

Valad Property Group Annual Report 2009





Dear Security holder,

The 2009 financial year was the most challenging in Valad's history. The impact of the global financial crisis has significantly reduced the value of REITs globally and Valad has not been immune to this downturn.

These difficult market conditions are reflected in the Group's results, with an underlying earnings loss of \$36 million to 30 June 2009, compared to an underlying net profit of \$170 million in 2008.

Investment property devaluations, impairment of goodwill and receivables, in addition to a number of one-off items including redundancy costs and the closing out of derivative positions, resulted in a statutory net loss after tax of \$1,492 million.

Distributions for the period remained on hold and will continue to do so as we focus on capital preservation in the current environment.

The Board and management team wish to express their regret and apologies for the erosion of security holder value throughout the last 18 months. With too much debt for the current credit environment, we have worked to reposition Valad's balance sheet to be able to benefit from future improvements in the market.

The Board remains committed to rebuilding security holder value.

Peter Hurley, Managing Director of Valad, and his senior management team have achieved a number of key initiatives throughout the year. The Group's debt facilities have been restructured, significant asset sales were completed reducing the Group's debt burden, costs were significantly reduced across the business and we have turned our focus to how best to progress the key core competencies of "value-adding" asset and funds management.

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Above The Senate, Southernhay, Exeter, UK

While considerable uncertainty still surrounds the financial and property markets, we are witnessing some early signs of improvement as the property cycle progresses. However, we caution against expectations of a quick recovery, with earnings for the 2010 financial year remaining under pressure. As a result, we will not be providing an earnings forecast for the coming year.

We are aiming to further consolidate the business over the coming 12 months and to start to focus on growth, which we believe will coincide with improvements in the financial and property markets. Underlying earnings are forecast to show signs of improvement by the 2011 financial year, underpinned by the consolidation and stabilisation of the business over the last year and in the coming 12 months.

The Board would like to thank Peter Hurley and the senior management team for their dedicated and unstinting efforts and we would also like to thank all Valad staff for their continuing perseverance and dedication.

Finally, I would like to thank my fellow directors for their support and resilience during tough times.

Trevor Gerber
Chairman

Dear Security holder,

The markets in which Valad operates have been affected in the 2009 financial year with property values declining globally and credit markets contracting. These difficult operating conditions have had a significant impact on Valad's business during the period with lower earnings and a lower security price.

In response to market conditions, we announced a number of initiatives early in the year to position the business to withstand these challenges and stabilise the balance sheet. These initiatives have been completed during the year, including: the renegotiation of our Australian debt facilities; the restructuring of the European business; a program of asset sales; the renegotiation of the final contracted Scarborough payment; and a cost reduction program.

In relation to our capital management, which has been a key focus throughout the year, we have renegotiated our Australian corporate debt facility with a conditional extension of term, removal of Group covenants and a new covenant package applying only to the Australian and New Zealand security pool.

In July 2009, we announced the renegotiation of the structure of our European business, the cancellation of a contingent liability to purchase €40 million of interests in the German Aktiv Fund (the GAF Put) and the formation of a Diversified UK and European (DUKE) joint venture with the Bank of Scotland plc (BoS).

DUKE is a 50:50 arrangement between Valad and BoS with both parties contributing assets and associated liabilities to the joint venture. Valad has retained 100% ownership of its European funds management platform (Valad Europe), which is held separately from the DUKE joint venture.

The last 12 months have been very challenging in European property markets which have experienced greater downward pressure on asset values than Australia and New Zealand. We have been working to stabilise the balance sheet and through the DUKE transaction, we have moved the property assets into a structure where we are protected from further asset value declines and will receive the benefit of any upside in the future.

The European funds management platform is one of the larger real estate management groups in Europe, with assets under management of A\$8.2 billion and is a key platform for the Group going forward.

We have undertaken A\$278 million in property asset sales in the last 12 months excluding DUKE. We have also booked A\$87 million in realisation of VCS positions and have achieved A\$206 million in asset sales within our managed funds. The proceeds have been used to repay debt which strengthens the balance sheets of the respective entities.

In our market update issued in January 2009 we announced we had commenced a series of cost management initiatives across Europe, Australia and New Zealand. This program has resulted in cost reductions across the Group of \$A60 million per annum, or 39% of Group overheads. We have undertaken the difficult process of reducing headcount, closing a small number of offices and reducing salaries throughout the Group to reduce costs across the business. In particular, I would like to acknowledge the support and loyalty of staff who have taken salary reductions on a voluntary basis. My fellow security holders will no doubt join me in acknowledging this commitment to Valad's future, and thank them for their actions.

Valad Property Group	
<i>Funds Management</i>	<i>Property</i>
Established funds	Investment
Product development	Development & Trading
	Valad Capital Services

Having completed a business restructure, we now focus on our core competencies of value-adding asset and funds management. The key focus of the business will be on rental and other income from our property portfolio, from developments and VCS as well as recurring funds management, co-investment fee income and performance fees.

Throughout the year, we have sought to position the business to be earnings positive in FY2010 on the back of secured income, and to then endeavour to increase revenues as markets recover.

While we are seeing the early stages of a recovery in financial and property markets, significant market challenges remain, and we will not be providing earnings or distributions guidance at this stage.

Notwithstanding this, our real estate portfolio is sound, and has an average cap rate of 8.6%. The Funds Management business is of substantial scale and we have concentrated our resources to principally servicing the investors in our existing platform. In time, we will look to provide appealing opportunities to investors from the real estate markets within which we operate.

As we start to focus on future growth, we see the potential to improve revenues using our existing platform, through the creation of new funds, seeking selective real estate opportunities with equity partners and partnering with banks that require localised real estate skills to work through difficult asset portfolios.



Peter Hurley
Managing Director

→ FUNDS MANAGEMENT



The funds management platform is an integral part of the Group. The business has substantial scale, with a total of 21 funds and A\$9.2 billion of externally managed assets from which Valad generates stable base management fees and co-investment income. As a result, Valad is the third largest fund manager of the listed Australian REITs. The fund platform is diversified across Australia and Europe, with a strong focus on the unlisted wholesale market with 96% of funds contributed from wholesale investors. The fund platform is characterised by long-term funds with a weighted average expiry of 6.2 years.

The past 12 months have been challenging across both Australia and Europe in two main respects:

- Asset value declines have placed pressure on fund returns and loan to value (LVR) debt covenants.
- Significantly reduced investor appetite made raising capital for new fund product difficult.

In light of the above difficult market conditions, Valad has sought to continue open and honest communication with investors while seeking to provide the best real estate outcomes possible.

We have also looked to actively manage the capital position of all our funds. A range of actions are being implemented including asset sales, debt renegotiation and investor recapitalisation. In the majority of cases, income retention and growth has resulted in Interest Cover Ratios (ICR) being met.

Despite the significant market difficulties, there have been some positive outcomes over the past year:



Australia

- In January we achieved the first sale of a Valad Opportunity Fund No. 12 asset, being the Harvey Norman Centre in Toowoomba. The property was sold for A\$25.3 million which generated a small profit.
- In August we announced that the sale of a parcel of land owned by two managed funds, ICA Property Development Funds No. 4 and No. 5, to IKEA for the development of a flagship store in Tempe, Sydney. The sale price represented an approximate pre-tax equity IRR to investors of 20%. This was one of the largest recently completed land transactions in Australia and involved the amalgamation of five sites of approximately 10 hectares, as well as securing development approval for a 37,000m² IKEA store.

*Above Elisabeth Selbert Straße 13, Longerfeld, Dusseldorf, Germany
Below Airport Central, Mascot, Sydney, NSW, Australia*





Above 152 Stamholmen, Copenhagen, Denmark, Norway

- V Plus was successful in receiving a government grant for 227 Elizabeth Street because of the initiatives directed at energy efficiency that are part of the construction of 1,000m² of new NLA at the ground/mezzanine level, which is due to complete in October 2009. V Plus also successfully renegotiated its debt facilities during the year. The revised facilities plus additional uncalled capital means V Plus is well positioned with respect to covenants and working capital requirements.
- Finally, the design competition for the Stage 2 DA for Gold Fields House has started and is due to complete in November. The design competition will be based on the draft LEP which will allow for a two-tower scheme. This project continues to progress well.

Europe

- With the completion of the DUKE transaction the European business is a fund and asset manager with A\$8.2 billion of assets under management. This business will continue to generate stable income for Valad through both base management fees and co-investment income.
- During a very demanding and difficult year, we were fortunate to be recognised with the Investment Property Databank (IPD) UK Property Investment House of the Year 2008 award in October 2008. The award is calculated by IPD and is awarded to the house whose funds achieved the highest amalgamated total return for the period.



- In January we announced that all investors in the European Industrial Partnership voted in favour of extending the effective fund life to 2013. The gross value of the funds assets under management were A\$756.5 million at 30 June 2009.
- A total of A\$171 million of asset sales were achieved from our European funds over the past 12 months, with Nordic Aktiv funds 1 and 2 selling nine assets valued at A\$109 million. These sales were primarily focused on capital management with proceeds being used to pay down debt in our funds.

Valad's funds are primarily multi-tenant industrial/commercial, which reflects the Group's "value-add" philosophy where active management is the key to driving returns. This is particularly important in a market of declining asset values, as our local teams can work hard to offset valuation declines with income growth.

The overwhelming majority of Valad's funds have no redemption rights – in other words most investors are committed for the life of the fund in which they have invested, ensuring that fund management fee income remains stable.

Our primary focus over the coming year will be to continue to actively manage existing funds to protect investor equity and to position them for potential future market uplift. Capital management will also continue to be a key focus. Investors will continue to be updated on fund status.

While conditions for new capital raising remain challenging, our real estate teams are working with investors to take advantage of opportunities the current market conditions may present.



Property ownership

There has been a significant reduction in the property portfolio over the past 12 months, primarily as a result of capital management initiatives which have impacted the portfolio in two key ways:

- There have been a number of asset sales totalling \$225.5 million; and
- The European property assets were transferred off balance sheet and into the DUKE joint venture.

In addition there were valuation write-downs within the portfolio, reflecting the overall valuation decline which has taken place across the property sector.

Despite the above changes, property continued to be the major contributor to revenue in 2009. Our active management skills have enhanced income across the portfolio. Following the DUKE transaction, rental income on our European property assets will now be replaced with funds management income from managing those assets.

At 30 June 2009 Valad had a property portfolio of 36 assets with a total value of A\$599 million. Our current portfolio comprises commercial, industrial and bulky retail which together account for 94% of total assets. Generally our assets are smaller, with multiple tenants giving us the opportunity to actively manage assets to maximise income. The smaller average asset size has also assisted with our asset sale program as this segment of the market has remained relatively liquid.

Over the 12 months to 30 June 2009, we have had 34 of our 36 assets externally valued. This has resulted in a valuation decline of 14% over the past year, representing an increase in our weighted average cap rate of 0.98% to 8.6%. Since the market peak in December 2007, based on cap rate movements alone the portfolio has been written down by 20%, however this decline has been partially offset by an increase in income across the portfolio.



Our weighted average cap rate is supported by recent asset sales which have been completed at a weighted average cap rate of 8.8%.

With softening cap rates across the market, Valad has sought to reduce the impact on valuations by focusing on maximising income growth in our portfolio consistent with our active management philosophy. This has been achieved through: high tenant retention, active tenant management with low delinquencies and a high level of fixed rental reviews. We have limited exposure to single tenants and have been able to achieve like-for-like rental growth of 4.5% over the past year.

We are also looking to use our local expertise in asset, property, development, project and financial management to secure workouts where possible.

Above 207 Pacific Highway, St Leonards, NSW, Australia
Below 34 Shortland Street, Auckland, New Zealand





Above Pentridge, Melbourne, VIC, Australia

Valad has a high quality development portfolio including exposure to two key projects which are significant in terms of scale in Australia:

- **Gold Fields House** – Establishment of new residential towers on Sydney's Circular Quay where Gold Fields House currently stands. Having achieved a Stage 1 Development Approval (DA), the Gold Fields development continues to be progressed towards Stage 2 DA with a design process underway for the residential towers.
- **Pentridge** – Redevelopment of the former Pentridge Prison in Melbourne into a mixed-use, high density residential and retail/commercial development. The Pentridge project has sold and settled all but one of the 62 apartments in Stage 1. The formal marketing campaign for Stage 2 was launched on 3 September 2009, with a number of pre-sales having been already achieved in advance of this.

In total there are six projects in our development portfolio, with a book value of A\$123.5 million, of which the above two projects account for 69% of our total investment exposure. Office and residential projects account for 90% of our development book, with an even spread of projects within Queensland, New South Wales and Victoria, with one project remaining in New Zealand.

In Europe our development activities take place off balance sheet in joint ventures such as with DUKE or other institutional partners. We also provide development management services to various parties.

A total of A\$52.7 million of development assets were sold in the past year. Most of these projects were sold at a loss and this is reflected in the negative contribution of this division to the overall results.

Development capabilities remain essential to the Group. Key investments on balance sheet such as Gold Fields and Pentridge as well as many assets in our funds platform rely to a great extent on these skills, and we see this capability as an important part of our future.

→ PROPERTY

VALAD CAPITAL SERVICES



Above Top Ryde, Sydney, NSW, Australia

Market conditions have had a negative impact on our Valad Capital Services (VCS) business which offers preferred equity and subordinated debt funding to third parties such as property investors and developers. As property values have declined the recoverability of these positions has been impacted, in some cases resulting in a complete write-down of our investment. The focus over the past year has been on realising capital, where possible, for the business through exiting a number of positions. We have also taken a realistic view on the carrying value of our remaining investments.

In the past 12 months we have returned A\$87 million to the business through exiting eight positions within VCS. The most significant of these was the early realisation of our senior loan to the M4/M7 project, announced in January this year.

We also realised a senior loan to a New Zealand project in February 2009 and six preferred equity investments across Queensland and New Zealand between March and June 2009.

The remaining portfolio is valued at A\$100.1 million and consists of three completed income producing properties, one development nearing completion and three development sites currently being sold.

The revenue contribution of VCS this year was significantly reduced from the prior year but, importantly, much of this revenue was cash-backed earnings in the form of coupon returns and/or profits.

Our focus over the coming year will be on working through our remaining portfolio and, where appropriate, looking to realise some of these positions.

→ SUSTAINABILITY



Corporate responsibility

Valad aims to enhance shareholder value by embedding long-term sustainability practices into its day-to-day business. Valad places great importance on the economic, social and environmental impacts of its business.

We recognise that behaving ethically and operating in a sustainable manner leads to innovation and a performance culture within the business that drives security holder returns and meets our obligations to the communities in which we operate.

As an international property group, Valad operates under a robust set of corporate governance principles and applies those principles in operating our business, joint ventures, funds and assets that we manage.

Valad also actively encourages staff to become involved in community and charity activities. We believe that an active community presence is not only essential for success in business but leads to greater employee commitment and enthusiasm.

Environment

At Valad, we recognise the importance of environmental sustainability and its ever-increasing impact on our business. We are committed to understanding and implementing sustainable practices and to exploring the benefits to our business while attempting to achieve the right balance between the needs of the wider community, investor and stakeholder requirements and economic success.

Importantly, we believe that we can achieve this environmental balance without excessive costs or imposition.

Our environmental actions are aimed at creating an ever-increasing awareness among our staff, our suppliers and the many stakeholders involved in our business – while realising that the outputs of sustainability are innovation, cost savings and improved stakeholder returns.



Above 227 Elizabeth Street, Sydney, NSW, Australia

While Valad was not invited to participate in this year's Carbon Disclosure Project, we continued to collate consumption information. In Australia, some assets showed impressive energy consumption savings of up to 20%. Similar energy consumption reductions were achieved in many of our European assets.

The reductions were achieved by working in partnership with our tenants and external property managers in developing plans and identifying ways of improving building energy efficiencies. These plans are being gradually implemented and we hope to report on further reductions in energy consumption and emissions next year.

During the year, Valad successfully applied for one of 89 Federal Government grants for 227 Elizabeth Street, Sydney. This grant of A\$550,000 will be used to assist with reducing energy consumption and greenhouse gas emissions.

Valad's Sustainability Steering Group, which operates in both the Australasian and European regions, reports regularly to the Risk and Compliance Committee on progress made against targets set.

People

Valad's people have remained energetic, dedicated and focused through a year of market volatility and headcount reduction. Their commitment to the Valad way has meant that Valad's culture and values remain strong.

Valad's strategy for the next year is centred on leadership development and providing personal development opportunities across the broader Group.

→ BOARD OF DIRECTORS



Trevor Gerber

Independent Non-Executive Chairman

Trevor was an executive at Westfield Holdings Ltd until 1999, and joined the Valad Board as Deputy Chairman in 2002 and was appointed Chairman in September 2008. During his 14 year career at Westfield, Trevor's roles included group treasurer and director of funds management responsible for Westfield Trust and Westfield America Trust. Trevor is a chartered accountant and has a Degree in Accountancy from the University of the Witwatersrand, South Africa.



Peter Hurley

Managing Director

Peter joined the Valad Board in 1997 as Joint Managing Director until 2004 when he moved to Managing Director, a position he held until 2006. He resumed his position of Managing Director in August 2008 and is based in Sydney. Before joining Valad, Peter held senior positions at Lend Lease in a 10 year career that included establishing their funds management operations in Paris, London and Singapore. Peter has an Honours Degree in Civil Engineering from the University of New South Wales.



Andrew Martin

Independent Non-Executive Director

Andrew became a Valad Director in November 2006. His international property career spans four decades and includes 23 years with Jones Lang LaSalle where he was an International Director in the firm's capital markets group. Andrew has worked in the Australian, UK and Indonesian property markets and has also spent time identifying and working with Japanese companies investing in global real estate. Andrew has an Arts Degree from the University of New South Wales, and is a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Australian Property Institute.



Robert Seidler

Independent Non-Executive Director

Bob joined the Valad Board in February 2005, and is a partner of the Australian legal firm Blake Dawson. He is a Member of the Australian Government's Corporations and Markets advisory committee, an alternate director of Leighton Holdings Ltd, a Member of the Investment Review Board of the Australian Prime Property Fund and chairman of Hunter Phillip Japan Ltd. Robert has a Law Degree from the University of Sydney.



Kevin McCabe

Non-Executive Director

Kevin joined the Board of Valad in August 2007 following the acquisition by Valad of an integrated group of property businesses with interests in the UK and Europe, collectively known as "Scarborough". Kevin commenced his career in the world of property and construction during 1964 and has four decades of experience in the UK and European markets. He is also Chairman of Sheffield United football club. Scarborough was established in 1980 and Kevin successfully built it into a significant international real estate development, investment and fund management group. Kevin is a Member of the Royal Institution of Chartered Surveyors and Institute of Chartered Arbitrators.



Ian Robertson

Independent Non-Executive Director

Ian joined the Board of Valad in August 2007. Ian retired from HBOS in 2007 after 36 years service, latterly as Managing Director of Corporate Banking where he held this position since 1999. He formerly held various board positions in HBOS subsidiaries and in companies where HBOS held equity interests, and since then has undertaken a number of non-executive positions in unlisted companies in the property and leisure industries. He is a graduate of Aberdeen and Strathclyde Universities and is a Fellow and former Vice President of the Chartered Institute of Bankers in Scotland. Ian is the Chairman of the Princess Royal Trust for Carers.

→ ORGANISATIONAL/BUSINESS STRUCTURE

Group Roles				
Peter Hurley Managing Director	Jennifer Lambert Group CFO	David Kirkby Group Head of Funds	Martyn McCarthy CEO Europe	Chris Carroll Group General Counsel

Australia/New Zealand		Europe	
<i>Property</i>	<i>Funds</i>	<i>Property</i>	<i>Funds</i>
Mark Frinsdorf Head of Capital Transactions – Australia/New Zealand	Giles Stapleton Head of Funds Management – Australia/New Zealand	Didier Tandy Head of Property – Europe	David Kirkby Head of Funds Management – Europe
Gareth Price GM. Property & VCS – Australia/New Zealand			Paul Oliver Head of Valad Equity Partners – Europe

European Regional Property Leaders						
Rob Howe England and Wales	Andrew Richardson Scotland	Giles Vaissié France	Klaus Kortebein Germany	Matthew Bann Central Europe	Mark McLaughlin Netherlands	Michael Bruhn Nordic



→ VALAD PROPERTY GROUP AND VALAD PROPERTY TRUST ANNUAL CONCISE REPORT – 30 JUNE 2009

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This concise financial report covers the consolidated entity consisting of Valad Property Trust and its controlled entities (Consolidated Entity), the consolidated entity consisting of Valad Funds Management Limited and its controlled entities and Valad Property Trust and its controlled entities (Group). The financial report is presented in the Australian currency.

Valad Property Group is a stapled group (Group), governed by a stapling agreement and domiciled in Australia. The registered office and principal place of business is located at Level 9, 1 Chifley Square, Sydney NSW 2000.

Valad Commercial Management Limited, the Responsible Entity of Valad Property Trust, is domiciled in Australia. The registered office and principal place of business of the Responsible Entity is located at Level 9, 1 Chifley Square, Sydney NSW 2000.

Financial statements for Valad Funds Management Limited consolidated group and Valad Property Trust consolidated group for the full year ended 30 June 2009 have been presented in this report, jointly as permitted by ASIC Class Order 05/642.

The financial statements were authorised for issue by the directors on 27 August 2009. The directors have the power to amend and reissue the financial report.

Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2009. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Valad Property Group as the full financial report. Further information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to securityholders on request, free of charge. Please call 1800 825 231 (free call), international securityholders please call +61 2 8257 6600, and a copy will be forwarded to you. Alternatively, both the full financial report and the concise report can be requested via email/emailing: marketing@valad.com.au, or accessed via the internet on our website: www.valad.com.au.

Valad places a high level of importance on the need to establish and maintain comprehensive corporate governance policies and practices which address the requirements of the market regulator, securityholders and all stakeholders who deal with Valad.

The principles below provide an overview of Valad's main corporate governance practices and compare these against the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations with respect to corporate governance.

Principle 1: Lay solid foundation for management and oversight

The Valad Board (the Board) has adopted a Board Charter which sets out the objectives, responsibilities and framework for the operation of the Board. The Board Charter also sets out those matters and powers which are reserved to the Board and not delegated to management.

In summary, the Board Charter sets out the following as responsibilities of the Board:

- Providing strategic guidance to Valad.
- Reviewing Valad's performance against agreed business plans and strategic objectives.
- Approval of major capital expenditure, capital management, and property sales and purchases.
- Approval of annual and half-yearly reports and material ASX announcements.
- Overseeing the operation of Valad's compliance and risk management systems.
- Liaison with Valad's auditors.

A summary of the Board's Charter is provided on Valad's website.

Principle 2: Structure the board to add value

Board experience and skill

The Board presently comprises six members who have been chosen to provide a mix of professional, business skills and experiences to add value to Valad's activities. As at the date of this report, the Board comprises four independent Non-Executive Directors, one Non-Executive Director and one Managing Director.

Trevor Gerber, Robert Seidler, Andrew Martin and Ian Robertson are considered by the Board to be independent based on the following principles:

- A director must not be an executive or a substantial securityholder of Valad.
- Within the last three years a director must not have been employed in an executive capacity by Valad or a controlled entity, or been a director after ceasing to hold any such employment.
- Within the last three years a director must not have been a principal of a material professional advisor or a material consultant to Valad or a controlled entity, or been an employee materially associated with the service provided.
- A director must not be a material supplier or customer of Valad or a controlled entity, or an officer of or otherwise associated directly with a material supplier or contractor.
- A director must not have a material contractual relationship with Valad or a controlled entity.
- A director must not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Valad.
- A director is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Valad.

Kevin McCabe is viewed as not being independent, due to his previous employment by the Scarborough Group prior to its acquisition by Valad.

The Managing Director is Peter Hurley.

The Board regularly assesses whether or not each director is independent.

The skills, experience and period of office for each of the directors are outlined in the Directors' Report, which forms part of the VPG Financial Statements.

The directors have access to independent legal advice, at Valad's expense, where appropriate.

Chairman and independence

As mentioned above, the Board considers Mr Gerber to be independent.

Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee are Robert Seidler (Chairman), Andrew Martin, Trevor Gerber and Peter Hurley. The Remuneration and Nomination Committee is chaired by an independent director, has a majority of independent directors and has more than three members as recommended by the principles.

The Remuneration and Nomination Committee has a Charter and is empowered to do the following:

- Make recommendations to the Board on the remuneration for directors and senior executives of Valad.
- Review Board succession plans.
- Recommend the election or re-election of directors.
- Assist with the evaluation of the Board's performance.

A summary of the Remuneration and Nomination Committee Charter is available on the website.

Retirement and re-election of directors

The Valad Funds Management Limited constitution states that at each AGM one-third of the directors (excluding the Managing Director) and any director who has been in office for more than three years since his last election must retire. Eligible directors who retire may offer themselves for re-election by securityholders at the next AGM and are able to provide information to securityholders in support of their re-election.

Additional procedures

Valad has a process for evaluating the performance of the Board and Board Committees. The Company Secretary coordinates a questionnaire for directors to complete and the Board collectively discusses the responses. The Chairman coordinates with the Managing Director and the Company Secretary to implement any changes as a result of the performance evaluation.

A performance evaluation for the Board occurred during the reporting period in accordance with the Board's performance evaluation process.

Valad provides induction programs for each new director prior to, or within a short time of, that person joining the Board. Valad also offers ongoing training for each of the directors undertaken by senior executives and/or external service providers. The training outlines the directors' responsibilities and obligations as directors of Valad and education on Valad's business activities, operations, and financial, strategic and risk management profile.

All directors have access to the Company Secretary and senior executives.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

Valad has in place a Code of Conduct which applies to all directors and employees. The Code is given to all new directors and employees during a compulsory induction and is regularly reinforced to existing directors and employees.

The Code of Conduct reflects Valad's commitment to the highest standards of integrity and behaviour and deals with, among other things, managing conflicts of interest, inside information, travel, whistleblowing and a commitment to good corporate citizenship.

A copy of the Code of Conduct is available on the website.

Valad's Security Trading Policy

In addition to directors and employees being subject to restrictions set out in the Corporations Act on trading in securities, Valad has in place restrictions on when directors and employees can trade in Valad securities. These restrictions include times when directors or employees are in possession of price-sensitive information relating to Valad or entities it is dealing with, which has not been published or made generally available to the public. In addition, directors and employees can only trade in a six-week period after the release of half-yearly and full year results and for four weeks after Valad's Annual General Meeting and during any offer period for Valad securities which is open to the investing public or any entitlement or similar offer. Compliance with the policy is constantly monitored.

A copy of Valad's Security Trading Policy is available on the website.

→ CORPORATE GOVERNANCE (continued)

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The members of the Audit Committee are Ian Robertson (Chairman), Trevor Gerber, Robert Seidler and Andrew Martin, each of whom are independent, non-executive directors.

The Audit Committee's responsibilities (outlined in its Charter) are to:

- Assist the Board in discharging oversight responsibilities for financial activities of Valad, including the financial reporting process to ensure the balance, transparency and integrity of published financial information.
- Review and assess the annual and half-yearly reports.
- Review the performance and continued independence of the external auditors.
- Monitor Valad's compliance with laws and regulations affecting financial reporting, including Valad's compliance with Australian International Financial Reporting Standards (AIFRS).

The Audit Committee can, and does, meet with the external auditors without management being present.

A copy of the Audit Committee Charter is available on Valad's website.

Valad's current auditor is PricewaterhouseCoopers. The rotation of audit partners is consistent with good corporate governance principles, the requirements of the law and ASIC policy.

Principle 5: Make timely and balanced disclosure

Valad has in place procedures to ensure that all market participants have equal opportunity to access information about Valad and its activities. Day-to-day responsibilities for this lie with the Group General Counsel and Company Secretary who is responsible for ensuring compliance with ASX Listing Rules. The Managing Director, CEO – Europe and Chief Financial Officer coordinate information disclosure to analysts, brokers and securityholders and liaise with the media and the public.

Valad ensures that any information to be provided at analysts' briefings is simultaneously made available to the market via the internet.

Valad has a Continuous Disclosure Policy which outlines the verification and authorisation processes for disclosures. Valad also has a Media Policy which provides who may speak to the media and guidance on what information may be provided. A copy of the Continuous Disclosure Policy and the Media Policy are provided on Valad's website.

All securityholders are entitled to receive a copy of Valad's annual (full or concise) and half-yearly reports (in print or electronic form) and have access to Valad's external auditors at the Annual General Meeting. Commentary in relation to the financial results is provided in ASX announcements and results presentations which are disclosed to the ASX and appear on Valad's website.

Principle 6: Respect the rights of securityholders

Valad continues to upgrade its website and the information contained on it, including corporate governance information.

Valad continues to investigate and implement improvements in communications with securityholders through electronic means including making results and other presentations available through webcasts and its website.

Principle 7: Recognising and managing risks

Risk monitoring and management

Valad has a Risk Management Policy which outlines the oversight and management of material business risks. This Policy is supplemented by a risk management framework wherein the risks faced by Valad are regularly identified, monitored and managed.

The members of the Risk and Compliance Committee are Non-executive Directors – Robert Seidler, Andrew Martin Ian Robertson and Kevin McCabe. The Risk and Compliance Committee has a Charter which can be found on the website.

All major risks are reported on at quarterly Risk and Compliance Committee meetings and a risk register is regularly updated with any emerging risks and responsibility for managing those risks allocated. Management report to the Risk and Compliance Committee and all major risk and internal control issues are reported to the Board.

Managing Director's and Chief Financial Officer's certificate

The Board receives from the Managing Director, CEO-Europe and the Chief Financial Officer a statement (under s.295A of the *Corporations Act 2001*) at each relevant Board meeting that:

- The financial records have been properly maintained in accordance with the *Corporations Act 2001*.
- Valad's financial reports are complete and present a true and fair view of Valad's financial position and performance.
- The financial statements and notes comply with Accounting Standards and the *Corporation Act 2001*.
- There are reasonable grounds to believe that Valad will be able to pay its debts as and when they become due and payable.
- The above statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- Valad's risk management, compliance and controls are operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nomination Committee

As outlined above, Valad has a Remuneration and Nomination Committee.

Remuneration policies

The Remuneration and Nomination Committee, as stated above, has the responsibility to make recommendations to the Board on Valad's remuneration policies. These policies are designed to attract and retain directors and executives to achieve Valad's stated objectives.

The Remuneration Report in the Director's Report outlines Valad's remuneration and its policies and discloses the remuneration of directors and senior executives.

A summary of the Remuneration and Nomination Committee Charter is provided on Valad's website.

Non-executive directors' remuneration

Fees paid to non-executive directors are set by the Board based on external advice and are within an aggregate limit set by the securityholders.

The directors of Valad Funds Management Limited (VFML or the Company) (ABN: 89 102 249 294) and Valad Commercial Management Limited (VCML) (ABN: 76 101 802 046) (as the Responsible Entity for Valad Property Trust (the Trust)) (ARSN: 102 618 824) present their reports together with the consolidated financial report of Valad Property Group (VPG or the Group) and Valad Property Trust (VPT or the Consolidated Entity) for the year ended 30 June 2009.

The units in the Trust are "stapled" to the shares in the Company. These entities form Valad Property Group (the Group). A stapled security comprises one Trust unit and one Company share. The stapled securities cannot be traded or dealt with separately.

Directors

The following persons were directors of the Company and VCML during the financial year and up to the date of this report, unless indicated otherwise:

T. Gerber	Chairman
S. Day	Executive Director (resigned 15 May 2009)
P. Hurley	Managing Director
A. Martin	Director
K. McCabe	Director
I. Robertson	Director
R. Seidler	Director

Principal activities

The principal continuing activities of the Group consisted of passive property ownership, property development and trading, property funds management and capital services. The principal continuing activities of the Consolidated Entity consisted of passive property ownership and capital services.

Earnings per stapled security

	VPG 2009 CENTS PER STAPLED SECURITY	VPT 2009 CENTS PER UNIT	VPG 2008 CENTS PER STAPLED SECURITY	VPT 2008 CENTS PER UNIT
Basic earnings	(92.9)	(63.5)	(16.3)	1.0
Diluted earnings	(92.7)	(63.3)	(16.2)	1.0
Basic underlying earnings	(2.2)	(9.3)	11.1	9.2
Diluted underlying earnings	(2.2)	(9.3)	11.0	9.1

Weighted average number of stapled securities used as the denominator – underlying earnings

	VPG 2009 '000	VPT 2009 '000	VPG 2008 '000	VPT 2008 '000
Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic earnings per stapled security/unit	1,605,598	1,605,598	1,521,175	1,521,175
Adjustments for calculation of underlying earnings per stapled security/unit:				
Employee security ownership plan	2,409	2,409	3,370	3,370
Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic underlying earnings per stapled security/unit	1,608,007	1,608,007	1,524,545	1,524,545
Adjustments for calculation of diluted underlying earnings per stapled security/unit:				
Options	4,895	4,895	12,980	12,980
Weighted average number of ordinary stapled securities/units and potential ordinary stapled securities/units used as the denominator in calculating diluted underlying earnings per stapled security/unit	1,612,902	1,612,902	1,537,525	1,537,525

Securities on issue

There were 1,608,007,487 securities on issue at 30 June 2009 (2008: 1,608,007,487).

→ DIRECTORS' REPORT (continued)

Reconciliation of contributed equity

	VALAD PROPERTY TRUST			VALAD FUNDS MANAGEMENT LIMITED	
	DATE	NO OF UNITS '000	\$M	NO OF SHARES '000	\$M
Opening balance	1 Jul 08	1,608,007	1,768.9	1,608,007	721.7
Closing balance	30 Jun 09	1,608,007	1,768.9	1,608,007	721.7
Contributed equity			1,768.9		721.7
Issue costs			(36.5)		(14.6)
Securities issued under Valad securities ownership plan			(4.2)		(1.0)
Treasury stock			–		(2.5)
Net contributed equity			1,728.2		703.6
Total net contributed equity					2,431.8

Review of operations

A summary of consolidated results is set out below:

	VPG 2009 \$M	VPT 2009 \$M	VPG 2008 \$M	VPT 2008 \$M
Net profit/(loss) attributable to securityholders	(1,492.3)	(1,020.0)	(248.0)	15.4
Add back/(deduct) non-cash items after tax effect:				
Amortisation of intangibles	11.0	–	11.5	–
Amortisation of lease incentives	1.3	0.7	1.0	0.7
Straight line rental income	(3.1)	(1.9)	(3.0)	(3.0)
Non-cash deferred compensation finance charge	(1.4)	–	11.1	–
Impairment of intangible assets	459.8	–	247.4	–
Unrealised impairment of assets	513.9	700.4	23.4	31.0
Unrealised fair value adjustment to investment property – direct	232.0	102.2	77.2	51.7
Unrealised fair value adjustment to investment property – indirect	219.9	82.1	48.9	17.8
Unrealised fair value adjustment to derivatives	60.2	29.7	(9.7)	(21.4)
Profit on disposal of controlled entities	(93.3)	(22.3)	–	–
Realised derivative close out	76.1	76.1	–	–
Unrealised foreign exchange (gains)/losses	(8.4)	8.5	10.8	47.3
Non-cash employee benefit expense with respect to employee securities	4.3	–	4.3	–
Income tax effect	(16.0)	–	(5.3)	–
Underlying earnings	(36.0)	(44.5)	169.6	139.5

Financial overview

Summary of financial results:

- Underlying earnings decreased to a loss of \$36.0m (2008: profit of \$169.6m)
- The Group recorded a loss attributable to securityholders of \$1,492.3m for the year ended 30 June 2009 (2008: net loss \$248.0m)
- Total assets decreased by 66% to \$1,268.4m (2008: \$3,756.3m)
- Total liabilities decreased by 53% to \$775.6m (2008: \$1,667.5m)
- Group gearing is 43% (2008: 33%)
- Net tangible assets per stapled security decreased by 75% to \$0.24 (2008: \$0.95).

Revenue was \$307.3m in 2009, lower than revenue of \$727.3m in 2008. The comparative decline was a result of:

- Lower proceeds on the sale of developments in 2009 of \$52.7m (2008: \$245.6m)
- Interest income was lower in 2009 by \$48.9m, due primarily to the impairment of the VCS loans
- Fund management fee income of \$86.1m in 2009 is \$53.2m lower than 2008. This reflects a reduction in transaction fees due to reduced fund activity and a reduction in base management fees as a result of devaluation in the gross assets in funds.

As a result of the reduction in revenues, management implemented a group-wide cost reduction program. This program is ongoing, but during the 2009 financial year achieved cost reductions of \$60.0m or 38.9% on Group overheads on an annualised basis. This includes:

- 32% headcount reduction
- Office closures in three countries
- Executive and senior management voluntary pay cuts.

Financial year 2009 reflects the costs of implementing this cost reduction program and only a partial year benefit. The financial year 2010 will see greater benefit from this program.

Overall there was a significant reduction in net assets from \$2,088.8m at 30 June 2008 to \$492.8m at 30 June 2009. The key reasons for this decline were as follows:

- A number of write-downs in the value of assets including \$312.0m in investment property devaluations
- Developments – The portfolio was impaired by \$73.1m during the year ended 30 June 2009

- The VCS portfolio incurred write-downs for the year ended 30 June 2009 of \$375.2m. The write-downs comprised committed equity and accrued coupon in Asia-Pac of \$185.4m and Crownstone and other European VCS positions of \$189.8m
- Impairment in the investments held in funds we manage of \$198.3m
- \$459.8m impairment of goodwill and other intangible assets
- Realisation of loss on the settlement of derivatives of \$76.1m.

This significant reduction in the value of assets had a number of implications, most notably the renegotiation of agreements with creditors and financiers which led to the paydown of debt with cash and asset sales and the associated closing out of derivative positions. In Asia Pacific the corporate debt facility was renegotiated and in Europe the property assets and related debt were transferred to a joint venture with the financier. The value of the assets transferred to DUKE was less than the related debt owed, which is reflected in these financial statements as a profit on disposal of these assets and liabilities of \$93.3m. As a result of this transfer to DUKE, Valad is no longer exposed to any further devaluation of these assets, but will benefit from recovery in value by retaining a 50% interest in the equity in the joint venture. Valad has fully provided for the remaining cash contributions to the joint venture and carries the joint venture in its financial statements at nil value. The assets transferred to DUKE accounted for \$400.0m of the devaluation during financial year 2009.

As a result of this loss and in light of the continuing adverse economic environment, the directors have elected not to pay a distribution for the year ended 30 June 2009 (2008: \$173.3m).

Capital management

As at 30 June 2009, the Group had borrowings of \$593.7m (2008: \$1,310.5m), representing a reduction in debt from June 2008 of \$716.8m or 55%. The Group gearing at 30 June 2009 is 43% (2008: 33%).

During the financial year, Valad renegotiated the main corporate debt facilities in Asia Pacific and Europe. The details of these restructures are as follows:

Asia Pacific

Valad renegotiated its Asia Pacific corporate debt facility with its banking syndicate, as announced on 27 February 2009. The key terms of this agreement include:

- Group-level covenants removed and a new covenant package agreed consisting only of asset level tests

→ DIRECTORS' REPORT (continued)

- New loan to value ratio (LVR) of less than 55% and secured property interest cover ratio (SPICR) of greater than 1.6 times
- Term extended by 12 months to September 2011 – requires LVR to be less than 45% and SPICR to be greater than 1.6 times at 31 December 2009
- Revised sliding scale margin of between 300 and 450 basis points designed to reward deleveraging
- Removal of the redraw facility.

In addition to restructuring the debt, Valad reduced debt through a series of asset sales and recoveries:

- Property asset sales totalling \$225.5m
- Development assets were sold for \$52.7m
- Eight VCS positions were realised early during the year, which returned \$86.7m to the business.

Europe

On 1 July 2009, Valad announced it had signed an agreement with Bank of Scotland (BoS) to create a Diversified UK and European (DUKE) property 50:50 joint venture which has an initial term of three years.

Valad contributed the majority of its European and UK property assets and all associated debt to the Duke joint venture.

In addition, Valad has contributed \$17.4m (€10.0m) and will contribute a further \$26.1m (€15.0m) in cash to the DUKE joint venture over three years. Valad's \$69.5m (€40.0m) contingent liability relating to the German Aktiv Fund (GAF) was cancelled as part of the transaction.

The DUKE joint venture has assumed the existing debt facilities associated with the above assets, the terms of which have largely remained unchanged, and which also have a term of three years. BoS provided new undrawn facilities of \$135.6m (€66m) to the joint venture.

BoS will provide debt facilities to DUKE with the following terms:

- Pre-existing facilities remain in place but will be liabilities of the DUKE joint venture and have been amended to operate under a common covenant regime and security pool
- A financial covenant test of future and historical debt service cover equal to or greater than 1.0X. There are no other financial covenants
- New facilities and existing facilities have a three-year term
- Debt relating to Valad's German Aktiv Fund (GAF) will remain separate from the DUKE joint venture debt facilities

- BoS has granted a waiver of the existing GAF loan to value covenant for a term of three years
- Debt in the Valad Opportunity Fund UK and other joint venture held by DUKE remain on current terms.

Valad retains 100% ownership of Valad's European fund management platform (Valad Europe) which is held separately from the DUKE joint venture and which no longer forms part of the DUKE debt security pool. Valad will provide asset management services to DUKE. Under the terms of the restructure, should Valad choose to sell Valad Europe within three years, the DUKE joint venture has the right to the net proceeds which must be used to reduce bank debt. Thereafter, if the DUKE joint venture is extended and Valad chooses to sell Valad Europe, the DUKE joint venture may have the right to some or all of the net proceeds, depending on the then loan to value ratio of the DUKE joint venture.

Valad Europe has standalone financing facility of approximately \$39.0m (€19.0m). As part of the restructure, the annual overdraft was replaced with a three-year revolving term facility with covenants relating to Valad Europe only.

Operational overview

Property ownership

As at 30 June 2009, the investment property portfolio had a total value of \$599.1m, with investments in 36 properties across the commercial, industrial, bulky retail, storage, residential and rural sectors.

100% of properties were revalued as at 30 June 2009 (12.2% externally) resulting in a devaluation of \$49.4m for the Asia Pacific portfolio, representing a decrease of 7.8% for the half year. The weighted average capitalisation rate of the current portfolio is 8.6%.

Development

As at 30 June 2009, the on balance sheet development property portfolio consisted of four projects with a total value of \$79.5m. In addition, Valad has an additional \$44.0m investment in development projects held within joint ventures, namely the Gold Fields House and Sheraton Noosa assets.

Valad Capital Services

As at 30 June 2009, the VCS portfolio had investments in 14 projects of which nine are considered to have a recoverable value of \$100.1m.

Funds management

As at 30 June 2009, the Group has \$9.2bn in assets under management across funds.

Employees

At 30 June 2009, Valad had 325 employees (2008: 453).

Significant changes in the state of affairs

Changes in the state of affairs of the Group and Consolidated Entity during the financial year are set out in the directors' report and financial statements. In the opinion of the directors, there were no other significant changes in the state of affairs of the Group and Consolidated Entity that occurred during the financial year under review.

Matters subsequent to the end of the financial year

Scarborough deferred consideration

The Group has reached agreement with the vendors of the Valad European operations (Scarborough Group) to restructure the remaining deferred payment of \$60.7m in respect of the acquisition of the Valad European operations which was contracted to be paid on 28 September 2009 to the Scarborough Group. The Group and the Scarborough Group have agreed the following:

- That \$6.2m will be paid in cash on 28 September 2009
- That a proposal will be put to the Group's securityholders for the Scarborough Group to convert such portion of the contracted payment as necessary to take their security holding to 19.9%, at a price of \$0.10 per security. If the securityholders' approval is not received, that portion will convert to unsecured loan notes repayable on 30 September 2012, and will carry a coupon of 15% per annum, which will accrue over the life of the unsecured loan notes and be payable at the same time as the unsecured loan notes
- That the portion of the contracted payment remaining after taking account of the two amounts above will convert to unsecured loan notes repayable on 30 September 2012, and will carry interest at a rate of 9.5% per annum, payable quarterly
- Didier Tandy, Valad's Head of Property – Europe, will join the Group's Board.

The Advantage Property Income Trust

VPG currently provides fund and asset management services to The Advantage Property Income Trust (TAP). Since the end of the year, the Independent Board of TAP has received a takeover offer from the The Conygar Investment Company (Conygar) to acquire all shares in TAP not already owned by Conygar. TAP represents 4% of the European assets under management. VPG will continue to receive fees from TAP unless and until the contract is terminated, in which case VPG will continue to earn fees for the nine months' notice period.

Since the end of the financial year, the directors of the Group have not become aware of any other matter or circumstance that has significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and Consolidated Entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group and Consolidated Entity.

Environmental regulation

The Group and Consolidated Entity are subject to significant environmental regulation in respect of their property activities. The directors of the Group and Consolidated Entity are satisfied that adequate systems are in place for the management of their environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements and, to their best knowledge, all activities have been undertaken in compliance with environmental requirements.

Information on directors

The same directors comprise the boards of both the Company and VCML.

Trevor Gerber – Chairman, Non-Executive Independent Director

Experience and expertise

Trevor was an executive at Westfield Holdings Ltd until 1999, and joined the Valad Board in 2002. During his 14-year career at Westfield, Trevor's roles included group treasurer and director of funds management responsible for Westfield Trust and Westfield America Trust. Trevor is a chartered accountant, with an accountancy degree from the University of the Witwatersrand, South Africa. He is 53.

Other current listed directorships

Macquarie Airports Group (Macquarie Airports Management Limited as responsible entity of the Macquarie Airports Trust 1 and Macquarie Airports Trust 2).

→ DIRECTORS' REPORT (continued)

Former listed directorships in last three years

Valad Commercial Management Limited as Responsible Entity for Valad Opportunity Fund No. 11, Macquarie ProLogis Management Limited as the responsible entity of the Macquarie ProLogis Trust, Everest Capital Investment Management Limited as responsible entity for the Everest Babcock & Brown Alternative Investment Trust, Everest Financial Group Limited.

Special responsibilities

Chairman (part year) of the Audit Committee (Member full year), Chairman (part year) of the VOF 11 Audit Committee (Member full year), Chairman (part year) of the VOF 12 Audit Committee (Member full year), Chairman of the Risk and Compliance Committee (part year), Chairman of the Compliance Committees for VPT, VOF 11 and VOF 12 (part year), Member of the Remuneration and Nomination Committee (part year), Member of the Asia Pacific Investment Committee, Chairman of the Corporate Transactions Sub-Committee.

Peter Hurley – Managing Director

Experience and expertise

Peter joined the Valad Board in 1997 as Joint Managing Director, a position he held until 2004. He was then Managing Director until 2006. Peter is based in Sydney. Before joining Valad, Peter held senior positions at Lend Lease in a 10-year career that included establishing its funds management operations in Paris, London and Singapore. Peter has an Honours degree in civil engineering from the University of New South Wales. He is 46.

Other current listed directorships

Nil.

Former listed directorships in last three years

Valad Commercial Management Limited as Responsible Entity for Valad Opportunity Fund No. 11.

Special responsibilities

Member of the Remuneration and Nomination Committee, Member of the Corporate Transactions Sub-Committee, Member of the Credit Sub-Committee, Member of the Debt Document Sub-Committee, Member of the VPG Europe Investment Committee, Chairman of Valad Core Plus Management Limited as responsible entity of the Valad Active Trust and the Valad Investment Trust (V+ Fund), Chairman of the Valad Select Property Trust Compliance Committee, Director of certain Hunter Economic Zone entities, Director of certain KVSJ joint venture companies, Director of certain entities within the ICA series of funds, Director of Noosa Venture 1 Pty Ltd (Sheraton Noosa joint

venture). Peter also sits on the Management Committee for the Valad Fields Holding Trust joint venture and the Investors' Committee for the Valad Fields Trust (Gold Fields House joint venture).

Robert Seidler – Non-Executive Independent Director

Experience and expertise

Robert joined the Valad Board in February 2005, and is a partner of the Australian legal firm Blake Dawson. He is a Member of the Australian Government's Corporations and Markets Advisory Committee, an alternate director of Leighton Holdings Ltd, a Member of the Investment Review Board of the Australian Prime Property Fund and chairman of Hunter Phillip Japan Ltd. Robert has a law degree from the University of Sydney. He is 61.

Other current listed directorships

Leighton Holdings Limited.

Former listed directorships in last three years

Valad Commercial Management Limited as Responsible Entity for Valad Opportunity Fund No. 11.

Special responsibilities

Chairman of the Remuneration and Nomination Committee, Chairman (part year) of the Risk and Compliance Committee (Member full year), Chairman (part year) of the Compliance Committees for VPT, VOF 11, VOF 12 and Valad Fields Holding Trust (Member full year), Member of the VPG Audit Committee, Member of the VOF 11 Audit Committee, Member of the VOF 12 Audit Committee, Member of the Corporate Transactions Sub-Committee.

Andrew Martin – Non-Executive Independent Director

Experience and expertise

Andrew became a Valad director in November 2006. His international property career spans four decades and includes 23 years with Jones Lang LaSalle, where he was an International Director in the firm's capital markets group. Andrew has worked in the Australian, UK and Indonesian property markets and has also spent time identifying and working with Japanese companies investing in global real estate. Andrew has an arts degree from the University of New South Wales, and is a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Australian Property Institute. He is 56.

Other current listed directorships

Nil.

Former listed directorships in last three years

Aspen Group Limited and Aspen Funds Management Limited.

Special responsibilities

Member of the VPG Audit Committee, Member of the VOF 11 Audit Committee, Member of the VOF 12 Audit Committee, Member of the Remuneration and Nomination Committee, Member of the Corporate Transaction Sub-Committee, Member of the Risk and Compliance Committee, Member of the Compliance Committees for VPT, VOF 11, VOF 12 and Valad Fields Holding Trust, Director of Valad Core Plus Management Limited as Responsible Entity of the Valad Investment Trust and Valad Active Trust (V+ Fund).

Ian Robertson – Non-Executive Independent Director**Experience and expertise**

Ian joined the Board of Valad in August 2007. He retired from HBOS in 2007 after 36 years' service, latterly as Managing Director of Corporate Banking where he held this position since 1999. He formerly held various Board positions in HBOS subsidiaries and in companies where HBOS held equity interests, and since then has undertaken a number of non-executive positions in unlisted companies in the property and leisure industries. He is a graduate of Aberdeen and Strathclyde Universities and is a Fellow and former Vice President of the Chartered Institute of Bankers in Scotland. Ian is Chairman of the Princess Royal Trust for Carers. He is 60.

Other current listed directorships

Nil.

Former listed directorships in last three years

Nil.

Special responsibilities

Chairman of the VPG Audit Committee (part year), Chairman of the VOF 11 Audit Committee (part year), Chairman of the VOF 12 Audit Committee (part year), Member of the Risk and Compliance Committee, Member of the Compliance Committees for VPT, VOF 11, VOF 12 and Valad Fields Holding Trust (part year).

Kevin McCabe – Non-Executive Director**Experience and expertise**

Kevin joined the Board of Valad in August 2007 following the acquisition by Valad of an integrated group of property businesses with interests in UK and Europe, collectively described as "Scarborough". Kevin commenced his career in the world of property and construction during 1964 and has four decades of experience in the UK and European markets. He is also Chairman of Sheffield United football club. Scarborough was established in 1980 and Kevin built it into a significant international real estate development, investment and funds management group. Kevin is a Member of the Royal Institution of Chartered Surveyors and Institute of Chartered Arbitrators. He is 61.

Other current listed directorships

Chairman of Sheffield United plc.

Former listed directorships in last three years

Chairman of Fairbriar plc, Property Fund Management plc, Teesland plc.

Special responsibilities

Member of the Risk and Compliance Committee (part year), Member of the Compliance Committees for VPT, VOF 11, VOF 12 and Valad Fields Holding Trust (part year).

Stephen Day – Executive Director (resigned 15 May 2009)**Experience and expertise**

Stephen Day established Valad in 1995 alongside co-founder Barry Wynne, who retired from the Board in October 2006. Stephen was Joint Managing Director until 2004, when he was named Executive Chairman. Prior to Valad, Stephen worked at Lend Lease for 10 years, with responsibilities including the acquisition, development and management of property projects throughout Australia, and also worked in the funds management business in Europe. Stephen resigned as a director on 15 May 2009. He has a degree in economics and accountancy from Macquarie University and is a Fellow of the Royal Institute of Chartered Surveyors. He is 45.

Other current listed directorships

Nil.

Former listed directorships in last three years

Valad Commercial Management Limited as Responsible Entity for Valad Opportunity Fund No. 11.

Special responsibilities

Chairman of the VPG Asia Pacific Investment Committee (part year), Member of the VPG Remuneration and Nomination Committee (part year), Chairman of Valad Core Plus Management Limited as Responsible Entity for the Valad Investment Trust and the Valad Active Trust (V+ Fund) (part year), Chairman of the Valad Core Plus Investment Committee (part year), Chairman of the Valad Select Property Trust Compliance Committee (part year).

Chris Carroll – Company Secretary, Group General Counsel

Chris became Company Secretary at Valad in August 2004, and worked closely with other executives during the acquisition of Scarborough in 2007. He has held senior legal and management positions at Lend Lease and Principal Global Investors. Chris has a law degree with honours from the University of Liverpool in the UK. He is 52.

→ DIRECTORS' REPORT (continued)

Meetings of directors

The number of meetings of the Group's Board of directors and each board committee held during the year ended 30 June 2009 and the number of meetings attended by each director were:

DIRECTORS	BOARD*		FINANCE SUB-COMMITTEE	
	A	B	A	C
S. Day (resigned 15 May 2009) ¹	7	17	1	1
T. Gerber	19	21	1	1
P. Hurley	21	21	**	**
A. Martin	18	21	**	**
K. McCabe	9	21	**	**
I. Robertson	17	21	**	**
R. Seidler	18	21	**	**

DIRECTORS	RISK & COMPLIANCE COMMITTEE		AUDIT COMMITTEE		REMUNERATION & NOMINATION COMMITTEE***	
	A	B	A	B	A	B
S. Day (resigned 15 May 2009) ¹	**	**	**	**	**	**
T. Gerber	1	1	6	8	–	–
P. Hurley	**	**	**	**	–	–
A. Martin	2	2	8	8	–	–
K. McCabe	1	1	**	**	**	**
I. Robertson	2	2	4	4	**	**
R. Seidler	2	2	7	8	–	–

A = Number of meetings attended.

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

C = Number of meetings held by circular resolution.

* An additional two meetings were held by circular resolution.

** Not a member of the relevant committee.

*** During the reporting period, the Chairman of the Remuneration and Nomination Committee met on many occasions informally with the members of the committee to consider the remuneration and cessation of employment of Stephen Day and the remuneration of Peter Hurley and the Executive team in order that recommendations could be made to the Board, where decisions on those issues were made. The Board considered all other matters normally considered by the Remuneration and Nomination Committee.

The Board also considered all matters normally considered by the Investment Committee.

¹ On leave of absence from director's duties during part of the reporting period.

→ DIRECTORS' REPORT

(continued)

2. Remuneration policy and strategy

2.1 Responsibility

The Charter of the Remuneration and Nomination Committee requires it to:

1. Review and make recommendations to the Board on remuneration strategy and policies for Group employees
2. Annually review and make recommendations to the Board on the Managing Director's and Executive team's remuneration and performance
3. Make recommendations to the Board on Directors' compensation.

2.2 Remuneration framework

Since its review in 2006, Valad Property Group's remuneration framework is intended to:

- Attract and motivate high quality talent
- Align securityholders' and employees' interests by ensuring a reasonable proportion of senior employees' remuneration is at risk
- Be fair and consistent.

The appropriateness and operation of the remuneration framework is presently under review having regard to the changed market conditions.

3. Performance appraisal system

The objective of the Valad Property Group performance appraisal system is to ensure that employees are aware of what is expected of them through their personal goals and that their performance impacts on their remuneration.

This performance appraisal system was established with the assistance of independent, expert consultants and both managers and staff have been trained in the system's use. Ongoing support is readily available to managers and staff.

The Executive team's objectives are set by the Managing Director in a manner which is consistent with the Group's objectives. These objectives will then apply to the direct reports of the Executive team and then to the rest of the Group's employees.

This framework is consistent across the Executive team and assesses performance against financial and personal criteria. These criteria vary from individual to individual depending on the executive's role. All criteria or objectives relate to the contribution the individual makes to the achievement of the Group's objectives.

Performance of employees is reviewed every six months and this appraisal is then used in the setting of remuneration levels for employees.

The Remuneration and Nomination Committee and the Board review the performance of the Managing Director and the Executive team.

4. Remuneration framework for the Managing Director and Executive team

4.1 Remuneration mix

The remuneration packages for the Managing Director and Executive team up to until 30 June 2009 comprised:

- **Total fixed remuneration (TFR)**, which is a market-related base salary including superannuation contributions. TFR is reviewed annually and upon change of role or responsibility.
- **Short term incentive (STI)**, which is set as a percentage of TFR and assessed annually against achievement of financial and non-financial Key Performance Indicators (KPIs). The financial KPIs are at two levels: corporate and, where appropriate, personal. Non-financial KPIs vary from individual to individual but include improved operational efficiency, personal and staff development. STIs earned are paid as soon as practicable after the end of the year of assessment.

Actual STI awards can exceed 100% of TFR for outstanding performance. Any awards of STI over 100% of TFR can only be made with the approval of the Board on the recommendation of the Remuneration and Nomination Committee. Approval of STI awards for the Managing Director is by the Board on recommendation of the Remuneration and Nomination Committee.

- **Retention payments**, which are intended to assist with the retention of key employees and are payable in cash at the end of the retention periods.
- **Long term incentives (LTI)**, which have been set as a percentage of TFR and are provided in the form of options and/or performance rights and/or deferred cash. Vesting of the LTIs is based on hurdles recommended by the Remuneration and Nomination Committee and approved by the Board.

The remuneration mix is being reviewed as part of the review of the remuneration framework mentioned above.

The following table shows the target mix between TFR, STI, Retention Payments and LTI for the Executive Directors and Executive team for the financial year ended 30 June 2009.

TARGET COMPONENTS OF TOTAL REMUNERATION PACKAGE

	TFR	RETENTION PAYMENT	STI	LTI	AT RISK STI + LTI
Executive Directors					
Stephen Day	33%	25%	8%	33%	41%
Peter Hurley	33%	25%	8%	33%	41%
Executive Team					
Chris Carroll	40%	30%	10%	20%	30%
Nicki Garrett	40%	30%	10%	20%	30%
Jennifer Lambert	40%	30%	10%	20%	30%
Jeff Locke	40%	30%	10%	20%	30%
Stephen McBride	50%	30%	10%	10%	20%
Martyn McCarthy	33%	37%	13%	17%	30%
Didier Tandy	50%	30%	10%	10%	20%
Rebecca Thompson	40%	30%	10%	20%	30%

In February 2009, the Managing Director and the Executive team voluntarily reduced their TFRs by up to 20%.

The following table details remuneration achieved compared to the target components in the previous table.

ACHIEVED COMPONENTS OF TOTAL REMUNERATION PACKAGE

	TFR	RETENTION PAYMENT	STI ACHIEVED	STI FORFEITED	LTI	AT RISK STI + LTI ACHIEVED	TOTAL ACHIEVED
Executive Directors							
Stephen Day ^{1,4}	33%	0%	0%	100%	0%	0%	33%
Peter Hurley ²	30%	0%	0%	100%	0%	0%	30%
Executive Team							
Chris Carroll	38%	30%	0%	100%	11%	11%	79%
Nicki Garrett ^{3,4}	40%	0%	0%	100%	0%	0%	40%
Jennifer Lambert	39%	30%	0%	100%	11%	11%	80%
Jeff Locke ^{3,4}	40%	0%	0%	100%	0%	0%	40%
Stephen McBride	46%	0%	0%	100%	0%	0%	46%
Martyn McCarthy	30%	38%	0%	100%	10%	10%	78%
Didier Tandy	47%	0%	0%	100%	0%	0%	47%
Rebecca Thompson ^{3,4}	40%	0%	0%	100%	0%	0%	40%

1 Ceased employment during 2009 so did not receive STI, Retention Payment or LTI. Voluntarily agreed to forgo LTI in 2008.

2 Voluntarily agreed to forgo Retention Payment for 2009 and LTI for 2008 and 2009.

3 Ceased employment during 2009 so did not receive STI, Retention Payment or LTI.

4 Excludes payments made on cessation of employment.

→ DIRECTORS' REPORT

(continued)

4. Remuneration framework for the Managing Director and Executive team (continued)

4.1 Remuneration mix (continued)

The total remuneration package (excluding expatriate allowances and termination payments) provided to the Executive Directors and Executive team pursuant to the existing remuneration framework in respect of the years ended 30 June 2009 and 30 June 2008 is as follows:

	YEAR ENDED 30 JUNE	TFR ¹ \$'000	RETENTION ² PAYMENT \$'000	STI ³ \$'000	LTI ⁴ DEFERRED CASH \$'000	LTI ⁵ OPTIONS \$'000	TOTAL \$'000
Executive Directors							
Stephen Day ⁶	2009	743	-	-	-	-	743
	2008	990	743	-	-	-	1,733
Peter Hurley	2009	843	-	-	-	-	843
	2008	904	675	-	-	-	1,579
Executive Team							
Chris Carroll	2009	335	263	-	79	17	694
	2008	354	263	-	-	147	764
Nicki Garrett	2009	311	-	-	-	-	311
	2008	366	273	-	-	153	792
Jennifer Lambert	2009	390	300	-	94	18	802
	2008	404	300	-	-	168	872
Jeff Locke ⁶	2009	298	-	-	-	-	298
	2008	514	383	-	-	214	1,111
Stephen McBride ⁷	2009	504	-	-	-	-	504
	2008	517	-	167	-	72	756
Martyn McCarthy ⁷	2009	409	506	-	106	23	1,044
	2008	438	485	-	-	189	1,112
Didier Tandy ⁷	2009	685	-	-	-	-	685
	2008	654	-	502	-	113	1,269
Rebecca Thompson ⁶	2009	176	-	-	-	-	176
	2008	277	228	-	-	126	631

1 TFR is the total of salaries, superannuation and other short term benefits paid during the period.

2 Retention Payment is the annual amount paid or payable to the employee on 31 August 2008 and 31 August 2009 for remaining with the Group until that time.

3 STI reflects the cash bonus paid or payable, in respect of the relevant year, as approved by the Board.

4 LTI Deferred Cash reflects those deferred payments which were agreed as part of the remuneration package for the relevant year and are payable in the future. This scheme is explained further at section 4.4.3.

5 LTI options only includes the fair value at grant date of options granted during the period. The Scarborough transaction options (exercisable at \$1.92 plus 3.5% per annum) granted in 2008 are excluded.

6 Payments made on cessation of employment are excluded.

7 These amounts have been converted from pounds sterling to Australian dollars.

4.2 Short term incentives – year ended 30 June 2009

The target STI's for the Managing Director and the Executive team for the financial years ended 30 June 2009 and 30 June 2008 are set out under 4.1 Remuneration mix. STI payments paid, earned or forfeited in the years ended 30 June 2009 and 30 June 2008 by the Executive team are shown later in this report.

4.3 Retention Payments

In order to retain key employees in challenging financial and employment markets for Valad, the Board on the recommendation of the Remuneration and Nomination Committee in 2008 agreed that Retention Payments, set at 75% of the individual's target STI, would be paid on each of 31 August 2008 and 31 August 2009 in each case if the employee remained with the Group at that time. These Retention Payments replaced the STIs for the two periods. In return, the notice period required to be given by the employee to the Group was increased for the Executive team to between six and nine months and for other executives three months.

The Managing Director voluntarily waived his Retention Payment for the period ended 30 June 2009.

4.4 Long term incentives

4.4.1 Overview

A long term incentive scheme operates for the Managing Director, Executive team and senior employees. The scheme includes the following components:

- 4.4.1.1 The LTI scheme (LTI scheme) which was introduced in 2006 and has operated from that time until February 2009
- 4.4.1.2 The replacement scheme (Replacement Scheme) which was introduced in February 2009 to replace the LTI scheme for the 2009 financial year only
- 4.4.1.3 The Scarborough transaction options (Scarborough Options) which were introduced as part of the Scarborough transaction. The options have a strike price of \$1.92 plus 3.5% per annum
- 4.4.1.4 The Transitional Scheme (Transitional Scheme) which no longer operates and is included as a requirement for comparative purposes only.

The appropriateness and operation of a long-term incentive scheme is presently under review as part of the review of the remuneration framework mentioned in 2.2 above.

4.4.2 The LTI scheme

Overview

As noted earlier, the LTI component of the Managing Director's and Executive team's remuneration package was a percentage of their TFR (the percentages are as set out in section 4.1). Until February 2009, this was used to grant a mixture of options (50% of LTI grant value) and performance rights (50% of LTI grant value).

An option is the right to purchase Valad securities at a fixed exercise price subject to certain performance conditions being met. A performance right is the right to acquire Valad securities at nil cost when certain performance conditions are met.

These options and performance rights will, subject to achieving the performance hurdles, vest and/or be exercisable at the end of either two or three years (see table later). Fifty per cent of the vested options and performance rights will then be exercisable immediately upon vesting, with the remainder being exercisable 12 months after vesting, except for the Managing Director whose options and performance rights are all exercisable immediately upon vesting. There will be no retesting of performance during this 12 month period. The executive must be employed by Valad at the date of intended exercise in order to be able to exercise his or her options and/or performance rights.

LTI grants are made annually and are subject to continuity of employment and/or performance conditions. Options and performance rights are not entitled to distributions.

The Board has the final decision on the determination of performance relative to hurdles and may use the services of independent advisors to confirm performance.

At the discretion of the Board, e.g. in the event of sickness, death or redundancy, options and/or performance rights may vest and be exercised early. In the event of a takeover of the Valad Group, vested, but not exercised, options and performance rights will become exercisable and unvested options and performance rights will vest pro-rata, e.g. if a takeover occurs two thirds of the way through the period, two thirds of the options and performance rights vest and are exercisable immediately. For the options granted in 2009, all options vest immediately on a change of control and must be exercised at that time.

To the extent continuity of employment or performance hurdles is not met, the options and performance rights will lapse.

→ DIRECTORS' REPORT (continued)

4. Remuneration framework for the Managing Director and Executive team (continued)

4.4.2 The LTI scheme (continued)

There is a cap of 5% of Valad Group's issued capital on the number of securities which may be issued under the LTI scheme. Depending on the results of the remuneration review, this limit may be increased in the future.

Employees must not sell, assign, or otherwise deal with or grant security interests over any Valad securities issued under the LTI scheme which are also subject to dealing restrictions imposed at the time of issue.

The Valad Group does not permit holders of options or performance rights the right to sell, assign, or otherwise deal with or grant security interests, including hedging their position. Compliance with this policy is confirmed annually by the executives.

Performance hurdles

The performance hurdles are set by the Board at the time of granting the options and performance rights.

Grant for the 2007 financial year

The initial grant made in December 2007, in respect of the period commencing 1 July 2006, had the following performance hurdles (which are several and not collective i.e. it is possible to receive an award by achieving the TSR hurdle or the EPS hurdle or both):

→ 50% tied to TSR which vest as follows:

	TSR 0-49%	TSR 50-74%	TSR 75-100%
Tested at end of year 3	Zero	Pro-rata equal to percentile achieved	100%

→ 50% tied to an EPS growth hurdle set by the Board. Note, due to commercial sensitivity, the annual EPS growth targets will not be disclosed. For example only, if the EPS growth was set at 5% per annum options would vest as follows:

	COMPOUND EPS GROWTH <2.5% PER ANNUM	COMPOUND EPS GROWTH 2.5-5%	COMPOUND EPS GROWTH >5%
Tested at end of year 3	Zero	Pro-rata between 50% (if 2.5% achieved) and 75% (if 5% achieved)	100%

Grant for the 2008 financial year

The grant made in June 2008 in respect of the period commencing 1 July 2007 is conditional on the executive remaining employed by the Group at the vesting dates (30 June 2009 and 30 June 2010).

Summary of all options and performance rights issued under the LTI scheme

Terms and conditions of each grant of options (including performance rights) affecting Executive Directors' and Executive team's remuneration in respect of the LTI scheme

COMMENCEMENT DATE	PERFORMANCE HURDLE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE ¹	VALUE PER OPTION AT GRANT DATE	MINIMUM HURDLE ACHIEVED	% VESTED
1 July 2007	Employment	1 July 2009	7 October 2009	\$1.13 (O)	\$0.03	To be determined	n/a
1 July 2007	Employment	1 July 2009	7 October 2009	\$0.00 (PR)	\$0.58	To be determined	n/a
11 July 2007	Employment	1 July 2009	7 October 2010	\$1.13 (O)	\$0.05	To be determined	n/a
11 July 2007	Employment	1 July 2009	7 October 2010	\$0.00 (PR)	\$0.54	To be determined	n/a
1 July 2007	Employment	1 July 2010	7 October 2011	\$1.13 (O)	\$0.06	To be determined	n/a
1 July 2007	Employment	1 July 2010	7 October 2011	\$0.00 (PR)	\$0.47	To be determined	n/a
1 July 2006	TSR	26 August 2008	7 October 2009	\$1.36 (O)	\$0.10	No	0%
1 July 2006	TSR	26 August 2008	7 October 2009	\$0.00 (PR)	\$0.63	No	0%
1 July 2006	EPS	26 August 2008	7 October 2009	\$1.36 (O)	\$0.11	Yes	58%
1 July 2006	EPS	26 August 2008	7 October 2009	\$0.00 (PR)	\$1.18	Yes	58%
1 July 2006	TSR	26 August 2009	7 October 2010	\$1.36 (O)	\$0.11	To be determined	n/a
1 July 2006	TSR	26 August 2009	7 October 2010	\$0.00 (PR)	\$0.59	To be determined	n/a
1 July 2006	EPS	26 August 2009	7 October 2010	\$1.36 (O)	\$0.12	To be determined	n/a
1 July 2006	EPS	26 August 2009	7 October 2010	\$0.00 (PR)	\$1.06	To be determined	n/a
1 July 2006	TSR	9 October 2009	26 November 2010	\$1.36 (O)	\$0.11	No	0%
1 July 2006	TSR	9 October 2009	26 November 2010	\$0.00 (PR)	\$0.59	No	0%
1 July 2006	EPS	9 October 2009	26 November 2010	\$1.36 (O)	\$0.12	No	0%
1 July 2006	EPS	9 October 2009	26 November 2010	\$0.00 (PR)	\$1.06	No	0%
1 July 2006	Employment	9 October 2009	26 November 2010	\$1.36 (O)	\$0.12	No	0%
1 July 2006	Employment	9 October 2009	26 November 2010	\$0.00 (PR)	\$1.06	No	0%

1 O = Options PR = Performance rights.

→ DIRECTORS' REPORT

(continued)

4. Remuneration framework for the Managing Director and Executive team (continued)

4.4.2 The LTI scheme (continued)

Details of options (including performance rights) provided as remuneration

	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR ³	
	2009	2008	2009	2008
Executive Directors				
Stephen Day	(3,877,720)¹	3,877,720	455,004	–
Peter Hurley	(3,681,876)¹	3,681,876	418,477	–
Executive Team				
Chris Carroll	–	1,370,911	103,649	–
Nicki Garrett ⁴	–	1,427,706	–	–
Jennifer Lambert	–	1,566,756	113,604	–
Jeff Locke ²	–	1,997,613	1,997,613	–
Stephen McBride	–	501,000	–	–
Martyn McCarthy	–	1,762,601	263,714	–
Didier Tandy	–	785,000	–	–
Rebecca Thompson ²	–	1,175,066	1,175,066	–

1 The Executive Directors voluntarily waived their rights to these options and their rights to compensation for the forfeiture of these options.

2 Options vested early due to redundancy.

3 These were issued in 2007 at an exercise price of \$1.36 (options) and \$0.00 (performance rights).

4 Options lapsed in 2009 due to cessation of employment.

4.4.3 The Replacement Scheme

In February 2009, having regard to the changed market conditions, the Board introduced the following scheme for the 2009 financial year to replace the LTI scheme until a full review of the remuneration framework could be conducted and introduced.

In February 2009, a grant was made in respect of the period commencing 1 July 2008 comprising options and a cash retention payment payable if the employee is still employed by the Group on 30 June 2011. The options were issued at \$0.04 and vest on 1 July 2011 if the VPG security price achieves a 15% annualised compound growth against the issue price until the vesting date.

The deferred cash retention payment granted to Key Management Personnel in the 2009 year (2008: \$nil) was as follows:

KEY MANAGEMENT PERSONNEL	DEFERRED CASH LTI \$'000	EXPENSED IN FY09 \$'000
Chris Carroll	79	26
Jennifer Lambert	94	31
Martyn McCarthy	106	35

The Managing Director has voluntarily forfeited any rights to his LTI in the 2008 and 2009 years, together with any rights he has to compensation for such forfeiture.

Terms and conditions of each grant of options affecting Executive team's remuneration in respect of the Replacement Scheme

COMMENCEMENT DATE	PERFORMANCE HURDLE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	MINIMUM HURDLE ACHIEVED	% VESTED
1 July 2008	Share Price	1 July 2011	7 October 2011	\$0.04	\$0.015	To be determined	n/a

Details of options provided as remuneration

	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2009	2008	2009	2008
Executive Team				
Chris Carroll	1,125,000	–	–	–
Jennifer Lambert	1,200,000	–	–	–
Martyn McCarthy	1,500,000	–	–	–

→ DIRECTORS' REPORT

(continued)

4. Remuneration framework for the Managing Director and Executive team (continued)

4.4.4 Scarborough Options

As disclosed in the Group combined Prospectus/Product Disclosure Statement dated 25 June 2007 and the Notice of the Annual General Meeting on 31 October 2007, the Board resolved to issue options (McCabe Options) to the Executive Directors and senior executives involved in the Scarborough transaction. Mr Kevin McCabe, a vendor of certain interests which formed part of the Scarborough transaction, agreed to receive part payment of the purchase price in the form of stapled securities. He then agreed to provide an option in favour of a Group employee share scheme trust to acquire a portion of these securities between 30 September 2009 and 30 June 2012 (McCabe Options). The intention behind the McCabe Options was to enable options over securities to be provided to senior executives of the Group to reward high performance and to ensure their retention.

Options (Other Options) were also granted on 28 June 2007 to the Group Head of Funds Management and the Group Head of Corporate Affairs and Investor Relations in relation to their involvement in the Scarborough transaction.

Terms and conditions of each grant of options affecting Executive Directors' and Executive team's remuneration in respect of the Scarborough Options

COMMENCEMENT DATE	PERFORMANCE HURDLE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	MINIMUM HURDLE ACHIEVED	% VESTED
McCabe options							
11 July 2007	Employment	30 September 2009	30 June 2012	\$1.92 ¹	\$0.21	To be determined	n/a
Other options							
28 June 2007	Employment	1 July 2009	7 October 2010	\$1.13	\$0.18	Note 2	Note 2
28 June 2007	Employment	1 July 2010	7 October 2010	\$1.13	\$0.17	Note 2	Note 2

1 The initial strike price for the stapled security on exercise of the option is \$1.92 and is increased by 3.5% per annum on 1 August each year, commencing on 1 August 2008. The strike price is calculated on the date of exercise and will take into account a pro-rata increase calculated by reference to the number of days elapsed between 1 August and the date of the exercise of the option.

2 These options were granted to both the Group Head of Funds Management (who resigned in March 2009 and the options were therefore forfeited) and to the Group Head of Corporate Affairs and Investor Relations (who was made redundant in February 2009 and the options therefore fully vested at that time but have not been exercised).

Details of Scarborough transaction options provided as remuneration

	NUMBER OF OPTIONS GRANTED		NUMBER OF OPTIONS VESTED	
	2009	2008	2009	2008
Executive Directors				
Stephen Day ¹	-	7,813,735	-	-
Peter Hurley	-	7,813,735	-	-
Executive Team				
Chris Carroll	-	1,235,373	-	-
Nicki Garrett ¹	-	1,189,687	-	-
Jennifer Lambert	-	1,235,373	-	-
Jeff Locke ²	-	617,687	617,687	-
Martyn McCarthy	-	1,235,373	-	-
Rebecca Thompson ²	-	286,000	286,000	-

1 Options lapsed due to cessation of employment.

2 Options vested early due to redundancy.

4.4.5 The Transitional Scheme

This section is included for comparative purposes only as the Transitional Scheme is no longer operative.

As part of the transitional arrangements between the Group's previous LTI scheme (Old Scheme) and the LTI scheme, options were granted to the Executive Directors and certain Members of the Executive team which were exercisable in November 2007 subject to Valad achieving Total Shareholder Returns (TSR) compared to TSR of the ASX 200 LPT index as follows:

TSR 0-49%	TSR 50-74%	TSR 75-100%
Zero	Pro-rata equal to the percentile achieved	100%

The TSR hurdle was achieved and the Transitional Scheme options fully vested on 31 October 2007. However, none of the options were exercised and they expired on 8 April 2008.

Terms and conditions of each grant of options affecting Executive Directors and certain Members of the Executive team's remuneration in respect of the Transitional Scheme

COMMENCEMENT DATE	PERFORMANCE HURDLE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	MINIMUM HURDLE ACHIEVED	% VESTED
1 November 2005	TSR	31 October 2007	8 April 2008	\$1.36	\$0.09	Yes	100

Details of options provided as remuneration as part of the Transitional Scheme

	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR ²	
	2009	2008	2009	2008
Stephen Day	-	-	-	1,388,889
Peter Hurley	-	-	-	1,388,889
Chris Carroll	-	-	-	555,556
Shaun Hannah	-	-	-	555,556
Jennifer Lambert	-	-	-	555,556
Martyn McCarthy	-	-	-	555,556
Paul Notaras	-	-	-	555,556

→ DIRECTORS' REPORT (continued)

5. Service Agreements

5.1 Managing Director

Remuneration and other terms for the Managing Director include the provision of, when eligible, performance-related cash bonuses (STI) and Long Term Incentives (LTI). Other major terms include:

- Term – ongoing, commenced October 2002
- Total Fixed Remuneration (TFR) of \$799,000 per annum from 1 February 2009, reviewed annually by the Board on the recommendation of the Remuneration and Nomination Committee. As Mr Hurley voluntarily reduced his TFR from \$940,000 to \$799,000 from 1 February 2009, if he is terminated without cause any termination payments will be based on a TFR of \$940,000
- Mr Hurley is entitled to a payment of twice his TFR (totalling \$1,880,000) if he:
 - (a) Is given notice of termination without cause after 30 September 2009 but before 30 June 2010, or
 - (b) Remains with the Group until 30 June 2010.
- If Mr Hurley's employment is terminated without cause in a year prior to 30 June 2011, he is entitled to a termination payment of \$2,284,000 including any redundancy payments. If Mr Hurley is terminated after 30 June 2011, he is entitled to an amount equal to the average of the total remuneration (Total Fixed Remuneration + STI paid or payable + LTI granted in the year) for the two completed financial years preceding the date on which Mr Hurley's employment terminates. If Mr Hurley's employment is terminated without cause he is entitled to nine months' notice and if he is terminated with cause he is entitled to three months' notice or a payment in lieu of notice.

5.2 Executive team

The existing service agreements for the Chief Executive Officer, Europe, the Group Chief Financial Officer and the Group General Counsel provided for certain deferred payments to be made to the executive.

These payments were negotiated at the time the employee joined the Group as deferred sign-on fees. The employee became entitled to and was paid the relevant deferred sign-on fees in 2008. No employee is now entitled to a deferred sign-on fee.

The deferred sign-on fees paid in 2008 were as follows:

- Chief Executive Officer, Europe: \$311,000
- Group Chief Financial Officer: \$143,000
- Group General Counsel: \$86,000.

The standard termination notice period for most of the employees of the Group is one month's notice. In the case of the Executive team between six and nine months' notice is required (2008: six months) by either the Group or the executive. The Head of Property, Europe and Head of Valad Capital Services, Europe have fixed term contracts which expired on 10 July 2009.

6. Remuneration – Non-Executive Directors

6.1 Policy

The Remuneration and Nomination Committee makes recommendations to the Board concerning the remuneration for Non-executive Directors. The Board's policy is that Non-executive Directors' remuneration will be transparent and easily explained.

Non-executive Director remuneration comprises three main elements:

1. Main Board fees
2. Committee fees
3. Superannuation contributions at the statutory Superannuation Guarantee Levy rate.

Differences in workload between Non-executive Directors arise mainly because of differing involvement in board committees, which is in addition to main board work. This additional workload is rewarded via committee fees in addition to main board fees. However, where the Board or Committee member's time commitment, e.g. in the case of a major project, is beyond the normal requirements, the Board or Committee member will be entitled to a per diem payment.

Non-executive Directors do not participate in any incentive or performance-based arrangements.

Non-executive Directors are not entitled to any retirement benefits, other than their superannuation contributions.

Non-executive Directors' remuneration is set by reference to comparable entities listed on the Australian Stock Exchange and external independent advice of reasonable remuneration for Non-executive Directors is sought at least every three years.

The Chairman of a committee is paid a fee at a higher rate than other committee members to reflect additional workloads and responsibilities.

There was no increase to the directors' individual base fees in 2009 from 2008 levels. Trevor Gerber's fees increased when he was elected Chairman on 28 August 2008.

Despite increased workload outside of Board meetings, directors voluntarily agreed to waive any rights they had to per diem payments in 2009.

6.2 Cap on fees

Total non-executive directors' fees must be within the aggregate amount set out in the Company's constitution. The current maximum aggregate amount is \$1,200,000 per annum. This amount can only be increased at a general meeting of the Company.

The total of directors' fees paid to Non-executive Directors for the year ended 30 June 2009 was \$722,000 (2008: \$558,000). While directors did not receive an increase in their base fees in 2009, the total has increased due to Mr Gerber being paid additional fees when he became Chairman on 28 August 2008.

The total of committee fees paid to Non-executive Directors for the year ended 30 June 2009 was \$194,000 (2008: \$183,000).

The total of per diem fees paid to Non-executive Directors for the year ended 30 June 2009 was \$nil (2008: \$180,000).

No directors' fees were paid to Executive Directors.

7. Options granted to Executive Directors other than outlined above

Stephen Day and Peter Hurley received one million options each prior to of the Group's Initial Public Offering in December 2002, the details of which were disclosed in the Prospectus / Product Disclosure Statement issued at the time of the IPO. Further details are contained in note 40 of the full financial report.

The options may only be exercised at an exercise price of \$1.00 if the holder concerned is an employee of the Group at the time that they are exercised (save in certain exceptional circumstances).

No options have been exercised.

Stephen Day's options lapsed upon his cessation of employment with the Group.

8. Additional benefits

Since the end of the previous financial year, Valad has paid insurance premiums in respect of Directors' and Officers' liability insurance contracts for Directors, Executive Directors, Company Secretaries and Officers. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors and Officers of Valad.

Premiums are also paid for fidelity insurance and professional Indemnity insurance policies to cover certain risks for a broad range of employees, including Directors and Executives.

→ DIRECTORS' REPORT

(continued)

9. Details of remuneration

9.1 Details of remuneration earned or paid during the year ended 30 June 2009

2009	NOTES	SHORT-TERM BENEFITS					POST	TERM-	SHARE	TOTAL ⁴	REMUNERATION PACKAGE ⁵
		FIVE HIGHEST PAID EXECUTIVES	CASH SALARIES AND FEES	RE-TENTION PAYMENT ⁶	CASH DEFERRED BONUS	EX-PATRIATE ALLOWANCES ²	OTHER SHORT TERM BENEFITS	EMPLOYMENT BENEFITS	INATION BENEFITS		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-executive Directors											
Trevor Gerber		333	-	-	-	-	30	-	-	363	363
Andrew Martin		50	-	-	-	-	95	-	-	145	145
Kevin McCabe		113	-	-	-	-	-	-	-	113	113
Ian Robertson		136	-	-	-	-	-	-	-	136	136
Robert Seidler		159	-	-	-	-	-	-	-	159	159
Sub-total		791	-	-	-	-	125	-	-	916	916
Executive Directors											
Stephen Day	6	695	-	-	-	10	38	1,750	(1,106)	1,387	743
Peter Hurley – Managing Director	7	788	-	-	290	6	50	-	521 ¹¹	1,655	843
Other key management personnel											
Chris Carroll		261	263	-	-	-	74	-	158	756	694
Nicki Garrett	8	276	-	-	-	10	25	198	(221)	288	311
Jennifer Lambert		* 360	300	14	-	13	16	-	165	868	802
Jeff Locke	9	* 269	-	-	-	8	21	839	197	1,334	298
Stephen McBride		393	-	-	-	72	39	-	36	540	504
Martyn McCarthy		* 409	506	-	487	-	-	-	172	1,574	1,044
Didier Tandy		621	-	-	-	3	61	-	56	741	685
Rebecca Thompson	10	* 154	-	-	-	8	14	538	103	817	176
Other Group executives											
Michael Bruhn		* 804	-	-	-	49	80	-	-	933	933
Total		5,821	1,069	14	777	179	543	3,325	81	11,809	7,949

1 Refer to section 4.3.

2 Expatriate allowances include relocation allowance and housing allowance paid to employees relocated away from their home country at the Company's request.

3 Share-based payments is the pro-rata cost recognised in respect of options granted. Negative amounts reflect the reversal of option costs expensed in prior periods for unvested options forfeited in 2009.

4 Excludes any deferred cash payments. Refer to sections 4.1 and 5.1.

5 Includes current year TFR, Retention Payment, STI and LTI only (excludes expatriate allowances, termination benefits and prior year LTI expensed in current year).

6 Ceased employment effective 1 April 2009. Termination payment includes accrued leave, long service leave and severance payment with \$750,000 payable in March 2010.

7 Relocated from Europe back to Australia, effective 1 February 2009. During the year \$940,000 was expensed relating to the loyalty incentive conditionally payable 30 June 2010 (see section 5.1).

8 Resigned 11 March 2009 and provided six months' notice. Cash salary and superannuation for notice period included in termination benefits.

9 Ceased employment effective 30 January 2009.

10 Ceased employment effective 2 February 2009.

11 No share-based payments granted in 2009. FY09 represents current year pro-rata accounting expense of past years' grants.

9.2 Details of remuneration earned or paid during the year ended 30 June 2008

2008	NOTES	SHORT-TERM BENEFITS						POST EMPLOY- MENT BENEFITS	TERM- INATION BENEFITS	SHARE BASED PAYMENTS ¹	TOTAL	REMUN- ERATION PACKAGE
		FIVE HIGHEST PAID EXEC- UTIVES	CASH SALARIES AND FEES \$'000	CASH BONUS \$'000	CASH DEFERRED SIGN-ON INCENTIVE \$'000	EX- PATRIATE ALLOW- ANCES ² \$'000	OTHER SHORT TERM BENEFITS \$'000					
Non-executive Directors												
	3	401	-	-	-	-	20	-	-	421	421	
		43	-	-	-	-	96	-	-	139	139	
	4	92	-	-	-	-	-	-	-	92	92	
	4	100	-	-	-	-	-	-	-	100	100	
	5	169	-	-	-	-	-	-	-	169	169	
		805	-	-	-	-	116	-	-	921	921	
Executive Directors												
		926	743	-	-	14	50	-	1,115	2,848	1,733	
	6	894	675	-	514	2	8	-	1,090 ⁹	3,183	1,579	
Other key management personnel												
		326	263	86	-	4	24	-	252	955	764	
		332	273	-	-	4	30	-	196	835	792	
	7	107	-	-	-	10	10	87	(143)	71	127	
	*	354	300	143	-	18	32	-	268	1,115	872	
		455	383	-	-	18	41	-	146	1,043	1,111	
		467	167	-	-	5	45	-	36	720	756	
	*	428	485	311	318	4	6	-	314	1,866	1,112	
	8	409	338	-	-	4	41	-	(1)	791	981	
	*	592	502	-	-	4	58	-	56	1,212	1,269	
		236	228	-	-	18	23	-	73	578	631	
Other Group executives												
	*	606	-	-	-	6	42	537	-	1,191	654	
	*	363	-	-	-	36	36	944	-	1,379	435	
		7,300	4,357	540	832	147	562	1,568	3,402	18,708	13,737	

1 Share-based payments is the pro-rata cost recognised in respect of options granted.

2 Expatriate allowances include relocation allowance and housing allowance.

3 Includes \$160,000 per diem for additional time over and above the normal requirements of directors.

4 Appointed 1 August 2007.

5 Includes \$20,000 per diem for additional time over and above the normal requirements of directors.

6 Executive Director until relocation to Europe in August 2007.

7 Resigned 31 October 2007. Termination benefits include accrued long service leave and annual leave paid upon termination.

8 Resigned 30 June 2008.

9 The share-based payments cost includes pro-rata cost of FY08 grant, which was subsequently waived.

→ DIRECTORS' REPORT

(continued)

10. Additional information

10.1 Details of options in section 9.1

NAME	YEAR GRANTED	OPTIONS		FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST ⁵ \$'000
		VESTED %	FORFEITED %		
Executive Directors					
Stephen Day ¹	2008 ²	–	100	–	–
	2008	–	100	–	–
	2007	–	100	–	–
Peter Hurley ³	2008 ²	–	100	–	–
	2008	–	–	2010	182
	2007	27	73	2009	–
	2007	–	–	2010	–
Other key management personnel					
Chris Carroll	2009	–	–	2012	11
	2008	–	–	2010	–
	2008	–	–	2011	25
	2008	–	–	2010	28
	2007	27	73	2009	–
	2007	–	–	2010	48
Nicki Garrett ¹	2008	–	100	–	–
	2007	–	100	–	–
Jennifer Lambert	2009	–	–	2012	12
	2008	–	–	2010	–
	2008	–	–	2011	29
	2008	–	–	2010	29
	2007	27	73	2009	–
	2007	–	–	2010	–
Jeff Locke ⁴	2008	100	–	–	–
Stephen McBride	2008	–	–	2010	–

OPTIONS					
NAME	YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST ⁵ \$'000
Other key management personnel (continued)					
Martyn McCarthy	2009	–	–	2012	15
	2008	–	–	2010	–
	2008	–	–	2011	32
	2008	–	–	2010	29
	2007	27	73	2009	–
	2007	–	–	2010	–
Didier Tandy	2008	–	–	2010	–
Rebecca Thompson ⁴	2008	100	–	–	–
	2008	100	–	–	–
	2007	100	–	–	–
	2007	100	–	–	–

1 Ceased employment during 2009 and consequently forfeited cash bonus and unvested options.

2 This grant of options to Executive Directors was subject to securityholder approval. The Executive Directors voluntarily waived their rights to these options and their rights to compensation for the forfeiture of these options.

3 Voluntarily forfeited 2008 LTI and 2009 LTI (and rights to compensation for the forfeiture of these options) and 2009 Retention Payment.

4 Upon redundancy, cash bonus forfeited and all unvested options vested.

5 The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed. No options will vest if the performance conditions underlying each option grant are not satisfied, hence the minimum value of all options yet to vest is nil.

→ DIRECTORS' REPORT (continued)

10. Additional information (continued)

10.1 Details of options in section 9.1 (continued)

	A REMUNERATION CONSISTING OF OPTIONS %	B VALUE AT GRANT DATE \$'000	C VALUE AT EXERCISE DATE \$'000	D VALUE AT LAPSE DATE \$'000
2009				
Executive Directors				
Stephen Day	(79.8)	–	–	131
Peter Hurley	31.5	–	–	99
Other key management personnel				
Chris Carroll	20.9	17	–	15
Nicki Garrett	(77.0)	–	–	8
Jennifer Lambert	19.0	18	–	16
Jeff Locke	14.8	–	16	–
Stephen McBride	6.7	–	–	–
Martyn McCarthy	10.9	23	–	38
Didier Tandy	7.6	–	–	–
Rebecca Thompson	12.6	–	–	–
2008				
Executive Directors				
Stephen Day	39.1	2,056	–	–
Peter Hurley	34.2	2,035	–	–
Other key management personnel				
Chris Carroll	26.4	406	–	–
Nicki Garrett	23.5	283	–	–
Jennifer Lambert	24.0	427	–	–
Jeff Locke	14.0	344	–	–
Stephen McBride	5.0	72	–	–
Martyn McCarthy	16.8	448	–	–
Paul Notaras	(0.1)	448	–	–
Didier Tandy	4.6	113	–	–
Rebecca Thompson	12.6	126	–	–

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share Based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value of options that were granted as part of remuneration and that lapsed during the year due to the failure to satisfy a vesting condition (calculated at lapse date but assuming the vesting condition was satisfied).

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms, is set out in note 38 in the full financial report.

Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium to insure all officers of the Group and its controlled entities. The officers covered by the insurance policy include the directors, officers, company secretary, employees and trustees. The insurance policy specifically prohibits disclosure of the nature of the liability covered and the amount of the premium paid. PricewaterhouseCoopers, although indemnified out of the assets of the Group for some services, is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

Rounding of amounts

The Group and Consolidated Entity is a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order, to the nearest tenth of a million dollars, or in certain cases, to the nearest thousand dollars.

Non-audit services

The Group and Consolidated Entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and Consolidated Entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirement of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

→ DIRECTORS' REPORT

(continued)

During the year the following fees were paid or payable for services provided by the auditor of the parent entities:

	CONSOLIDATED			
	VPG 2009 \$'000	VPT 2009 \$'000	VPG 2008 \$'000	VPT 2008 \$'000
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of the financial reports and other audit work under the <i>Corporations Act 2001</i>	2,231	656	2,036	597
Related practices of PricewaterhouseCoopers Australian firm				
Audit and review of the financial statements	1,837	8	1,292	9
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	66	–	115	–
Total remuneration for audit services	4,134	664	3,443	606
Other assurance services				
PricewaterhouseCoopers Australian firm				
Other audit services	7	3	80	–
Related practices of PricewaterhouseCoopers Australian firm				
Other audit services	–	–	64	–
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	–	–	6	–
Total remuneration for other assurance services	7	3	150	–
Total remuneration for assurance services	4,141	667	3,593	606
Non-audit services				
PricewaterhouseCoopers Australian firm				
Tax compliance services including review of company and trust tax returns	156	–	330	–
Other tax consulting	217	66	347	–
Tax and accounting for property acquisitions/disposals	9	–	4	–
Tax, accounting and due diligence for investments	–	–	657	–
Tax, accounting and due diligence for business acquisitions	196	–	2,275	–
Technical accounting advice	101	31	151	–
Organisation design and effectiveness review and other advisory services	740	–	691	–
Assistance with debt restructure	1,050	–	–	–
Other consulting	225	–	–	–
Related practices of PricewaterhouseCoopers Australian firm				
Tax compliance	348	–	–	–
Tax, accounting and due diligence for business acquisitions/ disposals	–	–	460	92
Non-PricewaterhouseCoopers accounting firms (overseas)				
Tax compliance	4	–	319	–
Other tax consulting	31	–	–	–
Tax, accounting and due diligence for business acquisitions/ disposals	18	–	–	–

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 52.

Auditor

PricewaterhouseCoopers continues in office as auditor for the Group and Consolidated Entity in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

**Trevor Gerber**

Chairman, Valad Funds Management Limited and Valad Commercial Management Limited
(as responsible entity for Valad Property Trust)

Sydney

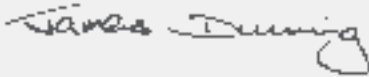
27 August 2009

→ DIRECTORS' REPORT (continued)

As lead auditor for the audit of Valad Funds Management Limited for the year ended 30 June 2009, 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 Valad Funds Management Limited and the entities it controlled during the year and Valad Property Trust and the entities it controlled during the year, referred to as Valad Property Group.



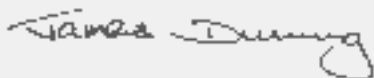
JA Dunning
Partner
PricewaterhouseCoopers

Sydney
27 August 2009

As lead auditor for the audit of Valad Property Trust for the year ended 30 June 2009, 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 Valad Property Trust and the entities it controlled during the year.



JA Dunning
Partner
PricewaterhouseCoopers

Sydney
27 August 2009

→ CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

						CONSOLIDATED			
	NOTES	VPG 2009 \$M	VPT 2009 \$M	VPG 2008 \$M	VPT 2008 \$M				
Revenue	4	307.3	136.9	727.3	219.5				
Profit on disposal of controlled entities		93.3	22.3	–	–				
Employee benefits expense		(97.9)	–	(107.4)	–				
Finance costs		(118.6)	(87.2)	(90.6)	(47.0)				
Investment property expenses		(15.7)	(8.8)	(13.9)	(8.2)				
Cost of property developments sold		(65.1)	–	(209.8)	–				
Agricultural cost of sales		(5.2)	–	(1.1)	–				
Cost of investments sold		–	–	(86.9)	(15.4)				
Administrative expenses		(63.5)	(3.3)	(62.7)	(2.4)				
Management expenses		–	(6.0)	–	(8.8)				
Amortisation		(12.2)	–	(16.5)	–				
Depreciation		(2.5)	–	(2.1)	–				
Other expenses		(1.7)	(0.6)	(0.6)	(0.1)				
Cross staple loan forgiven		–	(100.0)						
Impairment of intangible assets		(459.8)	–	(247.4)	–				
Impairment of assets		(537.8)	(686.5)	(40.2)	(31.0)				
Unrealised fair value adjustments to assets		(451.9)	(192.9)	(115.5)	(69.5)				
Unrealised fair value adjustment to derivatives		(27.6)	(29.7)	9.6	21.4				
Realised foreign exchange gains/(losses)		(39.6)	(54.4)	2.4	0.9				
Unrealised foreign exchange gains/(losses)		8.5	(8.5)	(10.9)	(47.3)				
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method		(21.0)	(1.3)	15.8	3.3				
Profit/(loss) before income tax expense/(credit)		(1,511.0)	(1,020.0)	(250.5)	15.4				
Less: Income tax (expense)/credit		18.7	–	0.8	–				
Profit/(loss) for the year		(1,492.3)	(1,020.0)	(249.7)	15.4				
Minority interest		–	–	1.7	–				
Profit/(loss) attributable to the stapled security/unit holders of Valad Property Group and Valad Property Trust		(1,492.3)	(1,020.0)	(248.0)	15.4				
		VPG 2009 CENTS PER STAPLED SECURITY	VPT 2009 CENTS PER UNIT	VPG 2008 CENTS PER STAPLED SECURITY	VPT 2008 CENTS PER UNIT				
Basic earnings	2	(92.9)	(63.5)	(16.3)	1.0				
Diluted earnings	2	(92.7)	(63.3)	(16.2)	1.0				

The above income statement should be read in conjunction with the accompanying notes.

→ CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2009

<i>CONSOLIDATED</i>					
	NOTES	VPG 2009 \$M	VPT 2009 \$M	VPG 2008 \$M	VPT 2008 \$M
Current assets					
Cash and cash equivalents		76.9	5.7	121.2	59.1
Loans and receivables		138.0	70.0	436.4	104.6
Non-current assets held for sale	5	36.0	7.8	42.7	22.6
Derivative financial instruments		-	-	17.2	17.2
Other assets		3.3	0.6	21.9	1.0
Total current assets		254.2	84.1	639.4	204.5
Non-current assets					
Loans and receivables		117.0	519.1	637.3	1,238.5
Inventory		81.8	-	261.5	-
Investments accounted for using the equity method		49.8	6.5	226.4	11.7
Financial assets at fair value through profit and loss		-	-	146.2	143.4
Other financial assets		74.1	62.6	94.4	65.5
Property, plant and equipment		8.4	-	131.7	77.1
Investment property	6	563.2	359.1	995.0	576.7
Derivative financial instruments		-	-	46.3	33.2
Deferred tax assets		12.3	-	19.2	-
Intangible assets		107.6	-	558.9	-
Total non-current assets		1,014.2	947.3	3,116.9	2,146.1
Total assets		1,268.4	1,031.4	3,756.3	2,350.6
Current liabilities					
Payables		111.2	10.4	209.3	12.5
Interest bearing liabilities		61.0	17.0	45.5	5.0
Current tax liabilities		4.9	-	25.5	-
Derivative financial instruments		0.4	0.4	1.1	-
Provisions		5.9	-	0.2	0.1
Total current liabilities		183.4	27.8	281.6	17.6
Non-current liabilities					
Payables		21.3	-	81.4	-
Interest bearing liabilities		532.7	436.7	1,265.0	649.6
Deferred tax liabilities		24.6	-	39.2	-
Derivative financial instruments		11.7	11.7	-	-
Provisions		1.9	-	0.3	-
Total non-current liabilities		592.2	448.4	1,385.9	649.6
Total liabilities		775.6	476.2	1,667.5	667.2
Net assets		492.8	555.2	2,088.8	1,683.4
Equity					
Contributed equity		2,431.8	1,728.2	2,431.6	1,728.3
Reserves		(63.2)	(17.0)	(471.2)	(108.7)
Retained earnings/(accumulated losses)		(1,875.8)	(1,156.0)	126.7	63.8
Minority interest		-	-	1.7	-
Total equity		492.8	555.2	2,088.8	1,683.4

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

→ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>				
	<i>NOTES</i>	<i>VPG 2009 \$M</i>	<i>VPT 2009 \$M</i>	<i>VPG 2008 \$M</i>	<i>VPT 2008 \$M</i>
Total equity at the beginning of the year		2,088.8	1,683.4	1,088.2	872.0
Changes in the fair value of financial assets, net of tax		(1.2)	(1.8)	(0.6)	–
Changes in the fair value and transfers to profit and loss of cash flow hedges, net of tax		(65.8)	(40.5)	50.2	26.2
Changes in the capital profits reserve, net of tax		–	–	–	–
Exchange differences on translation of foreign operations		38.8	12.2	(109.1)	(22.8)
Income/(expense) recognised directly in equity		(28.2)	(30.1)	(59.5)	3.4
Profit/(loss) for the year		(1,492.3)	(1,020.0)	(248.0)	15.4
Total recognised income/(expense) for the year		(1,520.5)	(1,050.1)	(307.5)	18.8
Contributions of equity		–	–	1,431.2	907.3
Equity raising costs		(0.2)	(0.2)	(32.1)	(20.0)
Distributions provided for or paid	7	(78.0)	(78.0)	(95.3)	(95.3)
Employee security ownership plan		0.1	0.1	0.8	0.6
Employee security ownership plan – option value		2.1	–	4.4	–
Other share-based transactions		2.0	–	–	–
Treasury stock		0.2	–	(2.7)	–
Minority interest		(1.7)	–	1.8	–
		(75.5)	(78.1)	1,308.1	792.6
Total equity at the end of the year		492.8	555.2	2,088.8	1,683.4

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

→ CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>			
	<i>VPG</i> 2009 \$M	<i>VPT</i> 2009 \$M	<i>VPG</i> 2008 \$M	<i>VPT</i> 2008 \$M
<i>Cash flows from operating activities</i>				
Cash receipts in the course of operations	238.4	60.2	472.7	57.6
Cash payments in the course of operations	(221.8)	(26.4)	(277.3)	(16.9)
Close out of derivatives	(14.9)	(14.9)	-	-
Interest received	45.6	10.1	44.7	6.1
Distributions and dividends received	19.6	9.2	10.4	4.7
Borrowing costs paid	(74.3)	(58.5)	(81.4)	(48.0)
Income tax paid	(0.9)	-	(16.7)	-
Net cash (outflow)/inflow from operating activities	(8.3)	(20.3)	152.4	3.5
<i>Cash flows from investing activities</i>				
Payments for purchase of controlled entities, net of cash acquired	-	-	(797.6)	-
Payment for deferred consideration	(101.6)	-	-	-
Proceeds from sale of investment properties	160.4	153.0	174.5	107.5
Payments for investment properties	(11.5)	-	(398.4)	(327.1)
Capital expenditure on investment properties	(13.7)	(8.2)	(10.8)	(6.7)
Preliminary costs for acquisitions	(1.6)	-	(4.4)	-
Proceeds from sale of inventory	80.8	-	181.0	-
Payments for purchase of inventory	(74.1)	-	(435.7)	-
Proceeds from sale of property, plant and equipment	-	-	1.8	-
Payments for property, plant and equipment	(9.6)	(8.2)	(91.0)	(83.9)
Proceeds from sale of investments	129.1	18.0	5.6	-
Costs on disposal of investment	(7.4)	-	-	-
Payments for purchase of investments	(57.9)	(16.5)	(237.9)	(209.0)
Return of capital	-	-	4.9	-
Purchase of shares on behalf of employees and directors	-	-	(0.5)	-
Repayment of shares by employees and directors	-	-	1.4	-
Loans to joint ventures/associates	(14.9)	-	(19.8)	-
Repayment of loans from joint ventures/associates	44.0	-	2.5	-
Loans to third parties	(14.2)	19.1	(170.7)	(35.9)
Repayment of loans from third parties	30.8	-	48.8	-
Loans to related parties	-	(266.6)	-	(2,405.4)
Repayment of loans from related parties	-	345.1	-	1,794.6
Net cash (outflow)/inflow from investing activities	138.6	235.7	(1,746.3)	(1,165.9)
<i>Cash flows from financing activities</i>				
Proceeds from issue of securities	-	-	1,431.2	907.3
Payment for issue costs	-	-	(32.1)	(20.0)
Distributions paid	(78.0)	(78.0)	(142.5)	(142.3)
Proceeds from borrowings	335.9	234.2	1,826.6	1,291.8
Repayment of borrowings	(450.6)	(425.4)	(1,374.2)	(825.4)
Net cash (outflow)/inflow from financing activities	(192.7)	(269.2)	1,709.0	1,211.4
Net (decrease)/increase in cash held	(62.4)	(53.8)	115.1	49.0
Cash at the beginning of the financial year	121.2	59.1	60.2	2.5
Effect of exchange rate changes on cash and cash equivalents	18.1	0.4	(54.1)	7.6
Cash at the end of the financial year	76.9	5.7	121.2	59.1

The above cash flow statement should be read in conjunction with the accompanying notes.

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

This concise financial report includes separate financial statements for the consolidated entity of Valad Property Trust and its controlled entities (Consolidated Entity) and the consolidated entity consisting of Valad Funds Management Limited and its controlled entities, and Valad Property Trust and its controlled entities. These entities are together referred to in this financial report as the Group. The accounting policies adopted have been consistently applied to all years presented.

The units in Valad Property Trust are "stapled" to the shares in Valad Funds Management Limited. These entities form Valad Property Group (the Group). A stapled security comprises one Trust unit and one Company share. The stapled securities cannot be traded or dealt with separately.

Note 1 Presentation currency

The presentation currency used in this concise financial report is Australian dollars.

Note 2 Earnings per stapled security/unit

	<i>CONSOLIDATED</i>			
	<i>VPG 2009</i>	<i>VPT 2009</i>	<i>VPG 2008</i>	<i>VPT 2008</i>
Basic earnings per stapled security/unit (cents)	(92.9)	(63.5)	(16.3)	1.0
Diluted earnings per stapled security/unit (cents)	(92.7)	(63.3)	(16.2)	1.0

(a) Reconciliation of earnings used in calculating earnings per stapled security

	<i>CONSOLIDATED</i>			
	<i>VPG 2009 '000</i>	<i>VPT 2009 '000</i>	<i>VPG 2008 '000</i>	<i>VPT 2008 '000</i>
Basic earnings per stapled security/unit				
Net profit/(loss)	(1,492.3)	(1,020.0)	(248.0)	15.4
Diluted earnings per stapled security/unit				
Net profit/(loss)	(1,492.3)	(1,020.0)	(248.0)	15.4

(b) Weighted average number of stapled securities/units used as the denominator

	<i>CONSOLIDATED</i>			
	<i>VPG 2009 '000</i>	<i>VPT 2009 '000</i>	<i>VPG 2008 '000</i>	<i>VPT 2008 '000</i>
<i>Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic earnings per stapled security/unit</i>	1,605,598	1,605,598	1,521,175	1,521,175
Adjustments for calculation of diluted earnings per stapled security/unit:				
Options	4,895	4,895	12,980	12,980
<i>Weighted average number of ordinary stapled securities/units and potential ordinary stapled securities/units used as the denominator in calculating diluted earnings per stapled security/unit</i>	1,610,493	1,610,493	1,534,155	1,534,155

Note 3 Segment information

(a) Description of segments

Business segments

Property ownership

The Group and Consolidated Entity own rental income producing passive properties throughout Australia, New Zealand and Europe. These are long term hold investments producing a recurring stream of income to the Group and Consolidated Entity. Most of the passive property ownership interests are held in the Consolidated Entity.

Property development and trading

This segment develops and trades assets and also creates a pipeline of product for VPG's managed funds.

Funds management

The funds managements segment establishes and manages listed and unlisted property funds. In addition it invests in listed and unlisted property funds and holds short term investments prior to disposal/syndication or sell down to external investors.

Valad Capital Services

This segment provides property structured finance and investment banking services to external parties and has invested in a diversified portfolio across a broad range of asset classes including commercial, retail, industrial, residential and retirement.

Geographical segments

The Group's and Consolidated Entity's investments are located and managed in two main geographical areas, Australia and New Zealand combined for one area and Europe.

On 1 July 2009, the Group contributed the majority of its European assets and all associated debt to the DUKE joint venture.

In addition, the Group has contributed \$17.4m (€10.0m) and will contribute a further \$26.1m (€15.0m) in cash to the DUKE joint venture over three years. The Group's \$69.5m (€40.0m) contingent liability relating to the German Aktiv Fund (GAF) was cancelled as part of the transaction.

The DUKE joint venture has assumed the existing debt facilities associated with the above assets, the terms of which have largely remained unchanged, and which also have a term of three years. Bank of Scotland provided new undrawn facilities of \$135.6m (£66m) to the joint venture.

The Group retains 100% ownership of its European fund management platform (Valad Europe) which is held separately from the DUKE joint venture and which no longer forms part of the DUKE debt security pool. The Group will provide asset management services to DUKE.

Under the terms of the restructure, should the Group choose to sell Valad Europe within three years, the DUKE joint venture has the right to the net proceeds which must be used to reduce bank debt. Thereafter, if the DUKE joint venture is extended and the Group chooses to sell Valad Europe, the DUKE joint venture may have the right to some or all of the net proceeds, depending on the then loan to value ratio of the DUKE joint venture.

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Note 3 Segment information (continued)

(b) Primary reporting format – business segments

	CONSOLIDATED VPG					
2009	PROPERTY INVESTMENT \$M	PROPERTY DEVELOPMENT AND TRADING \$M	FUNDS MANAGEMENT \$M	CAPITAL SERVICES \$M	UNALLOCATED/ ELIMINATIONS \$M	CONSOLIDATED \$M
Segment revenue						
Rent from investment properties	99.4	-	-	-	-	99.4
Development property sales and fees	-	52.7	-	-	-	52.7
Funds management income	-	-	86.1	-	-	86.1
Agricultural income	-	-	-	-	5.9	5.9
Proceeds on disposal of investment	-	-	-	-	-	-
Valad Capital Services income	-	-	-	0.3	-	0.3
Dividend and distribution income from investments	-	-	5.6	-	0.6	6.2
Interest income	-	-	-	37.2	16.5	53.7
Other revenue	-	-	-	-	3.0	3.0
Total segment revenue	99.4	52.7	91.7	37.5	26.0	307.3
Profit on disposal of controlled entities	-	-	-	-	93.3	93.3
Share of net profit of associates and joint venture partnerships	(34.4)	7.4	6.8	(0.8)	-	(21.0)
Total income	65.0	60.1	98.5	36.7	119.3	379.6
Segment result	(85.2)	(344.7)	(264.0)	(402.8)	(395.6)	(1,492.3)
Segment assets	603.2	136.3	96.5	102.3	330.1	1,268.4
Segment liabilities	-	-	-	-	(775.6)	(775.6)
Other segment information						
Investment in joint ventures/associates	15.1	42.4	6.5	-	0.9	64.9
Acquisition of properties, capital expenditure and plant and equipment	48.2	74.1	-	-	1.5	123.8
Impairment of intangibles	-	165.3	294.5	-	-	459.8
Depreciation expense	-	-	-	-	(2.5)	(2.5)
Amortisation expense	-	-	-	-	(12.2)	(12.2)
Other non-cash expenses	-	-	-	-	(3.4)	(3.4)

<i>CONSOLIDATED VPT</i>				
<i>2009</i>	<i>PROPERTY INVESTMENT \$M</i>	<i>CAPITAL SERVICES \$M</i>	<i>UNALLOCATED/ ELIMINATIONS \$M</i>	<i>CONSOLIDATED \$M</i>
<i>Segment revenue</i>				
Rent from investment properties	57.1	-	-	57.1
Dividend and distribution income from investments	5.6	-	-	5.6
Interest income	-	0.4	73.8	74.2
Total segment revenue	62.7	0.4	73.8	136.9
Profit on disposal of controlled entities	-	-	22.3	22.3
Share of net profit of associates and joint venture partnerships	(1.3)	-	-	(1.3)
Total income	61.4	0.4	96.1	157.9
Segment result	(163.2)	(199.0)	(657.8)	(1,020.0)
Segment assets	540.9	-	490.5	1,031.4
Segment liabilities	-	-	(476.2)	(476.2)
<i>Other segment information</i>				
Investment in joint ventures/associates	14.3	-	-	14.3
Acquisition of properties, capital expenditure and plant and equipment	13.9	-	-	13.9

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Note 3 Segment information (continued)

(b) Primary reporting format – business segments (continued)

	CONSOLIDATED VPG					
2008	PROPERTY INVESTMENT \$M	PROPERTY DEVELOPMENT AND TRADING \$M	FUNDS MANAGEMENT \$M	CAPITAL SERVICES \$M	UNALLOCATED/ ELIMINATIONS \$M	CONSOLIDATED \$M
Segment revenue						
Rent from investment properties	92.8	–	–	–	–	92.8
Development property sales and fees	–	245.6	–	–	–	245.6
Funds management income	–	–	139.3	–	–	139.3
Proceeds on disposal of investment	53.9	72.0	–	–	–	125.9
Valad Capital Services income	–	–	–	9.5	–	9.5
Dividend and distribution income from investments	–	–	8.6	–	2.0	10.6
Interest income	–	–	–	60.9	41.7	102.6
Other revenue	–	–	–	–	1.0	1.0
Total segment revenue	146.7	317.6	147.9	70.4	44.7	727.3
Other income	–	–	–	–	2.4	2.4
Share of net profit of associates and joint venture partnerships	6.8	8.7	–	0.2	0.1	15.8
Total income	153.5	326.3	147.9	70.6	47.2	745.5
Segment result	1.0	22.3	51.3	23.2	(345.8)	(248.0)
Segment assets	874.1	869.6	291.9	610.5	1,110.2	3,756.3
Segment liabilities	–	–	–	–	(1,667.5)	(1,667.5)
Other segment information						
Investment in joint ventures/associates	0.5	204.5	11.2	10.2	–	226.4
Acquisition of properties, capital expenditure and plant and equipment	497.4	–	–	–	6.7	504.1
Depreciation expense	–	–	–	–	(2.1)	(2.1)
Amortisation expense	–	–	–	–	(16.5)	(16.5)
Other non-cash expenses	–	–	–	–	(4.5)	(4.5)
Impairment of intangibles	–	156.7	90.7	–	–	247.4

CONSOLIDATED VPT				
<i>2008</i>	<i>PROPERTY INVESTMENT \$M</i>	<i>CAPITAL SERVICES \$M</i>	<i>UNALLOCATED/ ELIMINATIONS \$M</i>	<i>CONSOLIDATED \$M</i>
Segment revenue				
Rent from investment properties	53.4	–	–	53.4
Proceeds on disposal of investment	18.0	–	–	18.0
Dividend and distribution income from investments	9.1	–	–	9.1
Interest income	–	19.7	118.4	138.1
Other revenue	–	–	0.9	0.9
Total segment revenue	80.5	19.7	119.3	219.5
Other income	–	–	0.9	0.9
Share of net profit of associates and joint venture partnerships	3.3	–	–	3.3
Total income	83.8	19.7	120.2	223.7
Segment result	(15.3)	(5.3)	36.0	15.4
Segment assets	897.0	233.5	1,220.1	2,350.6
Segment liabilities	–	–	(667.2)	(667.2)
Other segment information				
Investment in joint ventures/associates	11.6	0.1	–	11.7
Acquisition of properties, capital expenditure and plant and equipment	417.5	–	–	417.5

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Note 3 Segment information (continued)

(c) Secondary reporting format – geographical segments

	CONSOLIDATED VPG			
2009	AUSTRALIA/ NEW ZEALAND \$M	EUROPE \$M	UNALLOCATED/ ELIMINATIONS \$M	CONSOLIDATED \$M
Segment revenue	252.8	80.0	(25.5)	307.3
Segment assets	1,166.2	190.2	(88.0)	1,268.4
Acquisition of non-current segment assets	122.3	–	1.5	123.8

	CONSOLIDATED VPG			
2008	AUSTRALIA/ NEW ZEALAND \$M	EUROPE \$M	UNALLOCATED/ ELIMINATIONS \$M	CONSOLIDATED \$M
Segment revenue	472.9	281.6	(27.2)	727.3
Segment assets	3,144.8	1,998.9	(1,387.4)	3,756.3
Acquisition of non-current segment assets	427.0	70.4	6.7	504.1

	CONSOLIDATED VPT			
2009	AUSTRALIA/ NEW ZEALAND \$M	EUROPE \$M	UNALLOCATED/ ELIMINATIONS \$M	CONSOLIDATED \$M
Segment revenue	175.9	3.4	(42.4)	136.9
Segment assets	1,033.1	4.1	(5.8)	1,031.4
Acquisition of non-current segment assets	13.9	–	–	13.9

	CONSOLIDATED VPT			
2008	AUSTRALIA/ NEW ZEALAND \$M	EUROPE \$M	UNALLOCATED/ ELIMINATIONS \$M	CONSOLIDATED \$M
Segment revenue	198.5	21.0	–	219.5
Segment assets	2,283.5	420.8	(353.7)	2,350.6
Acquisition of non-current segment assets	417.5	–	–	417.5

Segment revenues and assets are allocated based on the country in which the investment is located.

Note 4 Revenue

	<i>CONSOLIDATED</i>			
	<i>VPG 2009 \$M</i>	<i>VPT 2009 \$M</i>	<i>VPG 2008 \$M</i>	<i>VPT 2008 \$M</i>
Rental income	97.6	55.9	90.8	51.1
Straight line adjustment	3.1	1.9	3.0	3.0
Amortisation of lease incentives	(1.3)	(0.7)	(1.0)	(0.7)
	99.4	57.1	92.8	53.4
Property development sales	52.7	–	245.6	–
Funds management income	86.1	–	139.3	–
Agricultural income	5.9	–	0.7	–
Dividend and distribution income from investments	6.2	5.6	10.7	9.1
Interest income	53.7	74.2	102.6	138.1
Proceeds on disposal of investments	–	–	125.9	18.0
Valad Capital Services fee income	0.3	–	9.5	–
Other revenue	3.0	–	0.3	0.9
	307.3	136.9	727.3	219.5

Note 5 Non-current assets held for sale

	<i>CONSOLIDATED</i>			
	<i>VPG 2009 \$M</i>	<i>VPT 2009 \$M</i>	<i>VPG 2008 \$M</i>	<i>VPT 2008 \$M</i>
<i>Non-current assets held for sale</i>				
Investments accounted for using the equity method	15.1	7.8	32.2	14.5
Investment property	20.9	–	8.1	8.1
Inventories	–	–	2.4	–
	36.0	7.8	42.7	22.6

(a) Assets pledged as security

Refer to note 30(b) of the full financial report for information on assets pledged as security.

(b) Details of the sale of DUKE assets

Consideration received or receivable:

Cash	–	–	–	–
Contribution payable under joint venture agreement	(45.9)	–	–	–
Total disposal consideration	(45.9)	–	–	–
Carrying amount of net assets sold	189.8	8.0	–	–
Other adjustments	3.2	10.2	–	–
Transfer from reserves	(53.8)	4.1	–	–
Gain on sale before income tax	93.3	22.3	–	–
Income tax	–	–	–	–
Gain on sale after income tax	93.3	22.3	–	–

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Note 5 Non-current assets held for sale (continued)

The carrying amount of assets as at the date of sale (30 June 2009) were:

	<i>CONSOLIDATED</i>			
	<i>VPG 2009 \$M</i>	<i>VPT 2009 \$M</i>	<i>VPG 2008 \$M</i>	<i>VPT 2008 \$M</i>
Cash and cash equivalents	4.4	0.3	–	–
Loans and receivables	87.1	–	–	–
Inventory	38.8	–	–	–
Investments accounted for using the equity method	83.6	–	–	–
Financial assets at fair value through profit and loss	55.4	55.4	–	–
Other financial assets	1.1	–	–	–
Investment property	267.3	–	–	–
Other assets	2.6	–	–	–
Total assets	540.3	55.7	–	–
Interest bearing liabilities	(650.4)	(62.0)	–	–
Derivative financial instruments	(44.8)	(1.5)	–	–
Other liabilities	(34.9)	(0.2)	–	–
Total liabilities	(730.1)	(63.7)	–	–
Net assets	(189.8)	(8.0)	–	–

Note 6 Non-current investment property

	<i>CONSOLIDATED</i>			
	<i>VPG 2009 \$M</i>	<i>VPT 2009 \$M</i>	<i>VPG 2008 \$M</i>	<i>VPT 2008 \$M</i>
Current				
Office	20.9	–	–	–
Bulky goods	–	–	8.1	8.1
	20.9	–	8.1	8.1
Non-current				
Office	185.4	64.0	493.5	81.0
Bulky goods	105.2	105.2	216.4	216.4
Industrial/other	272.6	272.6	285.1	279.3
	563.2	359.1	995.0	576.7
	584.1	359.1	1,003.1	584.8

A reconciliation of the carrying amounts of investment property for the reporting period is set out below:

	CONSOLIDATED			
	<i>VPG 2009 '000</i>	<i>VPT 2009 '000</i>	<i>VPG 2008 '000</i>	<i>VPT 2008 '000</i>
Opening balance at 1 July	1,003.1	584.8	498.5	417.6
Acquisitions through business combinations	–	–	413.5	–
Acquisitions	29.7	0.1	385.5	333.6
Capital expenditure	10.3	5.6	8.5	3.5
Lease incentives	2.5	1.6	1.2	0.9
Straight line rental income	3.1	1.9	3.0	3.0
Disposals	(247.3)	(220.0)	(166.0)	(107.0)
Disposals into DUKE	(267.3)	–	–	–
Net gain/(loss) from fair value adjustment	(232.0)	(102.2)	(79.2)	(51.7)
Transfers from property, plant and equipment	264.6	85.3	–	–
Effect of exchange rate changes	17.4	2.0	(61.9)	(15.1)
Closing balance at 30 June	584.1	359.1	1,003.1	584.8

Properties held by the Group and Consolidated Entity are classified in the balance sheet under the following categories:

		CONSOLIDATED			
<i>PROPERTY PORTFOLIO</i>	<i>CLASSIFIED UNDER</i>	<i>VPG BOOK VALUE 2009</i>	<i>VPT BOOK VALUE 2009</i>	<i>VPG BOOK VALUE 2008</i>	<i>VPT BOOK VALUE 2008</i>
Investment property	Non-current assets held for sale	20.9	–	8.1	8.1
Investment property	Non-current investment property	563.2	359.1	995.0	576.7
Property under construction	Property, plant and equipment	–	–	121.5	77.1
Total property portfolio		584.1	359.1	1,124.6	661.9

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Note 6 Non-current investment property (continued)

INVESTMENT PROPERTY	ACQUISITION DATE	INDEPENDENT VALUATION DATE	INDEPENDENT VALUATION AMOUNT \$M	INDEPENDENT VALUER	CONSOLIDATED			
					VPG BOOK VALUE 2009 \$M	VPG BOOK VALUE 2008 \$M	VPT BOOK VALUE 2009 \$M	VPT BOOK VALUE 2008 \$M
Current								
– Office (Australia)								
Chandos Street, St Leonards, NSW	Feb 2008	Mar 2008	24.8	Colliers	20.9	–	–	–
Bunnings, Moonah, TAS	May 2005	Jun 2008	8.9	Knight Frank	–	8.1	–	8.1
Total current investment property					20.9	8.1	–	8.1
Non-current								
– Office (Australia)								
Riverside Corporate Place, North Ryde, NSW	Oct 2005	Jun 2008	70.5	Colliers	63.2	70.4	–	–
207 Pacific Highway, St Leonards, NSW (50%)	Aug 2004	Jun 2008	73.3	Colliers	64.0	73.3	64.0	73.3
370 Queen Street, Brisbane, QLD	Oct 2007	Mar 2008	26.0	Knight Frank	21.7	–	–	–
502 Flinders Street, Townsville, QLD	Jun 2009	Jul 2009	10.7	Herron Todd White	10.8	–	–	–
– Office (New Zealand)								
34 Shortland Street, Auckland	Dec 2007	Jun 2008	26.8	Colliers	25.7	–	–	–
169 Captain Springs Road, Te Papa	Aug 2007	Jun 2008	7.7	CB Richard Ellis	–	7.7	–	7.7
– Office/other (United Kingdom)								
Southernhay Gardens, Exeter	Jul 2007	Dec 2007	50.0	GVA Grimley	–	48.1	–	–
All St. Business Park, Wednesbury	Jul 2007	Dec 2007	17.6	GVA Grimley	–	16.3	–	–
Melville Street, Edinburgh	Jul 2007	Dec 2007	7.6	GVA Grimley	–	7.2	–	–
Brittania Park, Middlesborough	Jul 2007	Dec 2007	6.4	GVA Grimley	–	6.1	–	–
Allen Clark Research Centre, Caswell, Towcester	Jul 2007	Dec 2007	33.7	GVA Grimley	–	32.2	–	–
Shellhouse, Watford	Jul 2007	Jul 2007	5.4	Knight Frank	–	5.4	–	–
Forsyth Road, Woking, Surrey	Jul 2007	Dec 2007	12.7	GVA Grimley	–	11.7	–	–
Intec Business Park, Basingstoke	Jul 2007	Dec 2007	51.5	GVA Grimley	–	49.6	–	–
Tintern House, Cwmbran	Jul 2007	Dec 2007	5.7	GVA Grimley	–	5.5	–	–
Markham House & Herschel Industrial Estate, Slough	Jul 2007	Jul 2007	15.5	Knight Frank	–	15.9	–	–
Red Lion, Milford	Jul 2007	Jul 2007	1.7	Knight Frank	–	2.1	–	–
Carrington Arms, Moulsoe	Jul 2007	Jul 2007	2.5	Knight Frank	–	2.3	–	–
Carters Club, Shipley	Jul 2007	Jul 2007	1.0	Knight Frank	–	0.8	–	–
The Dorchester, Kingston-upon-Hull	Jul 2007	Jul 2007	1.3	Knight Frank	–	1.7	–	–
12 Cock Lane, London	Jul 2007	Jun 2008	16.4	GVA Grimley	–	16.4	–	–
Prisma, Bracknell	Jul 2007	Jun 2008	24.0	GVA Grimley	–	24.0	–	–
Summit, Bracknell	Jul 2007	Jun 2008	19.3	GVA Grimley	–	19.3	–	–
Norwich House, Camberley	Jul 2007	Jun 2008	12.1	GVA Grimley	–	12.0	–	–
Theale, Turnham Green	Jul 2007	Dec 2007	19.6	GVA Grimley	–	18.6	–	–
Watling Park, Daventry	Oct 2007	Oct 2007	23.5	Atisreal	–	23.2	–	–
Archway Tower, London	Oct 2007	Oct 2007	23.7	Atisreal	–	23.7	–	–

CONSOLIDATED

INVESTMENT PROPERTY	ACQUISITION DATE	INDEPENDENT VALUATION DATE	INDEPENDENT VALUATION AMOUNT \$M	INDEPENDENT VALUER	VPG BOOK VALUE 2009 \$M	VPG BOOK VALUE 2008 \$M	VPT BOOK VALUE 2009 \$M	VPT BOOK VALUE 2008 \$M
- Bulky goods (Australia)								
Home Central, Bankstown, NSW	Mar 2005	Apr 2008	40.3	Savills (NSW)	36.7	40.3	36.7	40.3
Home Central, Kawana, QLD	May 2005	Apr 2008	77.0	Knight Frank	-	77.0	-	77.0
Home Central, McGraths Hill, NSW	Dec 2004	Apr 2008	27.5	Savills (NSW)	25.9	27.5	25.9	27.5
555 Kessels Road, Macgregor, QLD	Dec 2007	Apr 2008	27.0	Knight Frank	24.1	27.0	24.1	27.0
280-290 Benalla Road, Shepparton, VIC	Jan 2007	Apr 2009	18.5	Savills (Vic)	18.5	-	-	-
Bunnings, Oxley, QLD	May 2005	May 2008	15.8	Knight Frank	-	14.8	-	14.8
Durgadin Drive, Shellharbour, NSW	Dec 2005	Apr 2008	20.0	Savills (NSW)	-	17.8	-	17.8
Bunnings, West Gosford, NSW	Mar 2005	Apr 2008	12.5	Savills (NSW)	-	12.0	-	12.0
- Industrial/other (Australia)								
McCredie Street, Smithfield, NSW	Aug 2007	Jun 2008	23.6	CB Richard Ellis	21.9	23.6	21.9	23.6
991 Mountain Highway, Boronia, VIC	Nov 2007	Dec 2008	10.5	CB Richard Ellis	10.1	11.9	10.1	11.9
Boundary Road, Richlands, QLD	Oct 2005	Jun 2008	14.0	Knight Frank	13.6	14.0	13.6	14.0
Newton Road, Wetherill Park, NSW	Jul 2006	Jun 2008	16.0	Jones Lang Lasalle	14.8	16.0	14.8	16.0
Malta & Seville St, Fairfield, NSW	Aug 2007	Jun 2008	10.1	CB Richard Ellis	9.9	10.1	9.9	10.1
Eurora Street, Kingston, QLD	Aug 2007	Jun 2008	7.0	CB Richard Ellis	6.0	7.0	6.0	7.0
Ricketts Road, Mt Waverley, VIC	Aug 2007	Jun 2008	7.6	CB Richard Ellis	-	7.6	-	7.6
Ninth Avenue, Woodville, SA	Aug 2007	Jun 2008	4.0	CB Richard Ellis	-	4.0	-	4.0
21 Metroplex Avenue, Murarrie, QLD	Aug 2007	Jun 2008	10.3	Savills (Qld)	8.8	10.3	8.8	10.3
8 Terrace Street, Murarrie, QLD	Aug 2007	Jun 2008	16.0	Savills (Qld)	13.8	16.0	13.8	16.0
17-21 Strezlecki Avenue, Sunshine, VIC	Dec 2007	Dec 2008	5.6	CBRE	5.3	6.6	5.3	6.6
35-37 Kitchen Road, Dandenong, VIC	Dec 2007	Sept 2007	5.5	Knight Frank (Melb)	-	5.6	-	5.5
95 Fulton Drive, Derrimut, VIC	Nov 2007	Oct 2007	5.0	M3property	-	4.7	-	4.7
80-100 Fulton Drive, Derrimut, VIC	Nov 2007	Dec 2008	8.0	M3property	7.5	8.5	7.5	8.5
81-83 Strezlecki Avenue, Sunshine, VIC	Nov 2007	Oct 2007	3.6	M3property	-	3.8	-	3.8
65-75 Strezlecki Avenue, Sunshine, VIC	Nov 2007	Jun 2008	19.9	M3property	18.3	19.9	18.3	19.9
432 Moroka Road, Valencia Creek, VIC	Feb 2008	Feb 2009	5.5	Herron Todd White	3.8	3.3	-	-
259 Smyths Road, Valencia Creek, VIC	Feb 2008	Feb 2009	2.4	Herron Todd White	1.7	1.5	-	-
170 Dows Road, Valencia Creek, VIC	Feb 2008	Feb 2009	1.1	Herron Todd White	1.0	0.9	-	-
Lot 7, Erskine Park, NSW	Jul 2007	Jun 2009	13.4	Jones Lang Lasalle	13.4	-	13.4	-
Pilkington Road, Fish Creek, VIC	Feb 2008	Feb 2009	9.6	PRP Valuers	7.4	-	-	-
Darnum, River Road, Yarragon, VIC	Jun 2008	Mar 2009	6.0	PRP Valuers	5.1	-	-	-
Bath Road, Kirrawee, NSW	Aug 2008	Apr 2009	29.5	Knight Frank	27.2	-	-	-
Central Apartments, 502 Flinders Street, Townsville, QLD	Jun 2009	May 2009	16.7	Herron Todd White	14.7	-	-	-
Central Retail, Aplin St, Townsville, QLD	Jun 2009	May 2009	0.4	Herron Todd White	0.3	-	-	-
Itara Apartments, 15 Sporting Drive, Kirwan, QLD	May 2009	Dec 2008	3.2	Herron Todd White	3.0	-	-	-

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Note 6 Non-current investment property (continued)

INVESTMENT PROPERTY	ACQUISITION DATE	INDEPENDENT VALUATION DATE	INDEPENDENT VALUATION AMOUNT \$M	INDEPENDENT VALUER	CONSOLIDATED			
					VPG BOOK VALUE 2009 \$M	VPG BOOK VALUE 2008 \$M	VPT BOOK VALUE 2009 \$M	VPT BOOK VALUE 2008 \$M
- Industrial (New Zealand)								
20 Mahunga Drive, Mangere	Aug 2007	Jun 2008	22.9	CB Richard Ellis	20.9	22.9	20.9	22.9
11 Tararua Road, Levin	Aug 2007	Jun 2008	10.0	CB Richard Ellis	8.6	10.0	8.6	10.0
85 Shands Road, Christchurch	Aug 2007	Jun 2008	11.8	CB Richard Ellis	10.9	11.8	10.9	11.8
196 Browns Road, Manukau	Aug 2007	Jun 2008	13.6	CB Richard Ellis	12.2	13.6	12.2	13.6
862 Great South Road, Penrose	Aug 2007	Jun 2008	13.1	CB Richard Ellis	12.4	13.1	12.4	13.1
4-8 Dunn Street, Kaitaia	Aug 2007	Jun 2008	0.9	CB Richard Ellis	-	0.9	-	0.9
44 Commerce Street, Whangarei	Aug 2007	Jun 2008	4.1	CB Richard Ellis	-	4.1	-	4.1
8-10 Normanby Street, Dargaville	Aug 2007	Jun 2008	0.6	CB Richard Ellis	-	0.6	-	0.6
43 Auckland Road, Warkworth	Aug 2007	Jun 2008	1.6	CB Richard Ellis	-	1.6	-	1.6
130 Jellicoe Road, Panmure	Aug 2007	Jun 2008	3.2	CB Richard Ellis	-	3.2	-	3.2
342 Gladstone Road, Gisborne	Aug 2007	Jun 2008	2.5	CB Richard Ellis	-	2.5	-	2.5
404 Holt Place, Hastings	Aug 2007	Jun 2008	2.2	CB Richard Ellis	-	2.2	-	2.2
Dunlop Road and Austin Streets, Napier	Aug 2007	Jun 2008	2.5	CB Richard Ellis	-	2.5	-	2.5
Cnr Peel and Russel Street, Waipukurau	Aug 2007	Jun 2008	0.8	CB Richard Ellis	-	0.8	-	0.8
95 Wilson Street, Wanganui	Aug 2007	Jun 2008	2.0	CB Richard Ellis	-	2.0	-	2.0
75-77 Kenepuru Drive, Porirua	Aug 2007	Jun 2008	1.8	CB Richard Ellis	-	1.8	-	1.8
22 Annie Huggan Drive, Petone	Aug 2007	Jun 2008	4.5	CB Richard Ellis	-	4.5	-	4.5
385 Madras Street, Christchurch	Aug 2007	Jun 2008	4.8	CB Richard Ellis	-	4.8	-	4.8
30 Tyne Street & 31 Forth Street, Invercargill	Aug 2007	Jun 2008	1.7	CB Richard Ellis	-	1.7	-	1.7
Waihi Road and Birch Avenue, Tauranga	Apr 2008	Jun 2008	5.2	CB Richard Ellis	-	5.2	-	5.2
Total non-current investment property					563.2	995.0	359.1	576.7
Total investment property					584.1	1,003.1	359.1	584.8

(a) Valuation basis

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between 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. The 2009 external valuations were based on independent assessments made by Members of the Australian Property Institute and the United Kingdom Royal Institution of Chartered Surveyors.

If there is no external valuation performed during the year, an internal valuation is completed at each reporting period.

	FY09 ²				ASIA PACIFIC PORTFOLIO VPG ¹ FY08				
	OFFICE	BULKY GOODS	INDUSTRIAL	TOTAL	OFFICE	BULKY GOODS	INDUSTRIAL	SELF STORAGE ³	TOTAL
Weighted average capitalisation rate	8.2%	8.7%	8.8%	8.6%	7.7%	7.3%	7.9%	8.6%	7.7%
Weighted average lease expiry	3.4 yrs	5.3 yrs	5.2 yrs	4.6 yrs	4.4 yrs	4.2 yrs	6.2 yrs	N/A	4.6 yrs
Vacancy	5.5%	8.1%	0.0%	4.1%	12%	6%	0%	24%	7.2%

1 The Consolidated Entity and parent entity average rates are not considered relevant to the Group.

2 Only Asia Pacific portfolio included as European portfolio disposed into DUKE joint venture.

3 No self storage for FY09.

Refer to note 4 of the full financial report for critical accounting estimates and assumptions.

(b) Non-current assets pledged as security

Refer to note 30(b) of the full financial statements for information on non-current assets pledged as security.

(c) Contractual obligations

Refer to note 37 of the full financial statements for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(d) Leasing arrangements

The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	CONSOLIDATED			
	VPG 2009 '\$M	VPT 2009 '\$M	VPG 2008 '\$M	VPT 2008 '\$M
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	50.5	36.1	77.7	50.7
Later than one year, but not later than five years	152.7	107.3	236.1	163.8
Later than five years	58.7	35.2	103.9	90.2
	261.9	178.6	417.7	304.7

→ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Note 7 Dividends and distributions

(a) Ordinary securities

	VPG 2009 \$M	VPT 2009 \$M	VPG 2008 \$M	VPT 2008 \$M
30 June 2008	78.0	78.0	–	–
31 December 2007	–	–	95.3	95.3
Total distributions paid	78.0	78.0	95.3	95.3

(b) Franked dividends

	CONSOLIDATED	
	VPG 2009 \$M	VPG 2008 \$M
Franking credits available for subsequent financial years based on a tax rate of 30%	3.6	2.6

Note 8 Events occurring after reporting date

Scarborough deferred consideration

The Group has reached agreement with the vendors of the Valad European operations (Scarborough Group) to restructure the remaining deferred payment of \$60.7m in respect of the acquisition of the Valad European operations which was contracted to be paid on 28 September 2009 to the Scarborough Group. The Group and the Scarborough Group have agreed the following:

- That \$6.2m will be paid in cash on 28 September 2009
- That a proposal will be put to the Group's securityholders for the Scarborough Group to convert such portion of the contracted payment as necessary to take their security holding to 19.9%, at a price of \$0.10 per security. If the securityholders' approval is not received, that portion will convert to unsecured loan notes repayable on 30 September 2012, and will carry a coupon of 15% per annum, which will accrue over the life of the unsecured loan notes and be payable at the same time as the unsecured loan notes
- That the portion of the contracted payment remaining after taking account of the two amounts above will convert to unsecured loan notes repayable on 30 September 2012, and will carry interest at a rate of 9.5% per annum, payable quarterly
- Didier Tandy, Valad's Head of Property – Europe, will join the Group's Board.

The Advantage Property Income Trust (TAP)

VPG currently provides fund and asset management services to The Advantage Property Income Trust (TAP). Since the end of the year the Independent Board of The Advantage Property Income Trust (TAP) has received a takeover offer from the The Conygar Investment Company (Conygar) to acquire all shares in TAP not already owned by Conygar. TAP represents 4% of the European assets under management. VPG will continue to receive fees from TAP unless and until the contract is terminated, in which case VPG will continue to earn fees for the nine months' notice period.

Since the end of the financial year, the directors of the Group and Consolidated Entity have not become aware of any other matter or circumstance that has significantly or may significantly affect the operations of the Group and Consolidated Entity, the results of these operations, or the state of affairs in future financial years.

→ DIRECTORS' DECLARATION

The directors declare that in their opinion, the concise financial report of the Group and Consolidated Entity for the year ended 30 June 2009 as set out on pages 54 to 72 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the year ended 30 June 2009. The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of the Group and Consolidated Entity as the full financial report, which is available on request.

This declaration is made in accordance with a resolution of the directors of Valad Funds Management Limited and Valad Commercial Management Limited, as Responsible Entity for Valad Property Trust.



Trevor Gerber

Chairman, Valad Funds Management Limited and Valad Commercial Management Limited
(as Responsible Entity for Valad Property Trust)

Sydney
27 August 2009

→ INDEPENDENT AUDITOR'S REPORT TO THE STAPLED SECURITY HOLDERS OF VALAD PROPERTY GROUP

Report on the concise financial report

The accompanying concise financial report of Valad Property Group comprises the consolidated balance sheet as at 30 June 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and related notes, derived from the audited financial report of Valad Property Group for the year ended 30 June 2009. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors of Valad Funds Management Limited and Valad Commercial Management Limited, as Responsible Entity for Valad Property Trust are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Valad Property Group for the year ended 30 June 2009. Our audit report on the financial report for the year was signed on 27 August 2009 and was not subject to any modification. The Australian 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 for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Valad Funds Management Limited and Valad Commercial Management Limited, as Responsible Entity for Valad Property Trust on 27 August 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion on the financial report

In our opinion, the concise financial report of Valad Property Group for the year ended 30 June 2009 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the Remuneration Report

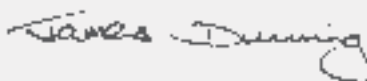
We have audited the Remuneration Report included in pages 31 to 48 of the directors' report for the year ended 30 June 2009. The directors of Valad Funds Management Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Reports of Valad Funds Management Limited and Valad Property Group for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



JA Dunning
Partner

Sydney 27 August 2009

→ INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALAD PROPERTY TRUST

Report on the concise financial report

The accompanying concise financial report of Valad Property Trust comprises the consolidated balance sheet as at 30 June 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and related notes, derived from the audited financial report of Valad Property Trust for the year ended 30 June 2009. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors of Valad Commercial Management Limited, as Responsible Entity for Valad Property Trust, are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Valad Property Trust for the year ended 30 June 2009. Our audit report on the financial report for the year was signed on 27 August 2009 and was not subject to any modification. The Australian 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 for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Valad Commercial Management Limited, as Responsible Entity for Valad Property Trust, on 27 August 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion on the financial report

In our opinion, the concise financial report of Valad Property Trust for the year ended 30 June 2009 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

PricewaterhouseCoopers

JA Dunning
Partner

Sydney 27 August 2009

GENERAL

No information contained in this annual report should be construed as advice, a recommendation, an offer for the sale of or a solicitation to hold, acquire, apply for, purchase or sell shares, financial products or other instruments in the Valad Property Group (VPG) or any other entity. None of the information contained in this annual report should be relied on or construed as financial product advice.

This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, you should consider its appropriateness, having regard to your objectives, financial situation and needs and seek appropriate independent advice.

VPG and its related entities do not make any representations or give any warranties that the information set out in this annual report is or will remain accurate or complete at all times and they disclaim all liability for harm, loss, costs, or damage which arises in connection with any use or reliance on the information. The forecasts set out above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. Actual outcomes may differ substantially from those which are forecast to occur. Past performance is not a reliable indicator of future performance.

IMPORTANT NOTICE TO STAPLED SECURITY HOLDERS THAT ARE IN THE UNITED STATES FOR US PERSONS

Stapled security holders should note that Valad has not been, and will not be, registered under the US Investment Company Act of 1940, as amended (the Investment Company Act), in reliance on the exception from the definition of "investment company" provided by Section 3(c)(7) thereof. Accordingly, if you are a stapled security holder and are resident in the United States or a "US Person" (as defined in Regulation S under the US Securities Act of 1933, as amended) (a US Person), then, subject to certain limited exceptions, you must be a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act (a Qualified Purchaser), and if you are acting for the account or benefit of a US Person, that US Person must be a Qualified Purchaser. Stapled security holders should also note that, to the maximum extent permitted under its constituent documents, the ASX listing rules and by law, Valad reserves the right to refuse to record any sale or transfer of stapled securities to a person in the United States or a US Person that is not a Qualified Purchaser, or that is otherwise sold or transferred in a manner that would not allow Valad to maintain the exception from registration under Section 3(c)(7) of the Investment Company Act. If Valad receives notice that any stapled securities are owned or held of record or beneficially by any person (including a person in the United States or other US Person that is not a Qualified Purchaser) to whom a transfer of stapled securities or whose ownership or holding of any stapled securities might, in the opinion of Valad, require Valad to become registered under the Investment Company Act, such stapled securities may be compulsorily transferred.

This annual report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It contains general information only and does not take into account the investment objectives, financial situation and particular needs of individual investors. Investors should obtain their own independent advice from a qualified financial advisor having regard to their objectives, financial situation and needs. This annual report does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any "US person". No representation or warranty, express or implied, is made in relation to the accuracy or completeness of the information and opinions expressed in the course of this annual report. To the maximum extent permitted by law, Valad, all of its related bodies corporate and their representatives, officers, employees, agents and advisors do not accept any responsibility or liability for any of the information or for any action taken by you on the basis of the information or opinions expressed in the course of this annual report, including without limitation any liability arising from negligence on the part of any person. No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in the information provided in this annual report. Such forecasts, prospects, returns and statements are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Valad. You must make your own independent assessment of the information and in respect of any action taken on the basis of the information.

→ SHAREHOLDER INFORMATION

Top 20 Investors as at 27 August 2009

Rank	Investor	Balance	% Issued Capital
1	NATIONAL NOMINEES LIMITED	198,972,267	12.37%
2	CITICORP NOMINEES PTY LIMITED	195,048,344	12.13%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	128,230,482	7.97%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	99,599,194	6.19%
5	COGENT NOMINEES PTY LIMITED	47,931,688	2.98%
6	KEVIN MCCABE	47,561,868	2.96%
7	ANZ NOMINEES LIMITED [CASH INCOME A/C]	23,727,847	1.48%
8	UBERIOR INVESTMENTS PLC	18,530,598	1.15%
9	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED [APN A/C]	16,116,468	1.00%
10	COMSEC NOMINEES PTY LIMITED	14,097,202	0.88%
11	EQUITY TRUSTEES LIMITED [SGH PI SMALLER CO'S FUND]	12,750,000	0.79%
12	CITICORP NOMINEES PTY LIMITED [CFSIL CWLTH PROPERTY 1 A/C]	12,458,447	0.77%
13	MR SHAY SHIMON HAZAN	11,550,000	0.72%
14	ANZ NOMINEES LIMITED [INCOME REINVEST PLAN A/C]	10,810,656	0.67%
15	CINU INVESTMENTS PTY LIMITED [THE UNIC A/C]	10,000,000	0.62%
16	SAREN INVESTMENTS PTY LTD [THE FO FOUNDATION A/C]	9,939,367	0.62%
17	EQUITY TRUSTEES LIMITED [EQT SGH PROPERTY INC FUND]	9,387,243	0.58%
18	FORTIS CLEARING NOMINEES P/L [SETTLEMENT A/C]	8,909,439	0.55%
19	LENBRIDGE GRANGE PTY LTD [WALLACE FAMILY A/C]	8,879,900	0.55%
20	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,338,515	0.52%
TOTAL IN TOP 20		892,839,525	55.42%
TOTAL OTHER INVESTORS		715,167,962	44.48%
TOTAL STAPLED SECURITIES ON ISSUE		1,608,007,487	100.00%

VPG Stapled Security Holder Spread as at 27 August 2009

Range	Stapled Security Holders	No. Stapled Securities Held	% In Range
1 to 1,000	411	174,703	0.01%
1,001 to 5,000	1,556	4,727,629	0.29%
5,001 to 10,000	1,528	12,707,812	0.79%
10,001 to 100,000	5,055	198,261,724	12.33%
100,001 and over	1,302	1,392,135,619	86.58%
Total	9,852	1,608,007,487	100.00%

Commercial/Responsibility Entity

Valad Commercial Management Limited

ABN 76 101 802 046

ACN 101 802 046

(holds Australian Financial Services Licence Number 223339
as Responsible Entity of Valad Property Trust)

Valad Property Trust

ABN 91 308 938 488

ARSN 102 618 824

Valad Funds Management Limited

ABN 89 102 249 294

ACN 102 249 294

Registered Office

Level 9, Chifley Square

Sydney NSW 2000

Telephone: 1800 825 231

Email: info@valad.com.au

Board of Directors

Trevor Gerber – Independent

Non-Executive Chairman

Peter Hurley – Managing Director

Andrew Martin – Independent Non-Executive Director

Robert Seidler – Independent Non-Executive Director

Kevin McCabe – Non-Executive Director

Ian Robertson – Independent Non-Executive Director

Company Secretary

Chris Carroll

Registry

Link Market Services Limited

Level 8, 580 George Street

Sydney NSW 2000

Locked Bag A14

Sydney South NSW 1235

Telephone: 1300 650 320

(local call cost, within Australia)

Telephone: +61 2 8280 7104 (outside Australia)

General Facsimile: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Securities Exchange

The Valad Property Group is listed on
the Australian Securities Exchange (ASX Code VPG)

Auditor

PricewaterhouseCoopers

201 Sussex Street

Sydney NSW 2000

www.valad.com.au

Cover Image
View from Gold Fields House,
Circular Quay, Sydney, NSW,
Australia

VALAD