

# **Westralia Property Trust**

**ARSN 096 588 046**



**Annual Report  
30 June 2007**

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## CORPORATE DIRECTORY

<b>Responsible Entity</b>	Westralia Property Management Limited ACN 072 899 060  66 Kings Park Road West Perth WA 6151 Phone: (08) 9486 0870 Facsimile: (08) 9322 8488  Australian Financial Services Licence Number: 225064
<b>Postal Address</b>	PO Box 886 West Perth WA 6872
<b>Registered Address</b>	66 Kings Park Road West Perth WA 6005
<b>Directors</b>	Anthony Charles Gwynne Davies Peter Arthur Ray Hall Peter Zachert
<b>Company Secretaries</b>	Sonya Catherine Furey Nevenka Jackson
<b>Compliance Committee</b>	Robert Peter Jenkins Ross Terence Kestel Nevenka Jackson
<b>Registry</b>	Computershare Investor Services Pty Ltd 45 St George's Terrace Perth WA 6000 Phone: (08) 9323 2000 Facsimile: (08) 9323 2033
<b>Auditor</b>	Ernst & Young 11 Mounts Bay Road Perth WA 6000
<b>ASX code</b>	WST
<b>Custodian</b>	Sandhurst Trustees Limited 120 Harbour Esplanade Docklands VIC 3008

## MANAGER'S REPORT

The Directors of Westralia Property Management Limited (Westralia), the Responsible Entity of the Westralia Property Trust (the Trust), present the financial results of the Trust for the year ended 30 June 2007.

The Trust sold its commercial property at 166 Murray Street Mall, Perth for \$71.3 million on 1 February 2007 and entered into an unconditional contract for the sale of the Kalgoorlie Broadwater Resort Hotel on 21 June 2007 for \$10.15 million, which settled on 5 September 2007. The Trust is in the process of negotiating the sale of the remaining tourism assets.

The sale of 166 Murray Street Mall in February 2007 enabled a reduction in interest bearing debt to \$16.6 million from \$60.6 million and significantly reduced borrowing costs.

### Overview

The reported net profit before finance costs attributable to unitholders of the Trust after minority interests was \$0.2 million (2006: loss of \$1.1 million).

Included in the result is a net property adjustment comprising an accretion in the value of the commercial property at 166 Murray Street of \$4 million to \$71.3 million, offset by a net \$3.1 million reduction in the carrying value of tourism assets.

The results generated by the different asset categories are summarised below:

<b>\$000's 2007</b>	<b>Commercial</b>	<b>Tourism/ Corporate</b>	<b>Unallocated</b>	<b>Total</b>
Rental and other property income	4,118	2,115	-	6,233
Fair value increments/(decrements)	4,000	(3,070)	-	930
Other expenses	(2,788)	(1,896)	(599)	(5,283)
EBIT	5,330	(2,851)	(599)	1,880
Profit/(loss) attributable to unitholders of the Trust	<b>4,641</b>	<b>(3,743)</b>	<b>(670)</b>	<b>228</b>
<b>2006</b>				
EBIT	6,974	(5,126)	(296)	1,552
Profit/(loss) attributable to unitholders of the Trust	<b>4,410</b>	<b>(5,015)</b>	<b>(485)</b>	<b>(1,090)</b>

The interest bearing debt of the Trust has been reduced by \$44.0 million to \$16.6 million primarily from the repayment of syndicate loan facilities following the sale of 166 Murray Street Mall and the gearing ratio (debt to total assets) has decreased to 26% from 57%. The NTA per unit has decreased to \$0.48 from \$0.58.

### Revenue and expenses

Rental income for the year reduced \$2.0 million, down 24% from last year. This is principally due to having only seven months income from Murray Street Mall. Borrowing costs decreased as a result of \$44 million of loan facilities being paid down following the sale of Murray Street Mall.

## MANAGER'S REPORT

### Performance of Property Portfolio

#### *166 Murray Street Mall, Perth*

The City Central property at 166 Murray Street Mall, Perth is a retail/office complex situated in the heart of the Perth CBD.

The property, which was acquired in June 2004, increased in value to \$71.3 million from an original purchase price of \$56.2 million. This significant gain in value was due to the firming of valuation capitalisation rates for this asset class and strong rental income returns for the property. The property was sold to the Centro Properties Group for \$71.3 million, with settlement on 1 February 2007.

#### *Kalgoorlie Apartment Hotel Syndicate*

The Trust owns 100% of the Kalgoorlie Apartment Hotel Syndicate which, in turn, owned the Broadwater Resort Hotel, Kalgoorlie. The Hotel was leased to, and operated by, Broadwater Hospitality Management Pty Ltd. On 21 June 2007 it was announced that Westralia Property Management Limited, as Responsible Entity for the Westralia Property Trust, had entered into an unconditional contract for the sale of the property to Primewest No. 171 Pty Ltd for \$10.15 million with settlement due on 31 August 2007. The carrying value of the hotel has been reduced in the accounts at 30 June 2007 to the offer price. The sale of the property was settled on 5 September 2007.

#### *Dunsborough Hotel Property Syndicate*

The Trust owns 51.15% (2006: 51.15%) of the Dunsborough Hotel Property Syndicate which owns 100% of the 88 room Broadwater Resort and Spa, on Caves Road, Dunsborough, Western Australia. The Resort is leased to, and operated by, Broadwater Hospitality Management Pty Ltd. The carrying value of the hotel has been increased in the accounts at 30 June 2007 by \$450,000 to \$12.35 million per directors' valuation based on anticipated market value.

On 2 January 2007, Westralia Property Management Limited, the Responsible Entity for the Westralia Property Trust ceased to be the Responsible Entity of Dunsborough Hotel Property Syndicate (DHPS) although the Trust retained its majority unitholding in the syndicate.

#### *Pagoda Hotel Property Syndicate*

The Trust owns 85.5% (2006: 85.5%) of the Pagoda Hotel Property Syndicate which, in turn, owns 65.8% (2006: 65.8%) of the Pagoda Fixed Term Property Syndicate.

The Pagoda Hotel Property Syndicate owns 36 suites (2006: 36 suites) in the Broadwater Pagoda Hotel and Apartments. The carrying value of the asset has been reduced to \$8.6 million at 30 June 2007 from \$9.8 million as per directors' valuation based on anticipated market value.

The Pagoda Fixed Term Property Syndicate owns the facilities lot in the Hotel. The Hotel is operated by, and the facilities lot leased to, Broadwater Hospitality Pty Ltd. The carrying value of the asset has been reduced to \$2.0 million at 30 June 2007 from \$2.3 million as per directors' valuation based on anticipated market value.

#### *Broadwater Busselton Property Syndicate*

The Trust owns 14.4% (2006: 14.4%) of the Broadwater Busselton Property Syndicate.

The investment in this syndicate has been written down to \$187,000 due to the uncertainty over its recoverability. Westralia Property Management Limited no longer acts as Responsible Entity of this syndicate.

## MANAGER'S REPORT

### Distributions to Unitholders

The Trust has declared a final dividend of 9.7 cents per unit. The record date for the dividend will be 11 October 2007 and it will be paid on 15 November 2007. No distributions were paid by the Trust for the financial year ended 30 June 2006.

### Capital Gains Tax

The sale of the property at 166 Murray Street Mall, Perth resulted in a capital gain of \$11.7 million. The unitholders of the Trust are liable for the tax on the capital gain.

### Outlook

The Responsible Entity is dedicated to increasing investor value and as such will remain focused on the sale of the remaining tourism assets.

### The Directors

The Board of Westralia Property Management Limited are:

#### **Tony Davies** BA FCA (Chairman)

Mr Davies is a Chartered Accountant and Director of Amcom Telecommunications Limited and ITC Limited. He was appointed as a Director of Westralia on 14 April 2005.

#### **Peter Hall**

Mr Hall has extensive property experience and is the Managing Director of Aspen Developments. He was appointed as a Director of Westralia on 14 April 2005.

#### **Peter Zachert** B.Bus M.Com M.Geoscience FCA FAIM

Mr Zachert is the Chief Financial Officer and Finance Director of Futuris Corporation Limited. He was appointed as a Director of Westralia on 2 July 2007.



Anthony Davies  
Director

Westralia Property Management Limited  
28 September 2007

## CORPORATE GOVERNANCE

The Westralia Property Trust ("Trust") is a registered managed investment scheme under the Corporations Act 2001 ("Corporations Act"). Westralia Property Management Limited ("Responsible Entity") is the Responsible Entity for the Trust and establishes the corporate governance policies of the Trust. The Responsible Entity holds an Australian Financial Services Licence authorising it to operate the Trust and has a duty to act in the best interests of unitholders of the Trust.

The Australian Stock Exchange Limited ("ASX") Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles"), in conjunction with the ASX listing rules, require the Trust to disclose in its annual report the extent to which its corporate governance practices follow the ASX Principles and to give reasons why any recommendations have not been followed.

The Responsible Entity complies with a majority of the ASX Principles. Where it does not, it is largely in respect of matters where the nature of the regulation of the Trust or of the Trust's business is such that the board of the Responsible Entity considers that compliance is not appropriate or required and that there is no detriment to unitholders of the Trust from non-compliance.

The Responsible Entity's key corporate governance principles and practices adopted by the board of the Responsible Entity follow.

### Principle 1 - Lay solid foundations for management and oversight

Recommendation 1.1 - Formalise and disclose the functions reserved to the board of the Responsible Entity and those delegated to management.

The Chief Executive is responsible to the board for the day-to-day management of the Responsible Entity.

The relationship between the board and management is a partnership that is crucial to the long-term success of both the Responsible Entity and the Trust. The separation of responsibilities between the board and management is clearly understood.

The respective roles of the board and management of the Responsible Entity are set out in the compliance plan which is available to unitholders. The Trust's compliance plan sets out the key processes, systems and measures the Responsible Entity will apply to ensure compliance with the Corporations Act and the constitution of the Trust.

In addition, the board of the Responsible Entity has adopted a board charter designed to emphasise the responsibilities of the board in managing the Trust in a manner which protects and builds wealth for the unitholders, taking into account other stakeholders such as employees, customers, suppliers, lenders and the wider community.

### Principle 2 - Structure the board of the Responsible Entity to add value

Recommendation 2.1 - A majority of the board of the Responsible Entity should be independent directors.

The board of the Responsible Entity comprises directors or executives of its ultimate parent company, Futuris Corporation Limited, and an independent chairman. Most of the directors are therefore not independent, but are nominated on the basis of expertise in the Trust's core business. Details of the directors are set out on page 3 of this Report.

In accordance with the Corporations Act, the board has established a Compliance Committee. The role of the Compliance Committee is to monitor the extent of the Responsible Entity's compliance with the Trust's constitution, compliance plan and the Corporations Act, to ensure that the Responsible Entity acts in the best interests of the unitholders.

The Compliance Committee comprises three members, two of whom are external and independent of the Responsible Entity, and any party related to the Responsible Entity, and satisfy both the external member tests in the Corporations Act and the independence tests set out in the ASX Principles. The Compliance Committee meets on a regular basis and may report to the board on any matters of compliance in relation to the Trust.

The board therefore considers that the additional oversight of the Trust's activities by the Compliance Committee and the procedures set out in the compliance plan relating to the operation of the Trust provide sufficient independent oversight and transparency in the management of the Trust.

For the reasons noted above and due to the relative size and nature of the Trust's activities the board does not consider it necessary to adopt the remaining recommendations under Principle 2.

## CORPORATE GOVERNANCE

### Principle 3 - Promote ethical and responsible decision making

Recommendation 3.1- Establish a code of conduct to guide the directors of the Responsible Entity, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

- 3.1.1 the practices necessary to maintain confidence in the Trust's integrity
- 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Trust's compliance plan sets out the arrangements the Responsible Entity has to ensure that breaches of the Corporations Act, constitution of the Trust, Australian Financial Services Licence conditions, industry or internal standards are identified, reported and rectified if necessary.

The external auditor of the Trust's compliance plan has completed the annual audit for the year. No material breaches of the plan were identified as a result of this audit.

Recommendation 3.2 - Disclose the policy concerning trading in units in the Trust by directors, officers and employees.

The director's Code of Conduct sets out that directors of the Responsible Entity and other parties associated with the Trust, including employees and officers who possess inside information, must not trade in the Trust's units.

### Principle 4 - Safeguard integrity in financial reporting

Recommendation 4.1 - Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board of the Responsible Entity that the Trust's financial reports present a true and fair view, in all material respects, of the Trust's financial condition and operational results and are in accordance with relevant accounting standards.

The Responsible Entity's financial report preparation and approval process requires the Chief Executive and the Chief Financial Officer to provide a written declaration to the board that, to the best of their knowledge and belief, the Trust's financial report presents a true and fair view in all material respects of the Trust's financial condition and operating results and is in accordance with applicable accounting standards. The board received this declaration for the financial year.

Recommendation 4.2 - The board of the Responsible Entity should establish an audit committee.

The Trust's current external auditors are Ernst & Young. The Board reviews the effectiveness, performance and independence of the external auditors.

The ASX listing rules do not require the Trust to establish an audit committee. The relative size of the board and expertise of each director allows the full board to more efficiently and effectively perform an audit committee function. Accordingly, the board does not consider it necessary to establish a separate committee for this purpose.

The board monitors the independence of the external auditor who is required to confirm such independence on a semi-annual basis. The board monitors the performance and terms of the audit engagement on an annual basis. The auditor and the audit firm are prohibited from providing any non-audit services that may impinge on their independence.

The board charter establishes the functions of the board as they relate to the financial management of the Trust, including those functions reserved to the board. Recommendations 4.3 and 4.4 dealing with the structure and charter of an audit committee are not applicable.

### Principle 5 - Make timely and balanced disclosure

Recommendation 5.1 - Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Responsible Entity is committed to complying with the continuous disclosure obligations of the Corporations Act and the ASX listing rules and has systems in place to ensure timely disclosure of price sensitive information to the market.

The Responsible Entity has established a continuous disclosure policy designed to ensure timely and full disclosure to unitholders and the market in general, and to ensure that all stakeholders have an equal opportunity to receive and obtain information issued by the Trust.



## CORPORATE GOVERNANCE

### Principle 6 - Respect the rights of unitholders

Recommendation 6.1 – Design and disclose a communications strategy to promote effective communication with unitholders and encourage effective participation at general meetings.

The Trust is not required to hold an Annual General Meeting but does so to promote effective communication with unitholders. Other unitholder meetings are convened as required.

To enhance communication with unitholders, important information including details of the Trust's properties, financial performance and the Trust's complaints handling procedure can be found on the website. The website is periodically reviewed to ensure the accuracy and relevance of the information it contains.

The auditor and the compliance plan auditor are entitled to attend any meeting of unitholders of the Trust and be heard on any item of business that concerns the auditor.

### Principle 7 - Recognise and manage risk

Recommendation 7.1 – The board of the Responsible Entity or appropriate board committee should establish policies on risk oversight and management.

As discussed under Principle 2 the Responsible Entity has established a Compliance Committee whose duties include monitoring compliance with the compliance plan.

Operation of the Trust in accordance with the compliance plan ensures that the rights and interests of unitholders are protected and that business risks are identified and properly managed.

Principal areas of risk to the Trust are identified and assessed in the compliance plan, as well as measures to monitor and manage each risk. Operation of the Trust in accordance with the compliance plan is intended to protect the rights and interests of unitholders and to enable the board of the Responsible Entity to identify and manage business risk. In particular, the compliance plan establishes processes and contains policies relating to:

- Monitoring compliance with the Responsible Entity's Australian Financial Services Licence conditions and ASX listing rules
- Proper acquisition and disposals of Trust property
- Regular valuation of Trust property
- Maintenance of financial and scheme records
- Management of investment risks
- Management of conflicts of interest
- Maintenance of adequate insurance cover for Trust assets
- Borrowings within limits and conditions
- Handling of complaints

The Compliance Officer regularly reports to the Compliance Committee on compliance with the compliance plan.

Recommendation 7.2 of the ASX Principles requires, in summary, that the chief executive officer (or equivalent) and chief financial officer (or equivalent) should; make statements in writing to the board of the Responsible Entity of the Trust that the statements given in accordance with Recommendation 4.1 are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and; that those systems are operating efficiently and effectively.

These statements are incorporated in the declaration by the Chief Executive and the Chief Financial Officer required under Recommendation 4.1 which were received by the board for the financial year.

## CORPORATE GOVERNANCE

### Principle 8 – Fairly review and actively encourage enhanced board and management effectiveness

Recommendation 8.1 Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.

Performance of the directors and key executives of the Responsible Entity is regularly reviewed in accordance with Futuris Corporation Limited's group policy and includes a review by its Nomination & Prudential Committee. In relation to the boards of subsidiaries, which includes the Responsible Entity of the Trust, the Nomination & Prudential Committee will review duties and responsibilities of those boards and the recommendations of the Futuris Chief Executive Officer on appointees to those boards. The Committee's charter can be found on the corporate governance section of the Futuris website at [www.futuris.com.au](http://www.futuris.com.au).

The board does not consider it necessary to conduct formal performance evaluations on each director of the Responsible Entity as this would duplicate the performance assessments conducted by Futuris as part of its executive performance evaluation procedures. The board assesses the performance of any director who is not an employee of Futuris on an ongoing basis.

### Principle 9 – Remunerate fairly and responsibly

Recommendation 9.1 – Provide disclosure in relation to remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key Executives of the Responsible Entity and corporate performance.

Remuneration expenses of the Responsible Entity are not borne by the Trust. Directors of the Responsible Entity are remunerated by the Responsible Entity or their related parties. As directors and employees of the Responsible Entity are not remunerated by the Trust, unitholders have no direct exposure to those remuneration expenses.

In accordance with the Corporations Act, the right of the Responsible Entity to be remunerated and indemnified by the Trust is set out in the constitution of the Trust. The Responsible Entity's fee is prescribed in the constitution of the Trust and any change to that fee would require the approval of unitholders. The constitution is available from the Responsible Entity free of charge and is also available from ASIC.

There are no equity incentive schemes in relation to the Trust.

The nature of the regulation of the Trust and the Trust's business is such that the board of the Responsible Entity considers that there is no detriment to unitholders of the Trust from non-compliance with the recommendations under ASX Principle 9.

### Principle 10 - Recognise the legitimate interests of stakeholders

Recommendation 10.1 – Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The board of the Responsible Entity considers that unitholders are adequately protected and the principle is complied with by virtue of the obligations imposed on the Responsible Entity by the Corporations Act, the Trust's constitution and compliance plan and the Compliance Committee.

# INCOME STATEMENT

## YEAR ENDED 30 JUNE 2007

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Westralia Property Trust 2007 \$'000	Westralia Property Trust 2006 \$'000
<b>Continuing operations</b>					
Interest income from other related parties		-	1	-	20
Interest income from other persons/corporations		914	92	12	2
Distributions received from controlled entities	16(b)	-	-	7,230	4,410
<b>Revenue</b>		<b>914</b>	<b>93</b>	<b>7,242</b>	<b>4,432</b>
Responsible Entity fees		(1,160)	(991)	(60)	(60)
Other expenses		(667)	(734)	(85)	(600)
Net fair value decrement of investment		-	(889)	(3,754)	(5,706)
<b>Net profit/(loss) attributable to unitholders of the Trust from continuing operations</b>		<b>(913)</b>	<b>(2,521)</b>	<b>3,343</b>	<b>(1,934)</b>
<b>Discontinuing operations</b>					
Rental and other property income		6,233	8,189	-	-
Net fair value increment on investment properties		930	-	-	-
<b>Revenue</b>		<b>7,163</b>	<b>8,189</b>	<b>-</b>	<b>-</b>
Finance costs	3	(3,172)	(4,694)	-	-
Other expenses		(3,456)	(2,196)	-	-
Net fair value decrement of investment properties		-	(1,827)	-	-
<b>Net profit/(loss) attributable to unitholders of the Trust from discontinued operations</b>		<b>535</b>	<b>(528)</b>	<b>-</b>	<b>-</b>
<b>Net profit/(loss) before minority interests and finance costs attributable to unitholders</b>		<b>(378)</b>	<b>(3,049)</b>	<b>3,343</b>	<b>(1,934)</b>
Net loss attributable to minority interests		606	1,959	-	-
<b>Net profit/(loss) attributable to unitholders of the Trust</b>		<b>228</b>	<b>(1,090)</b>	<b>3,343</b>	<b>(1,934)</b>
Finance costs attributable to unitholders of the Trust		(6,589)	-	(6,589)	-
<b>Changes in net assets attributable to unitholders of the Trust</b>		<b>(6,361)</b>	<b>(1,090)</b>	<b>(3,246)</b>	<b>(1,934)</b>

The accompanying notes form part of the financial statements

# **BALANCE SHEET** **AT 30 JUNE 2007**

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Westralia Property Trust 2007 \$'000	Westralia Property Trust 2006 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	4	28,473	873	190	105
Trade and other receivables	5	464	1,071	6,914	297
		28,937	1,944	7,104	402
Investment properties held for sale	6	33,179	-	-	-
<b>Total Current Assets</b>		62,116	1,944	7,104	402
<b>Non Current Assets</b>					
Investment properties	7	-	103,549	-	-
Other financial assets	8	187	187	33,889	37,643
<b>Total Non Current Assets</b>		187	103,736	33,889	37,643
<b>Total Assets</b>		62,303	105,680	40,993	38,045
<b>Current Liabilities</b>					
Trade and other payables	9	9,114	1,468	7,855	1,661
Interest bearing loans and borrowings	10	16,587	12,188	-	-
<b>Total Current Liabilities</b>		25,701	13,656	7,855	1,661
<b>Non Current Liabilities</b>					
Interest bearing loans and borrowings	10	-	48,455	-	-
<b>Total Non Current Liabilities</b>		-	48,455	-	-
<b>Total Liabilities Excluding Net Assets Attributable to Unitholders and Minority Interests</b>		25,701	62,111	7,855	1,661
<b>Net Assets Attributable to Unitholders and Minority Interests</b>		36,602	43,569	33,138	36,384
<b>Represented By</b>					
Unitholder interest liabilities		33,036	39,397	33,138	36,384
Minority interest liabilities		3,566	4,172	-	-
<b>Total Unitholders and Minority Interest Liabilities</b>		36,602	43,569	33,138	36,384

## **Statement of Changes in Equity**

Due to the finite life clause contained within the constitution of the Trust and its subsidiaries, upon adoption of AASB 132 on 1 July 2004, the amount previously representing unitholder and minority interest funds are now classified as liabilities. As a result, there was no equity at the start or end of the period.

The accompanying notes form part of the financial statements

WESTRALIA PROPERTY TRUST – ANNUAL REPORT 2007  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Profit/ (loss) \$'000	Units \$'000	Minority interests \$'000	Net assets attributable to unitholders \$'000
<b>Consolidated</b>				
<b>At 1 July 2005</b>	(9,649)	50,165	5,770	46,286
Net loss attributable to unitholders before finance costs attributable to unitholders	(1,090)	-	(1,959)	(3,049)
Units issued in WPT during the period	-	361	-	361
Unitholder interest (acquired)/transferred	(390)	-	390	-
Distributions	-	-	(29)	(29)
<b>At 30 June 2006</b>	<b>(11,129)</b>	<b>50,526</b>	<b>4,172</b>	<b>43,569</b>
<b>At 1 July 2006</b>	(11,129)	50,526	4,172	43,569
Net profit attributable to unitholders before finance costs attributable to unitholders	228	-	(606)	(378)
Distributions	(6,589)	-	-	(6,589)
<b>At 30 June 2007</b>	<b>(17,490)</b>	<b>50,526</b>	<b>3,566</b>	<b>36,602</b>
<b>Westralia Property Trust</b>				
<b>At 1 July 2005</b>	(12,208)	50,165	-	37,957
Net loss attributable to unitholders before finance costs attributable to unitholders	(1,934)	-	-	(1,934)
Units issued in WPT during the period	-	361	-	361
<b>At 30 June 2006</b>	<b>(14,142)</b>	<b>50,526</b>	<b>-</b>	<b>36,384</b>
<b>At 1 July 2006</b>	(14,142)	50,526	-	36,384
Net profit attributable to unitholders before finance costs attributable to unitholders	3,343	-	-	3,343
Distributions	(6,589)	-	-	(6,589)
<b>At 30 June 2007</b>	<b>(17,388)</b>	<b>50,526</b>	<b>-</b>	<b>33,138</b>

The accompanying notes form part of the financial statements

# **CASH FLOW STATEMENT** **AT 30 JUNE 2007**

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Westralia Property Trust 2007 \$'000	Westralia Property Trust 2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Rent received		6,219	8,725	-	-
Interest received		914	217	12	22
Distributions received		-	-	607	939
Borrowing costs paid		(2,596)	(4,618)	-	-
Payments for property expense		(2,977)	(2,342)	-	-
GST (paid)/received (net)		(89)	23	(28)	4
Fees and other expenses paid		(756)	(983)	(506)	(257)
NET OPERATING CASH FLOW	12(a)	715	1,022	85	708
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property		-	(873)	-	-
Proceeds from sale of investment properties		70,821	1,987	-	-
Advances from related parties		-	481	-	-
Repayment of advances from related parties		610	772	-	517
Advances to related parties		(450)	(610)	-	(1,135)
NET INVESTING CASH FLOW		70,981	1,757	-	(618)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Distributions paid		-	(29)	-	-
Proceeds from loans and borrowings		-	3,017	-	-
Repayment of loans and borrowings		(44,088)	(5,451)	-	-
NET FINANCING CASH FLOW		(44,088)	(2,463)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		27,608	316	85	90
Cash and cash equivalents at beginning of period		738	422	105	15
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12(b)	28,346	738	190	105

The accompanying notes form part of the financial statements

## NOTES

30 JUNE 2007

### 1. TRUST INFORMATION

Westralia Property Trust is an Australian registered scheme. Westralia Property Management Limited, the Responsible Entity of the Trust, is incorporated and domiciled in Australia.

The financial report of Westralia Property Trust for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity as at the date of signing the Director's Declaration.

The registered office and principal place of business of the Responsible Entity is located at 66 Kings Park Road, West Perth, WA 6005.

The nature of the operations and principal activities of the Trust are described in the Directors' Report.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the Constitution of the Westralia Property Trust and the Corporations Act 2001, including applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost convention except for investment properties and other financial assets which have been measured at fair value based upon Directors' valuations. Independent valuations are conducted at intervals of not more than three years and are considered by the Directors of the Responsible Entity when determining fair values.

The financial report is presented in Australian dollars and all values have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Trust in accordance with ASIC Class Order 98/0100.

#### b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). The financial report, comprising the financial statements and notes thereto, also complies with International Financial Reporting Standards ('IFRS').

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

*AASB 7 Financial Instruments: Disclosures, AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 117, AASB 139 & AASB 1] and AASB 8 Operating Segments*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 8 is applicable to annual reporting periods beginning on or after 1 January 2009. The Trust has not adopted these standards early. These standards will not affect the amounts recognised in the financial statements, but will impact the type of information disclosed.

#### c) Basis of consolidation

The consolidated financial statements of the Trust comprise the financial statements of Westralia Property Trust (WPT) and its subsidiaries as at 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as WPT, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-Trust transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Trust and cease to be consolidated from the date on which control is transferred out of the Trust.

## NOTES

30 JUNE 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which WPT has control.

Minority interests represent the interests in Dunsborough Hotel Property Syndicate, Pagoda Hotel Property Syndicate and Pagoda Fixed Term Property Syndicate not held by the Trust.

#### d) Significant accounting judgements, estimates and assumptions

##### (i) *Significant accounting judgements*

In the process of applying the Trust's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments – Trust as Lessor

Certain investment properties owned by the Trust are leased to a related party of the Responsible Entity. The Trust has determined that it retains all the significant risks and rewards of ownership of this property and has thus classified the lease as an operating lease.

##### (ii) *Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. There are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period other than investment properties, refer to notes 6 & 7.

#### e) Cash and cash equivalents

Cash at bank and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. They are stated at their nominal values.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Interest is applied to overdue amounts in accordance with trading agreements.

An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified.

#### g) Investment properties

Initially, investment properties are measured at cost including all transaction costs. Subsequent to initial recognition investment properties are stated at fair value, which reflects market conditions at balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified valuers. Such valuations are reflected in the financial statements of the Trust. Notwithstanding this, the Directors of the Responsible Entity assess the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

Where assets have been revalued, the potential effect of capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Trust does not expect to be ultimately liable for capital gains tax in respect of the assets.



## NOTES

30 JUNE 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### h) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable within one year. They are measured as outlined in 2(g).

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or is part of a single coordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately on the face of the income statement.

#### i) Investments and other financial assets

Financial assets in the scope of AASB 139 "Financial Instruments: Recognition and Measurement" are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value. The Trust determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

Gains and losses on available for sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The Trust's direct investment in its subsidiary is carried at cost less any provision for impairment. Balances and transactions between the Trust and the subsidiaries have been eliminated in preparing the consolidated financial report.

#### j) Impairment of assets

The Trust assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indicators exist, or when annual impairment testing for an asset is required, the Trust makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount through equity in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### k) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are recognised and carried at the nominal amount due. These amounts are interest free and payable on 30 day terms.

## NOTES

30 JUNE 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method including any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

#### m) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalised as part of the cost of that asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

#### n) Leases

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

##### *Operating Leases*

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

#### o) Leasing fees and leasing incentives

Leasing fees in relation to the initial leasing of the property after a redevelopment are capitalised to the carrying value of the property and amortised on a straight line basis over the period to which the lease relates.

Costs that are directly associated with negotiating and executing the on-going renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are also capitalised as part of the carrying value of the property and amortised on a straight line basis over the lease term on the same basis as the lease income.

Lease incentives which may take the form of up front payments, contributions to certain lessee costs, relocation costs and fit outs and improvements are recognised as part of the carrying value of the investment properties. The aggregate cost of incentives is recognised on a straight line basis over the lease term as a reduction of rental income.

#### p) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

##### *Rental income:*

Rental and other property income is recognised as income when receivable under the terms of the rental agreement. Contingent rentals are recognised as revenue in the period in which they are earned.

##### *Interest:*

Revenue is recognised as the interest accrues using the effective interest method.

##### *Distributions:*

Revenue is recognised when the Trust's right to receive payment is established.

## NOTES

30 JUNE 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### q) Provision for distribution

In accordance with the Trust's Constitution, the Trust fully distributes its distributable income to unitholders. Distributable income includes capital gains arising from the disposal of investments.

#### r) Taxation

Under current Australian income tax legislation, the Trust is not liable for income tax provided that its taxable income (including any taxable capital gains) is fully distributed to unitholders each year.

##### *Goods and services tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- i. where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii. receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

#### s) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust. A unit does not confer any interest in any particular asset or investment of WPT. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- i. receive income distributions.
- ii. attend and vote at meetings of unitholders.
- iii. participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unitholder are identical in all respects.

#### t) Unitholder interest liabilities

The units of the Trust are classified as liabilities as the Trust has a finite life, being 80 years less one day from the date of registration of the Trust. The reclassification under AIFRS from unitholders' funds to liabilities is for reporting purposes only and does not change the underlying nature, rights or obligations associated with the units.

Unitholders interest liabilities comprise the fair value of the consideration received by the Trust for the issue of its units less any transaction costs arising on the issue of those units, plus or minus changes in net assets attributable to unitholders of the Trust.

#### u) Minority interest liabilities

Minority interest liabilities comprise the fair value of the interests held by parties other than the Trust in partially owned, but controlled subsidiaries of the Trust.

#### v) Earnings per unit (EPU)

Basic EPU is calculated as net profit/(loss) attributable to unitholders of the Trust divided by the weighted average number of ordinary units.

Diluted EPU is calculated as net profit/(loss) attributable to unitholders of the Trust divided by the weighted average number of ordinary units adjusted for the effects of all dilutive potential ordinary units.

**NOTES****30 JUNE 2007**

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Westralia Property Trust 2007 \$'000	Westralia Property Trust 2006 \$'000
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**3. FINANCE COSTS**

Finance costs expensed

Interest expense

- Related parties

- Other persons/corporations

Total finance costs expensed

-	70	-	-
<b>3,172</b>	<b>4,624</b>	<b>-</b>	<b>-</b>
<b>3,172</b>	<b>4,694</b>	<b>-</b>	<b>-</b>

**4. CASH AND CASH EQUIVALENTS**

Cash at bank and in hand

Deposits at call

Short term deposits

12(b)

<b>739</b>	<b>713</b>	<b>190</b>	<b>105</b>
<b>27,574</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>160</b>	<b>160</b>	<b>-</b>	<b>-</b>
<b>28,473</b>	<b>873</b>	<b>190</b>	<b>105</b>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates

Deposits at call are at fixed rates between 6.40% and 6.50% and have an average maturity of 30 days.

Short term deposits are made for varying periods of between one to three months and earn interest at the respective short term deposit rates. Short term deposit is security for bank facilities and is not accessible by the Trust.

The fair value of cash and cash equivalents is \$28,473,000 (2006: \$873,000).

**5. TRADE AND OTHER RECEIVABLES**

Rent receivable

Related party receivables

- receivable from controlled syndicate

- secured loan

Other receivables

- sundry debtors

<b>464</b>	<b>447</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>-</b>	<b>6,874</b>	<b>285</b>
<b>-</b>	<b>610</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>14</b>	<b>40</b>	<b>12</b>
<b>464</b>	<b>1,071</b>	<b>6,914</b>	<b>297</b>

Terms and conditions relating to the above financial instruments:

Rent receivable is interest bearing and generally receivable on the first day of the month.

Related party receivable from controlled syndicate is non-interest bearing and receivable at call.

Secured loan accrues interest at 15% and is secured by a fixed and floating charge over the assets of the debtor.

Sundry debtors are non interest bearing and generally have 30 - 90 day terms.

**6. INVESTMENT PROPERTIES HELD FOR SALE**

Investment properties held for sale at fair value:

Broadwater Resort Hotel Kalgoorlie (i)

Broadwater Pagoda Resort Hotel (ii)

Broadwater Resort &amp; Spa, Dunsborough (iii)

<b>10,150</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10,679</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12,350</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>33,179</b>	<b>-</b>	<b>-</b>	<b>-</b>

Fair value of investment properties held for sale is determined by reference to Directors valuations. The properties are pledged as security to secure interest bearing loans and borrowings (note 10).

The valuations undertaken were based on an open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation.

**NOTES****30 JUNE 2007****Cash flows from Discontinuing operations**

<b>Consolidated</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Cash flow from operating activities	646	1,765
Cash flow from investing activities	70,821	1,987
Cash flow from financing activities	(44,167)	(5,451)
Net cash inflow/(outflow)	27,300	(1,699)

**Details of investment properties held for sale:**

(i) On 21 June 2007 Westralia Property Management Limited, as Responsible Entity for the Westralia Property Trust, had entered an unconditional contract for the sale of the Broadwater Resort Hotel, Kalgoorlie property to Primewest No. 171 Pty Ltd for \$10,150,000. The carrying value of the hotel has been reduced to the value of the offer price.

(ii) The fair value of the Broadwater Pagoda Resort Hotel, Perth is carried at Directors valuation of \$8,700,000 whilst the Facilities Lot of the Hotel is carried at Directors valuation of \$2,000,000. The valuations are based on anticipated market value and the Directors have had regard to valuations conducted on the properties for mortgage purposes in December 2006.

(iii) The Broadwater Resort & Spa, Dunsborough is carried at Directors valuation of \$12,350,000 based on anticipated market value. The last independent valuation of the property was completed in April 2007 and valued the property at \$12,600,000 based on vacant possession.

There is significant uncertainty whether the Dunsborough Hotel Property Syndicate will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise the assets and extinguish the liabilities in the normal course of business. In addition, Westralia Property Management Limited has ceased to be the Responsible Entity of Dunsborough Hotel Property Syndicate and no longer controls the activities of the syndicate.

At the date of signing the financial report, the Directors of the Responsible Entity believe there are reasonable grounds to believe the syndicate will continue as a going concern and pay its debts, primarily its bank facility as outlined in note 10.

Should this syndicates not be able to continue as a going concern, there is significant uncertainty whether the consolidated entity will be able to realise the investment property held by the syndicate, at its current carrying value of \$12,350,000. The financial report does not include any adjustments relating to the recoverability and classification of recorded investment property amounts should this syndicate not continue as a going concern.

(iv) On 1 February 2007 the Trust completed the sale of the City Central property at 166 Murray Street Mail, Perth for \$71,300,000 with the Centro Properties Group.

**NOTES****30 JUNE 2007**

Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Westralia Property Trust 2007 \$'000	Westralia Property Trust 2006 \$'000
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**7. INVESTMENT PROPERTIES****(a) Property investments**

Investment properties held by controlled entities at fair value:

166 Murray Street Mall	-	67,300	-	-
Broadwater Resort Hotel Kalgoorlie	-	12,325	-	-
Broadwater Pagoda Resort Hotel	-	12,024	-	-
Broadwater Resort & Spa, Dunsborough	-	11,900	-	-
	-	103,549	-	-

(b) Reconciliation of carrying amounts	Carrying amount at start of the year \$'000	Additions/ (Disposals) \$'000	Increment/ (decrement) from fair value adjustments \$'000	Reclassified as held for sale \$'000	Carrying amount at end of year \$'000
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**2007**

166 Murray Street Mall	67,300	(71,300)	4,000	-	-
Broadwater Resort Hotel Kalgoorlie	12,325	-	(2,175)	(10,150)	-
Broadwater Pagoda Resort Hotel	12,024	-	(1,345)	(10,679)	-
Broadwater Resort & Spa, Dunsborough	11,900	-	450	(12,350)	-
	103,549	(71,300)	930	(33,179)	-

**2006**

166 Murray Street Mall	63,800	-	3,500	-	67,300
Broadwater Resort Hotel Kalgoorlie	13,925	-	(1,600)	-	12,325
Broadwater Pagoda Resort Hotel	13,440	638	(2,054)	-	12,024
Broadwater Resort & Spa, Dunsborough	13,200	373	(1,673)	-	11,900
	104,365	1,011	(1,827)	-	103,549

Fair value of investment properties is determined by reference to either independent or Directors' valuations (Refer note 2). The properties are pledged as security to secure interest bearing loans and borrowings (see note 10).

The valuations undertaken were based on an open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation.

At 30 June 2007 all properties previously disclosed as Investment Properties were reclassified as Investment Properties held for sale as their carrying amounts were deemed to be recoverable principally through sale transactions (see note 6).

**NOTES****30 JUNE 2007**

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Westralia Property Trust 2007 \$'000	Westralia Property Trust 2006 \$'000
<b>8. OTHER FINANCIAL ASSETS</b>					
Investment in controlled entities net of impairment	16(b)	-	-	<b>33,702</b>	37,456
Available for sale financial assets (i)		<b>187</b>	187	<b>187</b>	187
		<b>187</b>	187	<b>33,889</b>	37,643

(i) Other investment is in the Broadwater Busselton Property Syndicate. The Trust has reduced the carrying amount of this investment to \$0.10/unit (2006: \$0.10/unit) due to the uncertainty of its recoverability.

**9. TRADE AND OTHER PAYABLES**

Trade creditors		<b>404</b>	201	<b>30</b>	-
Distributions payable (i)		<b>6,589</b>	-	<b>6,589</b>	-
Amounts payable to related parties:					
- controlled entities		-	-	<b>1,116</b>	1,150
- associated entities		<b>434</b>	464	-	33
Other payables:					
- unearned income		<b>39</b>	118	-	-
- accruals		<b>1,510</b>	577	<b>108</b>	466
- other payables		<b>138</b>	108	<b>12</b>	12
		<b>9,114</b>	1,468	<b>7,855</b>	1,661

**Terms and conditions relating to the above financial instruments:**

- Trade creditors are non interest bearing and generally on 30 day terms.
- Details of the terms and conditions of related party payables are set out in note 16.

(i) The Trust has declared a final dividend of 9.7 cents per unit. The record date for the dividend will be 11 October 2007 and it will be paid on 15 November 2007.

**10. INTEREST BEARING LOANS AND BORROWINGS****CURRENT**

## Secured:

- bills of exchange	12(b)	<b>16,133</b>	11,274	-	-
- bank overdraft		<b>127</b>	135	-	-

## Unsecured:

- notes		<b>49</b>	50	-	-
- loan from Responsible Entity		<b>31</b>	481	-	-
- other loans		<b>247</b>	248	-	-
		<b>16,587</b>	12,188	-	-

**NON CURRENT**

## Secured:

- bills of exchange		-	48,455	-	-
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**Financing facilities**

Total facilities used – bills of exchange		<b>16,133</b>	59,729	-	-
Total facilities used – prepaid interest		<b>62</b>	576	-	-
Total facilities unused - bills of exchange		<b>55</b>	855	-	-
Total facilities available - bills of exchange		<b>16,250</b>	61,160	-	-

Each facility is only available to the entity concerned.

**NOTES****30 JUNE 2007****Terms and conditions relating to the above financial instruments:**

- Bank overdraft is secured by a first registered mortgage over the property and first registered mortgage debenture over the respective entity. Interest rate for the overdraft is the banks base indicator rate plus a customer margin of 4.75%.
- Unsecured notes are due for repayment and incur interest at 10%.
- Unsecured other loans have no fixed repayment date with 7% interest paid monthly in arrears.
- Secured bank facilities comprise bills of exchange and bank overdraft, which are denominated in Australian dollars and are secured by registered first mortgages over the assets of the respective Syndicates as follows:

*Kalgoorlie Apartment Hotel Syndicate*

Kalgoorlie Apartment Hotel Syndicate had a facility for \$5,000,000 payable on settlement of the property. The facility bore interest at the bank bill rate. The loan has been repaid in full subsequent to year end.

*Pagoda Hotel Property Syndicate*

Pagoda Hotel Property Syndicate has facilities of \$4,855,000 with a re-negotiated payable date on or before 31 October 2007. The facility bears interest at the bank bill rate plus a line fee of 1.75% on the total facility payable in advance. Westralia Property Trust has provided a letter of support to enable the syndicate to pay its debts as and when they fall due.

*Pagoda Fixed Term Property Syndicate*

Pagoda Fixed Term Property Syndicate has facilities of \$1,890,000 with a re-negotiated payable date on or before 31 December 2007. The facility bears interest at the bank bill rate payable monthly in arrears. Westralia Property Trust has provided a letter of support to enable the syndicate to pay its debts as and when they fall due.

*Dunsborough Hotel Property Syndicate*

Dunsborough Hotel Property Syndicate has facilities of \$4,450,000. The facility bears interest at 14.95%. The facility is in breach of its banking covenants at 30 June 2007 and the bank has requested settlement of the amount due (refer note 6(iii)).

	Consolidated 2007 Number '000	Consolidated 2006 Number '000	Westralia Property Trust 2007 Number '000	Westralia Property Trust 2006 Number '000
<b>11. UNITS ON ISSUE</b>				
Units on issue at beginning of the year	<b>68,141</b>	67,420	<b>68,141</b>	67,420
Units issued during the year				
- distribution reinvestment plan (i)	-	-	-	-
- units issued for purchase of investment properties and investments	-	721	-	721
Units on issue as at the reporting date	<b>68,141</b>	68,141	<b>68,141</b>	68,141

*Rights and restrictions over Ordinary units*

Each unit ranks equally with all other ordinary units for the purpose of distributions and on termination of the Trust.

Ordinary units entitle the holder to one vote, either in person or by proxy, at a meeting of the Trust.

- (i) The distribution reinvestment plan ("DRP") allows unitholders to elect to reinvest their distribution into new units of the Trust. The issue price of units under the DRP is the average trading price (weighted by volume) of the Trust's units traded on the Australian Stock Exchange during the 10 trading days from, and including the date on which the Trust's units trade ex-distribution, less a discount of up to 10% as determined by the Directors at their absolute discretion. The value of distributions reinvested relating to the year to 30 June 2007 was \$nil (2006: \$nil) which resulted in the issue of nil units (2006: nil units). The latest date for receipt of an election notice for participation in the DRP is the record date for each distribution.



**NOTES****30 JUNE 2007**

<b>12. STATEMENT OF CASH FLOWS</b>	<b>Notes</b>	<b>Consolidated 2007 \$'000</b>	<b>Consolidated 2006 \$'000</b>	<b>Westralia Property Trust 2007 \$'000</b>	<b>Westralia Property Trust 2006 \$'000</b>
<b>(a) Reconciliation of net profit/(loss) before minority interest and finance costs attributable to unitholders to net cash flow from operations:</b>					
Net profit/(loss)		(378)	(3,049)	55	(1,934)
Net decrement in the fair value of investment		-	889	-	5,706
Non cash finance costs		210	-	-	-
Property selling costs classified as investing activities		479	-	-	-
Net increment/(decrement) in the fair value of investment properties		(930)	1,827	-	-
(Increase)/decrease in receivables		3	496	(28)	4
Decrease in prepayments		274	104	-	-
Increase/(decrease) in creditors		1,057	755	58	(3,068)
Net operating cash flow		715	1,022	85	708
<b>(b) Reconciliation of cash</b>					
Cash and cash equivalents	4	899	873	190	105
Deposits at call		27,574	-	-	-
Bank overdraft	10	(127)	(135)	-	-
		28,346	738	190	105

**(c) Non cash financing activities**

(i) The value of distributions reinvested in the year to 30 June 2007 was \$nil (2006: \$nil) which resulted in the issuance of nil units (2006: nil units).

(ii) The Trust issued nil units (2006: 721,000 units) at nil cents (2006: 50 cents) as consideration for investment properties.

(iii) The Trust issued nil units (2006: nil units) as consideration for investments in controlled entities.

<b>13. AUDITOR'S REMUNERATION</b>	<b>Consolidated 2007 \$</b>	<b>Consolidated 2006 \$</b>	<b>Westralia Property Trust 2007 \$</b>	<b>Westralia Property Trust 2006 \$</b>
Amounts received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	116,500	85,050	95,000	67,750
- other services in relation to the entity and any other entity in the consolidated entity:				
- compliance plan audit	38,800	27,500	7,700	5,500
- tax services	21,100	7,680	10,900	-
	176,400	120,230	113,600	73,250
Amounts received or due and receivable by RSM Bird Cameron Partners for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	-	15,000	-	7,100
- other services in relation to the entity and any other entity in the consolidated entity:				
- compliance plan audit	-	-	-	-
- tax services	-	6,420	-	2,060
	-	21,420	-	9,160
	176,400	141,650	113,600	82,410

**NOTES****30 JUNE 2007**

	<b>Consolidated 2007</b>	<b>Consolidated 2006</b>
<b>14. EARNINGS PER UNIT</b>		
Earnings per unit from continuing operations attributable to ordinary unitholders		
Basic profit/(loss) per unit (cents)	<b>(1.34)</b>	(2.28)
Diluted profit/(loss) per unit (cents)	<b>(1.34)</b>	(2.28)
Earnings per unit attributable to ordinary unitholders		
Basic profit/(loss) per unit (cents)	<b>0.33</b>	(1.61)
Diluted profit/(loss) per unit (cents)	<b>0.33</b>	(1.61)

Loss per unit and diluted loss per unit is calculated by dividing the net profit attributable to members of the Trust by the weighted average number of ordinary units on issue during the year. The weighted number of units in the calculation of earnings per unit is 68,140,619 (2006: 67,886,448).

**15. NET ASSET BACKING PER UNIT**

Basic net asset backing per unit (\$)	<b>0.48</b>	0.58
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Basic net asset backing per unit is calculated by dividing the unitholder interest liability by the number of units on issue at the year end.

**16. RELATED PARTY DISCLOSURES****(a) Responsible Entity**

The Responsible Entity of Westralia Property Trust is Westralia Property Management Limited, whose immediate parent entity is Prestige Property Holdings Pty Ltd and its ultimate parent entity is Futuris Corporation Limited.

**(b) Related party transactions**

The consolidated financial statements include the financial statements of Westralia Property Trust and the subsidiaries listed in the following table:

Name	Equity interest held by consolidated entity		Westralia Property Trust	Westralia Property Trust
	2007	2006	2007	2006
	%	%	\$'000	\$'000
Dunsborough Hotel Property Syndicate	<b>51.15</b>	51.15	<b>7,453</b>	7,453
Kalgoorlie Apartment Hotel Syndicate	<b>100.00</b>	100.00	<b>9,650</b>	9,650
Pagoda Hotel Property Syndicate	<b>85.53</b>	85.53	<b>5,433</b>	5,433
WPT Finance Pty Ltd (i)	<b>100.00</b>	100.00	-	-
Murray Street Mall Property Trust	<b>100.00</b>	100.00	<b>28,000</b>	28,000
Provision for impairments			<b>(16,834)</b>	(13,080)
			<b>33,702</b>	37,456

(i) Carrying amount of investment is \$2.

The above subsidiaries are all domiciled in Australia and have balance dates of 30 June, consistent with the Trust.

All related party transactions are conducted on normal commercial terms and conditions. Related party receivables and payables, unless otherwise stated, are unsecured, receivable or payable within 30 days and do not bear interest.

**Advances**

The Trust advanced \$5,000,000 during the year to a wholly owned controlled entity. The loan was unsecured and is repayable on demand. Balance at 30 June 2007 was \$5,000,000 (2006: \$nil).

A wholly owned entity of the Trust advanced \$nil (2006: \$266,681) during the year to a partially owned controlled entity.

**NOTES****30 JUNE 2007**

The loan was secured over a property, repayable on or before 28 December 2007 and accrued interest at 8.5%. Balance at 30 June 2007 was \$290,388 (2006: \$266,827).

The Responsible Entity of the Trust loaned a wholly owned entity of the Trust \$87,532. The loan was unsecured and is interest free. Balance at 30 June 2007 was \$111,321 (2006: \$23,789).

**Management fees**

At 30 June 2007 there were management fees of \$354,000 due to the Responsible Entity from controlled entities.

**Interest revenue**

Interest and finance charges of \$nil (2006: \$63,054) were charged to related entities of former directors. Balance due at 30 June 2007 is \$nil (2006: \$nil).

**Rental income**

During the year controlled entities of Westralia Property Trust were entitled to rental income and reimbursement of outgoings of \$1,261,072 (2006: \$1,119,241) which was received or receivable from Broadwater Hospitality Management Pty Ltd, the hospitality manager of the tourism properties, an entity wholly owned by Prestige Property Holdings Pty Ltd (a wholly owned entity of Futuris Corporation Limited). This rental is receivable under lease agreements between the parties.

Broadwater Hospitality Management Pty Ltd owes \$nil rent to controlled entities of the Trust at 30 June 2007 (2006: \$nil).

**Distributions received or receivable**

The following distributions were received or receivable by Westralia Property Trust:

	2007 \$	2006 \$
<b>Controlled entities</b>		
Murray Street Mall Property Trust	<u>7,229,350</u>	<u>4,409,898</u>

**(c) Details of Key Management Personnel****Directors**

The Directors of Westralia Property Management Limited, the Responsible Entity of the Westralia Property Trust are considered to be key management personnel of the Trust:

The names of the Directors of the Responsible Entity in office during the financial period and until the date of this report are:

L.P. Wozniczka	Chairman (resigned 2 July 2007)
D.A. Hinton	Director (resigned 22 September 2006)
P.A.R. Hall	Non-executive Director
A.C.G. Davies	Non-executive Director
P. Zachert	Non-executive Director (appointed 2 July 2007)

**(d) Compensation of Key Management Personnel**

No amounts are paid by the Trust directly to the Key Management Personnel of the Trust.

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly from the ultimate holding company of the Responsible Entity, Futuris Corporation Limited. Consequently, no compensation as defined in AASB 124: Related Parties is paid by the Trust to its Key Management Personnel.

Westralia Property Management Limited, as Responsible Entity of the Trust, is deemed to be a key management personnel of the Trust. Compensation is paid to the Responsible Entity in the form of fees disclosed in Note 16(f) which are not paid in reference to costs incurred by the Responsible Entity.

**(e) Wholly-owned group transactions**

Loans made by Westralia Property Trust to wholly owned entities are interest free, unsecured and repayable on demand.

**NOTES****30 JUNE 2007****(f) Fees**

Transactions between the consolidated entity and Westralia Property Management Limited result from normal dealings with that company as Responsible Entity.

	<b>Consolidated 2007 \$</b>	<b>Consolidated 2006 \$</b>	<b>Westralia Property Trust 2007 \$</b>	<b>Westralia Property Trust 2006 \$</b>
The following fees were paid or payable to the Responsible Entity during the year:				
Management fee (i)	<b>860,767</b>	990,784	<b>60,000</b>	60,000
Accounting fee for preparation of financial statements and taxation matters	<b>25,300</b>	78,000	<b>18,000</b>	40,000
Total	<b>886,067</b>	1,068,784	<b>78,000</b>	100,000

(i) Management fees are charged in accordance with the constitution of individual Syndicates or Trusts based on a percentage of the gross value of assets under management and a percentage of annual net income.

**(g) Units in the Trust held by Key Management Personnel**

Key Management Personnel do not hold any units in the Trust at year end, nor have they held any units in the Trust during the year.

**(h) Transactions**

Broadwater Hospitality Pty Ltd was paid \$nil (2006: \$35,000) during the period by a partially owned controlled entity of the Trust for consultancy fees.

**NOTES****30 JUNE 2007****17. FINANCIAL INSTRUMENTS****(a) Interest rate risk**

The following table sets out the carrying amount, by maturity, of the Trust's financial instruments that are exposed to interest rate risk:

<b>Year ended 30 June 2007</b>	<b>&lt; 1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>Total</b>	<b>Weighted average effective interest rate</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>CONSOLIDATED</b>					
<b>FINANCIAL ASSETS</b>					
<i>Floating rate</i>					
Cash and cash equivalents	899	-	-	899	2.02%
Rent receivable	464	-	-	464	4.50%
Weighted average effective interest rate	2.86%				
<i>Fixed rate</i>					
Deposits at call	27,574	-	-	27,574	6.45%
<b>FINANCIAL LIABILITIES</b>					
<i>Fixed rate</i>					
Bills of exchange	14,198	-	-	14,198	6.64%
Notes unsecured	49	-	-	49	10.00%
Other loans	247	-	-	247	7.00%
Weighted average effective interest rate	6.63%				
<i>Floating rate</i>					
Bank overdraft	127	-	-	127	9.40%
Bills of exchange	1,935	-	-	1,935	8.39%
Weighted average effective interest rate	8.45%	-			

<b>Year ended 30 June 2006</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>CONSOLIDATED</b>					
<b>FINANCIAL ASSETS</b>					
<i>Floating rate</i>					
Cash and cash equivalents	873	-	-	873	1.51%
Rent receivable	447	-	-	447	4.53%
Secured loans receivable	610	-	-	610	8.50%
Weighted average effective interest rate	4.22%	-	-		
<b>FINANCIAL LIABILITIES</b>					
<i>Fixed rate</i>					
Bills of exchange	4,427	-	33,470	37,897	6.17%
Notes unsecured	50	-	-	50	10.00%
Loan from Responsible Entity	481	-	-	481	8.50%
Other loans	248	-	-	248	7.00%
Weighted average effective interest rate	6.33%	-	6.19%		
<i>Floating rate</i>					
Bank overdraft	135	-	-	135	9.40%
Bills of exchange	6,847	1,490	13,495	21,832	6.39%
Weighted average effective interest rate	6.71%	10.00%	5.86%		

The parent entity's interest rate risk comprised its cash and equivalent assets of \$190,000 (2006: \$105,000) with a floating interest rate of 4.60% (2006: 4.25%).

**(b) Fair values**

The carrying values of the Trust's financial assets and liabilities included in the Balance Sheet approximate their fair values. Refer to note 2 for the methods and assumptions adopted in determining fair values of investments.

**NOTES****30 JUNE 2007****(c) Credit risk exposure**

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Trust minimises exposure to credit risk in relation to receivables by obtaining security over property or syndicate interests as well as dealing with a number of counter parties. The majority of these counter parties are located in Western Australia.

**18. LEASES**

Investment properties owned by the Trust are leased to a related party of the Responsible Entity, being Broadwater Hospitality Management Pty Ltd (refer to Note 16(b)) or to third parties under operating leases at 30 June 2007. Lease terms vary between tenants and some leases include percentage rental payments based on sales volumes.

	<b>Consolidated 2007 \$'000</b>	<b>Consolidated 2006 \$'000</b>	<b>Westralia Property Trust 2007 \$'000</b>	<b>Westralia Property Trust 2006 \$'000</b>
Future minimum rental revenues under non-cancellable operating leases at 30 June 2007 are as follows:				
- not later than one year	<b>876</b>	6,649	-	-
- later than one year and not later than five years	<b>1,471</b>	15,490	-	-
- later than five years	-	7,528	-	-
Total	<b>2,347</b>	29,667	-	-

**19. CAPITAL COMMITMENTS**

There is \$nil (2006: \$nil) estimated capital expenditure contracted for at 30 June but not provided for.

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Trust's principal financial instruments comprise bills of exchange, cash and short term deposits. The main purpose of these financial instruments is to raise finance to acquire investment properties. The Trust has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the year, the Trust's policy that no trading in financial instruments shall be undertaken.

The main risks from the Trust's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

*Interest rate risk*

The Trust's exposure to market risk for changes in interest rates relates primarily to the Trust's long term debt obligations.

The Trust's policy is for the Board to review the Trust's banking facilities on a regular basis to ensure an efficient and effective mix of fixed and variable debt.

*Credit risk*

The Trust negotiates to provide leases only to tenants who are considered creditworthy parties. In addition, rent receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Trust, which comprise cash and cash equivalents, the Trust's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

*Liquidity risk*

The Trust's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bills of exchange, debentures and other loans. At 30 June 2007, 100% of the Trust's debts will mature in less than one year (2006: 20%).

**NOTES****30 JUNE 2007****21. SEGMENT REPORTING**

## Business Segments

**2007**

	Continuing Operations	Discontinuing Operations			Unallocated	Consolidated
	Corporate \$'000	Commercial / Retail \$'000	Tourism \$'000	Total \$'000	\$'000	\$'000
Revenue	-	4,118	2,115	6,233	-	6,233
EBIT before fair value adjustments	(1,228)	1,330	1,447	2,777	(599)	950
Fair value increment / (decrement) of investment property	-	4,000	(3,070)	930	-	930
Segment result	(1,228)	5,330	(1,623)	3,707	(599)	1,880
Net interest expense						(2,258)
Net loss attributable to minority interests						606
Net profit attributable to unitholders of the Trust						228
Segment assets	28,915	-	33,179	33,179	209	62,303
Segment liabilities	(9,423)	-	(16,133)	(16,133)	(145)	(25,701)

**Other segment information**

Acquisition of investment properties	-	-	-	-	-	-
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**2006**

Revenue	-	6,589	1,600	8,189	-	8,189
EBIT before fair value adjustments	(1,429)	3,863	2,519	6,382	(296)	4,657
Fair value increment / (decrement) of investment property *	-	3,111	(5,327)	(2,216)	-	(2,216)
Fair value decrement of investment	-	-	(889)	(889)	-	(889)
Segment result	(1,429)	6,974	(3,697)	3,277	(296)	1,552
Net interest expense						(4,601)
Net loss attributable to minority interests						1,959
Net loss attributable to unitholders of the Trust						(1,090)
Segment assets	1,255	67,300	36,249	103,549	876	105,680
Segment liabilities	(231)	(37,477)	(22,252)	(59,729)	(2,151)	(62,111)

**Other segment information**

Acquisition of investment properties	-	-	638	638	-	638
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\* Fair value increment is net of related Responsible Entity fees of \$389,000

**Segment products and locations**

The Trust operates in two business segments, being commercial/retail investment property and tourism investment property activities. The Trust's operations involve investment in real property for the purpose of deriving income from rentals and capital appreciation.

Geographically, the Trust operates in one segment, being Australia.

## NOTES

30 JUNE 2007

### 22. SUBSEQUENT EVENTS

#### **Settlement of Kalgoorlie Broadwater Resort Hotel**

The Trust entered into an unconditional contract for the sale of the Kalgoorlie Broadwater Resort Hotel on 21 June 2007 for \$10,150,000 which settled on 5 September 2007.

#### **Extension of bank debt facilities**

##### *Pagoda Hotel Property Syndicate*

Pagoda Hotel Property Syndicate has extended its facilities of \$4,855,000 with a re-negotiated payable date on or before 31 October 2007.

##### *Pagoda Fixed Term Property Syndicate*

Pagoda Fixed Term Property Syndicate has facilities of \$1,890,000 with a re-negotiated payable date on or before 31 December 2007.

No other matter or circumstance has arisen since the end of the financial period which is not otherwise dealt with in this report or in the consolidated financial statements, that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial periods.



## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of the Responsible Entity, Westralia Property Management Limited, I state that:

(1) In the opinion of the Directors:

(a) The financial statements and notes of the Trust and of the consolidated entity are 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 2007 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001 and the provisions of the Trust's constitution; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and

(2) This declaration has been made after receiving the declarations required to be made to the Directors of the Responsible Entity in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

On behalf of the Board of Westralia Property Management Limited



Anthony Davies  
Director

Perth, 28 September 2007

## DIRECTORS' REPORT

The Directors of Westralia Property Management Limited (ABN 16 072 899 060), the Responsible Entity of the Westralia Property Trust ("the Trust"), submit their report, for Westralia Property Trust and its controlled entities for the year ended 30 June 2007.

### DIRECTORS

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

D.A. Hinton (to 22 September 2006)  
 L.P. Wozniczka (to 2 July 2007)  
 A.C.G. Davies  
 P.A.R. Hall  
 P. Zachert (appointed 2 July 2007)

The Directors were in office from the beginning of the year until the date of this report, unless otherwise stated.

### MEETINGS OF DIRECTORS

The number of meetings of the Responsible Entity's Directors held during the year ended 30 June 2007, and the number of meetings held by each director, are shown in the table below:

	Full meeting of Directors	Special purpose meetings
<b>Number of meetings held</b>	9	1
<b>Number of meetings attended by:</b>		
D.A. Hinton (a)	3	n/a
L.P. Wozniczka	5	1
A.C.G. Davies	9	1
P.A.R. Hall	9	1

(a) D.A. Hinton attending all Board meetings held during his term as Director. Mr Hinton was not a Director when the special purpose meeting was held.

### DIRECTORS' UNITS

No Directors have any interests in the Trust, nor do they have any rights or options over interests in the Trust or contracts to which the Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

### PRINCIPAL ACTIVITIES

The principal activity of the Trust during the year was to own income producing properties in Australia.

There has been no significant change in the nature of this activity during the period.

### TRUST INFORMATION

The Trust was registered as a Managed Investment Scheme on 7 May 2001.

Westralia Property Management Limited, the Responsible Entity, was incorporated and is domiciled in Australia. At balance date the Trust had no employees.

The registered office of the Responsible Entity is 66 Kings Park Road, West Perth, Western Australia, 6005.

## DIRECTORS' REPORT

### REVIEW OF RESULTS AND OPERATIONS

#### Results

The consolidated net loss before finance costs attributable to unitholders and minority interests is presented in the Income Statement. Changes in net assets attributable to unitholders of the Trust was a profit of \$228,000 (2006: loss \$1,090,000). Further details are included in the Manager's Report.

#### Distributions

The Trust has declared a final dividend of 9.7 cents per unit. The record date for the dividend will be 11 October 2007 and it will be paid on 15 November 2007. No distributions were paid by the Trust for the financial year ended 30 June 2006.

#### UNITS ON ISSUE

At 30 June 2007 68,140,618 units of the Trust were on issue (2006: 68,140,618 units). During the year nil units (2006: 721,000) were issued.

#### TRUST ASSETS

At 30 June 2007, the Trust held assets with a total value of \$62,303,000 (2006: \$105,680,000). The basis for valuation of the assets is disclosed in Note 2 to the financial report.

#### RESPONSIBLE ENTITY AND ASSOCIATES

Details of fees paid or payable to the Responsible Entity and its associates out of scheme property are included in Note 16(f) of the financial report.

The Responsible Entity and its associates hold 33,218,188 unit interests in the Trust (2006: 33,218,188)

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the year to the date of this report were:

- i) Net fair value increment of investment properties of \$874,000.
- ii) 166 Murray Street Mall, Perth sold for \$71,300,000.
- iii) Broadwater Resort Hotel, Kalgoorlie sold for \$10,150,000.

#### SIGNIFICANT EVENTS AFTER BALANCE DATE

##### Settlement of Kalgoorlie Broadwater Resort Hotel

The Trust entered into an unconditional contract for the sale of the Kalgoorlie Broadwater Resort Hotel on 21 June 2007 for \$10,150,000 which settled on 5 September 2007.

##### Extension of bank debt facilities

###### *Pagoda Hotel Property Syndicate*

Pagoda Hotel Property Syndicate has extended its facilities of \$4,855,000 with a re-negotiated payable date on or before 31 October 2007.

###### *Pagoda Fixed Term Property Syndicate*

Pagoda Fixed Term Property Syndicate has facilities of \$1,890,000 with a re-negotiated payable date on or before 31 December 2007.

No other matter or circumstance has arisen since the end of the financial period which is not otherwise dealt with in this report or in the consolidated financial statements, that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial periods.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Responsible Entity continues to monitor the investment strategy and will direct investment funds in those areas that it considers offers the best medium term growth opportunities. Future results will depend on the performance of the market in relation to the Trusts investment strategy. The investment strategy of the Trust will be maintained in accordance with its Constitution and investment objectives.

## DIRECTORS' REPORT

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the consolidated entity are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Trust.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Westralia Property Management Limited support and comply with the majority of the ASX Principles of Good Corporate Governance and Best Practice Recommendations. The Responsible Entity's corporate governance statement is contained within pages 5 to 8 of this annual report.

### BOARD COMMITTEES

The Responsible Entity does not have an audit committee as the Board fulfills this function. For full details, refer to the Corporate Governance Statement.

### INSURANCE OF DIRECTORS AND OFFICERS

During, or since the end of the financial year, the Responsible Entity has paid, or agreed to pay, a premium in respect of a contract insuring all the directors and officers against a liability incurred in their role as directors and officers of the entity, except where the liability arises from fraudulent or dishonest conduct.

The total amount of insurance contract premiums paid has not been disclosed due to a confidentiality clause in the insurance contract.

### NON AUDIT SERVICES

Non audit services are disclosed on page 23. The nature and scope of each type of non-audit service means that auditor independence was not compromised.

### ROUNDING

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

### AUDITOR'S INDEPENDENCE DECLARATION

Our auditor, Ernst & Young, has provided the Board of Directors of the Responsible Entity with an independence declaration in accordance with section 307C of the Corporations Act 2001. The independence declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



Anthony Davies  
Director

Westralia Property Management Limited

28 September 2007

## Independent auditor's report to the unitholders of Westralia Property Trust

We have audited the accompanying financial report of Westralia Property Trust ("the Trust"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in net assets and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising 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 Westralia Property Management Limited, the Responsible Entity of the Trust ("the Responsible Entity") are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

*Auditor's Opinion*

In our opinion:

1. the financial report of Westralia Property Trust is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of Westralia Property Trust and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2

*Inherent Uncertainty Regarding the Ability of a Controlled Entity to Continue as a Going Concern and the Resultant Carrying Value of its Investment Property*

Without qualification to the opinion above, attention is drawn to the following matter. As a result of the matters described in Note 6 "Investment Properties Held for Sale" to the financial report, the current carrying value of an investment property of \$12,350,000 is dependent upon the controlled entity holding the investment property continuing to operate as a going concern. At the date of this report, there is significant uncertainty whether the controlled entity can continue as a going concern and thus whether the carrying value of the investment property is recoverable. The financial report does not include any adjustments to the carrying value of this investment property should the controlled entity not be able to continue as a going concern.



Ernst & Young



Gavin A Buckingham

Partner

Perth

28 September 2007

**Auditor's Independence Declaration to the Directors of Westralia Property Management Pty Ltd**

In relation to our audit of the financial report of Westralia Property Trust for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

*Ernst & Young*

Ernst & Young

*Gavin Buckingham*

Gavin A Buckingham  
Partner  
Perth  
28 September 2007

# ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 September 2007.

## (a) Substantial Unitholders

The names of substantial unitholders who have notified the Trust in accordance with section 671B of the Corporations Act 2001 are:

	Units	%
Futuris Administration Pty Ltd	23,965,079 )	
Westralia Property Management Limited	6,083,842 )	48.75
Prestige Property Holdings Pty Ltd	3,169,267 )	
Emerald Nominees (WA) Pty Ltd	11,571,916 )	
Emerald Securities Pty Ltd	4,663,013 )	23.82

## (b) Distribution of Unitholders

The number of unitholders by size of holding are:

Range of Holdings	Holders	Units	%
1 - 1,000	18	5,027	0.01
1,001 - 5,000	151	447,610	0.66
5,001 - 10,000	102	713,325	1.04
10,001 - 100,000	142	4,094,953	6.01
100,001 - over	42	62,879,704	92.28
Total	455	68,140,619	100.00
Unitholders holding less than a marketable parcel	19	6,051	

## (c) Voting Rights

Each fully paid unit carries voting rights of one vote per unit. All units issued are fully paid.

## (d) Twenty Largest Shareholders

The names of the 20 largest unitholders of quoted units are:

Name	Units	%
Futuris Administration Pty Ltd	23,965,079	35.17
Emerald Nominees (WA) Pty Ltd <Pourzand Family S/F A/C>	10,519,202	15.44
Westralia Property Management Limited	6,083,842	8.93
Emerald Securities Pty Ltd <Emerald Investment A/C>	4,663,013	6.84
Prestige Property Holdings Pty Ltd	3,169,267	4.65
HSBC Custody Nominees (Australia) Limited – A/C 3	2,599,357	3.81
CS Fourth Nominees Pty Ltd <Unpaid A/C>	2,496,126	3.66
ANZ Nominees Limited <Cash Income A/c>	1,400,000	2.05
Emerald Nominees (WA) Pty Ltd <Pourzand Family S/Fund A/C>	1,052,714	1.54
Verido Holdings Pty Limited <Frazer Super A/C>	593,529	0.87
S. Arunasalam	489,650	0.72
ADL (WA) Pty Ltd <ADL A/C>	450,000	0.66
Jojaman Pty Ltd <Super Fund A/C>	431,550	0.63
C.E. & M.M. Dawson	351,202	0.52
B.O.T. Steggall	328,570	0.48
J.H. Kuyper	287,208	0.42
E.R. Bana	257,028	0.38
W. Santoso	252,824	0.37
B. Gattie & Associates Pty Ltd	215,780	0.32
Clarion Hotel Investors Pty Ltd	209,010	0.31
Total	59,814,951	87.77