

29 August 2008

The Manager
ASX Limited
20 Bridge Street
SYDNEY NSW 2000Sydney
Level 24 Gateway
1 Macquarie Place
Sydney NSW 2000
P +612 9255 4100
F +612 9241 2550

Dear Sir,

Record Realty (ASX: RRT) – Preliminary Final Report (Appendix 4E) for the year ended 30 June 2008

The directors of Record Funds Management Limited (RFML), the responsible entity of Record Realty, are pleased to announce the audited results of Record Realty for the period from 1 July 2007 to 30 June 2008.

Results for announcement to the market

Financial Results	Year ended 30 June (\$'000)		% change
	2007	2008	
Revenue from ordinary activities	102,570	64,613	-37%
Profit from ordinary activities after tax attributable to unit holders	72,886	(253,482)	-448%
Net profit for the period attributable to unit holders	72,886	(209,285)	-448%

Distributions for the year ended 30 June 2008

No distribution has been paid nor is any distribution payable in relation to the reporting period.

Net tangible assets per ordinary unit

Description	30 June 2007 \$ per security	30 June 2008 \$ per security
Net tangible assets per ordinary unit	1.09	0.32
Net tangible assets before deferred tax expense per ordinary unit	1.16	0.32

The remainder of the information requiring disclosure to comply with ASX Listing Rule 4.3A is contained in the 2008 Full Year Financial Report, which has been released to the ASX today.

Yours faithfully,

**Tom Lennox**
Director
Record Funds Management Limited as the Responsible Entity of Record Realty

For personal use only

For personal use only

Record Realty

ARSN: 101 833 005

2008 Full Year Financial Report

Contents

	Page
Directors' report.....	3
Auditors' independence declaration.....	11
Income statements.....	12
Balance sheets.....	13
Statements of changes in equity.....	14
Cash flow statements.....	15
Notes to the consolidated financial statements	16
Directors' declaration.....	66
Independent Auditor's Report.....	67

This annual financial report covers both Record Realty as an individual entity and the consolidated entity consisting of Record Realty and its controlled entities (the "Scheme"). The annual financial report is presented in Australian dollars.

Record Realty was constituted on 28 June 2001. Its registered office and principal place of business is:

Record Realty Trust
Level 24, Gateway
1 Macquarie Place
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations of the directors' report on pages 3-10.

This annual financial report was authorised for issue by the directors of Record Funds Management Limited ("RFML" or "the Responsible Entity"), the Responsible Entity of Record Realty, on 29 August 2008. RFML has the power to amend and reissue the financial report.

All press releases, financial reports and other information are available at the Investor Centre on Record Realty's website: www.recordrealty.com.au

**Record Realty and its controlled entities
30 June 2008 full year financial report**

Directors' report

Scheme information

Record Realty was constituted on 28 June 2001 and was registered with the Australian Securities & Investment Commission (ASIC) on 13 September 2002. Record Funds Management Limited (ACN 095 162 931), the Responsible Entity of the Scheme ("RFML" or the "Responsible Entity"), is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 24 Gateway, 1 Macquarie Place, Sydney, NSW 2000. On 31 August 2005, the Responsible Entity was acquired by Allico Finance Group Limited.

Directors

The directors of RFML, the Responsible Entity of Record Realty (the "Scheme"), present their report on the consolidated entity consisting of Record Realty and the entities it controlled at the end of and during, the year ended 30 June 2008.

The following persons were directors of RFML from the date noted below for the duration of the financial year and to the date of this report (unless otherwise specified):

Robert West, Independent Non-Executive Chairman	<i>(appointed 6 December 2005, appointed Chairman 11 April 2008)</i>
Warren Eades, Independent Non-Executive Director	<i>(appointed 6 December 2005)</i>
Tim Rich, Executive Director	<i>(appointed 31 August 2005)</i>
Chris West, Executive Director	<i>(appointed 31 August 2005, resigned 13 July 2007)</i>
Gary Best, Independent Non-Executive Director	<i>(appointed 12 April 2006, resigned 20 February 2008)</i>
Bob Mansfield, Independent Non-Executive Director	<i>(appointed 13 July 2007, resigned 11 April 2008)</i>

Principal activities

Record Realty is a managed investment Scheme domiciled in Australia. It invests in commercial office buildings with longer term leases to high quality tenants. The Scheme is highly geared (made possible by the quality of the tenancy profile) and lease renewals are actively managed, both of which may enhance long-term returns. Distributions are paid from the proceeds of asset sales and refinancing of debt.

On 28 March 2008, after the completion of an extensive strategic review of the Scheme, the directors of RFML announced the commencement of a targeted 3 year asset realisation program. At 30 June 2008 both the US and German portfolios have been classified as discontinued operations. The Australian properties of Spring Street, ASX, Centrelink/Athllon Drive and Margaret Street have been classified as Non-current assets held for sale. Other than this there has been no change in the nature of the activities conducted by the Scheme during the year.

Review of operations

Overview

The Scheme is an investor in structured real estate. During the year Record Realty sold two of its assets and finalised the leasing of vacant space at King William Street. The Scheme is well positioned to maximise re-leasing opportunities during the next twelve months.

Results

The net loss of the consolidated entity as presented in the income statement for the year ending 30 June 2008 was \$253.482 million (2007: profit of \$72.886 million) excluding minority interests.

Record Realty is an investment management vehicle whose business model uses the entire yield from properties to service the interest on and to repay loans, as well as to cover operating expenditure and capital expenditure. In what has been a difficult year for global markets the values of real estate assets have come under severe pressure. This pressure on property values has resulted in a net loss from fair value adjustments on investment properties from continuing operations and share of net profits of associates accounted for using the equity method of \$93.393 million (2007: profit of \$40.811million).

Record Realty and its controlled entities
30 June 2008 full year financial report

An additional loss of \$160.444 million has been recorded in respect of fair value adjustments on investment properties which are included in assets associated with a disposal group (2007: profit of \$81.953 million). The total net loss from these items was \$253.837 million (2007: profit of \$122.764 million).

The loss per unit, including discontinued operations during the financial year was 63.96 cents per unit (2007: earnings of 28.38 cents per unit).

The loss per unit from continuing operations on a weighted average number of ordinary units outstanding during the financial year was 30.37 cents per unit (2007: earnings of 5.40 cents per unit).

Assets

At 30 June 2008, the total assets of the Scheme were \$1,933.925 million (2007: \$2,442.533 million).

During the year the Scheme disposed of two assets, Vero Office Tower Chatswood, Sydney, for \$98 million, and the Symbion Distribution Centre in Rydalmere, Sydney, for \$51 million.

Net tangible assets per unit excluding minority interests as at the balance sheet date were \$0.32 (2007: \$1.09). The decline in net tangible assets is primarily due to the decline in property values and also the issue during the year of 14,621,906 ordinary units at a price of \$0.79 per unit (from Record Realty's dividend reinvestment plan).

At 30 June 2008, the consolidated entity directly owned eight Australian properties which had an assessed fair value totalling \$475.80 million. Of these properties two properties with a fair value of \$222.500 million were classified as Non-current assets held for sale. The consolidated entity also directly owned seven German properties with a fair value of \$502.306 million, and twenty two properties in the United States with an assessed fair value totalling \$629.145 million. At the year end date both the German and US portfolios were classified as Disposal Groups classified as held for sale.

At the end of the financial year, the value of the Scheme's interest in the Sydney Airport Centre had decreased by \$4.45 million to a value of \$44.256 million at 30 June 2008.

The Scheme also held 50% equity interests in two other Australian properties, 1 Spring Street, Melbourne, and the Centrelink Building, ACT, with carrying amounts of \$82 million (2007:\$90 million) and \$93.75 million (2007:\$109 million), respectively. At the year end both of these investments were classified as non-current held for sale. The decrease in valuation of the properties due to market conditions contributed to the decrease in equity accounted interests since 30 June 2007.

Record Realty and its controlled entities
30 June 2008 full year financial report

The movement in carrying amounts of investment properties during the year is outlined below:

	Consolidated	
	2008	2007
	\$'000	\$'000
Investment properties	253,300	2,053,811
Balance at the beginning of the year	2,053,811	411,050
Acquisitions during the financial year:		
- Germany	-	573,751
- United States	-	746,644
- Australia	-	248,775
- Foreign exchange movement on German properties	21,542	(26,969)
- Foreign exchange movement on United States properties	(85,311)	(19,715)
Transfer to Investment properties held for sale	(222,500)	-
Investment properties directly associated with disposal groups held for sale		
- Germany	(502,306)	-
- United States	(629,145)	-
Capitalised subsequent expenditure	2,585	2,353
Disposals during the year	(147,948)	-
Capitalised lease incentives	(1,652)	4,742
Amortisation of lease incentives	-	(300)
Straight line rental income	1,719	2,136
Net gain/(loss) from fair value adjustments of continuing operations	(77,052)	111,344
Net gain/(loss) from fair value adjustments of US properties	(67,593)	-
Net gain/(loss) from fair value adjustments of German properties	(92,850)	-
Balance at the end of the year	253,300	2,053,811

No figures have been included in the above table in respect of the parent as the parent holds no investment properties.

Distributions

On 28 March 2008 the directors announced the commencement of a three year asset realisation program. No distributions will be paid to unit holders for the year ending 30 June 2008. As noted in Note 13 (c) 1 under the terms of the Standstill Agreement negotiated with BOS International ('BOSI') the Scheme is unable to pay distributions to unit holders. In addition, as disclosed in Note 13 (c) 2, the Scheme is unable to pay distributions to unit holders due to a breach of a covenant in relation to the Subordinated Notes.

Significant events

During the financial year ended 30 June 2008 the Scheme had the following significant events:

- On 31 August 2007 the consolidated entity sold the Symbion Distribution Centre at Rydalmere Sydney for \$51 million.
- On 8 October 2007 the consolidated entity sold the Vero Insurance Limited building at Victoria Ave, Chatswood for \$98 million.
- On 9 October 2007 the consolidated entity paid a distribution of 11 cents per unit.
- On 9 October 2007 the consolidated entity issued 14,621,906 units under the Dividend Reinvestment Plan at 78.79c.
- On 28 March 2008 the directors of RFML announced the commencement of a three year asset realisation program. Subject to the progress of this asset realisation program, distributions to unit holders are not expected to be made until the 2009 financial year at the earliest.

At 30 June 2008 the consolidated entity was deemed to be in breach of financial covenants in respect of a number of its debt facilities. Subsequent to 30 June 2008, but prior to the signing of this report, a standstill agreement was reached

**Record Realty and its controlled entities
30 June 2008 full year financial report**

with BOSI, the Scheme's primary financier. Discussions were also underway with MAX Realty Pty Limited and Commonwealth Bank of Australia ('CBA') on their respective facilities. Further details are contained in the "Events occurring after Balance Sheet date" contained in the Directors' Report and also at note 25 to this Financial Report.

Issued capital

At 30 June 2008, Record Realty had 399,263,211 (2007:384,641,305) ordinary units on issue and no options (2007:81,591,146).

During the year 14,621,906 ordinary units were issued (2007:194,776,477).

Options were issued for nil consideration and each option entitled the option holder to subscribe for one ordinary unit at \$1.00 per unit at the expiry date. The options expired on 31 March 2008, at which time all options expired.

Likely developments and expected results of operations

Further information on likely developments in the operations of the consolidated entity and the expected results of the operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The operations of the consolidated entity are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory legislation.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the consolidated entity in relation to insurance cover provided to either the officers of RFML or the auditors of the consolidated entity. So long as the officers of RFML act in accordance with the Scheme Constitution and the Corporations Act, the officers remain indemnified out of the assets of the consolidated entity against any losses incurred while acting on behalf of the consolidated entity. The auditors of the consolidated entity are in no way indemnified out of the assets of the consolidated entity.

During the financial year the Responsible Entity agreed to indemnify Mr Robert West, Mr Warren Eades and Mr Gary Best (resigned 20 February 2008) out of the assets of the Scheme for any liability incurred by those directors in performing their duties as a director of the Responsible Entity. The liability to indemnify is limited to the extent the Responsible Entity is permitted by law to indemnify those directors.

Fees paid to and interests held in the consolidated entity by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the consolidated entity's assets during the year are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts recognised as expense				
Base management fee	2,088,640	1,490,754	1,391,638	1,417,417
Asset management fee	1,069,797	1,517,415	1,019,797	783,884
Accounting fee	70,000	70,000	70,000	70,000
Management fees relating to continuing operations	<u>3,228,436</u>	<u>3,078,170</u>	<u>2,481,435</u>	<u>2,271,301</u>
Management fees relating to discontinued operations	<u>1,589,725</u>	<u>557,003</u>	-	-

**Record Realty and its controlled entities
30 June 2008 full year financial report**

The number of units in the Scheme held by the Responsible Entity or its associates as at the end of the financial year are as follows:

Name	Units
Allco Funds Management Limited	135,983
Allco Managed Investments Limited	48,604,691
Allco Finance Group Limited	181,472

Relevant interests of Directors in interests and options over interests in the Scheme.

Relevant interests in units and options of the Scheme held by directors of the Responsible Entity as at the date of this report are as follows:

Name	Units
Tim Rich	81,357

Events occurring after the balance sheet date

At the date of this report it had been decided not to continue with efforts to immediately dispose of the following assets, which as at the balance sheet date were classified as held for sale:

- ASX, 20 Bridge Street, Sydney, NSW
- QUT, Margaret Street, Brisbane, QLD
- Centrelink, Athllon Drive, Canberra, ACT
- US portfolio of 22 properties

It is the intention that the above properties will be disposed of as part of the three year asset realisation plan.

As at the date of this report there were parties undertaking due diligence on the following assets:

- No 1 Spring Street, Melbourne, VIC
- German portfolio of seven properties

Negotiations are progressing and it is anticipated that the assets will be sold with proceeds received on disposal being used to pay down the debt associated with these properties with the residual proceeds being used to pay down the corporate facility of the parent.

Debt Facilities

At 30 June 2008, Loan To Value ("LTV") covenants in respect of certain asset and corporate level debt facilities are deemed to have been breached. Subsequent to the balance date, the Scheme has entered into discussions with the affected Financiers in respect of these gearing covenants.

The table on the next page outlines the LTV status of each of the loans.

**Record Realty and its controlled entities
30 June 2008 full year financial report**

Facility	Maximum LTV permitted	Actual LTV	Financier	LTV Compliant Yes / No	
CORPORATE FACILITY					
Record Realty Corporate ('BOSI debt')	45% NTA*	116% NTA	BOSI	No	See 1 below
Record Realty Subordinated Notes ('Notes')	Total gearing < 85% **	106%	n/a	No	See 2 below
ASSET LEVEL					
Workcover, Donnison St, Gosford, NSW	78%	81.7%	Max Realty	No	See 4 below
Infomedia Building, Warringah Road, NSW	80%	83.3%	BOSI	No	See 3 below
Centrelink, Athllon Drive, ACT	80%	91.3%	BOSI	No	See 3 below
ASX, Bridge Street, NSW					
Senior	50%	51.4%	Max Realty	No	See 4 below
Junior	77%	97.4%	BOSI	No	See 1 & 3 below
QUT, Margaret Street, QLD	78%	73.3%	BOSI	Yes	
AAMI Building, St Kilda Road, VIC	83%	78.1%	BOSI	Yes	
HIC, Reed Street, VIC	82.5%	80.7%	BOSI	Yes	
Shell, Spring Street, VIC	n/a	n/a	CBA	Yes	
Origin House, King William, SA	60%	63.7%	CBA	No	See 5 below
ATO, Logan Rd, Mt Gravatt, QLD	83%	78.9%	RBS	Yes	
Qantas Centre, Mascot, NSW	n/a	n/a	Longreach	Yes	
US portfolio	n/a	n/a	Various	Yes	
German Portfolio	n/a	n/a	Credit Suisse	Yes	

* calculated as total BOSI debt divided by net tangible assets of the fund (net tangible assets has been reduced by BOSI debt)

** calculated as Total Notes divided by Issuer Assets (i.e. total assets excluding subsidiaries)

1. BOS International ('BOSI') – Corporate Facility

On 28 August 2008 a standstill agreement was signed in respect of the debt facility with BOSI (the "Standstill Agreement"). The terms of the Standstill Agreement provide for a suspension from testing of certain financial covenants in respect of the BOSI corporate facility, including a suspension of the covenant that requires that the loan does not exceed 45% of net tangible assets of the Scheme. The suspension has been granted until 31 December 2008 (the "Standstill Period") at which date BOSI will have the discretion to extend the waiver until 19 July 2009 (which is the maturity date of the facility).

Under the Standstill Agreement, BOSI are entitled to a fee of 5% per annum of the facility limit, as reduced by repayments from asset sales, subject to a minimum amount of \$4.125 million for the period to 31 December 2008.

If BOSI decide to extend the waiver to 19 July 2009 they will continue to be entitled to an annual fee of 5% of the facility limit, as reduced by repayments from asset sales, subject to a cumulative maximum amount of \$8.25 million (which includes the initial \$4.125 million). The fee is payable out of part of the proceeds of asset sales and no amount has been included in the year end financial statements in respect of this fee. During the Standstill Period the Scheme is unable to pay any distributions to unit holders.

Record Realty and its controlled entities 30 June 2008 full year financial report

Under the BOS Loan Agreement, it is a "Review Event" if there is a change of the person holding the office of fund manager of the Scheme or a change to the ownership and control of the responsible entity of the Scheme, except to a member of the Allco Finance Group or to another entity with the Financier's prior consent, such consent not to be unreasonably withheld. That Review Event is not triggered by a change in the ownership but not control of Allco Finance Group Limited and its subsidiaries.

If a Review Event does occur and is subsisting, the Financier may require RFML as responsible entity of the Scheme (as borrower) to negotiate with the Financier with a view to agreeing revised terms for continuation of the loan. If the borrower and Financier do not reach agreement within 30 days, RFML as responsible entity of the Scheme must repay the entire loan within a further 60 days.

RFML is currently not aware of any Review Event currently subsisting.

2. Record Realty Subordinated Notes

A Lock Up Event as at 30 June 2008 has occurred as a result of a breach of the gearing covenant and the minimum equity value covenant. The Lock Up Event is not an event of default however it prevents distributions to Scheme unitholders until such time as the breach is rectified. A statement in relation to this breach has been issued to the Note Trustee.

3. BOSI as Financier – Centrelink, Bridge Street and Warringah Road Properties

Under the Standstill Agreement BOSI have waived any default arising from the decreased valuations for each of the Centrelink, Bridge Street (as Junior Financier) and Warringah Road properties. This waiver has been granted for the Standstill Period at which date BOSI will have the discretion to extend the waiver until 19 July 2009 (which is the maturity date of the BOSI corporate facility). Further details in respect of the terms of the waiver are contained at item 1.

4. Max Realty Pty Limited as Financier (funded via Allco MAX) – Bridge Street and Gosford Properties

The relevant borrowers have commenced discussions with the Financier with respect to the Bridge Street (as Senior Financier) and Gosford properties with respect to potential breach caused by a reduction in valuation. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

5. CBA as Financier – King William Street Property

The relevant borrower has commenced discussions with the Financier with respect to the King William Street property. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

At the date of this report, significant uncertainty exists with respect to:

- The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the consolidated entity successfully disposing of properties. Proceeds from the disposals of specific assets will be used to repay the debt associated with the property disposed of, with any surplus proceeds being used to repay BOSI.
- As described in Note 1(j), the consolidated entity holds its investment properties at fair value. If the consolidated entity is required to sell assets, due to breaches of loan covenants, it may incur a loss on sale due to not being able to achieve the values recognised in the financial statements and due to selling costs (which are not included in the fair values).
- The current volatility in the global real estate markets is causing continued pressure on asset values due not only to the rising cost and lower availability of finance, but also fewer buyers of real estate. The lack of buyers and sustained pressure on asset values may result in any asset sales not meeting the consolidated entity's current pricing expectation creating additional financial pressure on the Consolidated Entity

The directors have considered the impact of these matters and have concluded that the financial report should be prepared on a going concern basis. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the consolidated entity not continue as a going concern.

**Record Realty and its controlled entities
30 June 2008 full year financial report**

Record Realty Trust's relationship with Allco Finance Group Limited

RFML, the responsible entity of the Scheme, is a wholly owned subsidiary of Allco Finance Group Limited ("AFGL"). The Scheme is managed pursuant to a management agreement between RFML as responsible entity and Allco Funds Management Limited ("AFML"). AFML is also a wholly owned subsidiary of AFGL.

Under the Management Agreement, the Scheme receives the benefit of, and is reliant upon, a number of management, administration and other services from AFML. AFML also originates investment proposals for the Scheme, assists with the arrangement of financing for the Scheme and its underlying structures and provides proposals to the Scheme in relation to potential asset sales from time to time.

On 21 August 2008 AFG signed a new senior debt facility with its syndicate bankers. The new facility will be available for draw down once certain conditions precedent of an administrative nature are satisfied. Under the terms of the revised syndicate facility agreement AFG is required to reduce its corporate debt facility to \$400million by 30 June 2009 and is actively disposing of certain assets to meet its obligation. Further AFG must repay or refinance the remaining \$400million by 30 September 2009. The directors of AFG acknowledge that some uncertainty remains over the ability of AFG to meet its funding requirements and to refinance or repay the \$400million of corporate borrowings at 30 September 2009.

The directors continue to monitor this situation and will consider the potential impact of any further announcement made by AFG

No other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- (i) the operations of the consolidated entity in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the consolidated entity in future financial years.

Negotiations will continue with the Scheme's various Financiers, in respect of debt facilities that are in default, with a view to arriving at a position that is satisfactory to both parties.

Opportunities relating to disposal of properties will also continue to be pursued in order to facilitate progress to be made on stabilising the capital position of the Scheme.

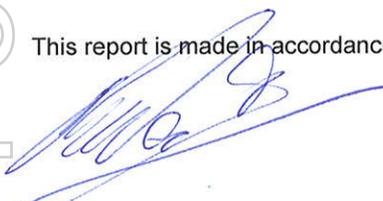
Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, or in certain cases, to the nearest dollar.

Auditors independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

This report is made in accordance with a resolution of the directors of Record Funds Management Limited.


Robert West

Chairman and Director
Sydney, 29 August 2008

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Record Realty for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Record Realty and the entities it controlled during the period.



EA Barron
Partner
PricewaterhouseCoopers

29 August 2008

For personal use only

Record Realty and its controlled entities
30 June 2008 full year financial report

Record Realty
Income statements
For the year ended 30 June 2008

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue					
Distribution from controlled entities		-	-	12,405	10,518
Interest income		1,130	2,169	405	2,071
Rental income		49,740	58,976	-	-
Total revenue		50,870	61,145	12,810	12,589
Fair value movement on share of interest in investment properties	6(b)	-	2,341	-	-
Net gain/(loss) from fair value adjustment on investment properties		-	29,391	-	-
Share of net profit of associates accounted for using the equity method	7(b)	-	9,079	-	-
Net gain/(loss) on disposal of Investment property		-	-	-	-
Net gain on fair value of derivative		12,047	-	12,046	-
Net gain/(loss) on disposal of Investment property		1,181	-	-	-
Other income		515	614	80	358
Total revenue and other income		64,613	102,570	24,936	12,947
Expenses					
Financing costs	3	(71,146)	(69,309)	(15,777)	(20,619)
Responsible entity fees	20(c)	(3,228)	(3,078)	(2,481)	(2,271)
Property outgoings		(11,869)	(11,286)	-	(175)
Administration expenses		(1,389)	(581)	(1,420)	(424)
Legal expenses		(1,406)	(1,440)	(1,229)	(1,351)
Net foreign exchange loss		-	(1,750)	-	(1,750)
Net loss on fair value of derivative		-	(401)	-	(401)
Other operating expenses		(2,523)	(881)	(1,825)	(791)
Fair value movement on share of interest in investment properties	6(b)	(4,314)	-	-	-
Net gain/(loss) from fair value adjustment on investment properties	6(a)	(77,052)	-	-	-
Share of net profit of associates accounted for using the equity method	7(b)	(12,027)	-	-	-
Impairment of carrying amount of controlled entities		-	-	(121,208)	-
Total expenses		(184,954)	(88,726)	(143,940)	(27,782)
Profit / (loss) before income tax		(120,341)	13,844	(119,004)	(14,835)
Income tax benefit/(expense) from continuing operations		-	-	-	-
Profit /(loss) for the year from continuing operations		(120,341)	13,844	(119,004)	(14,835)
Profit / (loss) from discontinued operations	4	(154,433)	87,651	-	-
Income tax benefit/(expense) from discontinued operations	4	21,372	(28,466)	-	-
Profit/(loss) for the year from discontinued operations		(133,061)	59,185	-	-
Profit /(loss) for the year		(253,402)	73,029	(119,004)	(14,835)
Profit / (loss) attributable to :					
Unitholders of Record Realty		(253,482)	72,886	(119,004)	(14,835)
Minority interest		79	143	-	-
Net profit / (loss) for the year		(253,402)	73,029	(119,004)	(14,835)
Earnings per unit for profit / (loss) from continuing operations attributable to ordinary unitholders					
		Cents	Cents		
Basic (loss) / earnings per unit attributable to unit holders	23	(30.37)	5.40		
Diluted (loss) / earnings per unit attributable to unit holders	23	(30.37)	5.40		
Earnings per unit for profit / (loss) attributable to ordinary unitholders					
		Cents	Cents		
Basic (loss) / earnings per unit attributable to unit holders	23	(63.96)	28.38		
Diluted (loss) / earnings per unit attributable to unit holders	23	(63.96)	28.38		

**Record Realty
Balance sheets
As at 30 June 2008**

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	5	19,262	29,027	11,136	1,570
Trade and other receivables	5	41,627	23,995	30,336	21,330
Loans and receivables		-	78,947	-	-
Derivative financial instruments	13(a)	5,441	1,022	5,441	1,022
Non current assets held for sale					
- Investment properties held for sale	6(d)	222,500	-	-	-
- Equity accounted investments	7(a)	175,750	-	-	-
- Investments in controlled entities	21	-	-	187,024	-
Assets directly associated with a disposal group classified as held for sale	4 (b)	1,171,789	-	-	-
Total current assets		1,636,369	132,991	233,937	23,922
Non-current assets					
Investment properties	6(a)	253,300	2,053,811	-	-
Share of interest in investment property	6(b)	44,256	48,700	-	-
Equity accounted investments		-	199,000	-	-
Investment in controlled entities	21	-	-	84,618	576,685
Deferred tax asset	8	-	8,031	-	-
Total non-current assets		297,556	2,309,542	84,618	576,685
Total assets		1,933,925	2,442,533	318,555	600,607
Current liabilities					
Trade and other payables	9	20,136	29,529	11,800	12,842
Provisions	10	1,597	6,535	-	558
Interest-bearing loans and borrowings	11	589,099	79,505	151,574	-
Other current liabilities	9	1,156	3,121	-	-
Liabilities directly associated with assets of a disposal group classified as held for sale	4 (b)	1,048,738	-	-	-
Total current liabilities		1,660,726	118,690	163,374	13,400
Non-current liabilities					
Deferred tax liabilities	12	-	35,660	-	-
Interest-bearing loans and borrowings	11	141,970	1,867,392	5,716	143,571
Total non-current liabilities		141,970	1,903,052	5,716	143,571
Total liabilities		1,802,696	2,021,742	169,090	156,971
Net assets		131,229	420,791	149,465	443,636
Equity					
Issued units	14	334,351	322,829	334,351	322,829
Reserves	15	(19,108)	(13,737)	-	144,378
Retained earnings	16	(185,318)	110,474	(184,886)	(23,571)
Parent entity interest		129,925	419,566	149,465	443,636
Minority interest		1,304	1,225	-	-
Total equity		131,229	420,791	149,465	443,636

The above balance sheets should be read in conjunction with the accompanying notes.

Record Realty
Statements of changes in equity
For the year ended 30 June 2008

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the year		<u>420,791</u>	<u>224,807</u>	<u>443,636</u>	<u>224,005</u>
Exchange differences on translation of foreign operations		(5,372)	(13,737)	-	-
(Loss) / Gain on revaluation of investments in controlled entities		-	-	(144,378)	98,855
Net income/(expense) recognised directly in equity		<u>(5,372)</u>	<u>(13,737)</u>	<u>(144,378)</u>	<u>98,855</u>
Profit / (loss) for the year - continuing operations		(120,341)	13,844	(119,003)	(14,835)
Profit / (loss) for the year - discontinued operations		(133,061)	59,185	-	-
Total recognised income and expense for the year		<u>(258,774)</u>	<u>59,292</u>	<u>(263,381)</u>	<u>84,020</u>
Total recognised income and expense for the year is attributable to:					
- Unit holders of the parent		(258,853)	59,149	(263,381)	84,020
- Minority interest		79	143	-	-
		<u>(258,774)</u>	<u>59,292</u>	<u>(263,381)</u>	<u>84,020</u>
Transactions with equity holders in their capacity as equity holders					
- Contributions of equity, net of transaction costs	14 (b)	11,522	156,468	11,522	156,469
- Distributions provided for or paid	17	(42,311)	(20,858)	(42,311)	(20,858)
- Minority interest on acquisition of subsidiaries		-	1,082	-	-
		<u>(30,789)</u>	<u>136,692</u>	<u>(30,789)</u>	<u>135,611</u>
Total equity at the end of the year		<u>131,229</u>	<u>420,791</u>	<u>149,466</u>	<u>443,636</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Record Realty and its controlled entities
30 June 2008 full year financial report

Record Realty
Cash flow statements
For the year ended 30 June 2008

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts in the course of operations		53,663	68,825	-	1,738
Payments to suppliers and employees		(20,869)	(8,334)	(8,211)	(1,891)
Fees and other non-interest income received		2,402	707	30	(1,956)
Distributions received		-	-	12,405	10,519
Interest income received		8,757	2,363	15,275	2,071
Finance costs paid		(55,398)	(49,672)	(1,409)	(20,421)
Cashflow from discontinued operations		3,952	1,805	-	-
Net cash inflow / (outflow) from operating activities	24	<u>(7,493)</u>	<u>15,694</u>	<u>18,091</u>	<u>(9,940)</u>
Cash flows from investing activities					
Proceeds from sale of property		149,130	158,000	-	-
Payments for investments in unit trusts		-	-	-	(261,688)
Proceeds from redemption of units		-	-	34,370	-
Payments for investment property		(2,628)	(352,629)	-	-
Loans assets granted		-	-	(18,398)	-
Loans repayments received		-	-	108	-
Cashflow from discontinued operations		-	(1,273,710)	-	-
Net cash inflow / (outflow) from investing activities		<u>146,502</u>	<u>(1,468,339)</u>	<u>16,080</u>	<u>(261,688)</u>
Cash flows from financing activities					
Proceeds from the issue of share capital		-	162,004	-	162,004
Share issue transaction costs		-	(5,535)	-	(5,535)
Proceeds from borrowings		37,656	214,164	6,687	127,191
Repayment of borrowings		(125,306)	(4,597)	(500)	(33,021)
Distributions paid to unitholders		(30,790)	(20,858)	(30,790)	(20,858)
Cashflow from discontinued operations		(11,081)	1,093,591	-	-
Net cash inflow / (outflow) from financing activities		<u>(129,521)</u>	<u>1,438,769</u>	<u>(24,604)</u>	<u>229,781</u>
Net increase / (decrease) in cash and cash equivalents		9,488	(13,876)	9,566	(41,847)
Cash and cash equivalents at 1 July		29,027	44,653	1,570	43,417
Exchange rate changes on cash and cash equivalents		-	(1,750)	-	-
Cash and cash equivalents at 30 June relating to discontinued operations		(19,253)	-	-	-
Cash and cash equivalents at 30 June		<u>19,262</u>	<u>29,027</u>	<u>11,136</u>	<u>1,570</u>
Non cash investing and Financing activities					
Dividend reinvestment plan		11,522	-	11,522	-
		-	-	-	-

Record Realty and its controlled entities
30 June 2008 full year financial report

Notes to the consolidated financial statements

1. Significant accounting policies

This general purpose financial report for the financial year ended 30 June 2008 comprises Record Realty ("the Scheme"), and its subsidiaries (together referred to as the "consolidated entity"). The principal accounting policies adopted in the preparation of this financial report are set out below, and have been consistently applied to all periods presented, unless otherwise stated.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report of the consolidated entity also complies with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The annual financial report is prepared on the historical cost basis with the exception of investment property, financial instruments classified as available-for-sale, derivative financial instruments and financial assets at fair value through profit and loss, all of which are stated at their fair value.

At 30 June 2008 the consolidated entity was in breach of financial covenants in respect of a number of its debt facilities (for further details see the Directors' Report and Note 25). Subsequent to 30 June 2008, but prior to the signing of this Financial Report an agreement had been reached with BOSI in respect of the facility provided to the Parent entity and facilities provided to finance certain individual properties.

As at the date of this report negotiations were ongoing with CBA and Allco MAX in respect of facilities provided by them on individual assets. Were no satisfactory resolution to be reached in respect of assets financed by CBA and Allco MAX then security could be enforced by the Financier, which in the instance of these loans is recourse only to the underlying property.

The standstill reached with BOSI, is in respect of testing financial covenants until 31 December 2008. At that time it will be at BOSI's discretion as to whether they agree to a further standstill in respect of testing of financial covenants.

At the date of this report significant uncertainty exists with respect to:

- The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the consolidated entity successfully disposing of properties. Proceeds from the disposals of specific assets will be used to repay the debt associated with the property disposed of, with any surplus proceeds being used to repay BOSI.
- As described in Note 1(j), the consolidated entity holds its investment properties at fair value. If the consolidated entity is required to sell assets, due to breaches of loan covenants, it may incur a loss on sale due to not being able to achieve the values recognised in the financial statements and due to selling costs (which are not included in the fair values).
- The current volatility in the global real estate markets is causing continued pressure on asset values due not only to the rising cost and lower availability of finance, but also fewer buyers of real estate. The lack of buyers and sustained pressure on asset values may result in any asset sales not meeting the consolidated entity's current pricing expectation creating additional financial pressure on the Consolidated Entity

The consolidated entity has previously announced its intention to pursue a strategic three year asset realisation program and the directors expect that sufficient asset sales will be achieved to ensure all debts of the consolidated entity will be discharged as they fall due, or that the terms of debt can be renegotiated on terms satisfactory to the consolidated entity.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

After the Balance Sheet date the Directors decided not to continue with efforts to immediately dispose of certain assets (refer to Directors' Report and Note 25). It is however the plan to dispose of these assets as part of the three year asset realisation program.

The directors have considered the impact of these matters and have concluded that the financial report should be prepared on a going concern basis. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the consolidated entity not continue as a going concern.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 (as amended) dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next period are discussed in note 1(s).

These accounting policies have been consistently applied by each entity in the consolidated entity.

(c) Reporting currency

All balances are reported in Australian dollars, unless otherwise stated, which is the functional and presentation currency for the Scheme.

(d) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate all the assets and liabilities of all entities controlled by Record Realty at 30 June 2008 and the results of all controlled entities for the year then ended. Control exists when the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Scheme applies a policy of treating transactions with minority interests as transactions with parties external to the consolidated entity. Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the consolidated entity's share of the total recognised income and expenses of associates, after adjustments

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(d) Principles of consolidation (continued)

to align the accounting policies with those of the consolidated entity, from the date that significant influence commences, until the date significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying value amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

All intercompany balances and unrealised income and expenses arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to "Investment in associates" and "Share of associate's net profit" accounts.

(e) Share of interest in investment properties

The consolidated entity's contractual share of the assets, liabilities, income and expenses in the Sydney Airport Centre have been incorporated in the accounts under the most relevant headings except for investment properties which have been classified as share of interest in investment properties as the consolidated entity's 26.19% share of the building does not give it a right to control the asset (refer to Note 6(b)).

(f) Revenue

(i) Rental income

The income from investment properties with lease contracts which include fixed increases in rents is recognised in the income statement on a straight-line basis over the term of the lease. An asset is recognised to represent the portion of operating lease revenue in a reporting period relating to fixed increases in operating lease rentals in future periods.

The cost of lease incentives provided to tenants is recognised on a straight line basis, as a reduction of rental income over the lease term. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fit-outs. These assets are included as a component of the carrying value of investment properties. Rents paid in advance are recorded as a liability on the balance sheet. Recoverability of receivables is reviewed on an ongoing basis and debts which are known not to be collectible are written off.

(ii) Interest income

Interest income is recognised in the income statement on an accruals basis using the effective interest rate.

(iii) Distribution income

Distribution income resulting from either disposal or refinancing of investment properties is recognised in the income statement when the entity's right to receive payment is established.

(g) Expenses

(i) Property outgoings

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

(ii) Finance costs

Finance costs comprise interest expense on borrowings calculated using the effective interest rate method, amortisation of deferred financing costs and other costs incurred in respect of obtaining finance.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(f) Revenue (continued)

(iii) Asset management fees

The controlled entities of Record Realty are required to pay management fees at the rate of up to 0.2% annually to Allco Funds Management Ltd ("AFML") and 0.12% annually to Record Funds Management Ltd ("RFML"). The fees are calculated on the purchase price of the building or revalued amount at refinance. The Germany property management fees are calculated at 0.1% annually to AFML and 0.06% annually to RFML. The management fee on the US properties is at a rate of 0.2% annually and is paid to All Capital Real Estate LLC.

(iv) Base and performance Responsible Entity fees

In accordance with the provisions of the Scheme's constitution, the Responsible Entity is entitled to payment of a base fee and a performance fee. The base fee is calculated as 0.75% per annum of the Australian Stock Exchange (ASX) market capitalisation of Record Realty, using the volume weighted market price of Record Realty units and payable in cash semi-annually. The calculation of market value excluded the units on issue immediately after the initial listing of Record Realty on the ASX on 20 December 2002 for a period of five years, but includes units issued on the exercise of options. The performance fee is equal to 22% (being 20% plus GST) of any amount by which the return on units in respect of the relevant financial year exceeds a benchmark return of 12%.

(h) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is recognised as a receivable or creditor, as appropriate.

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

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are reported within liabilities in the balance sheet, but included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Investment property

Investment property is carried at fair value. Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, as determined by independent valuers, adjusted for any difference in the nature, location or condition of the specific asset or, where this is not available, an appropriate valuation method which may include discounted cash flow projections and the capitalisation method. The fair value reflects, among other things, rental income from leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflows (excluding those relating to future capital expenditure) that could be expected in respect of the property. Future changes in the fair value of properties will be brought to account as gains and losses in the income statement as they occur.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(j) Investment Property (continued)

Subsequent expenditure (including the cost of acquisition, additions, refurbishment, redevelopment, borrowing costs and fees incurred) is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be reliably measured.

(k) Trade and other receivables

All trade debtors are initially recognised at fair value being the amounts receivable upon settlement, less where appropriate, a provision for doubtful debts. Trade receivables are generally due for settlement 30 days from the date of recognition.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that collection according to the original terms will not take place. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Investments and other financial assets

(i) Fair values

The fair values of quoted investments, traded in an active market, at balance sheet date are based on current bid prices. For all other financial instruments not listed in an active market, the consolidated entity establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(ii) Loans and other receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non current assets.

(iii) Available for sale financial assets

Interests held by Record Realty in controlled trusts are classified as available for sale in the parent entity accounts and are held at fair value with movements in fair value being recognised in reserves.

For available for sale financial investments, the Consolidated Entity assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

(iii) Loans and advances

For loans and advances carried at amortised cost, the Consolidated Entity first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Consolidated Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments. The probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment property which are specifically exempt from this requirement, these items are measured in accordance with accounting policies set out elsewhere in this note. As at 30 June 2008 the European and US operations have been classified as discontinued. For further details refer to Note 4.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the period, which remain outstanding at balance date. Creditors are stated at cost, are unsecured, and are usually paid within 30 days of recognition.

(o) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less directly attributable transaction costs, which include legal and advisory fees, bank charges and any other ancillary borrowing costs. Fair value is calculated based on discounted expected future principal and interest cash flows. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(p) Distributions

As the portfolio of properties are sold down over the next three years, all available net cash flows from the properties will be used to meet obligations under the financing structures, once all obligations have been satisfied any residual value will be distributed to unit holders.

(q) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting expected future cash flows at a market rate.

(r) Contributed equity

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new units are accounted for as a deduction from equity.

(s) Earnings per unit

(i) Basic earnings per unit

Basic earnings per unit is calculated by dividing the profit attributable to unit holders of the Scheme, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the year.

(ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units and the

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(s) Earnings per unit (continued)

weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units.

(t) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Other than the estimation of fair values described in Note 1(j) and Note 1 (l), no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the next financial year.

(u) New accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the Scheme in these financial statements:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Scheme's 30 June 2010 financial statements. The Scheme has not yet determined the potential effect of the revised standard on the Scheme's financial report;
- *AASB 8 Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Scheme's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Scheme's management in order to assess each segment's performance and to allocate resources to them. Currently, the Scheme presents segment information in respect of its geographical segments;
- Revised AASB 101 *Presentation of Financial Statement* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that required by other AASBs. The revised AASB 101 will become mandatory for the Scheme's 30 June 2010 financial statements. The Scheme has not yet determined the potential effect of the revised standard on the Scheme's disclosures;
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The revised AASB 123 will become mandatory for the Scheme's 30 June 2010 financial statements and will have no impact on future earnings as this is consistent with current accounting policy;
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Scheme's 30 June 2010 financial statements. The Scheme has not yet determined the potential effect of the revised standard on the Scheme's financial report.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(v) Undistributed Income

Undistributed income is transferred directly to equity and may consist of accrued income not yet assessable, expenses provided or accrued which are not yet deductible, net capital losses, and tax free or tax deferred income. Net capital gains on the realisation of investments (including any adjustments for tax deferred income previously taken directly to undistributed income and accrued income not yet assessable) will be included in the determination of distributable income in the same financial year in which it becomes assessable for tax. Undistributed income includes any unrealised gains or losses not assessable for tax purposes.

(w) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Scheme's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars which is the Scheme's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially translated into the respective functional currency of the entities using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities that are outstanding at reporting date are translated at the foreign exchange rate prevailing at that date.

Foreign exchange gains and losses arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates prevailing at the dates the fair value was determined.

(iii) Group companies

The results and financial position of all the entities in the Scheme that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at the average exchange rates; and
- all resulting exchange rate differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of the exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

(x) Derivatives

The consolidated entity uses derivative financial instruments including forward currency contracts to hedge its exposure to certain foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. The derivatives held by the Scheme are economic hedges but do not qualify for hedge accounting therefore they are accounted for as trading instruments.

Derivatives are initially recognised at cost on the date a derivative contract is entered into and are subsequently re-measured to fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

(y) Income tax

Although the Scheme is not liable to income tax under Australian income tax legislation provided unitholders are presently entitled to all of its taxable income, tax may be payable in relation to the Scheme's operations in Germany, the United States and the United Kingdom.

The income tax expense or revenue for the year is caused by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. In Germany and the United States there is also actual current year real estate tax. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted in Germany, the United States and the United Kingdom. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2. Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment or the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment. The carrying amount of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

Any transfers between segments have been determined on an arm's length basis and eliminated on consolidation.

The business segment is not disclosed as all properties are commercial.

Geographical segments:

Although the consolidated entity's divisions are managed on a global basis they operate in 3 main geographical areas:

Australia - The home country of the parent entity which is also the main operating entity (Continuing operations). Australia is treated as a continuing operation although certain individual assets in Australia are classified as held for sale

Europe - Comprises operations carried on in Germany and the United Kingdom (Discontinued operations).

United States - Comprises operations carried on in the United States (Discontinued operations).

Record Realty and its controlled entities
30 June 2008 full year financial report

Notes to the consolidated financial statements (continued)

2. Segment reporting (continued)

(a) Primary reporting format – geographical segments

	Australia \$'000	Total continuing operations \$'000	Europe \$'000	United States \$'000	Total discontinued operations \$'000	Consolidated \$'000
2008						
Segment revenue						
Revenue	50,870	50,870	36,169	65,904	102,073	152,943
Other income	13,743	13,743	1,887	-	1,887	15,630
Total revenue and other income	64,613	64,613	38,056	65,904	103,960	168,573
Share of net loss of associates accounted for using the equity method	(12,027)	(12,027)	-	-	-	(12,027)
Segment results						
Profit/(loss) before income tax	(120,341)	(120,341)	(88,858)	(65,574)	(154,433)	(274,774)
Income tax benefit/(expense)	-	-	7,927	13,445	21,372	21,372
Net profit / (loss) for the year	(120,341)	(120,341)	(80,931)	(52,130)	(133,061)	(253,401)
Segment assets and liabilities						
Total assets	762,136	762,136	524,317	647,471	1,171,789	1,933,925
Total liabilities	753,958	753,958	507,367	541,371	1,048,738	1,802,696
Other segment information						
Investments in associates	175,750	175,750	-	-	-	175,750
Share of net profits of associates	12,027	12,027	-	-	-	12,027
2007						
Segment revenue						
Revenue	61,145	61,145	35,631	14,763	50,393	111,539
Other income	41,425	41,425	26,832	55,121	81,953	123,378
Total revenue and other income	102,571	102,571	62,463	69,883	132,346	234,917
Share of net profit of associates accounted for using the equity method	9,079	9,079	-	-	-	9,079
Segment results						
Profit before income tax	13,844	13,844	32,041	55,610	87,651	101,495
Income tax expense	-	-	(12,413)	(16,053)	(28,466)	(28,466)
Net profit / (loss) for the year	13,844	13,844	19,628	39,557	59,185	73,029
Segment assets and liabilities						
Total assets	1,022,541	1,022,541	598,645	821,347	1,419,991	2,442,533
Total liabilities	864,378	864,378	506,456	650,908	1,157,364	2,021,742
Other segment information						
Investments in associates	199,000	199,000	-	-	-	199,000
Share of net profits of associates	9,079	9,079	-	-	-	9,079
Acquisitions of properties	248,775	248,775	573,751	746,644	1,320,395	1,569,170

**Record Realty and its controlled entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

3. Financing costs

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Interest and finance charges paid or payable	70,220	65,674	14,851	16,984
Establishment fees	926	3,576	926	3,576
Acquisition related expenses	-	59	-	59
	<u>71,146</u>	<u>69,309</u>	<u>15,777</u>	<u>20,619</u>

4. Discontinued operations

On 28 March 2008 Record Realty announced its intention to sell its German and US property assets. At the balance date they were on the market and held for sale, with a tender process taking place. It was the intention that the entities would be sold before June 2009. In respect of the disposal of the US property assets a further update of the status of this disposal is contained at Note 25 to this Financial Report.

Australian operations are classified as continuing operations. While certain individual Australian assets are classified as held for sale at 30 June 2008 they do not constitute a separate major line of business or geographical area and have therefore not been disclosed separately below.

(a) Financial performance and cash flow information

	Consolidated 2008			Consolidated 2007		
	Europe	United States	Total	Europe	United States	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue						
Revenue and other income	38,056	65,904	103,960	35,631	14,763	50,394
Loss on property revaluations	(92,850)	(67,593)	(160,444)	26,832	55,121	81,953
Expenses	(34,064)	(63,885)	(97,949)	(30,422)	(14,274)	(44,696)
Profit before income tax	<u>(88,858)</u>	<u>(65,574)</u>	<u>(154,433)</u>	<u>32,041</u>	<u>55,610</u>	<u>87,651</u>
Income tax (expense)/benefit	7,927	13,445	21,372	(12,413)	(16,053)	(28,466)
(Loss)/Profit after income tax of discontinued operations	<u>(80,931)</u>	<u>(52,130)</u>	<u>(133,061)</u>	<u>19,628</u>	<u>39,557</u>	<u>59,185</u>

No amounts have been included in the above table in respect of the Parent entity as there are no discontinued operations in the Parent. Refer to cashflow statement for cashflows from discontinued operations.

Record Realty and its controlled entities
30 June 2008 full year financial report

Notes to the consolidated financial statements (continued)

4. Discontinued operations (continued)

(b) Carrying amount of assets and liabilities

	Consolidated 2008			Consolidated 2007		
	Europe \$'000	United States \$'000	Total \$'000	Europe \$'000	United States \$'000	Total \$'000
Cash	12,604	6,649	19,253	-	-	-
Trade and other receivables	9,408	11,677	21,084	-	-	-
Investment properties	502,306	629,145	1,131,451	-	-	-
Other assets	-	-	-	-	-	-
Total assets	524,317	647,471	1,171,789	-	-	-
Trade and other payables	25,165	3,491	28,656	-	-	-
Interest-bearing loans and borrowings	482,202	537,069	1,019,271	-	-	-
Other liabilities	-	811	811	-	-	-
Total liabilities	507,367	541,371	1,048,738	-	-	-
Net assets	16,950	106,100	123,050	-	-	-

No amounts have been included in the above table in respect of the Parent entity as there are no discontinued operations within the Parent entity.

5. Current assets

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash and cash equivalents				
Cash at bank and on hand	19,262	29,027	11,136	1,570
	19,262	29,027	11,136	1,570
Trade and other receivables				
Trade receivables	2,300	16,193	-	624
Receivable from related entities	36,083	6,150	29,215	20,706
Other Debtors	2,784	-	1,121	-
Prepayments	461	1,652	-	-
	41,627	23,995	30,336	21,330

Refer to note 13(b) for interest rate on cash balances.

Record Realty and its controlled entities
30 June 2008 full year financial report

Notes to the consolidated financial statements (continued)

6. Investment in properties

The carrying amount of investment property is the fair value of the property determined on the basis set out in Note 1(j).

(a) Investment properties

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment properties	253,300	2,053,811	-	-
Balance at the beginning of the year	2,053,811	411,050	-	-
Acquisitions during the financial year:				
- Germany	-	573,751	-	-
- United States	-	746,644	-	-
- Australia	-	248,775	-	-
- Foreign exchange movement on German properties	21,542	(26,969)	-	-
- Foreign exchange movement on United States properties	(85,311)	(19,715)	-	-
Transfer to Investment properties held for sale	(222,500)	-	-	-
Investment properties directly associated with disposal groups held for sale				
- Germany	(502,306)	-	-	-
- United States	(629,145)	-	-	-
Capitalised subsequent expenditure	2,585	2,353	-	-
Disposals during the year	(147,948)	-	-	-
Capitalised lease incentives	(1,652)	4,742	-	-
Amortisation of lease incentives	-	(300)	-	-
Straight line rental income	1,719	2,136	-	-
Net gain/(loss) from fair value adjustments of continuing operations	(77,052)	111,344	-	-
Net gain/(loss) from fair value adjustments of US properties	(67,593)	-	-	-
Net gain/(loss) from fair value adjustments of German properties	(92,850)	-	-	-
Balance at the end of the year	253,300	2,053,811	-	-

No amounts have been included in the above table in respect of the Parent entity as there are no Investment Properties within the Parent entity.

Valuations of investment properties

The basis of valuation of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Independent valuations were obtained at the end of the financial year unless stated.

**Record Realty and its controlled entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

6. Investment in properties (continued)

(b) Share of interest in investment property

The consolidated entity owns a 26.187% share of an interest in the Sydney Airport Centre (QANTAS Building), 203 Coward Street, Mascot, NSW. The investment was acquired on 17 December 2002 and is shown under the heading share of interest in investment properties, on the balance sheet. The consolidated entity's interest in the property was independently valued at 30 June 2008 at \$44.256 million (30 June 2007: \$48.700 million).

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Share of interest in investment property	44,256	48,700	-	-
Reconciliation of carrying amounts of investment properties at the beginning and end of the current and previous reporting period are set out below:				
Balance at the beginning of the year	48,700	46,351	-	-
Fair value movement on share of interest	(4,314)	2,341	-	-
Straight line rental income	(130)	8	-	-
Balance at the end of the year	44,256	48,700	-	-

Details in relation to the debt facility associated with this asset are contained at Note 11.

(c) Property details

The table on the next page provides further details in respect of the investment properties.

**Record Realty and its consolidated entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

(c) Property details (continued)

Investment Properties held as at 30 June 2008	Type	Ownership	Acquisition Date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Fair Value 30 June 2008 \$'000	Fair Value 30 June 2007 \$'000	Note
US Properties									
130 S. Elmwood Avenue, Buffalo, NY	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	89,558	
1201 Lloyd Boulevard, Portland, OR	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	84,256	
4155 Clay Street, Vicksburg, MS	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	32,995	
320 Avery Street, Parkersburg, WV	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	75,948	
1709 - 1717 Zoy Street, Harlingen, TX	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	33,584	
145 Miral Drive, Martinsburg, WV	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	49,674	2
2001,2041,2081 Iowa Avenue, Riverside, CA	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	32,052	
500 Quarrier Street, Charleston, WV	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	28,871	
3311 E. Carson, Pittsburgh, PA	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	41,244	
4300 River Road, College Park, MD	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	33,349	
320 W. Pike Street, Clarksburg, WV	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	18,383	
11510 W. 80th Street, Lenexa, KS	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	13,257	
22624 Dulles Summit Court, Sterling, VA	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	30,638	
85 Broad Street, Charleston, SC	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	26,985	
457 Pettyville Road, Mineral Wells, WV	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	7,070	
3000 Sidney Street, Pittsburgh, PA	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	14,612	
186 Exchange Street, Buffalo, NY	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	9,781	
7968 Essen Park Avenue, Baton Rouge, LA	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	8,484	
10824 North Central Expressway, Dallas, TX	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	12,727	
2401 S. Wilcox Drive, Kingsport, TN	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	5,421	
7400 Schirra Court, Bakersfield, CA	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	3,535	
1501 Wynkoop, Denver, CO	Commercial	100%	14/04/2007	30/06/2008		PGP Colliers	-	129,624	
Total value of US property portfolio					629,145*		0*	782,048	3, 6
German Properties									
44-54 Dernburgstrasse, Berlin	Commercial	99.64%	17/07/2006	30/06/2007		CBRE	-	125,717	
23 Mollkestrasse, Dusseldorf	Commercial	99.64%	17/07/2006	30/06/2007		CBRE	-	85,803	
103 Walddorferstrasse, Hamburg	Commercial	99.64%	17/07/2006	30/06/2007		CBRE	-	128,585	
2 Philipp-Reis-Strasse, Karlsruhe	Commercial	99.64%	17/07/2006	30/06/2007		CBRE	-	78,553	
Weinbergstrasse 70, Cologne	Commercial	99.64%	17/07/2006	30/06/2007		CBRE	-	106,039	
395-397 Postplatz, Landshut	Commercial	99.64%	17/07/2006	30/06/2007		CBRE	-	19,917	
56 Hohenzollernring, Munster	Commercial	99.64%	17/07/2006	30/06/2007		CBRE	-	28,999	
Total value of German property portfolio					502,306*		-	573,613	4, 6

*The German and US Property Portfolios are classified as discontinued at the year end. The value attributable to the German portfolio at the year end is the expected sale price of the portfolio based on offers received in the tender process. US properties are carried at independent valuations as at 30 June 2008. (See Note 4 for details of assets and liabilities directly associated with discontinued operations)

**Record Realty and its consolidated entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

(c) Property details (continued)

Investment Properties held as at 30 June 2008 (continued)	Type	Ownership	Acquisition Date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Fair Value 30 June 2008 \$'000	Fair Value 30 June 2007 \$'000	Note
Australian Properties									
Workover Head Office, Donnison Street, Gosford NSW	Commercial	100%	17/12/2002	30/06/2008	46,500	Colliers	46,500	50,000	1
Australian Taxation Office, Logan Road, Upper Mt Gravatt QLD	Commercial	100%	17/12/2002	30/06/2008	47,000	Colliers	47,000	55,550	
Origin House, King William Street, Adelaide SA	Commercial	100%	4/06/2004	30/06/2008	46,000	Colliers	46,000	45,150	
Vero Insurance Limited, Victoria Avenue, Chatswood NSW	Commercial	100%	31/12/2004	30/06/2008	-	Colliers	-	96,950	
Fauldings, Kirby St, Rydalmere, NSW	Commercial	100%	28/02/2006	30/06/2008	-	Colliers	-	51,000	
Health Insurance Commission, Reed Street, Tuggeranong ACT	Commercial	100%	15/05/2005	30/06/2008	52,000	Colliers	52,000	56,500	1
AAMI Building, St Klida Rd, Melbourne, VIC	Commercial	100%	31/01/2006	30/06/2008	40,000	Colliers	40,000	40,000	
QUT, Margaret St, Brisbane, QLD	Commercial	100%	31/03/2006	-	-	Colliers	-	29,500	5
Infomedia Building, Warringah Road, NSW	Commercial	100%	30/06/2006	30/06/2008	21,800	Colliers	21,800	23,500	
ASX, 20 Bridge St, Sydney NSW	Commercial	100%	31/08/2006	-	-	Colliers	-	250,000	5
					<u>253,300</u>		<u>253,300</u>	<u>698,150</u>	
Total properties					<u>253,300</u>		<u>253,300</u>	<u>2,053,811</u>	
Share of interest in investment property									
Qantas Centre, Coward St, Mascot, NSW	Commercial	26.187%	17/12/2002	30/06/2008	44,256	Colliers	44,256	48,700	1
					<u>44,256</u>		<u>44,256</u>	<u>48,700</u>	
Investment properties held for sale									
Australian Properties									
QUT, Margaret St, Brisbane, QLD	Commercial	100%	31/03/2006	30/06/2008	27,000	Colliers	27,000	-	
ASX, 20 Bridge St, Sydney NSW	Commercial	100%	31/08/2006	30/06/2008	195,500	Colliers	195,500	-	
					<u>222,500</u>		<u>222,500</u>	<u>-</u>	

Notes to the consolidated financial statements (continued)

6. Investment in properties (continued)

(c) Property details (continued)

Notes to property details:

1. Title is leasehold and has been acquired for a 99 year term.
2. Currently there exists a call option on this property under which the tenant is entitled to purchase the property at a price of \$25.78 million (US \$24.80 million). This option is exercisable at any time up to the renewal date of the lease (May 2015). In the prior year, based on independent advice received and managements opinion that the likelihood of the tenant exercising their option as extremely limited, the property was valued with a 20% discount based on the difference between unencumbered fair value (\$54.2 million; US \$46 million) and the option price (\$29.2 million; US \$24.80 million). For the year ended 30 June 2008, given the stated intention to dispose of the assets in the trust management were of the view that the appropriate carrying value for this property is the value at which the option could be exercised (\$25.76m; US\$24.8m).
3. US valuations were completed using an exchange rate of A\$ / USD 0.9618
4. German valuations were completed using an exchange rate of A\$ / Euro 0.6072
5. At 30 June 2008 these properties were classified as Investment properties held for sale
6. At 30 June 2008 these properties were classified as Assets directly associated with a disposal group classified as held for sale

In addition to the properties listed above, the consolidated entity has investments in No 1 Spring Street, Melbourne and Athllon Drive. These are classified as non current assets held for sale accounted for using the equity method. Details of these properties are set out in Note 7.

The basis of valuation of investment properties is disclosed in Note 1(j). The investment properties are leased to tenants under long-term operating leases with rentals payable monthly in advance. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Lease payments receivable				
Within one year	46,956	139,847	-	-
Later than one year but not later than five years	152,564	564,058	-	-
Later than five years	178,904	638,279	-	-
	<u>378,424</u>	<u>1,342,184</u>	<u>-</u>	<u>-</u>

In 2008 no amounts are included in respect of US or German properties as these are classified as part of a disposal group.

Notes to the consolidated financial statements (continued)

6. Investment in properties (continued)

(d) Property held for sale

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Property held for sale	<u>222,500</u>	<u>-</u>	<u>-</u>	<u>-</u>

Reconciliation

Reconciliation of carrying amounts of investment properties at the beginning and end of the current and previous reporting period are set out below:

Balance at the beginning of the year	-	158,000	-	-
Disposals during the year	-	(158,000)	-	-
Transfer from investment properties	222,500	-	-	-
Balance at the end of the year	<u>222,500</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. Investments in associates

(a) Investments in associates

The consolidated entity accounts for investments in associates using the equity method. The carrying amount of the investments in associates is as follows:

Name of company	Principal activity	Ownership Interest		Country of incorporation	Reporting date	Carrying Amount Consolidated	
		2008 %	2007 %			2008 \$'000	2007 \$'000
No, 1 Spring Street Trust	Investment property	50%	50%	Australia	30-Jun	-	90,000
Athlon Drive Landholding Trust	Investment property	50%	50%	Australia	30-Jun	-	109,000
						<u>-</u>	<u>199,000</u>

At 30 June 2008 the carrying amount of No1 Spring Street Trust is \$82.000 million and the carrying amount of Athlon Drive Landholding Trust is \$93.750 million. These investments are classified as Non current assets held for sale

Share of associates' expenditure commitments and contingent liabilities are set out in Notes 18 and 19, if any.

(b) Movements in carrying amount

	Consolidated	
	2008 \$'000	2007 \$'000
Carrying amount at the beginning of the financial year	199,000	87,500
Acquisition during the year	-	107,469
Share of profits/(loss) including revaluation gain	(12,027)	9,079
Less: distribution received/receivable	(11,223)	(5,048)
Transferred to Non-current assets held for sale	(175,750)	-
Carrying amount at the end of the financial year	<u>-</u>	<u>199,000</u>

Notes to the consolidated financial statements (continued)

7. Investments in associates (continued)

(c) Equity accounted Investments held for sale

	Consolidated	
	2008	2007
Carrying amount at the beginning of the financial year	-	-
Transferred from equity accounted investments	175,750	-
Carrying amount at the end of the financial year	<u>175,750</u>	<u>-</u>

(d) Summarised financial information of associates

	Consolidated	
	2008	2007
	\$'000	\$'000
Share of associates' profit/(loss) before income tax	<u>(12,027)</u>	<u>9,079</u>
Share of net profit/(loss), as disclosed by associates	<u>(12,027)</u>	<u>9,079</u>
Share of associates' net profit accounted for using the equity method	<u>(12,027)</u>	<u>9,079</u>

8. Deferred tax assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets				
<u>Balance comprises temporary differences attributable to:</u>				
Acquisition Costs	-	1,785	-	-
Deferred financing costs	-	2,549	-	-
Tax losses	-	3,697	-	-
Total deferred tax assets	<u>-</u>	<u>8,031</u>	<u>-</u>	<u>-</u>

Deferred tax assets - movement

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At 1 July	8,031			
Reclassified to assets directly associated with disposal groups held for sale	(8,031)	-	-	-
Charged directly to equity	-	8,031	-	-
At 30 June	<u>-</u>	<u>8,031</u>	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements (continued)

9. Trade and other payables, provisions and other current liabilities

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Payables				
Trade creditors	14,134	20,949	8,744	3,495
Accruals	4,249	4,176	3,056	1,864
Related parties payables	357	2,979	-	-
Payables to subsidiaries	-	-	-	7,483
Goods and services tax payable	1,396	1,425	-	-
	<u>20,136</u>	<u>29,529</u>	<u>11,800</u>	<u>12,842</u>
Other current liabilities				
Deferred income and rent in advance	1,156	3,121	-	-
	<u>1,156</u>	<u>3,121</u>	<u>-</u>	<u>-</u>

10. Provisions

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Capital expenditure	1,597	5,977	-	-
Legal claim	-	558	-	558
	<u>1,597</u>	<u>6,535</u>	<u>-</u>	<u>558</u>

(a) Capital expenditure

Provision is made for capital expenditure to be incurred for the Australian Tax Office building, Logan Road, Upper Mt Gravatt in Queensland and the QUT building on Margaret Street in Brisbane.

Notes to the consolidated financial statements (continued)

10. Provisions (continued)

(b) Movements in provision

Movements in each class of provision during the financial year are set out below:

	Capital Expenditure \$'000	Legal Claim \$'000	Total \$'000
Consolidated - 2008			
Current			
Carrying amount at start of year	5,977	558	6,535
Charged/(credited) to the income statement			
- unused amounts reversed	(220)	-	(220)
Amounts used during the period	<u>(4,160)</u>	<u>(558)</u>	<u>(4,717)</u>
Carrying amount at end of the year	<u>1,597</u>	<u>-</u>	<u>1,597</u>
Consolidated - 2007			
Current			
Carrying amount at start of year	3,431	-	3,431
Charged/(credited) to the income statement			
- additional provisions recognised	2,931	558	3,489
- unused amounts reversed	(66)	-	(66)
Amounts used during the period	<u>(319)</u>	<u>-</u>	<u>(319)</u>
Carrying amount at end of the year	<u>5,977</u>	<u>558</u>	<u>6,535</u>
Parent - 2008			
Current			
Carrying amount at start of year	-	558	558
Charged/(credited) to the income statement			
- additional provisions recognised	-	-	-
- unused amounts reversed	-	-	-
Amounts used during the period	<u>-</u>	<u>(558)</u>	<u>(558)</u>
Carrying amount at end of the year	<u>-</u>	<u>-</u>	<u>-</u>
Parent - 2007			
Current			
Carrying amount at start of year	-	-	-
Charged/(credited) to the income statement			
- additional provisions recognised	-	558	558
- unused amounts reversed	-	-	-
Amounts used during the period	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at end of the year	<u>-</u>	<u>558</u>	<u>558</u>

Notes to the consolidated financial statements (continued)

11. Interest-bearing loans and borrowings

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Interest-bearing loans and borrowings in respect of continuing operations				
Current				
SAC Facility	1,457	1,216	-	-
Bank Of Scotland International (BOSI) facility	(a) 151,574	-	151,574	-
German Facility	(d) -	3,751	-	-
US Facility	(e) -	-	-	-
Cash flow return units	(c) 436,068	74,538	-	-
	<u>589,099</u>	<u>79,505</u>	<u>151,574</u>	<u>-</u>
Non-current				
SAC Facility	29,906	31,363	-	-
German Facility	(d) -	462,253	-	-
Bank Of Scotland International (BOSI) facility	(a) -	137,945	-	137,945
Notes issue	(b) 5,716	5,626	5,716	5,626
US Facility	(e) -	609,914	-	-
Cash flow return units	(c) 106,348	620,291	-	-
	<u>141,970</u>	<u>1,867,392</u>	<u>5,716</u>	<u>143,571</u>
Interest-bearing loans and borrowings in respect of discontinued operations				
Current				
German Facility	(d) 482,202	-	-	-
US Facility	(e) 537,069	-	-	-
	<u>1,019,271</u>	<u>-</u>	<u>-</u>	<u>-</u>

(a) BOSI facility

BOSI has made available to RFML (in its capacity as Responsible Entity for the Scheme) a \$165.00 million (30 June 2007: \$165.00 million) revolving facility under a letter of offer and related acceptance. The BOSI facility was drawn to \$151.57 million net of deferred financing costs as at 30 June 2008 (30 June 2007: \$137.95 million). Interest accrues on the drawn amount at an interest rate equal to the relevant 1, 2 or 3 month BBSW rate plus a margin. The relevant margin is determined based on the following:

a. Balances between nil and \$50 million	2.25%
b. Balances between \$50 and \$75 million	2.50%
c. Balances between \$75 and \$110 million	2.75%
d. Balances between \$110 and \$150 million	3.00%
e. Balances above \$150 million	3.75%

The maturity date on the BOSI facility is 19 July 2009. At 30 June 2008 there existed a breach of certain testing covenants associated with this facility. Subsequent to 30 June 2008, but prior to the signing of these financial statements, a standstill agreement was reached in respect of the testing covenants (see Note 25 and Directors' report for further details).

Notes to the consolidated financial statements (continued)

11. Interest-bearing loans and borrowings (continued)

As a consequence of the breach of testing covenants at 30 June 2008, and irrespective of the subsequent standstill agreement reached with BOSI in respect of these financial covenants, the entire facility is classified as current for the purposes of this financial report as at the balance date the breach meant that BOSI could have called for immediate repayment.

(b) Notes issue

On 1 September 2006, RFML raised subordinated notes of \$5.1 million. The cost of the raising was \$0.5 million, of which \$0.3 million related to a fee to AFML, a related party of RFML. The offer forms part of a funding programme established by RFML pursuant to which up to \$175 million will be sought to be raised for the purpose of expanding the Scheme's business. The key terms of the offer are as follows:

Issue price per note	\$100
Number of notes issued under the offer	50,570
Interest rate – interest paying notes	11.0%
Interest rate – interest capitalising notes	11.5%
Initial term	4 years
Maximum term	5 years

At 30 June 2008 there existed a breach of certain testing covenants associated with these notes (see Note 25 and Directors' report for further details).

(c) Cash flow return units (CR Units)

Cash flow return units are issued by the consolidated entity to fund the acquisition of properties. The cash flow return units attributable to each investment property are secured on that property. The security is non-recourse, that is, it does not extend to the other assets including the other investment properties of Record Realty or the consolidated entity. Under the terms of the units, the holders of the cash flow return units are entitled to all income from the property after the payment of property management expenses.

The original term of the cash flow return units is normally up to the first lease renewal date for the property. The cash flow return units become fully redeemable in certain circumstances. These include:

- the underlying asset being sold;
- refinancing of the cash flow return units;
- cash flows not being received under the cash flow return units as and when required by the constitution for the relevant property Ownership Trust; or
- the underlying loan requiring payment.

The amount payable upon redemption of the cash flow return units is fixed in advance under the terms of the constitution for the relevant property Ownership Trust. Record Realty provides an indemnity to the owner of the CR units for any loss or liability arising from an increase in the company tax rate. The cash flow return companies ("CRC's") established sinking funds into which periodic deposits are made (in amounts estimated to be sufficient to meet the relevant anticipated income tax liabilities of the CRC's).

The balance of the interest bearing liabilities as at 30 June 2008 of \$542.416 million (2007 \$694.829 million) (net of deferred finance cost) comprises the CRU's issued by the Ownership Trusts to the Scheme net of deferred financing costs.

**Record Realty and its consolidated entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

11. Interest-bearing loans and borrowings (continued)

At 30 June 2008 the consolidated entity was deemed to be in breach of financial covenants in respect of a number of its debt facilities. Subsequent to 30 June 2008, but prior to the signing of these financial statements, a standstill agreement was reached with BOSI in respect of the testing of covenants. Discussions were also underway with MAX Realty Pty Ltd and CBA on their respective facilities (see Note 25 and Directors' report for further details).

As a consequence of the breach of testing covenants at 30 June 2008, and irrespective of the subsequent standstill agreement reached with various Financier in respect of these financial covenants, the entire amount owing under each facility for which, there was a of the breach of testing covenants at 30 June 2008, have been classified as current for the purposes of this financial report.

Facility	Maximum LTV* permitted	Actual LTV*	Financier	LTV* Compliant Yes / No	
ASSET LEVEL					
Workcover, Donnison St, Gosford, NSW	78%	81.7%	Max realty	No	See 1 below
Infomedia Building, Warringah Road, NSW	80%	83.3%	BOSI	No	See 2 below
Centrelink, Athllon Drive, ACT	80%	91.3%	BOSI	No	See 2 below
ASX, Bridge Street, NSW					
Senior	50%	51.4%	Max realty	No	See 1 below
Junior	77%	97.4%	BOSI	No	See 2 below
Origin House, King William, SA	60%	63.7%	CBA	No	See 3 below

* Loan To Value ratio ('LTV')

1. Max Realty Pty Limited as Financier (funded via Allco MAX) – Bridge Street and Gosford Properties

The relevant borrowers have commenced discussions with the Financier with respect to the Bridge Street (as Senior Financier) and Gosford properties with respect to potential breach caused by a reduction in valuation. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

2. BOSI as Financier – Centrelink, Bridge Street and Warringah Road Properties

Under the Standstill Agreement BOSI have waived any default arising from the decreased valuations for each of the Centrelink, Bridge Street (as Junior Financier) and Warringah Road properties. This waiver has been granted for the Standstill Period at which date BOSI will have the discretion to extend the waiver until 19 July 2009 (which is the maturity date of the BOSI corporate facility). Further details in respect of the terms of the waiver are contained in the Directors Report and Note 25..

3. CBA as Financier – King William Street Property

The relevant borrower has commenced discussions with the Financier with respect to the King William St property. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

(d) German Facility

On 26 October 2006 the Scheme entered into a €297.5 million (\$497.982 million) five year and three month loan facility with Credit Suisse First Boston with a fixed interest rate of 5.215%. The Australian dollar value of the total EURO debt was \$482.20 million net of deferred financing costs at 30 June 2008 (2007: \$466.00 million).

Notes to the consolidated financial statements (continued)

11. Interest-bearing loans and borrowings (continued)

There are no LTV covenants in respect of this facility. The facility was compliant with its or Interest Cover Ratio ('ICR').

(e) US Facilities

On 14 February 2007 the Scheme entered into a US \$284 million five year loan at 6.23%, and a US \$72 million three year loan at 9.21%. In addition to these 2 facilities the Scheme took on US \$168 million of debt in the US structure at various maturities at an average of 6.16%. The Australian dollar value of the total US debt was \$537.069 million net of deferred financing costs at 30 June 2008 (2007:\$609.914 million).

There are no LTV covenants or ICR covenants in respect of the US facility .

12. Deferred tax liabilities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities				
<u>Balance comprises temporary differences attributable to:</u>				
Investment property	-	35,660	-	-
Total deferred tax liabilities	<u>-</u>	<u>35,660</u>	<u>-</u>	<u>-</u>

Deferred tax liabilities - movement

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At 1 July	35,660	-	-	-
Charged/(credited) to the income statement	-	35,660	-	-
Reclassified to liabilities directly associated with disposal groups held for sale	(35,660)	-	-	-
Charged directly to equity	-	-	-	-
At 30 June	<u>-</u>	<u>35,660</u>	<u>-</u>	<u>-</u>
At 1 July 2007				
Charged/(credited) to the income statement	-	-	-	-
Charged directly to equity	-	-	-	-
At 30 June 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. Financial risk management

The Scheme undertakes transactions in a range of financial instruments including:

- cash and cash equivalents;
- receivables;
- payables;
- working capital debt;
- real estate debt;
- subordinated debt; and
- derivatives.

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

These activities expose the Scheme to a variety of financial risks including market risk (in turn including currency risk, and interest rate risk) and liquidity risk. Risk management is carried out by the Responsible Entity under policies approved by its Board of Directors. Derivative financial instruments that the Scheme is able to use to hedge risks such as interest rate and foreign currency movements include:

- foreign currency forward contracts
- foreign currency option agreements
- interest rate swaps

RFML's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unit holders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Scheme may adjust the amount of distributions to unit holders, return capital to unit holders, issue new or buy back existing units or sell assets to reduce debt. No distribution will be paid to unit holders in respect of the current financial year. It is not anticipated that a distribution will be paid to unit holders in the next financial year. This is because all available net cash flows from the properties will be used to meet obligations under the financing structures.

RFML also monitors the gearing ratio which is calculated as net debt divided by adjusted gross assets. Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted gross assets is calculated as total assets less cash and cash equivalents. The gearing ratio for the Scheme at 30 June 2008 was 91.31% due to an average debt of 88.22% at the property level and a further \$151.57 million drawn on the BOSI corporate facility and secured notes of \$5.716 million in the Scheme's parent entity.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Scheme's functional currency. The Scheme's foreign currency risk arises primarily from:

- investments in properties in foreign countries; and
- forecast transactions for receipts in foreign currencies and payments in Australian dollars.

The Scheme operates internationally and is exposed to foreign exchange risk from fluctuations in both the United States dollar and the Euro against the Australian dollar. This is predominantly hedged via local currency funding. The residual net exposure has been hedged by using foreign currency forward agreements.

(i) Germany

In Germany, the Scheme has forward foreign exchange contracts in place totalling €46.2 million at a weighted average exchange rate of A\$1.00 = €0.5574. Given the reduction in the German equity compared to 30 June 2007, the Scheme's equity in the German portfolio is greater than 100% hedged. At 30 June 2008 the value of this foreign exchange contract was \$1.715 million, with a weighted average length to maturity of 2.3 years. These are economic hedges.

(ii) United States

In the United States, the Scheme has hedged close to 50% of the United States based equity capital, at a weighted average rate of approximately A\$1.00 = US\$ 0.8380. At 30 June 2008 the value of this foreign exchange contract was \$1.623million, with a weighted average length to maturity of 2.8 years. These are economic hedges.

The net effect of these equity capital hedging arrangements will be that the invested equity capital which has historically been exposed to movements in the foreign exchange rate will no longer be exposed to the full extent of these movements. There are no hedges used in respect of German or US income.

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

(a) Foreign exchange risk (continued)

Sensitivity analysis

The following table shows the effect on net profit after tax at 30 June 2008 and 2007 from a 10% adverse and a 10% favourable movement in exchange rates at that date on a total portfolio basis, with all other variables held constant and taking into account all underlying exposures and related hedges.

A sensitivity of 10% has been considered reasonable by the Scheme's exchange rates volatility observed on an historical basis. The impact on the profit and loss and reserves is set out below.

Parent	Australia 2008 \$'000	Europe 2008 \$'000	United States 2008 \$'000	Australia 2007 \$'000	Europe 2007 \$'000	United States 2007 \$'000
Impact on net profit of movement in AUD against USD and Euro:						
10% increase in value of AUD	-	162	171	-	102	-
10% decrease in value of AUD	-	(162)	(171)	-	(102)	-
Impact on Equity of movement in AUD against USD & Euro:						
10% increase in value of AUD	-	(2,925)	5,174	-	4,599	17,044
10% decrease in value of AUD	-	2,925	(5,174)	-	(4,599)	(17,044)
Consolidated	Australia 2008 \$'000	Europe 2008 \$'000	United States 2008 \$'000	Australia 2007 \$'000	Europe 2007 \$'000	United States 2007 \$'000
Impact on net profit of movement in AUD against USD and Euro:						
10% increase in value of AUD	-	162	171	-	102	-
10% decrease in value of AUD	-	(162)	(171)	-	(102)	-
Impact on Equity of movement in AUD against USD & Euro:						
10% increase in value of AUD	-	-	-	-	-	-
10% decrease in value of AUD	-	-	-	-	-	-

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

(b) Cash flow interest rate risk

Cash flow interest rate risk refers to the impact on the net profit or loss of changes in interest rates during the forward-looking period due to changes in market interest rates. The Scheme's borrowings which have a variable rate attached give rise to cash flow interest rate risk.

Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of RFML as Responsible Entity.

The debt is sourced from a number of financial markets covering domestic and offshore, short term and long term funding. The majority of the Scheme's debt consists of fixed rate borrowings.

Sensitivity analysis

The table below shows the effect on net profit after tax at 30 June 2008 and 2007 if the interest rates have increased or decreased by 100 basis points with all other variables held constant, taking into account all underlying exposures and related hedges.

The majority of the Scheme's debt financing is at fixed rates; however, the Scheme has exposure to floating rates in its corporate facility with the Bank of Scotland International ("BOSI"). Of the \$151.574 million of BOSI debt at 30 June 2008 (June 07: \$137.9 million), \$74.574 million was floating (June 07: \$60.90 million). There were interest rate swaps in place for a total of \$77 million at an interest rate of 6.46% (2007 \$77 million) In addition approximately \$9 million of the Australian asset level debt is floating rate (2007 \$9.6 million).

	2008	2007
	\$'000	\$'000
Parent and consolidation		
Impact on P&L :		
100bp increase	966	1,541
100bp decrease	(966)	(1,541)

There is a nil effect on equity, other than through retained earnings, for both 2008 and 2007 in effecting this sensitivity.

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

(b) Cash flow interest rate risk (continued)

Interest rate risk exposures

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

	Note	Weighted average interest rate %	Fixed interest rate \$'000	Floating interest rate	Non interest bearing \$'000	Total \$'000
Consolidated 2008						
Assets						
Cash and cash equivalents	5		38,515	-	-	38,515
Other receivables	5		62,712	-	-	62,712
			<u>101,227</u>			<u>101,227</u>
Liabilities						
Trade and other payables	9		-	-	20,136	20,136
Interest bearing liabilities	11	5.2%	1,528,081	80,290	-	1,608,370
			<u>1,528,081</u>		<u>20,136</u>	<u>1,628,506</u>
Consolidated 2007						
Assets						
Cash and cash equivalents	5		29,027	-	-	29,027
Other receivables	5		23,995	-	-	23,995
			<u>53,022</u>			<u>53,022</u>
Liabilities						
Trade and other payables	9		-	-	29,529	29,529
Interest bearing liabilities	11	7.6%	1,880,326	66,571	-	1,946,897
			<u>1,880,326</u>	<u>66,571</u>	<u>29,529</u>	<u>1,976,426</u>
Parent 2008						
Assets						
Cash and cash equivalents	5		11,136	-	-	11,136
Other receivables	5		30,336	-	-	30,336
			<u>41,473</u>			<u>41,473</u>
Liabilities						
Trade and other payables	9		11,800	-	-	11,800
Interest bearing liabilities	11	11.6%	77,000	80,290	-	157,290
			<u>88,800</u>			<u>169,090</u>
Parent 2007						
Assets						
Cash and cash equivalents	5		1,570	-	-	1,570
Other receivables	5		21,330	-	-	21,330
			<u>22,900</u>			<u>22,900</u>
Liabilities						
Trade and other payables	9		12,842	-	29,529	42,371
Interest bearing liabilities	11	14.0%	77,000	66,571	-	143,571
			<u>89,842</u>	<u>66,571</u>	<u>29,529</u>	<u>185,942</u>

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk includes the risk that, as a result of the Scheme's operational liquidity requirements, the Scheme:

- will not have sufficient funds to settle a transaction on a due date; or
- will be forced to sell an asset at a value which is less than its current carrying value.

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Scheme's objective is to have access to readily accessible liquidity to meet its obligations when they fall due.

The Scheme's ability to meet its short to medium term liquidity requirements is subject to its ability to dispose of assets in the timeframe set out by the RFML board of directors. The Scheme currently has drawn \$151.574 million of a \$165 million corporate facility which expires on 19 July 2009. To repay this it is planned that a strategic sell-off of selected assets will take place. This coincides with the managed sell-down of the Scheme as previously announced to shareholders.

Any decision by the Scheme's financiers and investors to provide the Scheme with financing will depend upon a number of factors, such as the Scheme's compliance with the terms of its existing credit arrangements, the Scheme or its relevant assets financial performance, industry or market trends, the general availability of and rates applicable to financing transactions.

Any borrowing the Scheme enters into is subject to continuing covenants and it will likely be required to make continuing representations and warranties (such as ICR and LTV testing), to the respective Financier, in relation to the Scheme or the relevant assets as the case may be in connection with such debt.

If the Scheme defaults in the payment of interest or principal on the corporate or asset level debt, breaches any representation or warranty in connection with these borrowings or violates any covenant in any of the loan documents, the Financier may accelerate the maturity of the debt. If the Scheme is unable to make such payment, its Financier could foreclose on the relevant Scheme assets that are pledged as collateral to such a Financier subject to the relevant correction timeframe. Ultimately the liquidity of the Scheme may be affected as enforcement of security under certain asset level financing could lead to a review event under the corporate facility which may ultimately lead to acceleration of the repayment of corporate level debt.

**Record Realty and its consolidated entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

(c) Liquidity risk (continued)

The following table summarises debt facilities that were not compliant as at 30 June 2008. Further information in respect of compliance with all debt facilities is contained at Note 25 and in the Directors' Report.

Facility	Maximum LTV permitted	Actual LTV	Financier	LTV Compliant Yes / No	
CORPORATE FACILITY					
Record Realty Corporate ('BOSI Debt')	45% NTA *	106% NTA	BOSI	No	See 1 below
Record Realty Subordinated Notes	Total gearing < 85% **	116%	n/a	No	See 2 below
ASSET LEVEL FACILITIES					
Workcover, Donnison St, Gosford, NSW	78%	81.7%	Max Realty	No	See 3 below
Infomedia Building, Warringah Road, NSW	80%	83.3%	BOSI	No	See 4 below
Centrelink, Athlon Drive, ACT	80%	91.3%	BOSI	No	See 4 below
ASX, Bridge Street, NSW					
Senior	50%	51.4%	Max Realty	No	See 3 below
Junior	77%	97.4%	BOSI	No	See 4 below
Origin House, King William, SA	60%	63.7%	CBA	No	See 5 below

* calculated as total BOSI debt divided by net tangible assets of the fund (net tangible assets is reduced by BOSI debt)

** calculated as Total notes divided by Issue assets (i.e. total assets excluding subsidiaries)

1. BOS International – Corporate Facility

On 28 August 2008 a standstill agreement was signed in respect of the debt facility with BOSI (the "Standstill Agreement"). The terms of the Standstill Agreement provide for a suspension of testing certain financial testing covenants in respect of the BOSI corporate facility, including a suspension of the covenant that requires that the loan does not exceed 45% of net tangible assets of the Scheme. The suspension has been granted until 31 December 2008 (the "Standstill Period") at which date BOSI will have the discretion to extend the waiver until 19 July 2009 (which is the maturity date of the facility).

Under the Standstill Agreement BOSI are entitled to a fee of 5% per annum of the facility limit, as reduced by repayments from asset sales, subject to a minimum amount of \$4.125 million for the period to 31 December 2008.

If BOSI decides to extend the waiver to 19 July 2009 they will continue to be entitled to an annual fee of 5% of the facility limit, as reduced by repayments from asset sales, subject to a cumulative maximum amount of \$8.25 million (including the initial \$4.125 million). The fee is payable out of part of the proceeds of asset sales and no amount has been included in the year end financial statements in respect of this fee. During the Standstill Period the Scheme is unable to pay any distributions to unitholders.

Under the BOS Loan Agreement, it is a "Review Event" if there is a change of the person holding the office of fund manager of the Scheme or a change to the ownership and control of the responsible entity of the Scheme, except to a member of the Allco Finance Group or to another entity with the Financier's prior consent, such consent not to be unreasonably withheld. That Review Event is not triggered by a change in the ownership but not control of Allco Finance Group Limited and its subsidiaries.

If a Review Event does occur and is subsisting, the Financier may require RFML as responsible entity of the Scheme (as borrower) to negotiate with the Financier with a view to agreeing revised terms for continuation of the loan. If the borrower and Financier do not reach agreement within 30 days, RFML as responsible entity of the Scheme must repay the entire loan within a further 60 days.

RFML is currently not aware of any Review Event still subsisting.

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

(c) Liquidity risk (continued)

2. Record Realty Subordinated Notes

A Lock Up Event as at 30 June 2008 has occurred as a result of breach of the gearing covenant and the minimum equity value covenant. The Lock Up Event is not an event of default however it prevents distributions to Scheme unitholders until such time as the breach is rectified. A statement in relation to this breach has been issued to the Note Trustee and the ASX.

3. BOSI as Financier – Centrelink, Bridge Street and Warringah Road Properties

Under the Standstill Agreement BOSI have waived any default arising from the decreased valuations for each of the Centrelink, Bridge Street (as Junior Financier) and Warringah Road properties. This waiver has been granted for the Standstill Period at which date BOSI will have the discretion to extend the waiver until 19 July 2009 (which is the maturity date of the BOSI corporate facility). Further details in respect of the terms of the waiver are contained at item 1.

4. Max Realty Pty Limited as Financier (funded via Allco MAX) – Bridge Street and Gosford Properties

The relevant borrowers have commenced discussions with the Financier with respect to the Bridge Street (as Senior Financier) and Gosford properties with respect to potential breach caused by a reduction in valuation. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

5. CBA as Financier – King William Street Property

The relevant borrower has commenced discussions with the Financier with respect to the King William St property. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

In addition to this management produces a monthly cash flow forecast for the Scheme on a rolling twelve-month basis. This forecast includes potential property sales and refinancing to enable a better understanding of potential impacts on liquidity and how this would affect the covenants. The forecast also includes the pay down of the corporate facility on maturity.

The following table analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2008 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and incorporate interest payments due. Balances due within twelve months are approximate to their carrying balances, as the impact of discounting is not deemed to be significant.

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)
(c) Liquidity risk (continued)

	Continuing Operations					Consolidated				
	2008				Total	2007				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Non interest bearing	20,136	-	-	-	20,136	29,529	-	-	-	29,529
Interest bearing liabilities	570,124	82,556	177,024	63,424	893,128	188,077	227,827	586,761	63,440	1,066,105
Total	590,260	82,556	177,024	63,424	913,264	217,606	227,827	586,761	63,440	1,095,634
	Parent									
	2008				Total	2007				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non interest bearing	11,800	-	-	-	11,800	-	-	-	-	-
Interest bearing liabilities	154,713	436	5,749	-	160,898	14,080	140,381	6,538	-	160,999
Total	166,514	436	5,749	-	172,698	14,080	140,381	6,538	-	160,999
	Discontinued Operations					Consolidated				
	2008				Total	2007				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non interest bearing	28,748	-	-	-	28,748	-	-	-	-	-
Interest bearing liabilities	66,030	152,385	883,845	183,779	1,286,038	88,179	173,544	914,678	208,298	1,384,700
Total	94,778	152,385	883,845	183,779	1,314,786	88,179	173,544	914,678	208,298	1,384,700

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)

(d) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. All buildings are at least 90% occupied by single tenants with all tenants being either a semi-government body or investment grade (AAA) credit rating. Credit evaluations are performed on all tenants prior to signing of contracts and are reviewed annually thereafter. In addition all rental payments are received one month in advance and as a result management believe that the Scheme does not require collateral in respect of financial assets.

The Scheme also carries the risk that a tenant will fail to perform contractual obligations including honouring the term of the lease agreements either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- investing in buildings with long term leases to premium tenants, being government and major corporates; and
- active management of lease renewals to maximise investor return and minimise vacancy risk. This includes early negotiation of lease extensions.

Transactions involving derivative financial instruments are with counterparties with whom the consolidated entity has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

The credit risk on financial assets of the consolidated entity which have been recognised in the Balance Sheet is generally the carrying amount.

The following table summarises the credit risk of the Consolidated Entity's financial assets by assessing the ageing of the carrying amount of financial assets. It also details any financial assets that are individually impaired and a description of collateral held where relevant

Record Realty and its consolidated entities
30 June 2008 full year financial report

Notes to the consolidated financial statements (continued)

13. Financial risk management (continued)
(d) Credit risk (continued)

Consolidated	Total \$'000	Neither past due nor impaired \$'000	Past due but not impaired				Collectively impaired \$'000	Individually impaired \$'000
			< 30 days \$'000	30-90 days \$'000	91-365 days \$'000	> 365 days \$'000		
2008								
Cash and cash equivalents	38,515	38,515	-	-	-	-	-	-
Receivables	62,712	-	6,856	866	2,376	52,614	-	-
Derivative financial instruments	26,525	26,525	-	-	-	-	-	-
Total	127,752	65,041	6,856	866	2,376	52,614	-	-
2007								
Cash and cash equivalents	29,529	29,529	-	-	-	-	-	-
Receivables	23,996	-	5,825	1,745	1,354	15,071	-	-
Derivative financial instruments	1,022	1,022	-	-	-	-	-	-
Total	54,547	30,551	5,825	1,745	1,354	15,071	-	-
Parent								
2008								
Cash and cash equivalents	11,136	11,136	-	-	-	-	-	-
Receivables	21,263	-	-	-	-	21,263	-	-
Derivative financial instruments	26,525	26,525	-	-	-	-	-	-
Total	58,924	37,661	-	-	-	21,263	-	-
2007								
Cash and cash equivalents	1,570	1,570	-	-	-	-	-	-
Receivables	21,330	-	130	21,200	-	-	-	-
Derivative financial instruments	1,022	1,022	-	-	-	-	-	-
Total	23,922	2,591	130	21,200	-	-	-	-

Notes to the consolidated financial statements (continued)

14. Issued capital
(a) Ordinary units

	Consolidated and Parent	
	2008 \$'000	2007 \$'000
Ordinary units	334,351	322,829

Each fully paid unit confers an equal undivided interest in the assets of the Scheme as a whole, subject to liabilities.

At a general meeting, every unitholder has one vote on a show of hands and one vote for each dollar of value of the total interests they have in the Scheme on a poll. Unitholders may appoint a proxy to attend and vote at meetings on their behalf.

(b) Movements in issued capital

2008	Consolidated and Parent		
	Number of units	Issue Price	\$'000
<u>Movement in ordinary units</u>			
Opening balance 1 July 2007	384,641,305		322,829
Dividend reinvestment plan - 9 October 2007	14,621,906	\$ 0.79	11,522
Balance at 30 June 2008	<u>399,263,211</u>		<u>334,351</u>

2007	Consolidated and Parent		
	Number of units	Issue Price	\$'000
<u>Movement in ordinary units</u>			
Opening balance 1 July 2006	189,864,828		166,361
Dividend reinvestment plan - 4 October 2006	22,406,172	\$ 0.93	20,858
Institutional placement - 28 February 2007	32,500,000	\$ 0.90	29,250
Less: issue costs			(806)
Rights issue - 3 April 2007	139,870,305	\$ 0.80	111,896
Less: issue costs	-		(4,730)
Balance at 30 June 2007	<u>384,641,305</u>		<u>322,829</u>

(c) Options

For every three units in issue at the record date for the rights issue in April 2007, one option was issued for nil consideration with an exercise price of \$1. The 81,591,146 options issued on 3 April 2007 expired at 5pm, Sydney time, on 31 March 2008 and at that time all options lapsed.

Notes to the consolidated financial statements (continued)

15. Reserves

(a) Revaluation reserve

Changes in fair value of investments being interests held in controlled trusts which are classified as available-for-sale financial assets, are taken to the revaluation reserve. Amounts are recognised in profit or loss when the associated assets are sold or impaired. Note 21 provides details of investment in controlled entities.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Revaluation reserve				
Opening balance	-	-	144,378	45,523
Revaluation movement during period	-	-	(131,973)	109,373
Currency translation differences on reserve	-	-	-	-
Distributions from controlled entities disposed of in the year	-	-	(12,405)	(10,518)
Total revaluation reserve	-	-	-	144,378

(b) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve. Accumulated differences are recognised as profit or loss when the net investment is disposed of.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Foreign exchange translation reserve				
Opening balance	(13,737)	-	-	-
Currency translation differences arising during the year	(5,371)	(13,737)	-	-
Total foreign exchange translation reserve	(19,108)	(13,737)	-	-
Total reserves	(19,108)	(13,737)	-	144,378

16. Retained earnings

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Opening balance	110,474	58,446	(23,571)	12,122
Net profit for the year attributable to unitholders	(253,482)	72,886	(119,004)	(14,835)
Distribution paid	(42,311)	(20,858)	(42,311)	(20,858)
Closing balance	(185,319)	110,474	(184,886)	(23,571)

Notes to the consolidated financial statements (continued)

17. Distributions

(a) Distributions paid

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Ordinary units				
Distribution paid 9 October 2007 - \$0.11 (2007: \$0.11) per unit	42,311	20,858	42,311	20,858
	<u>42,311</u>	<u>20,858</u>	<u>42,311</u>	<u>20,858</u>

(b) Distributions not recognised at year end

No distribution has been recommended at balance date and up to the date of the signing of the accounts. As noted in Note 13 (c) 1 under the terms of the Standstill negotiated with BOSI the Scheme is unable to pay distributions to unit holders. In addition, as disclosed in Note 13 (c) 2, the Scheme is unable to pay distributions to unitholders due to a breach of a covenant in relation to the Subordinated Notes.

18. Commitments

Commitments for the upgrade of investment properties, contracted for at 30 June 2008 but not yet incurred were \$8.049 million (30 June 2007: \$nil).

19. Contingent assets and liabilities

(a) Tax liabilities

The redemption price of the CR Unit may be adjusted by an amount (which may be negative) equal to the tax liability incurred or which will be incurred by the holder of the CR Unit as a result of the redemption of the CR Unit less any amount held in reserve by the holder of the CR Unit. At 30 June 2008 Allco CRC Pty Ltd, the holder of the CR Units, had substantial tax reserves and as a result management are of the view that the current tax liability is immaterial.

(b) Security

The Ownership Trusts have provided certain indemnities to the CRC's for all amounts necessary for each CRC to repay its obligations to their financiers. As at the balance date these have not been called.

Borrowings by CRC's are subject to a LVR on the underlying assets. Security at the individual CRC level is recourse only to the asset against which it is secured.

Notes to the consolidated financial statements (continued)

20. Related parties transactions

(a) Responsible Entity

The Responsible Entity of the Scheme is Record Funds Management Limited ("RFML"), a wholly owned subsidiary of Allco Funds Management Limited since 31 August 2005. Prior to that date, it was a wholly owned subsidiary of Allco Finance Group Limited ("AFGL", formerly known as Record Investments Limited).

(b) Key management personnel

Key management personnel includes persons who were directors of the Responsible Entity at any time during the reporting period, as follows:

Tim Rich	<i>(appointed 31 August 2005)</i>
Robert West	<i>(appointed 6 December 2005, appointed Chairman 11 April 2008)</i>
Warren Eades	<i>(appointed 6 December 2005)</i>
Chris West	<i>(appointed 31 August 2005, resigned 13 July 2007)</i>
Gary Best	<i>(appointed 12 April 2006, resigned 20 February 2008)</i>
Bob Mansfield	<i>(appointed 13 July 2007, resigned 11 April 2008)</i>

(c) Related parties

(i) Responsible Entity unitholdings

The Responsible Entity, its associates and related entities, and the directors and key management personnel including related parties of the Responsible Entity, held units in the Scheme as stated on the following page:

Record Realty and its consolidated entities
30 June 2008 full year financial report

Notes to the consolidated financial statements (continued)

20. Related parties transactions (continued)

(i) Responsible Entity unitholdings (continued)

Unitholder	No. of units at start of the year	Other movements	No. of units acquired during the year	No. of units disposed of during the year	Balance at the end of the year	Distributions paid/payable by the Scheme (\$)
2008						
Alco Funds Management Limited	119,324	-	16,659	-	135,983	-
Alco Managed Investments Limited	42,767,292	-	5,837,399	-	48,604,691	-
Alco Finance Group Limited [#]	159,478	-	21,994	-	181,472	-
Record Funds Management Limited	-	-	-	-	-	-
Directors of responsible entity:						
Tim Rich	62,858	-	18,499	-	81,357	-
Robert West	-	-	-	-	-	-
Warren Eades	-	-	-	-	-	-
Chris West (Chairman)*	-	-	-	-	-	-
Bob Mansfield*	120,000	-	-	-	120,000	-
Gary Best*	-	-	-	-	-	-
Options	No. of options at start of the year	Other movements	No. of options acquired during the year	No. of options exercised during the year	Balance at the end of the year	
2008						
Alco Funds Management Limited	25,311	(25,311)	-	-	-	-
Alco Finance Group Limited [#]	9,071,850	(9,071,850)	-	-	-	-
Record Funds Management Limited	33,829	(33,829)	-	-	-	-
Bob Mansfield*	40,000	(40,000)	-	-	-	-
Tim Rich	13,334	(13,334)	-	-	-	-
Unitholder	No. of units at start of the year	Other movements	No. of units acquired during the year	No. of units disposed of during the year	Balance at the end of the year	Distributions paid/payable by the Scheme (\$)
2007						
Alco Funds Management Limited	75,933	-	43,391	-	119,324	-
Alco Managed Investments Limited	1,026,900	(1,026,900)	-	-	-	-
Alco Finance Group Limited [#]	23,619,245	1,026,900	18,121,147	-	42,767,292	-
Record Funds Management Limited	101,486	-	57,992	-	159,478	-
Directors of responsible entity:						
Tim Rich	40,000	-	22,858	-	62,858	-
Robert West	-	-	-	-	-	-
Warren Eades	-	-	-	-	-	-
Chris West (Chairman)*	-	-	-	-	-	-
Bob Mansfield*	120,000	-	-	-	120,000	-
Gary Best	-	-	-	-	-	-
Options	No. of options at start of the year	Other movements	No. of options acquired during the year	No. of options exercised during the year	Balance at the end of the year	
2007						
Alco Funds Management Limited	-	-	25,311	-	25,311	-
Alco Finance Group Limited [#]	-	-	9,071,850	-	9,071,850	-
Record Funds Management Limited	-	-	33,829	-	33,829	-
Bob Mansfield*	-	-	40,000	-	40,000	-
Tim Rich	-	-	13,334	-	13,334	-

* Resigned during the year ended 30 June 2008

Formerly known as Record Investments Limited

Notes to the consolidated financial statements (continued)

20. Related parties transactions (continued)

(c) Related parties (continued)

(ii) Key management personnel remuneration

Robert West receives a fee of \$130,000 for his role as Chairman of RFML and being the Chairman his fees are capped at this amount. Warren Eades receives a fee of \$80,000 for being a director of RFML. An additional fee of \$35,000 is paid to Warren in his capacity as Chairman of the audit committee with an additional fee of \$15,000 being paid to Warren for his membership of the Investment Committee (all fees quoted exclude superannuation).

The Scheme does not have any other key management personnel. Tim McEnallay (Fund Manager) is not considered key management personnel as he does not have authority to control the strategic direction of the fund because all strategic decisions are made by the Board of directors of RFML.

Instead, the provision of management services, including that provided by the fund's CEO, is made by the investment manager for which it receives a management fee. The level of the management fee is unrelated to the remuneration of the key management personnel. Details of fees paid to the manager are set out below.

(iii) Management fee and performance fee

In accordance with the provisions of the Scheme's constitution, the Responsible Entity is entitled to payment of a base fee and a performance fee. The base fee is calculated as 0.75% per annum of the Australian Stock Exchange (ASX) market capitalisation of Record Realty, using the volume weighted market price of Record Realty units and payable in cash semi-annually. The calculation of market value excluded the units on issue immediately after the initial listing of Record Realty on the ASX on 20 December 2002 for a period of five years, but includes units issued on the exercise of options. The performance fee is equal to 22% (being 20% plus GST) of any amount by which the return on units in respect of the relevant financial year exceeds a benchmark return of 12%.

(iv) Asset management fee

The controlled entities of Record Realty are required to pay management fees at the rate of up to 0.2% annually to Allico Funds Management Ltd "AFML" and 0.12% annually to Record Funds Management Ltd "RFML". The fees are calculated on the purchase price of the building or revalued amount at refinance. The Germany property management fees are calculated at 0.1% annually to AFML and 0.06% annually to RFML. The management fee on the US properties is at a rate of 0.2% annually and is paid to All Capital Real estate LLC.

Aggregate impacts on the income statement for the year relating to the above transactions with the Scheme are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts recognised as expense				
Base management fee	2,088,640	1,490,754	1,391,638	1,417,417
Asset management fee	1,069,797	1,517,415	1,019,797	783,884
Accounting fee	70,000	70,000	70,000	70,000
Management fees relating to continuing operations	<u>3,228,436</u>	<u>3,078,170</u>	<u>2,481,435</u>	<u>2,271,301</u>
Management fees relating to discontinued operations	<u>1,589,725</u>	<u>557,003</u>	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements (continued)

20. Related parties (continued)

(iv) Asset management fee (continued)

Aggregate amounts of assets and liabilities at balance date relating to the above transactions with the Scheme are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Liabilities				
Base management fee payable	142,833	842,754	142,833	842,754
	<u>142,833</u>	<u>842,754</u>	<u>142,833</u>	<u>842,754</u>

(d) Transactions with other related parties

The loan facility on the King William Street property was refinanced during the year. The Scheme paid a fee of \$250,000 in respect of the refinance. This fee was paid to Allco Funds Management Limited (which is the parent of RFML).

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

(e) Wholly owned group

The wholly owned group consists of Record Realty and its wholly owned controlled entities. Ownership interests in these controlled entities are set out in Note 21.

Transactions between Record Realty and other entities in the wholly owned group during the years ended 30 June 2008 and 2007 consisted of:

	2008	2007
	\$'000	\$'000
Payment of distributions from the Land Holding Trusts to the Ownership Trusts	40,720	42,053
Payment of distributions from the Ownership trusts to Record Realty	12,405	10,519
Payment of interest income and interest expense	648	523
Recoveries and management fees from related entities	50	73

21. Investment in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following entities controlled by the parent entity in accordance with the accounting policy described in Note 1(l).

Available-for-sale financial assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Investments in Ownership Trusts				
Non Current	-	-	84,618	576,685
Non Current assets held for sale - Current	-	-	187,024	-
	<u>-</u>	<u>-</u>	<u>271,641</u>	<u>576,685</u>

Interests held by Record Realty in controlled ownership trusts are classified as available for sale financial assets in the parent entity's accounts and are held at fair value with movements in fair value being recognised in reserves. The investments are eliminated upon consolidation.

**Record Realty and its consolidated entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

21. Investment in controlled entities (continued)

Details of the controlled entities are set out in the following table.

Name of entity	Country of Incorporation	Class of Units	Equity holding (%)	
			2008	2007
SAC Ownership Trust	Australia	Residual return units	100	100
Mt Gravatt Ownership Trust	Australia	Residual return units	100	100
Gosford Ownership Trust	Australia	Residual return units	100	100
King William Street Ownership Trust	Australia	Residual return units	100	100
Spring Street Ownership Trust	Australia	Residual return units	100	100
Victoria Avenue Ownership Trust	Australia	Residual return units	-	100
Reed Street Ownership Trust	Australia	Residual return units	100	100
St Kilda Road Ownership Trust	Australia	Residual return units	100	100
Kirby Street Ownership Trust	Australia	Residual return units	-	100
Margaret Street Ownership Trust	Australia	Residual return units	100	100
Warringah Road Ownership Trust	Australia	Residual return units	100	100
Bridge Street Ownership Trust	Australia	Residual return units	100	100
Athlon Drive Ownership Trust	Australia	Residual return units	100	100
Mt Gravatt Landholding Trust	Australia	Ordinary units	100	100
Gosford Landholding Trust	Australia	Ordinary units	100	100
King William Street Landholding Trust	Australia	Ordinary units	100	100
Victoria Avenue Landholding Trust	Australia	Ordinary units	-	100
Reed Street Landholding Trust	Australia	Ordinary units	100	100
St Kilda Road Landholding Trust	Australia	Ordinary units	100	100
Kirby Street Landholding Trust	Australia	Ordinary units	-	100
Margaret Street Landholding Trust	Australia	Ordinary units	100	100
Warringah Road Landholding Trust	Australia	Ordinary units	100	100
Bridge Street Landholding Trust	Australia	Ordinary units	100	100
Athlon Drive Landholding Trust	Australia	Ordinary units	50	50
Warringah Road Investment Trust A	Australia	Ordinary units	100	100
Warringah Road Investment Trust B	Australia	Ordinary units	100	100
Warringah Road Investment Trust C	Australia	Ordinary units	100	100
Warringah Road Investment Trust D	Australia	Ordinary units	100	100
Warringah Road Investment Trust E	Australia	Ordinary units	100	100
Warringah Road Investment Trust F	Australia	Ordinary units	100	100
Gosford Investment Trust	Australia	Ordinary units	100	100
SAC Investment Trust	Australia	Ordinary units	100	100
Athlon Drive A1 Trust	Australia	Ordinary units	100	100
Athlon Drive A2 Trust	Australia	Ordinary units	100	100
RR (Europe) Pty Limited	Australia	Ordinary shares	100	100
RR Europe Landholding Trust	Australia	Ordinary units	100	100
Record Realty Europe Holdings Ltd	United Kingdom	Ordinary shares	100	100

**Record Realty and its consolidated entities
30 June 2008 full year financial report**

Notes to the consolidated financial statements (continued)

21. Investment in controlled entities (continued)

Name of entity	Country of Incorporation	Class of Units	Equity holding (%)	
			2008	2007
Sandstone GmbH	Germany	Ordinary shares	100	100
Alpha GmbH	Germany	Ordinary shares	100	100
Charly GmbH	Germany	Ordinary shares	100	100
North Road GMBH	Germany	Ordinary shares	94	94
M.S.C Objekt Berlin GmbH	Germany	Ordinary shares	99.64	99.64
M.S.C Objekt Hamburg GmbH	Germany	Ordinary shares	99.64	99.64
M.S.C Objekt Dusseldorf GmbH	Germany	Ordinary shares	99.64	99.64
M.S.C Objekt Munster Zwei GmbH	Germany	Ordinary shares	99.64	99.64
M.S.C Objekt Koln Zwei GmbH	Germany	Ordinary shares	99.64	99.64
M.S.C Objekt Landshut GmbH	Germany	Ordinary shares	99.64	99.64
M.S.C Objekt Karlsruhe GmbH	Germany	Ordinary shares	99.64	99.64
Record Realty Holdings (US) Trust	Australia	Ordinary units	100	100
Record Realty (US) REIT	United States	Ordinary units	100	100
Record Realty (US) LLC	United States	Ordinary shares	100	100
Denver EPA OC LLC	United States	Ordinary shares	100	100
Lenexa FDA OC LLC	United States	Ordinary shares	100	100
Buffalo NT SSA LLC	United States	Ordinary shares	100	100
Acquest Government Leases, LLC	United States	Ordinary shares	100	100
Pittsburgh USCIS OC LLC	United States	Ordinary shares	100	100
Charleston SSA OC LLC	United States	Ordinary shares	100	100
Martinsburg IRS OC LLC	United States	Ordinary shares	100	100
Mineral Wells BPD OC LLC	United States	Ordinary shares	100	100
Parkersburg BPD OC LLC	United States	Ordinary shares	100	100
DEA Bakersfield LLC	United States	Ordinary shares	100	100
VA Venture Baton Rouge LLC	United States	Ordinary shares	100	100
Charleston Federal Courthouse LLC	United States	Ordinary shares	100	100
Clarksburg GSA LLC	United States	Ordinary shares	100	100
Dallas SSA LP	United States	Ordinary shares	100	100
Harlingen USCIS LP	United States	Ordinary shares	100	100
Kingsport SSA LLC	United States	Ordinary shares	100	100
Pittsburgh FBI - GPT Business Trust	United States	Ordinary units	100	100
GPT Portland OR 1201 Lloyd LLC	United States	Ordinary shares	100	100
The Riverdale FDA LLC	United States	Ordinary shares	100	100
GPT Riverside CA LLC	United States	Ordinary shares	100	100
Loudon Building LLC	United States	Ordinary shares	100	100
GPT Vicksburg MS LLC	United States	Ordinary shares	100	100

The proportion of ownership interest is equal to the proportion of voting power held. All of the entities shown above are an integral part of the operation of the business being property investment. The reporting date for these entities is the same as the parent entity.

Notes to the consolidated financial statements (continued)

22. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity, its related practices and non-related audit firms:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit services				
PricewaterhouseCoopers:				
Audit and review of financial reports				
- Australia	527,500	391,500	527,500	424,000
- Germany	75,435	33,217	-	-
- United states	223,164	325,375	-	-
- audit of compliance plan	32,500	32,500	32,500	32,500
Other auditors:				
- audit and review of financial reports	5,000	-	5,000	-
	<u>863,599</u>	<u>782,592</u>	<u>565,000</u>	<u>456,500</u>
Other services				
PricewaterhouseCoopers:				
- taxation services	57,534	54,010	57,534	54,010
- advisory services	-	286,000	-	150,000
	<u>57,534</u>	<u>340,010</u>	<u>57,534</u>	<u>204,010</u>
Total auditor remuneration	<u>921,133</u>	<u>1,122,602</u>	<u>622,534</u>	<u>660,510</u>

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to its statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally accounting advice, tax advice and due diligence reporting on acquisitions or disposals, and where PricewaterhouseCoopers is awarded assignments on a competitive basis.

Notes to the consolidated financial statements (continued)

24. Reconciliation of cashflows from operating activities

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net profit / (loss) for the year from continuing operations	(120,341)	13,844	(119,004)	(14,835)
Amortisation of deferred financing costs	13,711	6,761	-	-
Capitalised interest and borrowing costs	-	-	2,065	289
Lease amortisation	106	-	-	-
Fair value adjustment to investment property	77,052	(29,391)	-	-
Fair value adjustment to investments accounted using the equity method	23,250	-	-	-
Fair value adjustment to derivatives	(4,420)	601	(4,420)	-
Fair value adjustment to share of interest in investment property	4,314	(2,341)	-	-
Fair value of carrying amount of controlled entities	-	-	121,208	-
Reclassification to financing activities	4,733	-	-	-
Non cash settlement of creditors	7,029	-	-	-
Balance sheet items reclassified to discontinued activities	43,691	(22,255)	-	-
Changes in operating assets and liabilities				
- (Increase) decrease in receivables	(17,632)	(13,866)	68	2,131
- (Increase) decrease in other operating assets	-	(2,136)	-	-
- Increase (decrease) in deferred tax assets	8,031	28,466	-	-
- Increase (decrease) in deferred tax liability	(35,660)	-	-	-
- Increase (decrease) in creditors	(9,393)	18,940	18,175	737
- Increase (decrease) in other operating liabilities	(1,965)	17,070	-	1,738
Net cash flow from operating activities	(7,493)	15,694	18,091	(9,940)

25. Events occurring after balance sheet date

At the date of this report it had been decided not to continue with efforts to immediately dispose of the following assets, which as at the balance sheet date were classified as held for sale:

- ASX, 20 Bridge Street, Sydney, NSW
- QUT, Margaret Street, Brisbane, QLD
- Centrelink, Athllon Drive, Canberra, ACT
- US portfolio of 22 properties

It is the intention that these assets will be disposed of as part of the three year asset realisation plan.

As at the date of this report there were parties undertaking due diligence on the following assets:

- No 1 Spring Street, Melbourne, VIC
- German portfolio of seven properties

Negotiations are progressing and it is anticipated that the assets will be sold with proceeds received on disposal being used to pay down the debt associated with these properties with the residual proceeds being used to pay down the corporate facility of the parent.

Debt Facilities

At 30 June 2008, loan to value ("LTV") covenants in respect of certain assets and corporate level debt facilities had deemed to have been breached. Subsequent to the balance date, the Scheme has entered into discussions with the affected Financiers in respect of these gearing covenants.

The table below outlines the Loan To Value ("LTV") status of each of the loans which have breached LTV ratios.

Notes to the consolidated financial statements (continued)

25. Events occurring after balance sheet date (continued)

Facility	Maximum LTV permitted	Actual LTV	Financier	LTV Compliant Yes / No	
CORPORATE FACILITY					
Record Realty Corporate ('BOSI debt')	45% NTA*	116% NTA	BOSI	No	See 1 below
Record Realty Subordinated Notes ('Notes')	Total gearing < 85% **	106%	n/a	No	See 2 below
ASSET LEVEL					
Workcover, Donnison St, Gosford, NSW	78%	81.7%	Max Realty	No	See 4 below
Infomedia Building, Warringah Road, NSW	80%	83.3%	BOSI	No	See 3 below
Centrelink, Athllon Drive, ACT	80%	91.3%	BOSI	No	See 3 below
ASX, Bridge Street, NSW					
Senior	50%	51.4%	Max Realty	No	See 4 below
Junior	77%	97.4%	BOSI	No	See 3 below
Origin House, King William, SA	60%	63.7%	CBA	No	See 5 below

* calculated as total BOSI Debt divided by net tangible assets of the fund (net tangible assets is reduced by BOSI debt)

** calculated as Total Notes divided by Issue Assets (i.e. Total Assets excluding subsidiaries) + acquisition costs

1. BOS International ('BOSI') – Corporate Facility

On 28 August 2008 a standstill agreement was signed in respect of the debt facility with BOSI (the "Standstill Agreement"). The terms of the Standstill Agreement provide for a suspension of testing certain financial testing covenants in respect of the BOSI corporate facility, including a suspension of the covenant that requires that the loan does not exceed 45% of net tangible assets of the Scheme. The suspension has been granted until 31 December 2008 (the "Standstill Period") at which date BOSI will have the discretion to extend the waiver until 19 July 2009 (which is the maturity date of the facility).

Under the Standstill Agreement BOSI are entitled to a fee of 5% per annum of the facility limit, as reduced by repayments from asset sales, subject to a minimum amount of \$4.125 million for the period to 31 December 2008.

If BOSI decides to extend the waiver to 19 July 2009 they will continue to be entitled to an annual fee of 5% of the facility limit, as reduced by repayments from asset sales, subject to a cumulative maximum amount of \$8.25 million (including the initial \$4.125 million). The fee is payable out of part of the proceeds of asset sales and no amount has been included in the year end financial statements in respect of this fee. During the Standstill Period the Scheme is unable to pay any distributions to unitholders.

Notes to the consolidated financial statements (continued)

25. Events occurring after balance sheet date (continued)

Under the BOS Loan Agreement, it is a "Review Event" if there is a change of the person holding the office of fund manager of the Scheme or a change to the ownership and control of the responsible entity of the Scheme, except to a member of the Allco Finance Group or to another entity with the Financier's prior consent, such consent not to be unreasonably withheld. That Review Event is not triggered by a change in the ownership but not control of Allco Finance Group Limited and its subsidiaries.

If a Review Event does occur and is subsisting, the Financier may require RFML as responsible entity of the Scheme (as borrower) to negotiate with the Financier with a view to agreeing revised terms for continuation of the loan. If the borrower and Financier do not reach agreement within 30 days, RFML as responsible entity of the Scheme must repay the entire loan within a further 60 days.

RFML is currently not aware of any Review Event still subsisting.

2. Record Realty Subordinated Notes

A Lock Up Event as at 30 June 2008 has occurred as a result of a breach of the gearing covenant and the minimum equity value covenant. The Lock Up Event is not an event of default however it prevents distributions to Scheme unitholders until such time as the breach is rectified. A statement in relation to this breach has been issued to the Note Trustee and the ASX

3. BOSI as Financier – Centrelink, Bridge Street and Warringah Road Properties

Under the Standstill Agreement BOSI have waived any default arising from the decreased valuations for each of the Centrelink, Bridge Street (as Junior Financier) and Warringah Road properties. This waiver has been granted for the Standstill Period at which date BOSI will have the discretion to extend the waiver until 19 July 2009 (which is the maturity date of the BOSI corporate facility). Further details in respect of the terms of the waiver are contained at item '1.

4. Max Realty Pty Limited as Financier (funded via Allco MAX) – Bridge Street and Gosford Properties

The relevant borrowers have commenced discussions with the Financier with respect to the Bridge Street (as Senior Financier) and Gosford properties with respect to potential breach caused by a reduction in valuation. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

5. CBA as Financier – King William Street Property

The relevant borrower has commenced discussions with the Financier with respect to the King William St property. In the event of enforcement, the senior financier's recourse is limited to the relevant underlying property.

At the date of this report, significant uncertainty exists with respect to:

- The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the consolidated entity successfully disposing of properties. Proceeds from the disposals of specific assets will be used to repay the debt associated with the property disposed of, with any surplus proceeds being used to repay BOSI.
- As described in Note 1(j), the consolidated entity holds its investment properties at fair value. If the consolidated entity is required to sell assets, due to breaches of loan covenants, it may incur a loss on sale due to not being able to achieve the values recognised in the financial statements and due to selling costs (which are not included in the fair values).
- The current volatility in the global real estate markets is causing continued pressure on asset values due not only to the rising cost and lower availability of finance, but also fewer buyers of real estate. The lack of buyers and sustained pressure on asset values may result in any asset sales not meeting the consolidated entity's current pricing expectation creating additional financial pressure on the Consolidated Entity

Notes to the consolidated financial statements (continued)

25. Events occurring after balance sheet date (continued)

Record Realty Trust's relationship with Allco Finance Group Limited

RFML, the responsible entity of the Scheme, is a wholly owned subsidiary of Allco Finance Group Limited ("AFGL"). The Scheme is managed pursuant to a management agreement between RFML as responsible entity and Allco Funds Management Limited ("AFML"). AFML is also a wholly owned subsidiary of AFGL.

Under the Management Agreement, the Scheme receives the benefit of, and is reliant upon, a number of management, administration and other services from AFML. AFML also originates investment proposals for the Scheme, assists with the arrangement of financing for the Scheme and its underlying structures and provides proposals to the Scheme in relation to potential asset sales from time to time.

On 21 August 2008 AFG signed a new senior debt facility with its syndicate bankers. The new facility will be available for draw down once certain conditions precedent of an administrative nature are satisfied. Under the terms of the revised syndicate facility agreement AFG is required to reduce its corporate debt facility to \$400million by 30 June 2009 and is actively disposing of certain assets to meet its obligation. Further AFG must repay or refinance the remaining \$400million by 30 September 2009. The directors of AFG acknowledge that some uncertainty remains over the ability of AFG to meet its funding requirements and to refinance or repay the \$400million of corporate borrowings at 30 September 2009.

The directors continue to monitor this situation and will consider the potential impact of any further announcement made by AFG

Directors' declaration

Except for the matters referred to at Note 1 (b), In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 12 to 64 are in accordance with the *Corporations Act 2001*, including
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the registered Scheme and the consolidated entity's financial position as at 30 June 2008 and of their performance, as represented by the results of its operations, changes in equity and their cash flows, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Dated at Sydney the 29th day of August 2008.

Signed in accordance with a resolution of the directors:



Robert West
Chairman

Independent auditor's report to the Unitholders of Record Realty

Report on the financial report

We have audited the accompanying financial report of Record Realty, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Record Realty (the registered scheme) and the Record Realty Group (the consolidated entity). The consolidated entity comprises the registered scheme 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 Record Funds Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

For personal use only

Independent auditor's report to the Unitholders of Record Realty (continued)

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Record Realty (the registered scheme) for the financial year ended 30 June 2008 included on the Record Realty web site. The directors of the Responsible Entity are responsible for the integrity of the Record Realty web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Record Realty is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Without qualification to the opinion expressed above, we draw attention to the following matters which are outlined in Note 1(b), Note 11 and Note 25 in the financial report.

Significant Uncertainty Regarding Continuation as a Going Concern

Breaches of compliance with debt facility covenants

The consolidated entity was in breach of financial covenants in respect of a number of its debt facilities as at 30 June 2008. The consolidated entity has agreed a waiver with one of the affected lenders with respect to the testing of financial covenants until 31 December 2008 and is in discussions with the remaining lenders at the date of this report. The ability of the consolidated entity to continue as a going concern and meet its debts and commitments is dependent on a number of matters described in Note 25.

Record Realty's relationship with Allco Finance Group Limited

Allco Finance Group Limited (AFGL), the ultimate parent entity of the responsible entity, released its financial results for the year ended 30 June 2008 on 29 August 2008. The Directors of AFGL note in their financial report that some uncertainty remains over the ability of AFGL to meet its ongoing funding requirements.

For personal use only

Independent auditor's report to the Unitholders of Record Realty (continued)

These conditions, along with other matters as set forth in Note 1(b), Note 11 and Note 25 indicate the existence of significant uncertainties which may cast doubt about the consolidated entity's ability to continue as a going concern and whether it will be able to realise its assets and discharge its liabilities in the normal course of operations and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers



E A Barron
Partner

Sydney
29 August 2008

For personal use only

Corporate Governance

The Australian Stock Exchange's ("ASX") Corporate Governance Council has developed a second edition of the "Corporate Governance Principles and Recommendations" to provide companies with a reference point for their corporate governance structures and practices. The ASX Principles and Recommendations define corporate governance as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations.

Record Funds Management Limited ("RFML") was the responsible entity of Record Realty for the financial year to 30 June 2008 and to the date of this annual report. RFML has entered into a management agreement with Allco Funds Management Limited (the "Manager"), a subsidiary of Allco Finance Group Limited ("AFG") under which the Manager is responsible for coordinating much of the day-to-day operations of Record Realty.

RFML and its Board of Directors are fully committed to achieving and demonstrating the highest standards of accountability and transparency in their reporting and see the continued development of a cohesive set of corporate governance policies and practices as fundamental to its successful growth.

Corporate governance influences the way in which RFML sets and achieves its objectives whilst continually monitoring and assessing the risks involved. AFG and its Board of Directors are focussed on developing corporate governance structures for entities within the AFG group that are not only transparent and accountable, but which create value and promote innovation and the exploration of new ideas.

This Corporate Governance statement outlines Record Realty's corporate governance policies and practices, measured against those recommended by the ASX in the recently released second edition.

ASX Corporate Governance Council recommendations

Principle 1: Lay solid foundations for management and oversight

Role of the Board

The RFML Board is responsible for the overall corporate governance of Record Realty. As such the Board has adopted a formal charter that clearly defines the roles, responsibilities and authorities of the Board both individually and collectively, and for the Executives of the company in setting the direction and control of Record Realty.

The Directors are responsible to the unitholders for the performance of Record Realty and seek to balance sometimes competing objectives in the best interests of the company as a whole. Their focus is to represent the interests of unitholders and other key stakeholders and to ensure that Record Realty is managed effectively.

It is a Director's responsibility, in all decisions he or she is called upon to make concerning Record Realty's affairs, to conscientiously weigh the interests of unitholders in light of the circumstances and to consider the effects of such decisions on the interests of all unitholders.

The RFML Board operates in accordance with the principles set out in the Board Charter which details the Board's composition and responsibilities.

As outlined in the Board Charter, the role of the RFML Board is to direct management with a view to optimising Record Realty's performance by:

- Monitoring the strategic and financial plans
- Monitoring annual budgets and business plans
- Monitoring major capital expenditure, capital management and implementation and amendment of investment policy
- Approval of disclosure documents
- Approval of financial reports

- Issue of securities
- Risk management

A copy of the Board Charter will be made available to any holder of Record Realty securities upon request to the company secretary.

Role of Management

The Board has formally delegated specific functions regarding the management of Record Realty to the Manager. These delegations primarily relate to the day-to-day operations of the Scheme, investments within policy and capital management within an approved budget. The Board is advised of all investment decisions taken by the Manager at each subsequent meeting of the Board and approval of the Board is sought for transactions as required by the delegation.

Process for evaluating the performance of senior executives details

AFG's remuneration policies are designed to align the performance of the company's senior executives with the performance of the business. Remuneration payments are closely linked to business performance and to the achievement of individual objectives which are relevant to meeting AFG's and Record Realty's overall objectives.

The performance and remuneration of AFG's senior executives is reviewed annually by the Human Resources and Remuneration Committee, having regard to the performance goals set at the beginning of the year, results of the annual appraisal process, external market conditions, relevant comparative information and independent expert advice on market compensation levels.

For the 2008 financial year, the approach to evaluating and rewarding executive performance has needed to change to respond to the commercial realities of the current operating environment in order to be effective. In particular, the focus has been on ensuring that those executives who have proven essential in executing AFG's strategy to restore shareholder value and rebuild the business for the long term are sufficiently remunerated to ensure their continued retention and motivation.

Principle 2: Structure the board to add value

Composition of the Board

The members of Board as at the date of this report are:

Robert West Independent Non-Executive Chairman (*appointed 6 December 2005*)

Warren Eades Independent Non-Executive Director (*appointed 6 December 2005*)

Tim Rich Executive Director (*appointed 31 August 2005*)

Details of the respective Directors' qualifications, directorships, skills and experience are provided at the end of this Corporate Governance Statement.

Recommendation 2.1 of the ASX Corporate Governance Council requires that a majority of the board should be independent directors. Currently, RFML has two independent directors comprising a majority of the Board. At all times during the course of the year ended 30 June 2008 the Board comprised a majority of independent directors.

The RFML Board Charter details the composition and responsibilities of the Board. It also outlines that the Board of Directors is to be constituted with a majority of individuals who qualify as unrelated or independent Directors and so ensuring that the Board can bring, and be perceived to bring, quality judgements, free of bias, to all issues. An unrelated or independent Director is one who is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act with a view to the best interests of Record Realty and, in particular, is one who:

- is not a member of management;

- is not a substantial shareholder of AFG (or any other AFG business) or an officer of or otherwise associated directly or indirectly with a substantial shareholder of AFG;
- has not within the last three years been employed in an executive capacity by AFG or another group member or been a director after ceasing to hold any such employment;
- is not a principal of a professional adviser to AFG or another group member;
- is not a significant customer of AFG or another group member other than as a director of RFML; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Record Realty.

Recommendation 2.2 of the ASX Corporate Governance Council Principles states that: "The chair should be an independent director". For the period until 13 July 2007, Mr. Chris West held the position of Chairman of RFML. Mr. West was the global head of AFG's funds management division with extensive international experience in finance and funds management. The Board held the view that Mr. Chris West's experience and executive commitment met the requirements for the role of Chairman during his tenure.

Following Mr. Chris West's resignation from the Board, Mr. Bob Mansfield held the position of Chairman until his resignation on 11 April 2008. Mr. Mansfield is an independent director of AFG and was a non-independent director of RFML. He was not an independent director of RFML because of AFG's substantial holding in Record Realty units. Mr. Robert West was appointed Chairman of RFML on 11 April 2008. Mr. Robert West is an independent director of RFML.

The Board believes that the majority of independent directors on the Board during times when the position of Chairman was held by a non-independent director ensured adequate safeguards were in place to protect investor interests.

Following the resignation of Mr. Mansfield as Chairman, RFML is now in compliance with Recommendation 2.2.

Recommendation 2.3 of the ASX Corporate Governance Council Principles states that: "The roles of chair and chief executive officer should not be exercised by the same individual". RFML complies with Recommendation 2.3.

Recommendation 2.4 of the ASX Corporate Governance Council Principles suggests that the Board should establish a Nominations Committee. AFG has established a Nominations Committee which consists of all the AFG's directors. Acting in accordance with its Charter, this Committee assists with nomination of directors to the RFML Board following consultation with the RFML directors to ensure a consensus of views in terms of a candidate's suitability. The Nominations Committee has a charter that clearly sets out its role and responsibilities, composition, structure and membership requirements, and will be made available to any holder of Record Realty securities upon request to the company secretary.

It is RFML's practice to allow its executive directors to accept appointments outside the company with the prior approval of the Board.

Prior to an appointment or being submitted for re-election, each Non-Executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to RFML.

Independent professional advice

Directors and RFML Board committees have the right, in connection with their duties and responsibilities to seek independent professional advice at the company's expense.

Board performance

Recommendation 2.5 of the ASX Corporate Governance Council Principles requires RFML to disclose its process for evaluating the performance of the Board, its committees and individual directors.

The Board undertakes an annual review of the Board, its committees and directors in accordance with the RFML Board Charter. The process involves an internal self evaluation by the directors which is coordinated by the Chairman and includes consideration of feedback provided by the AFG executives who work on the scheme.

Principle 3: Promote ethical decision making

Code of Conduct

AFG has developed a Code of Conduct which applies to RFML and to all Directors and employees. The Code of Conduct requires that, at all times, all AFG personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of both the law and company policies. AFG will communicate openly, honestly and on a timely basis with all of its stakeholders, the financial markets generally and with the broader community.

The Code of Conduct contains the underlying principles and values which set out AFG's ethical objectives. It provides a guide on how responsible decisions should be made, particularly where there are conflicting interests or factors at play.

AFG has a commitment to transparency which is reflected in the ethical aspects of its internal corporate governance. This code of ethics and company values is incorporated into the organisation's management processes. They are part of the planning process of management and board, part of the mission statements, part of performance measurement and internal control systems for both management and the board. These codes and policies are firmly entrenched in all training and development programs at every level in the organisation.

AFG recognises its legal obligations and the reasonable expectations of its stakeholders to promote ethical and responsible decision-making. AFG also ensures that responsibility and accountability for reporting and investigating reports of unethical practices is recognised and understood by the organisation. The Code of Conduct requires all of AFG's directors and employees to report any fraud, error, actual or potential breach of the law or concealed practice and to actively support adherence to the company's policies. AFG also has a Whistleblower policy which encourages the reporting of unethical practices, has established protocols for dealing with any such reports and provides for the protection of whistleblowers against reprisal.

Share Dealing Policy (Staff Dealing Policy)

The Staff Financial Products Dealing Policy provides protection to AFG, its related parties (including Record Realty) and its employees by restricting dealings by employees in Financial Products during certain times, or when employees are in possession of certain types of information. It is also designed to preserve the reputation of AFG, its related parties and its employees in public markets, and is designed to be consistent with best practice in this area. This policy applies to all employees, officers and directors including non-executive directors and external committee members) and to all Financial Products traded in any financial market, both in Australia and overseas.

AFG expects its employees members to act with integrity and honesty at all times. It is crucial that each employee recognises their responsibilities as set out in this Policy. Adherence to this Policy is a key component of AFG's risk management process. A summary of the Staff Financial Products Dealing Policy is available on the AFG website under the Corporate Governance section at www.allco.com.au and has been endorsed by RFML.

The purchase and sale of Record Realty securities by employees is only permitted during the calendar month from the release of the relevant half year and annual financial results to the market following the AGM, and on the issue of a disclosure document by AFG or one of its group entities. Staff trading is not permitted if employees are in possession of inside information in relation to the relevant security.

The Directors are satisfied that the company has complied with its policies on ethical standards, including trading in securities.

Principle 4: Safeguard integrity in financial reporting

In accordance with Recommendation 4.1 of the ASX Corporate Governance Council Principles the RFML Board has established an Audit Committee. The Board is committed to four basic principles:

- That the financial reports of Record Realty present a true and fair view;
- That the accounting methods used by Record Realty are comprehensive and relevant, and comply with applicable accounting rules and policies;
- That the external auditor is independent and serves unitholders' interests by ensuring that unitholders know Record Realty's true financial position; and
- That Australian and international developments are monitored and practices reviewed accordingly

Audit Committee

The Audit Committee established by the Board consists entirely of:

- Non-Executive and Independent Directors; and
- An independent Chairman who is not Chair of the Board

The current Committee members are:

- Mr Warren Eades – Chair; and
- Mr. Robert West.

On 20 February 2008, Mr Gary Best tendered his resignation from the Board and as a member of the Audit Committee. As a result, RFML's Audit Committee does not comply with Recommendation 4.2 of the ASX Corporate Governance Council Principles in not having at least three members from this date. As the full Board consists of three members in total, a two-member Audit Committee is considered appropriate.

Further attendees, by invitation, include the Executive Director, the Record Realty Fund Manager, the Record Realty Chief Financial Officer and representatives of the company's Auditor, KPMG and the Fund's Auditor, PricewaterhouseCoopers. Members of the Committee also meet directly with the Auditors from time to time.

The Committee's role is to independently verify and safeguard the integrity of the company's financial reporting by reviewing a range of matters, including the financial reporting and performance of the company, systems of internal control, and issues arising from the external audits.

The Committee's role and responsibilities as well as its composition, structure and membership requirements are set out in a formal charter. The Committee's prime responsibilities under its charter are:

- Overseeing group accounting, tax and compliance policies, practices and disclosures;
- The integrity of financial statements and reports;
- The scope, quality and independence of external audit arrangements;
- Monitoring compliance with the risk management framework;
- The adequacy of Record Realty's insurance cover;
- Overseeing compliance of managed investments, investment schemes, other funds and areas;
- Overseeing compliance with delegations issued by other board committees; and
- Monitoring compliance with licensing requirements and legal obligations and exchange listing rules.

External auditor

The AFG Auditor Independence Policy applies to the Scheme. This policy sets out the procedures for selection of the external auditor. A copy of the policy is available on AFG's website at www.allco.com.au.

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

AFG has adopted a policy to ensure that all the Group's listed controlled entities comply with their continuous disclosure obligations under the ASX Listing Rules, ASX Corporate Governance Council's Principle 5 and the Corporations Act.

The Company Secretary is responsible for the general management of this policy including all communications with the ASX. The Company Secretary will be assisted by the External Relations function in overseeing and co-ordinating disclosure of information to the ASX, unitholders, analysts and brokers and in educating directors and employees on Record Realty's disclosure policies and procedures.

RFML has put in place mechanisms ensuring compliance with ASX Listing Rules such that all investors have equal and timely access to material and price-sensitive information unless it falls within the scope of the limited exemptions contained in Listing Rule 3.1A .

Record Realty immediately notifies the market via an announcement to the ASX of any information concerning Record Realty that has, or that a reasonable person would expect to have, a material effect on the price or value of any of Record Realty's securities. That is, Record Realty publicly releases all price sensitive information through the ASX before disclosing it elsewhere.

All external communications by Record Realty are reviewed before issue to ensure:

- factual accuracy;
- no omissions of material information; and
- timely and expressed in a clear and objective manner.

Throughout the year, Record Realty follows a calendar of regular disclosures to the market on their financial and operational results. The Manager interacts regularly with the market in a variety of ways, including results briefings, market announcements, one-on-one briefings, meetings and educational sessions.

In addition, Record Realty provides background and technical information to institutional investors and stock broking analysts to support major announcements made to the ASX and minor announcements made about Record Realty's on-going business activities.

At all times when interacting with external individuals, investors, stock broking analysts, the media and market participants, AFG directors and employees must adhere to the principles set out in this policy.

A summary of the Continuous Disclosure Policy can be obtained on the AFG website at www.allco.com.au.

Principle 6: Respect the rights of shareholders

Promote effective communication

Record Realty encourages and promotes effective communication with its unitholders as prescribed under Recommendation 6.1 of the ASX Corporate Governance Council Principles and promotes active participation at General Meetings.

Record Realty exists because of its unitholders. Record Realty will communicate openly, honestly and on a timely basis with its unitholders and the financial markets generally. Financial disclosure to unitholders is based on best practice applicable to the markets in which the relevant securities are issued and will comply with all relevant laws, regulations and rules.

AFG's mission is to build long term value creating partnerships with its clients, through the knowledge, innovation and commitment of our talented employees and to generate superior returns for our shareholders.

AFG has an External Communications Policy which together with the Continuous Disclosure Policy (referred to in Principle 5 above) sets out how AFG deals with potentially price sensitive information and communications with external stakeholders in order to ensure that the Company meets its obligations under the ASX Listing Rules, Corporations Act and other regulatory requirements.

A summary of the External Communications Policy can be obtained on the AFG website at www.allco.com.au.

The ASX Corporate Governance Council Principles also contain suggestions on improving shareholder participation through electronic means and guidelines for notices of meetings. AFG has an established communication strategy to ensure effective communication with shareholders. The Company Secretary has been appointed as the person

responsible for communications with ASX. These roles include responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Record Realty unitholders have elected whether they want to receive a copy of the Record Realty annual report. It is otherwise available to all unitholders on the Record Realty website at www.recordrealty.com.au. In addition, AFG seeks to provide opportunities for shareholders to access corporate information through electronic means. AFG utilises its website to complement the official release of material information to the market. Company announcements, media briefings, details of company meetings, press releases and financial reports are available on AFG's website at www.allco.com.au.

Principle 7: Recognise and manage risk

The RFML Board has overall responsibility for ensuring that there is a sound system of risk management and internal control across the business and approved the RFML Risk Management Policy on 20 September 2007, under which risk oversight and management is undertaken by RFML's Audit Committee.

Record Realty has a defined investment criteria established in each prospectus or public disclosure document under which an offer of securities is made. Risk management policies and practices are established in accordance with those investment criteria and disclosures.

The Board's objective is to ensure that accountability is taken for the design and implementation of the risk management and internal control system to manage the Record Realty's material business risks. .

Primary responsibility for risk management and internal control across the group rests with management through the Chief Executive Officer while the Board through its Audit and Compliance Committee and Risk Committee retains ultimate responsibility for managing the group's risks.

The AFG Risk Function under the guidance of the Chief Risk Officer is pivotal in developing, implementing and reporting on an integrated risk management strategy and operational process. This assists the business to identify risks and to execute strategy to mitigate these risks..

Employees, in the context of their roles, are responsible for identifying the risks surrounding their work, implementing suitable controls over those risks and communicating freely with management in areas they believe are of concern.

Recommendation 7.2 of the ASX Corporate Governance Council Principles requires the Manager to report to the Board on whether the Scheme's material business risks are being managed effectively. The process for reporting to the Board on the effectiveness of the management of Record Realty's broader material business risks has not been established and is to be formalised during 2008 as part of AFG's new corporate governance regime. As a result, RFML is not in full compliance with Recommendation 7.2 for the year ended 30 June 2008. However, it should be noted that AFG's management formally reports to the Board on the effectiveness of its financial reporting risks as required by Recommendation 7.3 (refer below).

Chief Executive Officer and Chief Financial Officer Assurance

In accordance with Recommendation 7.3 of the ASX Corporate Governance Council Principles, the Chief Executive Officer and Chief Financial Officer of Record Realty provide the RFML Board with written confirmation that:

- Their statement to the Board on the integrity of Record Realty's financial statements in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control; and
- That Record Realty's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

Under Recommendation 8.1 of the ASX Corporate Governance Council Principles, AFG has a Human Resources and Remuneration Committee which has a formal Charter that outlines its roles and responsibilities, composition, structure and membership requirements.

The current Human Resources and Remuneration Committee established by the AFG Board:

- consists entirely of independent Non-Executive Directors;
- is chaired by an independent Chairman who is Acting Chair of the Board; and
- has at least three members

The Human Resources and Remuneration Committee has responsibility for:

- Approving AFG's remuneration policy;
- Approving the terms of the share plans offers and participant eligibility criteria;
- Approving AFG's results and relevant profit share pool(s) created for the purpose of short term incentive plan payments;
- Determining the remuneration arrangements of Executive Directors for approval by the Board/shareholders;
- Approving the remuneration arrangements for the other executive committee members and any other individual or class of employee as requested by the Board;
- Being informed of and monitoring the remuneration arrangements of other senior executives or class of employee as requested by the Board; and
- Providing guidance to the Board on evaluating the performance of Executive Committee members;

Executive Director's remuneration

Key executives of AFG (including the executive directors of RFML) are paid by AFG in accordance with AFG's Remuneration Policy. Their remuneration is dependent on the performance of AFG and the division to which they are assigned. The remuneration earned by some AFG executives may in certain circumstances be linked to the performance of Record Realty. This remuneration is not met from the assets of Record Realty other than through the management fee paid by RFML to the Manager for its management services.

AFG's approach to remuneration will be designed to align employee and shareholder interests as well as to optimise short and long term shareholder returns. The remuneration policy has three components:

- Base or fixed remuneration;
- Short term, annual incentive or performance aligned pay (STI); and
- Long term equity-based incentives (LTI).

AFG has established two LTI Plans: the Allco Deferred Share Plan and an Executive Options and Rights Plan. The Company prohibits executives from entering into hedging arrangements in relation to AFG securities.

Each member of the senior executive team has entered into a formal employment contract covering their base salary, entitlement to participate in the STI and LTI and setting out their duties, rights and responsibilities.

In keeping with the Corporations Act, the detail of Directors' remuneration is prepared under a separate Remuneration report in the Directors' Report.

Non-Executive Director's remuneration

Non-executive directors are paid an annual fee for their service on the Board and Board committees which is determined and approved by the Board. Non-executive directors do not receive retirement benefits (other than statutory superannuation), options or bonuses.

Information on Directors at the date of this report

Tim Rich

Executive Director

Tim Rich is a qualified chartered accountant who completed his first 8 years working with Price Waterhouse. During the last 4 years of those he worked almost exclusively on banks and finance companies with a specific focus on foreign exchange, interest rate swaps and other derivatives.

Upon joining AFG in the role of Group Company Secretary, he was intimately involved in the management of all forms of foreign exchange contracts as part of his duties in managing finance transactions.

During the 1990's he had responsibility for setting up the office accounting and administration infrastructures in New York and London and this included significant exposure to currency conversion, accounting and hedging.

Currently, he is Director of Allco (Singapore) Ltd who is the manager of the Allco REIT which is a property trust listed on the Singapore stock exchange. The Allco REIT is Asia's first Pan-Asian REIT and has properties in several countries.

As a result, he has had extensive exposure to both currency forwards and cross currency swaps as well as cross currency and interest rate type instruments, options and other relevant derivative contracts.

Warren Eades

Independent Director, Chairman of the Audit Committee and member of Investment Committee.

Warren Eades was Managing Director of boutique merchant bank International Pacific Securities Limited ("IPS") from 1991 until 1996. IPS specialised in mergers and acquisitions, IPO's, capital raisings and divestments.

He was Chief Executive of the listed investment company International Pacific Investments from 1991 to 1998 when the company was used as the listing vehicle for Downer Group.

From 1998 to 2001 he was Group General Manager of the listed Sabre Group Ltd.

From 1997 to 2003 he was a Director of the listed Balmoral Corporation Limited a participant in the Breakfast Point development.

From 1999 to 2004 he was a Director of the listed investment company Pacific Strategic Investments until it was taken over by Brickworks Investment Company Limited.

Currently he acts as Portfolio Manager to a private investment group.

Qualifications: BCom, MBA, CPA, ACIS, F Fin.

Robert West

Independent Director, member of Audit Committee and member of Investment Committee.

Robert West worked with National Mutual for over 10 years in property management, acquisitions, valuations and development across a range of commercial, retail, industrial and tourism projects, and land development. Robert also worked for 9 years in property development covering a wide range of property types including marinas, hotels, motels, retirement villages, commercial, industrial, land subdivisions, cemeteries, and rural properties in all regions in Australia in a range of capacities including trust management, property development & management, valuations, sale, acquisition and leasing of property.

Robert is also a Director of Allco HIT Limited and the following foreign entities: Allco SIF Limited, APT Holdings (Bermuda) Limited and Frasers Centrepoint Asset Management (Commercial) Limited.

Qualifications: Fellow of the Australian Property Institute (FAPI), SA Fin, MAICD, Licensed Valuer, Dip Val.