costs paid to financial institutions | | (1,501) | (1,199) | (1,228) | (1,088) | (122) | (111) |
| Distributions received from unit trusts | | – | – | 2,925 | 3,041 | – | – |
| **Net cash inflow from operating activities** | **26** | **2,794** | **3,871** | **1,676** | **1,857** | **4,063** | **4,958** |
| **Cash flows from investing activities** | | | | | | | |
| Payments for capital expenditure on investment properties | | (554) | (2,032) | – | – | (554) | (2,032) |
| **Net cash (outflow) from investing activities** | | **(554)** | **(2,032)** | **–** | **–** | **(554)** | **(2,032)** |
| **Cash flows from financing activities** | | | | | | | |
| Proceeds from borrowings | | 720 | 1,685 | – | – | 720 | 1,685 |
| Repayment of borrowings | | (300) | – | – | – | (300) | – |
| Distributions paid to members | | (1,676) | (1,857) | (1,676) | (1,857) | (4,354) | (4,336) |
| Distributions paid to non-controlling interest | | (1,409) | (1,392) | – | – | – | – |
| **Net cash (outflow) from financing activities** | | **(2,665)** | **(1,564)** | **(1,676)** | **(1,857)** | **(3,934)** | **(2,651)** |
| Net (decrease)/increase in cash and cash equivalents | | (425) | 275 | – | – | (425) | 275 |
| Cash and cash equivalents at the beginning of the year | | 859 | 584 | – | – | 859 | 584 |
| **Cash and cash equivalents at the end of the year** | **8** | **434** | **859** | **–** | **–** | **434** | **859** |

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

## Note 1. Summary of significant accounting policies

### (a) Basis of preparation

These general purpose Financial Statements for the year ended 30 June 2010 have been prepared in accordance with the requirements of the Trusts' Constitution, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issue Group interpretations. Compliance with Australian Accounting Standards ensures that the consolidated and parent Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

These Financial Statements have not been prepared on a going concern basis as the Trusts are expected to be wound up post the sale of the Gordon Centre and Gordon Village Arcade. The Financial Statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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

**Changes in accounting policy**

The Trusts have applied revised accounting standard AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards resulting from AASB 101*, which are applicable for annual periods beginning on or after 1 January 2009. The revised AASB 101 requires the presentation of Statements of Comprehensive Income and changes to the Statements of Changes in Equity, as presented in these general purpose Financial Statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

The Trusts have applied revised accounting standard AASB 132 *Financial Instruments: Presentation* and AASB 2008-2 *Amendments to Australian Accounting Standards Puttable Financial Instruments and Obligations arising on Liquidation* (the "amendment"), which are applicable for reporting periods beginning on or after 1 January.

Previously, the Trusts have classified their net assets attributable to members as a liability, in accordance with AASB 132 *Financial Instruments: Presentation*. However, as a result of the amendment, net assets attributable to members are required to be classified as equity where certain criteria are met. Those criteria include that the member is entitled to a pro-rata share of the net assets upon liquidation, there is a single class of units on issue (and therefore they are the most subordinated class), and the class features are identical.

After analysis of the Trusts' Constitutions, it was determined that the Trusts satisfied all criteria to require reclassification of net assets attributable to members from liabilities to equity. Additionally, the Trusts' distributions will no longer be classified as a finance cost in the Statements of Comprehensive Income, but rather will be recorded as a distribution in the Statements of Changes in Equity. This amendment has been applied retrospectively. As a result of the change in accounting policy a third statement of financial position has been presented at the beginning of the comparative period being 1 July 2008.

The following adjustments were made to the Statements of Financial Position at 1 July 2008:

| | Consolidated | | | GPIT | | | GPT | | |
|---|---|---|---|---|---|---|---|---|---|
| **Statements of Financial Position (extract)** | **30 June 2008 $'000** | **Mvmt $'000** | **1 July 2008 $'000** | **30 June 2008 $'000** | **Mvmt $'000** | **1 July 2008 $'000** | **30 June 2008 $'000** | **Mvmt $'000** | **1 July 2008 $'000** |
| Net assets attributable to members (liability) | 39,316 | (39,316) | – | 39,316 | (39,316) | – | 82,264 | (82,264) | – |
| Members' funds (equity) | – | 39,316 | 39,316 | – | 39,316 | 39,316 | – | 82,264 | 82,264 |
| **Total equity** | **39,316** | **–** | **39,316** | **39,316** | **–** | **39,316** | **82,264** | **–** | **82,264** |

The following adjustments were made to the Statements of Financial Position at 1 July 2009:

| | Consolidated | | | GPIT | | | GPT | | |
|---|---|---|---|---|---|---|---|---|---|
| **Statements of Financial Position (extract)** | **30 June 2009 $'000** | **Mvmt $'000** | **1 July 2009 $'000** | **30 June 2009 $'000** | **Mvmt $'000** | **1 July 2009 $'000** | **30 June 2009 $'000** | **Mvmt $'000** | **1 July 2009 $'000** |
| Net assets attributable to members (liability) | 33,001 | (33,001) | – | 33,001 | (33,001) | – | 74,753 | (74,753) | – |
| Members' funds (equity) | – | 33,001 | 33,001 | – | 33,001 | 33,001 | – | 74,753 | 74,753 |
| **Total equity** | **33,001** | **–** | **33,001** | **33,001** | **–** | **33,001** | **74,753** | **–** | **74,753** |

The changes to profit for 2009 were as follows:

| | Consolidated | | | GPIT | | | GPT | | |
|---|---|---|---|---|---|---|---|---|---|
| **Statements of Comprehensive Income (extract)** | **30 June 2009 $'000** | **Mvmt $'000** | **30 June 2009 $'000 (restated)** | **30 June 2009 $'000** | **Mvmt $'000** | **30 June 2009 $'000 (restated)** | **30 June 2009 $'000** | **Mvmt $'000** | **30 June 2009 $'000 (restated)** |
| (Loss) for the year | – | (4,474) | (4,474) | – | (4,474) | (4,474) | – | (3,033) | (3,033) |
| Decrease/(increase) in net assets attributable to members | (6,315) | 6,315 | – | (6,315) | 6,315 | – | (7,511) | 7,511 | – |
| Finance costs attributable to members | 1,841 | (1,841) | – | 1,841 | (1,841) | – | 4,478 | (4,478) | – |
| **(Loss) for the year** | **(4,474)** | **–** | **(4,474)** | **(4,474)** | **–** | **(4,474)** | **(3,033)** | **–** | **(3,033)** |

**Critical accounting estimates**

The preparation of the Financial Statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to 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.

**Uncertainty around property valuations**

Fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the end of the reporting period, the current market uncertainty means that if investment property is sold in the future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the Financial Statements. The result is that the current marketing of the properties will continue with the aim of securing a purchaser within the next twelve months.

## (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 the financial year, its results are included in the Statements of Comprehensive Income from the date on which control is gained. Net profit and equity in controlled entities, which are attributable to the unit holdings of non-controlling interests, are shown separately in the Statements of Comprehensive Income and Statements of Financial Position respectively.

## (c) Revenue recognition

**(i) 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 Statements of Financial Position as a receivable. Recoverability of receivables is reviewed on an ongoing basis. Debts which are known to be not collectable are written off.

**(ii) 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 Statements of Financial Position as a receivable.

## Note 1. Summary of significant accounting policies

(continued)

### (d) Expenses

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

**(i) 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.

**(ii) Finance costs to financial institutions**

Finance 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 agreements.

Finance costs are expensed unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to prepare for their intended use or sale. In these circumstances, finance costs are capitalised over the cost of the asset during the period of time required to complete and prepare the asset for its intended use or sale. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, finance costs capitalised are those incurred in relation to that financing, net of any interest earned on those financings. Where funds are borrowed generally, finance costs are capitalised using a weighted average interest rate.

**(iii) Responsible Entity fees**

Under the Constitution the Responsible Entity is entitled to a management fee and a performance fee.

(A) Management fee

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

(B) Performance fee

A performance fee (refer note 24) 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 the end of each reporting period. 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 them 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 for 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 advisors, the Responsible Entity continually reviews the Trusts' exposures and updates its 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 Statements of Comprehensive Income.

**(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 Statements of Comprehensive Income.

**(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. Accordingly units issued by the Trusts are classified as equity.

Interest and distributions are classified as expenses or as distributions of profit consistent with the Statements of Financial Position classification of the related debt or equity instruments.

Transaction costs arising on the issue of equity instruments are recognised directly in equity (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.

**(iv) Other financial assets**

Loans and other receivables are measured at amortised cost using the effective interest rate method less impairment.

### (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 Statements of Cash Flows 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 its controlled entities are not liable for income tax, provided they satisfy certain legislative requirements.

### (h) Distributions

In accordance with the Trusts' Constitution, the Trusts distribute their distributable income to unitholders by cash. Distributions are provided for when they are approved by the Board of Directors and declared.

### (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 using the effective interest rate method, 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 cash flow and the capitalisation method. Discount rates and capitalisation rates are determined based on 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 Statements of Comprehensive Income. 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 Statements of Comprehensive Income 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).

### (m) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount or fair value less costs to sell, except for assets such as investment property that are accounted for in accordance with note 1(l). Assets classified as held for sale are presented separately from other assets in the Statements of Financial Position.

### (n) Leasing fees

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

### (o) 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.

### (p) Payables and provisions

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

The distribution amount payable to members as at the end of each reporting period is recognised separately in the Statements of Financial Position as a provision when members are presently entitled to the distributable income under the Constitution.

### (q) Interest bearing liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statements of Comprehensive Income over the period of the borrowings using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Trusts have an unconditional right to defer the liability for at least 12 months after the reporting date.

### (r) Other financial assets at fair value through profit or loss

Interests held by the Trusts in controlled entities and associates are measured at fair value through the profit or loss so as to reduce measurement or recognition inconsistencies.

## Note 1. Summary of significant accounting policies (continued)

### (s) Financial assets and liabilities

**(i) Classification**

The Trusts have classified its financial assets and liabilities as follows:

| Financial asset/Liability | Classification | Valuation basis | Reference |
|---|---|---|---|
| Cash and cash equivalents | Fair value through profit or loss | Fair value | Refer note 1(j) |
| Receivables | Loans and receivables | Amortised cost | Refer note 1(k) |
| Payables | Financial liability at amortised cost | Amortised cost | Refer note 1(p) |
| Interest bearing liabilities | Financial liability at amortised cost | Amortised cost | Refer note 1(q) |
| Other financial assets | Fair value through profit or loss | Fair value | Refer note 1(r) |
| Other financial assets | Loans and receivables | Amortised cost | Refer note 1(e) (iv) |
| Derivatives | Fair value through profit or loss | Fair value | Refer note 1(e) |

Financial assets and liabilities are classified in accordance with the purpose for which they were acquired.

**(ii) 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 Statements of Financial Position 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 are calculated as the present value of the estimated future cash flows.

### (t) 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 statement.

### (u) Rounding of amounts

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

### (v) Presentation of parent entity Financial Statements

The Trusts are registered schemes of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Trusts continue to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

### (w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The Trusts' assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 *Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Trusts' accounting for their financial assets. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specific dates to cash flows that are payments solely of principal and interest on the principal amount outstanding. All other financial assets are to be measured at fair value. The standard is not applicable until 1 January 2013 but is available for early adoption. The Trusts are currently assessing the impact of this standard but do not expect it to be significant.

(ii) Revised AASB 124 *Related Party Disclosures* (effective from 1 January 2011). In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Trust will apply the amended standard from 1 July 2011. It is not expected to have any impact on the Trusts' Financial Statements.

(iii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2010). In May 2010, the AASB issued a number of improvements to existing Australian Accounting Standards. The Trust will apply the revised standards from 1 July 2010. The Trusts are currently assessing the impact of this standard but do not expect it to be significant.

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Trusts are currently assessing the impact of the revised rules but do not expect it to be significant.

## Note 2. Property revenue

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Rent and recoverable outgoings | 7,697 | 7,593 | – | – | 7,697 | 7,593 |
| Incentive amortisation | (180) | (120) | – | – | (180) | (120) |
| Other revenue | 132 | 190 | – | – | 132 | 190 |
| **Total property revenue** | **7,649** | **7,663** | **–** | **–** | **7,649** | **7,663** |

## Note 3. Distribution revenue

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Distribution from controlled entities | – | – | 2,925 | 3,041 | – | – |
| **Total distribution revenue** | **–** | **–** | **2,925** | **3,041** | **–** | **–** |

## Note 4. Interest revenue

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Interest income from financial institutions | 24 | 34 | – | – | 24 | 34 |
| **Total interest revenue** | **24** | **34** | **–** | **–** | **24** | **34** |

## Note 5. Finance costs to financial institutions

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Interest paid/payable | 1,359 | 1,273 | 1,251 | 1,172 | 108 | 101 |
| Net fair value (gain)/loss on derivatives | (596) | 1,189 | (596) | 1,189 | – | – |
| Other finance costs | 67 | 37 | 53 | 27 | 14 | 10 |
| **Total finance costs to financial institutions** | **830** | **2,499** | **708** | **2,388** | **122** | **111** |

## Note 6. Other expenses

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Audit and advisory fees (refer note 7) | 48 | 51 | 21 | 22 | 27 | 29 |
| Registry costs | 17 | 24 | – | – | 17 | 24 |
| Legal and other professional fees | 5 | 1 | 2 | 1 | 3 | – |
| Valuation fees | 15 | 18 | – | – | 15 | 18 |
| Custodian fees | 7 | 7 | – | – | 7 | 7 |
| Other Trust expenses | 7 | 18 | – | 5 | 7 | 13 |
| **Total other expenses** | **99** | **119** | **23** | **28** | **76** | **91** |

## 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

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $ | 2009 $ | 2010 $ | 2009 $ | 2010 $ | 2009 $ |
| PwC audit and review of financial reports and other audit work under the *Corporations Act 2001* | 40,268 | 39,968 | 20,134 | 19,984 | 20,134 | 19,984 |
| Fees paid to non-PwC audit firms in relation to outgoings audit | 4,230 | 2,809 | – | – | 4,230 | 2,809 |
| **Total remuneration for assurance services** | **44,498** | **42,777** | **20,134** | **19,984** | **24,364** | **22,793** |

### (b) Taxation services

| | | | | | | |
|---|---|---|---|---|---|---|
| Fees paid to PwC | 3,901 | 7,950 | 1,286 | 2,240 | 2,615 | 5,710 |
| **Total remuneration for taxation services** | **3,901** | **7,950** | **1,286** | **2,240** | **2,615** | **5,710** |
| **Total remuneration for assurance and taxation services** | **48,399** | **50,727** | **21,420** | **22,224** | **26,979** | **28,503** |

## Note 8. Current assets – cash and cash equivalents

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Cash and cash equivalents | 434 | 859 | – | – | 434 | 859 |
| **Total current assets – cash and cash equivalents** | **434** | **859** | **–** | **–** | **434** | **859** |

## Note 9. Current assets – receivables

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Rent receivable | 17 | 36 | – | – | 17 | 36 |
| **Total rent receivables** | **17** | **36** | **–** | **–** | **17** | **36** |
| Finance costs to members of Gordon Property Trust | – | – | 520 | 575 | – | – |
| Other receivables from controlled entities | – | – | (106) | (85) | 106 | 85 |
| Other receivables | 8 | 44 | – | – | 8 | 44 |
| **Total other receivables** | **8** | **44** | **414** | **490** | **114** | **129** |
| **Total current assets – receivables** | **25** | **80** | **414** | **490** | **131** | **165** |

### Other receivables from controlled entities

Other receivables from controlled entities is an inter-entity loan, which is a non-interest bearing loan between the parent and its controlled entities.

## Note 10. Current assets – other

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Prepayments | 218 | 143 | – | – | 218 | 143 |
| **Total current assets – other** | **218** | **143** | **–** | **–** | **218** | **143** |

## Note 11. Investment properties

### Current assets – investment properties held for sale

| **Properties** | **Acquisition date** | **Independent valuation date** | **Independent valuation amount** | **Independent valuer** | **Consolidated and GPT book value** | **Consolidated and GPT book value** |
|---|---|---|---|---|---|---|
| | | | | | **2010 $'000** | **2009 $'000** |
| Gordon Centre & Gordon Village Arcade, NSW | Nov 98 | Dec 09 | 75,400 | Jones Lang LaSalle | 75,994 | – |
| **Total current assets – investment properties held for sale** | | | **75,400** | | **75,994** | **–** |

### Non-current assets – investment properties

| **Properties** | **Acquisition date** | **Independent valuation date** | **Independent valuation amount** | **Independent valuer** | **Consolidated and GPT book value** | **Consolidated and GPT book value** |
|---|---|---|---|---|---|---|
| | | | | | **2010 $'000** | **2009 $'000** |
| Gordon Centre & Gordon Village Arcade, NSW | Nov 98 | Dec 09 | 75,400 | Jones Lang LaSalle | – | 80,400 |
| **Total non-current assets – investment properties** | | | **75,400** | | **–** | **80,400** |

## Note 11. Investment properties (continued)

### Valuation basis

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. Refer note 1(a) discussing the uncertainty of property valuations.

### Key valuation assumptions

The below table illustrates the key valuation assumptions used in the determination of the investment properties' fair value.

| **2010** | **Retail** |
|---|---|
| Average capitalisation rate (%) | 7.75 |
| Average lease expiry by income (years) | 6.9 |
| Vacancy by area (%) | 5.1 |

| **2009** | **Retail** |
|---|---|
| Average capitalisation rate (%) | 7.50 |
| Average lease expiry by income (years) | 8.0 |
| Vacancy by area (%) | 1.9 |

### Key valuation assumptions

Together with taking active market evidence into account, ten year discounted cash flows and capitalisation valuation methods are used. In addition to the key assumptions set out in the table above, assumed portfolio downtime ranges from six to 12 months and tenant retention ranges from 65% to 75%.

### Reconciliation

| | **Consolidated and GPT** | |
|---|---|---|
| | **2010 $'000** | **2009 $'000** |
| Carrying amount at the start of the year | 80,400 | 86,250 |
| Additions | 234 | 1,855 |
| Lease incentives | 635 | 177 |
| Amortisation of lease incentives | (180) | (120) |
| Net (loss) from fair value adjustments | (5,095) | (7,762) |
| Transfer to investment property held for sale | (75,994) | – |
| **Carrying amount at the end of the year** | **–** | **80,400** |

## Note 12. Other financial assets at fair value through profit or loss

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

### Current assets – other financial assets at fair value through profit or loss

| **Name of entity** | **Principal activity** | **Ownership interest** | | **GPIT** | |
|---|---|---|---|---|---|
| | | **2010 %** | **2009 %** | **2010 $'000** | **2009 $'000** |
| **Controlled entities** | | | | | |
| Gordon Property Trust | Retail property investment | 67.90 | – | 47,489 | – |
| **Total current assets – other financial assets at fair value through profit or loss** | | | | **47,489** | **–** |

### Non-current assets – other financial assets at fair value through profit or loss

| Name of entity | Principal activity | Ownership interest | | GPIT | |
|---|---|---|---|---|---|
| | | 2010 % | 2009 % | 2010 $'000 | 2009 $'000 |
| **Controlled entities** | | | | | |
| Gordon Property Trust | Retail property investment | – | 67.90 | – | 50,758 |
| **Total non-current assets – other financial assets at fair value through profit or loss** | | | | **–** | **50,758** |

### Reconciliation

| | GPIT | |
|---|---|---|
| | 2010 $'000 | 2009 $'000 |
| Opening balance | 50,758 | 55,857 |
| Fair value (loss) | (3,269) | (5,099) |
| **Closing balance** | **47,489** | **50,758** |

## Note 13. Payables

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| **Current liabilities** | | | | | | |
| Trade creditors | 149 | 145 | – | – | 149 | 146 |
| Accrued capital expenditure | 353 | 38 | – | – | 353 | 38 |
| Accrued interest | 115 | 114 | 115 | 114 | – | – |
| Prepaid income | 299 | 360 | – | – | 299 | 360 |
| Responsible Entity fee | 64 | 497 | – | – | 64 | 497 |
| Accruals | 70 | 57 | 13 | 11 | 57 | 46 |
| GST payable | 90 | 115 | – | – | 90 | 115 |
| Performance fee | 1,885 | – | – | – | 1,885 | – |
| **Total current liabilities – payables** | **3,025** | **1,326** | **128** | **125** | **2,897** | **1,202** |
| **Non-current liabilities** | | | | | | |
| Performance fee | – | 2,010 | – | – | – | 2,010 |
| **Total non-current liabilities – payables** | **–** | **2,010** | **–** | **–** | **–** | **2,010** |
| **Total – payables** | **3,025** | **3,336** | **128** | **125** | **2,897** | **3,212** |

## Note 14. Current liabilities – provisions

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| **Provision for distribution** | | | | | | |
| Opening balance | 732 | 702 | 460 | 476 | 847 | 705 |
| Additional provisions | 1,622 | 4,366 | 1,622 | 1,841 | 4,305 | 4,478 |
| Payment of distributions | (1,703) | (4,336) | (1,677) | (1,857) | (4,387) | (4,336) |
| **Closing balance** | **651** | **732** | **405** | **460** | **765** | **847** |

Provision is made for distributions to be paid for the period ended 30 June 2010 payable 13 August 2010.

## Note 15. Current liabilities – derivative financial instruments

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Interest rate swap contracts | 122 | 718 | 122 | 718 | – | – |
| **Total current liabilities – derivative financial instruments** | **122** | **718** | **122** | **718** | **–** | **–** |

Please refer note 21 for further discussion regarding derivative financial instruments.

## Note 16. Interest bearing liabilities

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| **Secured** | | | | | | |
| Bank loans | 20,119 | – | 16,944 | – | 3,175 | – |
| **Total secured** | **20,119** | **–** | **16,944** | **–** | **3,175** | **–** |
| **Total current – interest bearing liabilities** | **20,119** | **–** | **16,944** | **–** | **3,175** | **–** |
| **Secured** | | | | | | |
| Bank loans | – | 19,699 | – | 16,944 | – | 2,755 |
| **Total secured** | **–** | **19,699** | **–** | **16,944** | **–** | **2,755** |
| **Total non-current – interest bearing liabilities** | **–** | **19,699** | **–** | **16,944** | **–** | **2,755** |
| **Total interest bearing liabilities** | **20,119** | **19,699** | **16,944** | **16,944** | **3,175** | **2,755** |

The Trusts have access to the following lines of credit:

| **Financing arrangements** | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| **Borrowing facilities** | | | | | | |
| Bank loans | 29,750 | 28,000 | 25,000 | 25,000 | 4,750 | 3,000 |
| Less: Loan advanced to members of Gordon Property Trust in their personal capacity | (8,011) | (8,011) | (8,011) | (8,011) | – | – |
| | **21,739** | **19,989** | **16,989** | **16,989** | **4,750** | **3,000** |
| **Used at balance date** | **(20,119)** | **(19,699)** | **(16,944)** | **(16,944)** | **(3,175)** | **(2,755)** |
| **Unused at balance date** | **1,620** | **290** | **45** | **45** | **1,575** | **245** |

Bank loans have been arranged for the Gordon Property Trust in the form of a drawdown facility of $4,750,000 ($3,175,000 drawn) (2009: $2,755,000 drawn). Bank loans have also been arranged on behalf of the Gordon Property Investment Trust amounting to $16,989,000 ($16,944,000 drawn) and the unitholders in the Gordon Property Trust of $8,011,000 ($8,011,000 drawn) in the form of a combined term facility of $25,000,000 ($24,955,000 drawn) (2009: $24,955,000 drawn) from the Commonwealth Bank of Australia (CBA). The maturity date of both loan facilities is 30 June 2011. The Gordon Property Investment Trust has currently borrowed $16,944,000 (2009: $16,944,000) against the term facility and the balance of the facility represents loans advanced 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 (refer 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 up to a value of $25,000,000 (2009: $25,000,000) through interest rate swaps. The interest rate fixed on the swap is 6.75% (2009: 6.75%) per annum (including the bank margin).

In August 2009, the Gordon Property Trust obtained approval from the Commonwealth Bank of Australia to increase its working capital facility by $1.75 million to $4.75 million.

## Note 17. Non-controlling interest in minority unitholding

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 30 June 2010 $'000 | 30 June 2009 $'000 | 30 June 2010 $'000 | 30 June 2009 $'000 | 30 June 2010 $'000 | 30 June 2009 $'000 |
| **Current** | | | | | | |
| Contributed equity | 14,229 | – | – | – | – | – |
| Undistributed income | 8,221 | – | – | – | – | – |
| **Total current – non-controlling interest in minority unitholding** | **22,450** | **–** | **–** | **–** | **–** | **–** |
| **Non-current** | | | | | | |
| Contributed equity | – | 14,229 | – | – | – | – |
| Undistributed income | – | 9,767 | – | – | – | – |
| **Total non-current – non-controlling interest in minority unitholding** | **–** | **23,996** | **–** | **–** | **–** | **–** |
| **Total non-controlling interest in minority unitholding** | **22,450** | **23,996** | **–** | **–** | **–** | **–** |

## Note 18. Contributed equity

### (a) Contributed equity of unitholders

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Opening balance | 13,153 | 13,153 | 13,153 | 13,153 | 44,327 | 44,327 |
| **Closing balance** | **13,153** | **13,153** | **13,153** | **13,153** | **44,327** | **44,327** |

### (b) Number of units on issue

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 No. of Units ('000's) | 2009 No. of Units ('000's) | 2010 No. of Units ('000's) | 2009 No. of Units ('000's) | 2010 No. of Units ('000's) | 2009 No. of Units ('000's) |
| Opening balance | 14,734 | 14,734 | 14,734 | 14,734 | 21,700 | 21,700 |
| **Closing balance** | **14,734** | **14,734** | **14,734** | **14,734** | **21,700** | **21,700** |

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

## Note 19. Undistributed income

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Opening balance | 19,848 | 26,163 | 19,848 | 26,163 | 30,426 | 37,937 |
| Total comprehensive (loss) | (1,075) | (4,474) | (1,075) | (4,474) | (508) | (3,033) |
| Distributions to unitholders | (1,622) | (1,841) | (1,622) | (1,841) | (4,305) | (4,478) |
| **Closing balance** | **17,151** | **19,848** | **17,151** | **19,848** | **25,613** | **30,426** |

## Note 20. Distributions to unitholders paid and provided for

### (a) Distribution to unitholders

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| 30 September | 405 | 461 | 405 | 461 | 1,062 | 1,096 |
| 31 December | 405 | 460 | 405 | 460 | 1,086 | 1,116 |
| 31 March | 406 | 460 | 406 | 460 | 1,073 | 1,133 |
| 30 June | 406 | 460 | 406 | 460 | 1,084 | 1,133 |
| | **1,622** | **1,841** | **1,622** | **1,841** | **4,305** | **4,478** |

### (b) Distribution rate

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 Cents per unit | 2009 Cents per unit | 2010 Cents per unit | 2009 Cents per unit | 2010 Cents per unit | 2009 Cents per unit |
| 30 September | 2.75 | 3.13 | 2.75 | 3.13 | 4.89 | 5.05 |
| 31 December | 2.75 | 3.12 | 2.75 | 3.12 | 5.00 | 5.14 |
| 31 March | 2.75 | 3.12 | 2.75 | 3.12 | 4.94 | 5.22 |
| 30 June | 2.75 | 3.12 | 2.75 | 3.12 | 5.00 | 5.22 |
| **Total cents per unit** | **11.00** | **12.49** | **11.00** | **12.49** | **19.83** | **20.63** |

## Note 21. Financial risk management

To ensure the effective and prudent management of the Trusts' capital and financial risks, the Trusts have a well established framework consisting of a Board Finance Committee and a Capital Markets Committee. The Board Finance Committee is accountable to and primarily acts as an advisory body to the DXFM Board and includes three Directors of the DXFM Board. Its responsibilities include reviewing and recommending financial risk management polices and funding strategies for approval.

The Capital Markets Committee is a management committee that is accountable to both the Board Finance Committee and the Executive Committee. It convenes at least quarterly and conducts a review of financial risk management exposures including liquidity, funding strategies and hedging. It is also responsible for the development of financial risk management policies and funding strategies for recommendation to the Board Finance Committee, and the approval of treasury transactions within delegated limits and powers.

### (a) Capital risk management

The Trusts manage their capital to ensure that they will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Trusts consists of debt (refer note 16), cash and cash equivalents, and net assets attributable to members. The capital structure is monitored and managed in consideration of a range of factors including:

- the cost of capital and the financial risks associated with each class of capital;
- gearing levels and other covenants;
- potential impacts on the net tangible assets and unitholder's equity;
- potential impacts of the Trusts' credit rating; and
- other market factors and circumstances.

The security ratio states that the total commitment of the Trusts and the Responsible Entity with the bank is at no time more than 60% of the market value of the mortgaged property. The covenant security ratio as calculated in accordance with our covenant requirements as at 30 June 2010 was 39.46% (2009: 34.83%).

| | Consolidated | |
|---|---|---|
| | 2010 $'000 | 2009 $'000 |
| Total commitments[1] | 29,750 | 28,000 |
| Market value[2] | 75,400 | 80,400 |
| Security ratio (%) | **39.46%** | **34.83%** |

1 Refer note 16 for a summary of commitments.
2 Market value represents the most recent external valuation accepted by the bank (refer note 11 for latest external valuation).

## (b) Financial risk management

The Responsible Entity for the Trusts has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to hold minimum net tangible assets of $5 million, and maintaining a minimum level of surplus liquid funds. Furthermore, the Responsible Entity maintains trigger points in accordance with the requirements of the licence. These trigger points maintain a headroom value above the AFSL requirements and the entity has in place a number of processes and procedures should a trigger point be reached.

The Trusts' activities expose them to a variety of financial risks: credit risk, market risk (including interest rate 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 enter into various derivative financial instruments such as interest rate swaps to manage their exposure to certain risks. The Trusts do not trade in derivative instruments for speculative purposes. The Trusts use different methods to measure the different types of risks to which they are exposed, including monitoring the current and forecast levels of exposure and conducting sensitivity analysis.

Risk management is implemented by a centralised treasury department in DEXUS Property Group (Group Treasury) whose members act under written policies approved by the Board of the Responsible Entity. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Trusts. The treasury policies approved by the Board of Directors cover overall risk management, as well as policies and limits covering specific areas such as liquidity risk, interest rate risk, credit risk and use of derivatives and other financial instruments. In conjunction with its advisers, the Responsible Entity continually reviews the Trusts' exposures and updates its treasury policies and procedures.

**(i) Liquidity risk**

Liquidity risk is the risk that the Trusts will not have sufficient available funds to meet financial obligations in an orderly manner when they fall due or at an acceptable cost.

The Trusts identify and manage liquidity risk across short, medium and long-term categories:

- short-term liquidity management includes continuously monitoring forecast and actual cash flows;
- medium-term liquidity management includes maintaining a level of borrowing facilities that cover forecast debt; and
- long-term liquidity risk is managed through aiming to match or exceed the maturity of borrowing facilities to the maturity of the Trusts.

If the Trusts require new or additional debt facilities, margin price risk will occur, whereby market conditions may result in an unfavourable change in credit margins on the new facilities.

An analysis of the contractual maturities of the Trusts' interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

| | Consolidated 30 June 2010 | | | Consolidated 30 June 2009 | | |
|---|---|---|---|---|---|---|
| | Expiring within one year $'000 | Expiring between one and three years $'000 | Expiring after three years $'000 | Expiring within one year $'000 | Expiring between one and three years $'000 | Expiring after three years $'000 |
| Receivables | 25 | – | – | 80 | – | – |
| Payables | 3,025 | – | – | 1,326 | 2,010 | – |
| Interest bearing liabilities (floating) | 20,119 | – | – | – | 19,699 | – |
| Loans advanced to members[1] | 8,011 | – | – | – | 8,011 | – |
| **Derivative financial instruments[2]** | | | | | | |
| Derivative liabilities | 122 | – | – | 985 | 316 | – |

1 Represents loans advanced to the Gordon Property Trust unitholders, in their personal capacity.

2 For derivative assets and liabilities, only the net interest cash flows (not the notional principal) are included.

## Note 21. Financial risk management (continued)

### (b) Financial risk management (continued)

**(i) Liquidity risk** (continued)

| | GPIT 30 June 2010 | | | GPIT 30 June 2009 | | |
|---|---|---|---|---|---|---|
| | Expiring within one year $'000 | Expiring between one and three years $'000 | Expiring after three years $'000 | Expiring within one year $'000 | Expiring between one and three years $'000 | Expiring after three years $'000 |
| Receivables | 414 | – | – | 490 | – | – |
| Payables | 128 | – | – | 125 | – | – |
| Interest bearing liabilities (floating) | 16,944 | – | – | – | 16,944 | – |
| Loans advanced to members[1] | 8,011 | – | – | – | 8,011 | – |
| **Derivative financial instruments[2]** | | | | | | |
| Derivative liabilities | 122 | – | – | 985 | 316 | – |

| | GPT 30 June 2010 | | | GPT 30 June 2009 | | |
|---|---|---|---|---|---|---|
| | Expiring within one year $'000 | Expiring between one and three years $'000 | Expiring after three years $'000 | Expiring within one year $'000 | Expiring between one and three years $'000 | Expiring after three years $'000 |
| Receivables | 131 | – | – | 165 | – | – |
| Payables | 2,897 | – | – | 1,202 | 2,010 | – |
| Interest bearing liabilities (floating) | 3,175 | – | – | – | 2,755 | – |

1 Represents loans advanced to the Gordon Property Trust unitholders, in their personal capacity.
2 For derivative assets and liabilities, only the net interest cash flows (not the notional principal) are included.

**(ii) Market risk**

Market risk is the risk that the fair value or future cash flows of the Trusts' financial instruments will fluctuate because of changes in market prices. The market risks that the Trusts are exposed to are detailed further below.

#### Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will cause an adverse impact on interest payable (or receivable), or an adverse change on the capital value (present market value) of long-term fixed rate instruments.

Interest rate risk for the Trusts arises from interest bearing financial assets and liabilities that the Trusts hold. Borrowings issued at variable rates expose the Trusts to cash flow interest rate risk. The Trusts do not have any borrowings issued at fixed interest rates.

The primary objective of the Trusts' risk management policy for interest rate risk is to minimise the effects of interest rate movements on the Trusts' portfolio of financial assets and liabilities and financial performance. The policy sets out the minimum and maximum hedging amounts for the Trusts.

Cash flow interest rate risk on borrowings is managed through the use of interest rate swaps, whereby a floating interest rate exposure is converted to a fixed interest rate exposure. The mix of fixed and floating rate exposures is monitored regularly to ensure that the interest rate exposure on the Trusts' cash flows is managed within the parameters defined by the Group Treasury Policy.

| | June 2011 $'000 | June 2012 $'000 | June 2013 $'000 | June 2014 $'000 | June 2015 $'000 | >June 2015 $'000 |
|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | |
| **30 June 2010** | | | | | | |
| Interest rate swaps | 10,342 | – | – | – | – | – |
| Weighted average hedge rate (%) | 6.75% | – | – | – | – | – |
| **GPIT** | | | | | | |
| **30 June 2010** | | | | | | |
| Interest rate swaps | 10,342 | – | – | – | – | – |
| Weighted average hedge rate (%) | 6.75% | – | – | – | – | – |
| **Consolidated** | | | | | | |
| **30 June 2009** | | | | | | |
| Interest rate swaps | 25,000 | 10,342 | – | – | – | – |
| Weighted average hedge rate (%) | 6.75% | 6.75% | – | – | – | – |
| **GPIT** | | | | | | |
| **30 June 2009** | | | | | | |
| Interest rate swaps | 25,000 | 10,342 | – | – | – | – |
| Weighted average hedge rate (%) | 6.75% | 6.75% | – | – | – | – |

Sensitivity analysis

The following sensitivity on the Trusts' cash flow arises due to the impact that a change in interest rates will have on the Trusts' floating rate debt and derivative cash flows.

At balance date the Trusts have fixed 89% of their interest payable exposure and 100% of their finance costs to members. The remaining 11% of the total principal amount of $28.13 million is exposed to floating interest rates, at a floating rate as at 30 June 2010 of 4.92% (2009: 3.19%) excluding credit margins (2009: 90% hedged on $27.7 million). An increase (decrease) in the floating rate of 50 basis points would result in an increase (decrease) in interest expense of $16,000 (2009: $14,000). The increase or decrease in interest expense is proportional to the increase or decrease in the short-term and long-term market interest rates.

Changes in the fair value of interest rate swaps arise from the impact that changes in market interest rates have on the mark-to-market valuation of the interest rate swaps. An increase (decrease) in the floating rate of 50 basis points would result in an increase (decrease) in the mark-to-market valuation of the interest rate swaps of $31,000 (2009: $200,000). Although interest rate swaps are transacted for the purpose of providing the Trusts with an economic hedge, the Trusts have elected not to apply hedge accounting to its interest rate derivatives. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statements of Comprehensive Income.

**(iii) Credit risk**

Credit risk is the risk of loss to the Trusts in the event of non-performance by the Trusts' financial instrument counterparties. Credit risk arises from cash and cash equivalents, loans and receivables, and derivative financial instruments. The Trusts have exposure to credit risk on all financial assets.

The Trusts counterparty risk to cash and cash equivalents and derivatives is to Commonwealth Bank of Australia, which is an Australian incorporated Financial Institution regulated by the Australian Prudential Regulation Authority (APRA) and is rated AA by Standard and Poor's as at 30 June 2010. Group Treasury policy limits counterparty risk to entities rated A– or better.

Additionally, the Trusts manage credit risk by:

- ensuring tenants, together with approved credit limits, are approved and ensuring that leases are undertaken with a large number of tenants;
- for some trade receivables, obtaining collateral where necessary in the form of bank guarantees and tenant bonds; and
- regularly monitoring loans and receivables on an ongoing basis.

The maximum exposure to credit risk at 30 June 2010 is the carrying amounts of financial assets recognised on the Statements of Financial Position of the Trusts. The Trusts do not hold any significant amounts of collateral as security.

As at 30 June 2010, the Trusts have no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis. As a result, the Trusts' exposure to bad debts is not significant.

## Note 21. Financial risk management (continued)

### (b) Financial risk management (continued)

**(iii) Credit risk** (continued)

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | **30 June 2010 $'000** | **30 June 2009 $'000** | **30 June 2010 $'000** | **30 June 2009 $'000** | **30 June 2010 $'000** | **30 June 2009 $'000** |
| Aging analysis of loans and receivables | | | | | | |
| 0–30 days | 20 | 59 | 414 | 490 | 126 | 144 |
| 31–60 days | 5 | 11 | – | – | 5 | 11 |
| 61–90 days | – | 10 | – | – | – | 10 |
| 91+ days | – | – | – | – | – | – |
| **Total aging analysis of loans and receivables** | **25** | **80** | **414** | **490** | **131** | **165** |

Amounts over 30 days are past due, however, no receivables are impaired. The credit quality of financial assets that are neither past due or impaired is consistently monitored to ensure that there are no adverse changes in credit quality.

**(iv) Fair value of financial instruments**

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. As at 30 June 2010, the carrying amounts and fair values of financial assets and liabilities are shown as follows:

| | Consolidated 30 June 2010 | | GPIT 30 June 2010 | | GPT 30 June 2010 | |
|---|---|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | **Carrying amount $'000** | **Fair value $'000** | **Carrying amount $'000** | **Fair value $'000** |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 434 | 434 | – | – | 434 | 434 |
| Receivables | 25 | 25 | 414 | 414 | 131 | 131 |
| **Total financial assets** | **459** | **459** | **414** | **414** | **565** | **565** |
| **Financial liabilities** | | | | | | |
| Payables | 3,025 | 3,025 | 128 | 128 | 2,897 | 2,897 |
| Derivative financial instruments | 122 | 122 | 122 | 122 | – | – |
| Interest bearing liabilities | 20,119 | 20,119 | 16,944 | 16,944 | 3,175 | 3,175 |
| **Total financial liabilities** | **23,266** | **23,266** | **17,194** | **17,194** | **6,072** | **6,072** |

| | Consolidated 30 June 2009 | | GPIT 30 June 2009 | | GPT 30 June 2009 | |
|---|---|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | **Carrying amount $'000** | **Fair value $'000** | **Carrying amount $'000** | **Fair value $'000** |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 859 | 859 | – | – | 859 | 859 |
| Receivables | 80 | 80 | 490 | 490 | 165 | 165 |
| **Total financial assets** | **939** | **939** | **490** | **490** | **1,024** | **1,024** |
| **Financial liabilities** | | | | | | |
| Payables – current | 1,326 | 1,326 | 125 | 125 | 1,202 | 1,202 |
| Payables – non-current | 2,010 | 2,010 | – | – | 2,010 | 2,010 |
| Derivative financial instruments | 718 | 718 | 718 | 718 | – | – |
| Interest bearing liabilities | 19,699 | 19,699 | 16,944 | 16,944 | 2,755 | 2,755 |
| **Total financial liabilities** | **23,753** | **23,753** | **17,787** | **17,787** | **5,967** | **5,967** |

Determination of fair value

The Trusts use methods in the determination and disclosure of the fair value of financial instruments. These methods comprise:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is determined using inputs other than quotes prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable data.

The following table presents the assets and liabilities measured and recognised as fair value at 30 June 2010.

| **Consolidated** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **2010 $'000** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Derivative financial instruments | – | 122 | – | 122 |
| **Total financial liabilities** | **–** | **122** | **–** | **122** |

| **GPIT** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **2010 $'000** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Derivative financial instruments | – | 122 | – | 122 |
| **Total financial liabilities** | **–** | **122** | **–** | **122** |

## Note 22. Contingent liabilities

The Directors of the Responsible Entity are not aware of any contingent liabilities in relation to the Trusts as at 30 June 2010.

## Note 23. 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** | |
|---|---|---|---|---|---|---|
| | **30 June 2010 $'000** | **30 June 2009 $'000** | **30 June 2010 $'000** | **30 June 2009 $'000** | **30 June 2010 $'000** | **30 June 2009 $'000** |
| **Capital expenditure commitments:** | | | | | | |
| Not longer than one year | – | – | – | – | – | – |
| **Total capital expenditure commitments** | **–** | **–** | **–** | **–** | **–** | **–** |

There are no capital commitments later than one year.

### (b) Lease receivable commitments

| | **Consolidated** | | **GPIT** | | **GPT** | |
|---|---|---|---|---|---|---|
| | **30 June 2010 $'000** | **30 June 2009 $'000** | **30 June 2010 $'000** | **30 June 2009 $'000** | **30 June 2010 $'000** | **30 June 2009 $'000** |
| **The future minimum lease payments receivable by the Trust are:** | | | | | | |
| Within one year | 6,210 | 6,493 | – | – | 6,210 | 6,493 |
| Later than one year but not later than five years | 23,510 | 21,593 | – | – | 23,510 | 21,593 |
| Later than five years | 20,927 | 28,222 | – | – | 20,927 | 28,222 |
| **Total lease receivable commitments** | **50,647** | **56,308** | **–** | **–** | **50,647** | **56,308** |

## Note 24. Related parties

### Responsible Entity

DEXUS Funds Management Limited (DXFM), a wholly owned subsidiary of DEXUS Holdings Pty Limited is the Responsible Entity of the Trusts.

### Responsible Entity fees

Under the terms of the Trusts' Constitutions, 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

DEXUS Holdings Pty Limited and its related parties, schemes and portfolios managed by DEXUS Holdings Pty Limited and its related parties held nil units (2009: nil) in the Trusts.

The Trusts have no investments in the Responsible Entity or its affiliates or any trusts managed by DEXUS Holdings Pty Ltd or its affiliates.

### DEXUS Property Services Pty Limited

DEXUS Property Services Pty Limited (DXPS) manages the retail properties in GPT. There were a number of transactions and balances between the Trusts as detailed below:

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 30 June 2010 $'000 | 30 June 2009 $'000 | 30 June 2010 $'000 | 30 June 2009 $'000 | 30 June 2010 $'000 | 30 June 2009 $'000 |
| Property management fees and corporate recoveries paid and payable | 628 | 799 | – | – | 628 | 799 |

### DEXUS Funds Management Limited

There were a number of transactions and balances between the Trust and Responsible Entity and its related entities as detailed below:

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 30 June 2010 $'000 | 30 June 2009 $'000 | 30 June 2010 $'000 | 30 June 2009 $'000 | 30 June 2010 $'000 | 30 June 2009 $'000 |
| Responsible Entity fees paid and payable | 792 | 846 | – | – | 792 | 846 |
| Accrued performance fees[1] | (125) | (136) | – | – | (125) | (136) |
| Administration expenses incurred by the Responsible Entity in accordance with the Trusts' Constitution | 119 | 83 | – | – | 119 | 83 |

1 Refer note 1 (d) (iii) (B).

### Directors

The following persons were Directors of DXFM during all or part of the financial year and up to the date of this report, unless otherwise stated:

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD[1,2,3]

E A Alexander AM, BComm, FCA, FAICD, FCPA[1,5,6]

B R Brownjohn, BComm[1,2,5,6]

J C Conde AO, BSc, BE (Hons), MBA[1,3,7]

S F Ewen OAM[1,3]

V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD

B E Scullin, BEc[1,4,7]

P B St George, CA(SA), MBA[1,2,5,6]

1 Independent Director
2 Finance Committee Member
3 Nomination and Remuneration Committee Member
4 Nomination and Remuneration Committee Member from 1 July 2009 to 31 August 2009
5 Audit Committee Member
6 Risk and Sustainability Committee Member (name changed from Board Risk Committee on 2 June 2010)
7 Compliance Committee Member

No Directors held an interest in the Trusts as at 30 June 2010 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 of Directors to be key management personnel during all or part of the financial year, unless otherwise stated:

| Name | Title | Date of qualification as a KMP |
|---|---|---|
| Victor P Hoog Antink | Chief Executive Officer | Appointed 1 October 2004 |
| Tanya L Cox | Chief Operating Officer | Appointed 1 October 2004 |
| Craig D Mitchell | Chief Financial Officer | Appointed 17 September 2007 |
| Paul G Say | Head of Corporate Development | Appointed 19 March 2007 |
| John C Easy | General Counsel | Appointed 1 October 2004 |
| Patricia A Daniels | Head of Human Resources | Appointed 14 January 2008 |
| Mark F Turner | Head of Funds Management | Appointed 1 October 2004 |
| Louise J Martin | Head of Office and Retail | Appointed 27 March 2008 |
| Andrew P Whiteside | Head of Industrial | Appointed 28 April 2008 |
| Jane R Lloyd | Head of US Investments[1] | Appointed 14 July 2008 |

1 During the year Jane R Lloyd changed role from Head of Retail to Head of US Investments.

No key management personnel or their related parties held an interest in the Trusts for the years ended 30 June 2010 and 30 June 2009.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2010 and 30 June 2009.

## Note 25. Events occurring after reporting date

Since the end of the year, the Directors of DXFM are not aware of any matter or circumstance not otherwise dealt with in their report or the Notes to 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 financial years.

## Note 26. Reconciliation of net profit to net cash inflow from operating activities

| | Consolidated | | GPIT | | GPT | |
|---|---|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Total comprehensive (loss) | (1,075) | (4,474) | (1,075) | (4,474) | (508) | (3,033) |
| Net decrement on revaluation of investments | – | – | 3,269 | 5,099 | – | – |
| Net decrement on revaluation of investment properties | 5,095 | 7,762 | – | – | 5,095 | 7,762 |
| Net decrement/(increment) on revaluation of derivatives | (596) | 1,189 | (596) | 1,189 | – | – |
| Finance costs to non-controlling interests | (164) | (975) | – | – | – | – |
| Incentive amortisation | 180 | 120 | – | – | 180 | 120 |
| **Change in operating assets and liabilities** | | | | | | |
| (Increase)/decrease in receivables | 55 | (2) | 75 | (60) | 34 | (38) |
| (Increase)/decrease in other current assets | (75) | (2) | – | 3 | (75) | (5) |
| Increase/(decrease) in payables[1] | (626) | 253 | 3 | 100 | (663) | 152 |
| **Net cash inflow from operating activities** | **2,794** | **3,871** | **1,677** | **1,857** | **4,063** | **4,958** |

1 Movement excludes movement in accrued capital expenditure (refer note 13), this movement is included in cash flows from investing activities.

# Directors' Declaration

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of Gordon Property Investment Trust and the Gordon Property Trust (together "the Trusts") declare that the Notes to the Financial Statements and notes set out on pages 18 to 41:

(i) comply with applicable Australian Accounting Standards, the *Corporations Act 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 2010 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 that the Trusts 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 2010.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Chris Beare

Christopher T Beare
Chair

27 August 2010

PRICEWATERHOUSECOOPERS

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SYDNEY NSW 1171
DX 77 Sydney
Australia

## 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 statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

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

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

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

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

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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 *Corporations Act 2001*, including:

 (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2010 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of Gordon Property Investment Trust for the year ended 30 June 2010 included on the Gordon Property Investment Trust web site. The Trust's directors are responsible for the integrity of the Gordon Property Investment Trust web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
27 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia

## 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 statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Gordon Property Trust.

*Directors' responsibility for the financial report*

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

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

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

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

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.

PRICEWATERHOUSECOOPERS

*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 *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (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.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of Gordon Property Trust for the year ended 30 June 2010 included on the Gordon Property Trust web site. The Trust's directors are responsible for the integrity of the Gordon Property Trust web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
27 August 2010

# 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
- 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 is www.dexus.com. You will be able to find information for the DEXUS Property Syndicate such as annual and half-year reports, DEXUS Property Group's privacy policy, corporate governance statement and sustainability report.

## Complaints handling

DEXUS Funds Management Limited has established a procedure for dealing with formal complaints. Complaints should be made in writing and forwarded to:

Investor Relations
DEXUS Property Syndicate
C/– DEXUS Property Group
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 Ombudsman Service (FOS). This is an independent dispute resolution scheme. If you are unhappy with our dealings of your complaint, please contact FOS on 1300 780 808.

## Payment of distribution

DEXUS Property Syndicate 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 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 DEXUS Property Syndicate. If you wish to transfer your unitholding please note that DEXUS Property Group must receive confirmation and verification of the transferee prior to any transfer being processed.

# DIRECTORY

## Responsible Entity

DEXUS Funds Management Limited
ABN 24 060 920 783

## Registered office of Responsible Entity

Level 9, 343 George Street
Sydney NSW 2000

PO Box R1822
Royal Exchange
Sydney NSW 1225

Phone: +61 2 9017 1100
Fax: +61 2 9017 1101

## Head of Funds Management

Mark Turner

## Syndicate Manager

Renée Mooney

## Investor Relations

Phone: +61 2 9017 1221
Email: syndicates@dexus.com
Website: www.dexus.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

Consistent with DEXUS's commitment to sustainability, this report is printed on an FSC Mixed Sources Certified paper, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It contains elemental chlorine free (ECF) bleached pulp and is manufactured by an ISO 14001 certified mill. The mill operates a three step, waste water and recycling treatment system. These steps involve chemical treatment; micro-organism treatment; and penton treatment. The mill utilises steam for energy sourced from its own cogeneration plant and has recently concluded a Voluntary Agreement for energy conservation. The printer of this report has Forest Stewardship Council (FSC), Chain of Custody Certification.

**2010 DEXUS Property Syndicate**

Gordon Property Trust and Gordon Property Investment Trust

ANNUAL REPORT

DEXUS PROPERTY GROUP

www.dexus.com