VALAD PROPERTY GROUP

Consisting of both Valad Funds Management Limited and its controlled entities, and Valad Property Trust and its controlled entities

Appendix 4E

Full year report
Year ending 30 June 2007

Results for announcement to the market

(All comparisons to year ended 30 June 2006)

				$A'000
2.1 Revenues from ordinary activities	up	31%	to	136,105
2.2 Profit from ordinary activities after tax attributable to members	up	38%	to	109,121
2.3 Profit from ordinary activities for the period attributable to members	up	38%	to	109,121

2.4 Distributions	Amount per security	Franked amount per security
Final distribution – payable 31 August 2007	**5.67¢**	**0.0¢**
Interim distribution – paid 28 February 2007	**5.40¢**	**0.0¢**

2.5 Record date for determining entitlements to the distribution	**29 June 2007**

2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

- Refer to attached Consolidated Financial Statements for a full explanation of the results.

A M Young

Anne Young
Company Secretary

Date: 23 August 2007

Valad Property Group

Annual Financial Report
30 June 2007

Valad Property Group
Annual Report – 30 June 2007

Contents

This financial report covers both Valad Funds Management Limited as an individual entity and the consolidated entity consisting of Valad Funds Management Limited and its controlled entities and Valad Property Trust and its controlled entities. The financial report is presented in the Australian currency.

Valad Property Group is a stapled 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 Property Group

Directors' Report

The directors of Valad Funds Management Limited (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 report together with the consolidated financial report of Valad Property Group (the "Group") for the year ended 30 June 2007.

The units in Valad Property Trust are 'stapled' to the shares in Valad Funds Management Limited. These entities form Valad Property 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 otherwise stated:

S. Day	Executive Chairman
T. Gerber	Deputy Chairman
P. Hurley	Executive Director
A. Martin	Director (Appointed - 16 November 2006)
K. McCabe	Director (Appointed - 1 August 2007)
D. Murray	Director (Deceased - 10 March 2007)
I. Robertson	Director (Appointed - 1 August 2007)
R. Seidler	Director
B. Wynne	Director (Retired - 7 October 2006)

On 15 August 2006, Barry Wynne announced his retirement from the Board effective 7 October 2006, being the occasion of his 70th birthday. Barry was Chairman of Valad from inception, through ASX listing in 2002 until July 2004 when Stephen Day assumed the role of Executive Chairman of the Valad group.

On 1 February 2007, Peter Hurley moved to a new role as Director Corporate and International Transactions.

On 1 June 2007, Jeff Locke was appointed Chief Operating Officer of Valad Property Group.

On 1 August 2007, Kevin MCabe and Ian Robertson were appointed to the board of directors following the acquisition of Scarborough in July 2007.

David Murray

It was with great sadness that we were advised of the sudden passing of David Murray on 10 March 2007. David was a great friend of the Valad family. During his time with Valad, he served as Chairman of the Audit Committee and was a Member of the Remuneration and Nomination Committee

David Murray was previously Chairman of First Permanent Financial Services Pty Limited and Amalgamated Mortgages Pty Limited. Previously, he was General Manager International – NSW & ACT for ANZ. This was his final role at ANZ after 40 years service, which included roles such as Senior Vice President of ANZ's Chicago, Los Angeles and Singapore offices. He was a prior Chairman of the Singapore International Chamber of Commerce and prior President of the Singapore Australia Business Council.

Principal activities

The principal continuing activities of the Group consisted of passive property ownership, property funds investment and property funds management.

Distributions

Distributions in respect of the year ended 30 June 2007 were $81,511,518 (2006: $56,113,261), which is equivalent to 11.07 cents per stapled security (2006: 10.3 cents) paid and payable as follows:

	2007 $'000
Interim payment of 5.40 cents per security paid on 28 February 2007	**34,551**
Final payment of 5.67 cents per security payable on 31 August 2007	**46,960**
Total	**81,511**

Valad Property Group

Directors' Report
(continued)

Review of operations
A summary of consolidated results are set out below:

	2007 $'000	2006 $'000
Net profit attributable to security holders	**109,121**	78,938
Add back/(Deduct):		
Amortisation of intangibles	**5,536**	4,057
Amortisation of lease incentives	**1,381**	493
Straight line rental income	**(659)**	-
Fair value adjustment on investment property	**(42,084)**	(7,264)
Fair value adjustment on investment property - associates	**-**	(20,626)
Fair value losses on forward exchange cash flow hedge contracts	**534**	-
Non-cash employee benefit expense with respect to employee securities	**2,364**	391
Underlying earnings	**76,193**	55,989
Total Group assets at 30 June	**1,382,372**	1,052,794

Comments on the operations and the results of those operations are set out in the Discussion and Analysis of the Consolidated Financial Statements.

Earnings per stapled security

	2007 Cents per stapled security	2006 Cents per stapled security
Basic and diluted earnings	**16.0**	14.9
Basic and diluted underlying earnings	**11.1**	10.4

Securities on issue
There were 828,205,647 securities on issue at 30 June 2007 (2006: 551,492,627).

Reconciliation of contributed equity

			Valad Property Trust		**Valad Funds Management Limited**	
	Date	Price	No of units '000	$'000	No of shares '000	$'000
Opening balance	1-Jul-06		551,493	553,947	551,493	47,077
Share placement	30-Aug-06	$1.45	67,700	68,994	67,700	29,171
Dividend reinvestment plan – June 06	31-Aug-06	$1.38	20,527	21,034	20,527	7,368
Employee securities trust	18-Dec-06	$1.60	137	145	137	73
Share placement	20-Feb-07	$1.78	82,848	94,118	82,848	53,352
Dividend reinvestment plan – Dec 06	28-Feb-07	$1.61	21,490	24,713	21,490	9,839
Share placement	22-Mar-07	$1.78	77,971	91,414	77,971	47,374
Share purchase plan	5-Apr-07	$1.78	6,040	7,200	6,040	3,551
Closing balance	30-Jun-07		828,206	861,565	828,206	197,805
Contributed equity				861,565		197,805
Issue costs				(16,241)		(2,571)
Securities issued under employee securities ownership plan				(4,939)		(1,269)
Net contributed equity				840,385		193,965

Significant changes in the state of affairs
Significant changes in the state of affairs of the Group during the year were as follows:

(i) International expansion into European and New Zealand markets through passive investment and preferred equity development funding, including:
- Albany Town Centre Development in a preferred equity joint venture A$13m with the Symphony Group of companies in December 06
- Martime Office Tower Development, Auckland in a preferred equity joint venture A$13m with the Buckingham Group in December 06
- West Plaza building, Auckland in a preferred equity joint venture A$12m with the Buckingham Group in April 07
- Crownstone European Properties Limited portfolio acquired for $A236m investment in February 2007 with additional investments committed

(ii) New investments and the continued expansion of the Valad Capital Services (VCS) division locally in a range of projects including:
- Wetherill Park industrial/office warehouse complex acquired July 06 for $17.5m
- Goldfields House acquired August 06 for $274.1m
- Kirrawee industrial property acquired December 06 for $23m
- Retirement facilities at Kellyville, NSW and Biggera Waters, Gold Coast investment commitments with joint venture partner Petrac Group
- Pentridge Piazza residential and retail project acquired June 07 for $42.5m

(iii) Completion of the sale of the following properties:
- 20 Smith St, Parramatta sold to Investa Property Group in August 2006 for $39m
- Home Central, West Gosford sold to Century Funds Management in July 06 for $28.66m
- BankWest Tower, Perth to Stockland in April 2007 for $134 million
- 575 Bourke Street, Melbourne, 132 Arthur Street, North Sydney, 189 Coronation Drive, Milton, Tuggerah Industrial Development and Tempe Industrial Development to Valad Core Plus Fund in May 2007
- 39% sale of Goldfields House to Valad Core Plus Fund

(iv) Additional capital raised through the following transactions with owners:
- Share placement to institutional investors totalling $98,165,000 at $1.45 on 30 August 2006
- Dividend reinvestment plan totalling $28,402,000 at $1.38 on 31 August 2006
- Employee share scheme totalling $218,000 at $1.60 on 18 December 2006
- Share placement totalling $147,470,000 at $1.78 on 20 February 2007
- Dividend reinvestment plan totalling $34,551,000 at $1.61 on 28 February 2007
- Share placement totalling $138,788,000 at $1.78 on 22 March 2007
- Share purchase plan totalling $10,751,000 at $1.78 on 5 April 2007

Matters subsequent to the end of the financial year

Business Acquisition of Scarborough entities

In June 07, the Group announced the intention to acquire the Scarborough group. The acquisition occurred on 11 July 07.

Capital Raising – Security placement and Security Purchase Plan

The Group issued an additional 694,041,354 securities at $1.92 in July 07 to fund the Group's acquisition of a number of related business interests collectively known as "Scarborough" and repay Group debt.

Acquisitions of properties

The Group acquired the following properties:
* Erskine Park from Valad Opportunity Fund No 11 and ICA Development Fund 4
* Carter Holt Harvey portfolio acquisition comprising 15 depots, 10 packaging plants, 1 office building and 5 development sites in Australia and New Zealand with a total value of $277.3m on 31 July

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 or may significantly affect the operations of the Group, the results of these operations, or 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 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.

Environmental regulation
The Group is subject to significant environmental regulation in respect of its property activities. The directors of the Group are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches to 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.

Stephen Day – Executive Chairman

Experience and expertise
Stephen Day established Valad in 1995 alongside co-founder Barry Wynne, who retired from the board in October last year. Stephen was Joint Managing Director until 2004, when he was named Executive Chairman. Stephen worked at Lend Lease for 10 years, with responsibilities including the acquisition, development and management of property projects throughout Australia. He also worked for Lend Lease in Europe, with a focus on the global funds management business. Stephen has a degree in economics and accountancy from Macquarie University. He is 43.

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 Investment Committee, Chairman of the VOF Investment Committee, Member of the VPG Remuneration and Nomination Committee, Chairman of the Valad Core Plus Fund and Chairman of the Valad Core Plus Investment Committee, Director of VCML as Responsible Entity of Burwood Property Trust and Valad Office Growth Fund.

Trevor Gerber – Non-Executive Independent Director and Deputy Chairman

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 University of the Witwatersrand, South Africa. He is 51.

Other current listed directorships
Macquarie Airports Group, Chairman of Everest Babcock & Brown Alternative Investments, Everest Babcock & Brown Ltd

Former listed directorships in last three years
Valad Commercial Management Limited as Responsible Entity for Valad Opportunity Fund No. 11, Macquarie Countrywide Trust, Macquarie ProLogis Trust, Hamilton Island Ltd

Special responsibilities
Executive Chairman of the Audit Committee, Member of the Investment Committee

Information on directors (continued)

Peter Hurley – Executive Director and Executive Chairman - Europe

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 has been the key driver of Valad's European expansion strategy. Peter is based in Europe and heads the European operations. 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. He is 44.

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 VPG Investment Committee, Director of VCML as Responsible entity of Burwood Property Trust and Valad Office Growth Fund, Director of HEZ Nominees Pty Limited, Member of HEZ Investment Committee, Director of VCML as Responsible Entity of KVSI Trust and Director of KVSI Holdings Pty Ltd.

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 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 54.

Other current listed directorships
Nil

Former listed directorships in last three years
Nil

Special responsibilities
Member of the Audit Committee, Member of the Remuneration and Nomination Committee

Kevin McCabe – Non-Executive Independent Director

Experience and expertise
Kevin joined the board of Valad following the recent takeover of an integrated group of property businesses with interests in UK and Europe, collectively described as 'Scarborough' in Valad's investor material. Kevin commenced his career in the world of property and construction during 1964 and has five decades of experience in the UK and European markets. He is also Chairman of Sheffield United – a famous football club – quoted on the AIM's market of the London Stock Exchange. Scarborough was established in 1980 and Kevin has 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. He is 59 years of age.

Other current listed directorships
Chairman of Sheffield United plc, Teesland plc

Former listed directorships in last three years
Chairman of Fairbriar plc, Property Fund Management plc

Special responsibilities
Nil

Ian Robertson – Non-Executive Independent Director

Experience and expertise
Ian recently retired after 36 years with Bank of Scotland, where he was Managing Director of Corporate Banking since 1999. He formerly held various Board positions in Bank subsidiaries and in companies where the Bank has equity Interests. 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 has recently become a trustee of the Princess Royal Trust for Carers. He is 58 years of age. He is 58 years of age.

Other current listed directorships
Nil

Former listed directorships in last three years
Nil

Special responsibilities
Nil

Robert Seidler – Non-Executive Independent Director

Experience and expertise
Robert joined the Valad board in November 2005, and is a partner of the leading Australian legal firm Blake Dawson Waldron and a member of its board. 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 59.

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, Member of the Audit Committee

Chris Carroll - Company Secretary, General Counsel and Head of Corporate Services

Chris became company secretary at Valad in August 2004, and worked closely with other executives including Peter Hurley during the takeover of Scarborough earlier 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 50.

Anne Young - Company Secretary

Anne joined Valad in 2006 and has more than 13 years company secretarial experience with a strong emphasis on corporate governance. Prior to joining Valad she worked with Zurich Financial Services Australia. Anne is a graduate of the Chartered Institute of Company Secretaries Australia and the Australian Institute of Company Directors. She is 58.

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 2007 and the number of meetings attended by each director, at the time the director held office during the year, were:

Meetings of directors	Board Meetings		Audit Committee Meetings		Investment Committee Meetings		Remuneration and Nomination Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S. Day	22	22	-	-	18	18	3	3
T. Gerber	22	21	3	3	18	18	-	-
P. Hurley	22	22	-	-	18	18	-	-
A. Martin	7	7	2	2	-	-	3	3
D. Murray	16	16	3	3	-	-	-	-
R. Seidler	22	22	-	-	-	-	3	3
B. Wynne	8	8	1	1	-	-	-	-

K. McCabe and I. Robertson were appointed after 30 June 2007 and are not included in the table above.

Remuneration report

The information provided in this report is prepared in accordance with Section 300A of the *Corporations Act 2001* and includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. The disclosures required under AASB 124 have been transferred from the financial report and have been audited.

This report covers five separate groups:

Non-Executive Directors -	Trevor Gerber, Robert Seidler, Andrew Martin and, part period, David Murray and Barry Wynne
Executive Directors -	Stephen Day (Executive Chairman) and Peter Hurley (Executive Director)
Chief Executive Officer -	Guy Farrands (part period)
Chief Operating Officer -	Jeff Locke (part period)
Group Heads -	Being the Chief Operating Officer's direct reports who are members of the Executive Committee and whose remuneration details are set out in this report as "Key Management Personnel"

1. Background

As reported in the 30 June 2006 Remuneration Report, the Remuneration and Nomination Committee and the Board, with the assistance of external independent advisors, reviewed the Group's remuneration philosophy and strategy. The Board resolved in 2006 to implement substantial changes to the way senior employees are remunerated with effect from 1 July 2006 but with transitional elements effective from 1 November 2005. The changes were subject to legislation being passed by Federal Parliament allowing entities with a stapled security structure to issue options and performance rights on the same basis as companies. This legislation became law in April 2007. The Board stated in the 2006 Remuneration Report that the date and terms of the options and performance rights offered would take effect from when they were made and not when the legislation was passed or legal documentation establishing the necessary schemes was completed.

In some cases, where the cost to the Company does not justify unwinding them, some previous remuneration arrangements have been retained. This report notes where it has been decided to maintain previous structures for this reason.

It should be noted that since the Initial Public Offering in December 2002 the Group's performance has been as follows:

	2003	2004	2005	2006	2007	Compound Growth
Underlying earnings	$9.20m	$19.36m	$36.35m	$55.99m	$76.19m	46.5%[1]
Net Tangible Assets Per Security	$0.82	$0.82	$0.88	$0.98	$1.25	11.1%
Security Price	$1.00	$0.91	$1.34	$1.36	$1.985	18.7%
Dividend Per Security (cents)	8.35	9.55	9.80	10.30	11.07	7.3%
Underlying Earnings Per Security (cents)	8.10	9.00	9.95	10.44	11.12	8.2%

[1]Underlying earnings for 2003 relates to period 10 December 2002 to 30 June 2003. The earnings figure has been annualised in the compound growth calculation. The 2003 dividend per security and underlying earnings per security shown above are annualised amounts.

Remuneration report (continued)

2. Remuneration Policy and Strategy

2.1 Overview

The responsibility for overseeing remuneration policy and strategy lies with the Remuneration and Nomination Committee including:

1. Reviewing and making recommendations to the Board on remuneration strategy and policies for Group employees.
2. Annually reviewing and making recommendations to the Board on the Executive Directors' and Chief Operating Officer's remuneration and performance.
3. Making recommendations to the Board on Directors' compensation.

2.2 Valad Property Group's Remuneration Policy

Valad Property Group's Remuneration Framework is structured to:

- Attract and motivate high quality talent to deliver superior long term returns for security holders
- Align security holders and employees' interests and create value for security holders by ensuring a reasonable proportion of senior employees' remuneration is based on growth in earnings per security ("EPS") and total security holder returns ("TSR")
- Be fair and consistent
- Manage total rewards with emphasis on the "at risk" element as a motivator for senior executives.

3. Review of Remuneration Policy and Strategy

3.1 Executive Directors

In the 2006 Remuneration Report it was noted that the Remuneration and Nomination Committee had commenced a review of the strategy for the Executive Directors' remuneration. During the current reporting period that review was finalised. The remuneration framework adopted by the Board for the Executive Directors is essentially the same framework as that adopted for the Group Heads as set out in last year's report and summarised below.

3.2 Chief Operating Officer and Group Heads

During the year ended 30 June 2007, the Remuneration and Nomination Committee implemented the strategy for the Group Heads' remuneration, based on the review which had taken place in 2006 and reported on in the 2006 Remuneration Report and as outlined below.

4. Performance Appraisal System

During 2006, a performance appraisal system was introduced throughout the Valad Group to ensure that employees are aware of what is expected of them through their personal objectives and the impact of their performance on their remuneration. This was introduced 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 performance appraisal system commenced in full on 1 July 2006 following a three month trial period.

The Chief Operating Officer's objectives are formulated by the Executive Directors and then agreed with the Remuneration and Nomination Committee and the Board. Once approved these objectives cascade down to the Group Heads, their direct reports and then to the rest of the Group's employees.

This framework is consistent across the Group Heads 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 objective of optimising growth of earnings per security.

Performance is reviewed formally 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 reviews the Executive Directors' and the Chief Operating Officer's performance.

Remuneration report (continued)

5. Revised Remuneration Strategy for the Executive Directors, Chief Operating Officer and Group Heads

5.1 Remuneration Mix

With the introduction of Valad's new remuneration framework from 1 July 2006, remuneration packages comprise:

- Total Fixed Remuneration ("TFR") which is a market related base salary including superannuation contributions. TFR is determined by reference to the TFRs offered by the top quartile of comparator industry employers and is subject to annual benchmarking. TFR is reviewed annually and upon change of role or responsibility.

- Short Term Incentives ("STI"). STI is set as a percentage of TFR and is assessed annually against achievement of Key Performance Indicators ("KPIs"). STIs earned are paid as soon as practicable after the end of the year of assessment. With effect from 2008, fifteen (15) per cent of executive bonuses will be used to purchase securities under an Employee Securities Scheme.

- Long Term Incentives ("LTI"). LTI is set as a percentage of TFR and is to be provided in the form of options and performance rights which vest upon the achievement of KPIs linked to growth in earnings per security and total security holders' returns.

The chart below shows the mix between TFR, STI and LTI for the Executive Directors, Chief Operating Officer and Group Heads for for the financial years ending 30 June 2007 and 2008. It should be noted that the mix shown in the chart below applies only for the financial years mentioned and that thereafter it is intended that the normal mix for Executive Directors, COO and Group Heads remuneration will return to TFR 40%, STI 40% and LTI 20% with the at risk component being 60%.

	Component(s) Total Remuneration Package			
	TFR	**STI**	**LTI**	**At Risk Component**
Stephen Day (Executive Chairman)	33%	33%	33%	66%
Peter Hurley (Executive Director)	33%	33%	33%	66%
Jeff Locke (Chief Operating Officer)	33%	33%	33%	66%
Martyn McCarthy (Group Head – Real Estate Investments)	33%	33%	33%	66%
Shaun Hannah (Group Head – Real Estate Developments)	33%	33%	33%	66%
Paul Notaras (Group Head – Funds Management)	33%	33%	33%	66%
Jennifer Lambert (Chief Financial Officer)	36%	36%	28%	64%
Chris Carroll (Group General Counsel)	36%	36%	28%	64%

The above percentages assume target performance is achieved for STI (see later).

5.2 Performance Measures

Performance measures for STI and LTI include both financial and non financial objectives. The financial KPIs for STI are at two levels: corporate (achievement of earnings per security target set by the Board) and, where appropriate, personal (e.g. increase in funds under management or acquisitions).

Personal non financial KPIs vary from individual to individual but include improved operational efficiency, personal and staff development and in particular includes the successful implementation of a Performance Appraisal System (see earlier).

Performance measures for LTI are purely financial and include the achievement of earnings per security and total security holder return targets set by the Board, details of which are set out below.

5.3 Short Term Incentives

Under the new reward strategy a target for STI is calculated as a percentage of TFR. The target STI's for Executive Directors, Chief Operating Officer and Group Heads for the financial years ending 30 June 2007 and 2008 are set out earlier under 5.1 Remuneration Mix.

Actual STI awarded can range from 0% of TFR to in excess of 100% of TFR for outstanding performance. Any awards of STI over 100% of TFR must be approved by the Board on the recommendation of the Remuneration and Nomination Committee.

Approval of STI awards for the Executive Directors and Chief Operating Officer is by the Board on recommendation of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee approves an overall budget for the Group Heads and the Chief Operating Officer approves individual STI awards for each Group Head within that budget. As stated earlier, the Remuneration and Nomination Committee and then the Board must approve any STI above 100% of TFR. STI payments paid or earned in the year ended 30 June 2007 are shown later in this report.

Remuneration report (continued)

5.4 Long Term Incentives

5.4.1 Overview

The Board, on the recommendation of the Remuneration and Nomination Committee, in 2006 resolved to introduce a long term incentive scheme for the Executive Directors, the Chief Operating Officer and the Group Heads (the "New Scheme") subject to the Federal government passing legislation to reflect changes foreshadowed in the Federal 2006 Budget in relation to allowing entities with a stapled security structure to issue options and performance rights on the same basis as companies (the "New Legislation"). The New Legislation became law in April 2007 and will provide the Group with greater flexibility in the design of equity based components of its remuneration structure. The New Structure will be cascaded down to other employees in the Group.

5.4.2 The Old Scheme

Prior to 2006 and the passing of the New Legislation Valad Property Group, in order to create an alignment of interest with security holders offered employees an employee security ownership plan involving loans to acquire Valad Property Group Securities (the "Old Scheme"). In anticipation of the New Scheme being implemented, the Board in 2006 implemented a Transitional Scheme (see below) and the New Scheme despite the New Legislation not being passed until April 2007. All arrangements under the Old Scheme for the Group Heads were unwound and the Executive Directors, Chief Operating Officer and Group Heads were offered LTI's under the Transitional Scheme and the New Scheme on this basis.

5.4.3 The Transitional Scheme

As part of the transitional arrangements between the Old Scheme and the New Scheme (see later) options were granted to the Executive Directors (subject to Security Holder's approval) and Group Heads which are 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%

As a result, none of the options are exercisable if the Group's TSR is below the fifty percentile of its peers and all will be exercisable if the Group's TSR is in the top quartile compared to its peers.

Terms and conditions of each grant of options affecting Executive Directors' and Group Heads' remuneration in respect of the Transitional Scheme

Option Commencement Date	Performance Hurdle	Date Vested and Exercisable	Expiry Date	Exercise Price	Value per Option at Grant Date
1 November 05	TSR	31 October 2007	29 January 2008	$1.36	$0.09

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	
	2007[1]	**2006**	**2007**	**2006**
Executive Directors				
Stephen Day	1,388,889	-	-	-
Peter Hurley	1,388,889	-	-	-
Key management personnel				
Chris Carroll	-	555,556	-	-
Shaun Hannah	-	555,556	-	-
Jennifer Lambert	-	555,556	-	-
Martyn McCarthy	-	555,556	-	-
Paul Notaras	-	555,556	-	-

[1]As noted in 3.1 the Executive Directors remuneration framework was under review in 2006 and not finalised until after year end. The Board's intention was to mirror the Remuneration framework for the Group Heads agreed in the 2006 year including the terms of the Transitional Scheme. The grant of options to Executive Directors is part of the same issue of options under the Transitional Scheme which was made to Key Management Personnel although made at a later date and is subject to approval at the Annual General Meeting of security holders to be held on 31 October 2007.

Remuneration report (continued)

5.4.4 The New Scheme

As noted earlier the LTI component of the Executive Directors', Chief Operating Officer's and Group Head's remuneration package is set as a percentage of their TFR. For the financial year ending 30 June 2007 the LTI component was 33% of their TFR for Executive Directors and the Group Heads (except Chris Carroll and Jennifer Lambert which was 28%). This was then 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 twelve months after vesting except for the Executive Directors whose options and performance rights are all exercisable immediately upon vesting. There will be no retesting of performance during this twelve 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.

The performance hurdles will be set by the Board at the time of granting the options and performance rights. The initial grant made on 1 July 2006 (the "Initial Grant") 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):

- Fifty (50) per cent 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%

- Fifty (50) per cent 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% p.a options would vest as follows:

	Compound EPS Growth <2.5% pa	**Compound EPS growth 2.5 – 5.0%**	**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%

LTI grants will be made annually and will be subject to performance conditions. Options and performance rights are not entitled to distributions.

The Board has the final decision on the determination of performance relative to targets independent of management and will use the services of independent advisors to calculate the TSR.

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.

To the extent performance hurdles are not met the options and performance rights will lapse.

Initially there will be a cap of 5% of Valad Group's issued capital on the number of securities to be issued under the new scheme. This limit may be increased in the future.

Executive Directors, the Chief Operating Officer and the Group Heads must not deal in any options over any Valad Securities issued under the Transitional Scheme or the New Scheme whilst those securities are subject to dealing restrictions imposed when the securities were issued.

Remuneration report (continued)

The Valad Group does not permit holders of options or performance rights to hedge their position until the options or performance rights have vested.

Terms and conditions of each grant of options (including performance rights) affecting Executive Directors', Chief Operating Officer and Group Heads' remuneration in respect of the New Scheme

Commencement Date	Performance Hurdle	Date Vested and Exercisable	Expiry Date	Exercise Price[1]	Value per Option at Commencement Date
1 July 06	TSR	30 June 2008	28 September 09	$1.36 (O)	$0.10
1 July 06	TSR	30 June 2008	28 September 09	$0.00 (PR)	$0.63
1 July 06	EPS	30 June 2008	28 September 09	$1.36(O)	$0.11
1 July 06	EPS	30 June 2008	28 September 09	$0.00(PR)	$1.18
1 July 06	TSR	30 June 2009	28 September 10	$1.36(O)	$0.11
1 July 06	TSR	30 June 2009	28 September 10	$0.00(P)	$0.59
1 July 06	EPS	30 June 2009	28 September 10	$1.36(O)	$0.12
1 July 06	EPS	30 June 2009	28 September 10	$0.00(PR)	$1.06

[1]**O = Options PR = Performance Rights**

Details of options (including performance rights) provided as remuneration

	Number of options granted during the year[1]		Number of options vested during the year	
	2007	**2006**	**2007**	**2006**
Executive Directors				
Stephen Day	3,278,572	-	-	-
Peter Hurley	3,015,496	-	-	-
Key management personnel				
Chris Carroll	1,108,560	-	-	-
Shaun Hannah	1,887,358	-	-	-
Jennifer Lambert	1,215,044	-	-	-
Martyn McCarthy	1,903,351	-	-	-
Paul Notaras	1,813,281	-	-	-

[1]As noted above these Options, were offered subject to the New Legislation being passed.

The grant of options to Executive Directors is subject to security holder approval at the Annual General Meeting of to be held on 31 October 2007.

6. Service Agreements

6.1 Executive Directors

It was announced during the year that Stephen Day and Peter Hurley had entered into new three (3) year contracts. The contracts can be terminated by the Company with cause on three (3) months notice with payment of all accrued entitlements. Termination without cause by the Company is permitted upon nine (9) months notice with payment of all accrued entitlements plus an amount equal to the average of the two previous completed financial years total remuneration. In addition Stephen Day and Peter Hurley have been given an incentive to stay with the Group by being eligible for two years base salary if they remain with the Group for three (3) years.

The total remuneration payable under each service agreement is subject to review each year by the Board on the recommendation of the Remuneration and Nomination Committee. The base remuneration cannot decrease at any time unless the Executive Director's role is changed with his consent.

6.2 Chief Executive Officer

Guy Farrands held the position of Chief Executive Officer from 19 October 2005 to 21 November 2006 and then President, Japan Operations following a restructure to reflect Valad's international aspirations. Mr Farrands left the Group on 31st March 2007. Details of Mr Farrand's remuneration and payments on leaving the group are set out later.

Remuneration report (continued)

6.3 Chief Operating Officer

Jeff Locke joined the Group as Chief Operating officer on 1st June 2007. Mr Locke's service agreement can be terminated by him on three months notice or by the company on 3 months notice.

6.4 Group Heads

Service agreements for the Group Heads contain provisions relating to the granting of interest free loans for the purchase of securities. As mentioned under the heading 'Old Scheme', these security purchase loans were put in place when it was not possible to issue options and performance rights. As noted, with the introduction of the New Scheme these service agreements and, where possible, these loan arrangements, have been renegotiated and the arrangements unwound.

The existing service agreements for the Group Head, Real Estate Investments; the Chief Financial Officer and the Group General Counsel contained provisions for payments to be made to the employee, which must be used by the employee to repay the security purchase plan loans after the deduction of tax.

These payments were negotiated at the time the employee joined the Group as deferred sign on fees. Some elements of these deferred sign on fees remain on foot.

The deferred sign on fees still to be earned are as follows:

- Group Head, Real Estate Investments: $296,636 on the next anniversary of employment;
- Chief Financial Officer: $128,972 on the next anniversary of employment;
- Group General Counsel: $85,981 on the next anniversary of employment.

The standard termination notice period for the Group and for most of the employees of the Group is one month's notice. In the case of the Chief Operating Officer and Group Heads three months' notice is required by either the Group or the executive, except for the Group Head, Real Estate Investments who is required to give one month's notice and the Group is required to give him between three and six months' notice depending on length of service.

A termination payment, other than for gross misconduct and only where termination is by Valad, not the employee, is included in the service agreement for the Group Head Real Estate Investments and is an amount equal to the deferred sign on fees, as stipulated in the employment contract, which have not yet been paid.

Again, these provisions were negotiated by the Group Heads at the time of their employment during the early days of Valad Property Group as a newly listed entity.

Remuneration – Non-Executive Directors

7.1 Valad Property Group's Policy

The Remuneration and Nomination Committee makes recommendations to the Board concerning the remuneration and remuneration structure for Non Executive Directors.

During the year ended 30 June 2006, the Board resolved that its policy going forwards will be that Non Executive Directors' remuneration will be transparent and easily explained and that in future the principal features of the remuneration policy will be:

Non Executive Director remuneration will comprise 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 eg 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 will be sought at least every three years.

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

Trevor Gerber, as the lead independent director is paid a higher fee than other non-executive directors.

Remuneration report (continued)

7.2 Review of Arrangements

After receipt of external independent advice the Board sought and received security holder's approval at the Annual General Meeting in October 2006 to increase the maximum aggregate Board and Committee fees payable to Non Executive Directors to $650,000.

Again, as foreshadowed in last year's report and following security holder's approval of an increase in the aggregate director's fees, the consultancy agreement with Trevor Gerber was terminated. Barry Wynne, who also had a consultancy agreement, retired on 7 October 2006 and that agreement terminated on his retirement.

Total Non Executive Directors' fees must be within the aggregate amount set out in the Company's constitution. The current maximum aggregate amount is $650,000 per annum. This amount can only be increased at a general meeting of the Company. It is intended to put a resolution to security holders at the Annual General Meeting on 31 October 2007 to increase this limit to reflect the international nature of the Group and the increased number of directors following the acquisition of the Scarborough Group. Full details will be given in the Notice of Meeting and Explanatory Memorandum.

The total of Directors' fees paid to Non Executive Directors for the year ended 30 June 2007 was $408,789 (2006: $369,902).

No director's fees are paid to the Executive Directors.

7.3 Other payments made to Non Executive Directors

In addition to Directors' fees, the Constitution of the company provides for directors to receive payment for other services. As mentioned earlier, Trevor Gerber and Barry Wynne had consultancy agreements, which were disclosed in the Prospectus/Product Disclosure Statement at the time of the Group's Initial Public Offering. The total amount included in the remuneration note below for consultancy fees is $12,986 (2006: $80,000). These amounts are used to reduce the loans on Group securities issued to these Non Executive Directors. As stated earlier, both consultancy agreements were terminated during this reporting period.

The Non Executive Directors do not receive any retirement allowances.

8. Options granted to Executive Directors other than outlined above

Stephen Day and Peter Hurley received one (1) million options each prior to of the Group's Initial Public Offering in December 2002, the details of which were fully disclosed in the Prospectus/Product Disclosure Statement issued at the time of the IPO. Further details are contained in note 36.

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

The Board has accepted the Remuneration and Nomination Committee's recommendation that the cost of cancelling these options does not justify unwinding them.

9. 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.

Remuneration report (continued)

10. Details of Remuneration

10.1 Details of remuneration earned or paid during the year ended 30 June 2007

2007	Notes	5 Highest paid KMP	Short-term benefits						Post employment benefits	Termination Benefits	Share based payments [1]	Total $
			Cash salaries and fees	Cash bonus	Cash Deferred sign-on Incentive	Non-monetary benefits		Other short-term benefits	Super-annuation		Options	
						Deferred sign-on incentive	Other					
Non-Executive Directors												
Trevor Gerber	2		77,221	-	-	-	-	-	100,000	-	-	177,221
Andrew Martin	3		-	-	-	-	-	-	51,837	-	-	51,837
David Murray			64,679	-	-	-	-	-	5,821	-	-	70,500
Robert Seidler			85,000	-	-	-	-	-	-	-	-	85,000
Barry Wynne	4		24,231	-	-	-	12,986	-	-	-	-	37,217
Sub-total			**251,131**	**-**	**-**	**-**	**12,986**	**-**	**157,658**	**-**	**-**	**421,775**
Executive Directors												
Stephen Day – Chairman	5		582,615	1,142,375	-	-	-	-	42,385	-	366,205	2,133,580
Peter Hurley – Executive Director	6		532,615	1,193,875	-	-	-	-	42,384	-	345,198	2,114,072
Key Management Personnel												
Guy Farrands	7		589,949	326,407	-	-	-	-	37,982	1,000,000	-	1,954,338
Jeff Locke	8		38,073	85,000	-	-	-	-	4,427	-	-	127,500
Chris Carroll		*	231,777	418,826	-	56,075	-	4,486	64,789	-	108,913	884,866
Shaun Hannah		*	319,817	453,875	-	-	-	4,486	30,817	-	176,269	985,264
Jennifer Lambert		*	264,559	450,321	120,664	-	-	4,486	42,386	-	116,973	999,389
Martyn McCarthy	9	*	346,657	720,859	296,636	-	-	4,486	30,029	-	177,546	1,576,213
Paul Notaras		*	315,818	435,750	-	-	-	4,486	32,784	-	170,350	959,188
Total			**3,473,011**	**5,227,288**	**417,300**	**56,075**	**12,986**	**22,430**	**485,641**	**1,000,000**	**1,461,454**	**12,156,185**

[1] Share based payments is the pro-rata cost recognised in respect of options granted
[2] Commenced 16 November 2006
[3] Retired 10 March 2007
[4] Retired 7 October 2006. Non-monetary benefits relates to fees for consultancy services (up to date of retirement) which were used to reduce loans on group securities
[5] Cash bonus includes prior year amount ($343,000) plus an accrual for FY07 of $799,375
[6] Cash bonus includes prior year amount ($457,000) plus an accrual for FY07 of $736,875
[7] Terminated 31 March 2007
[8] Commenced 1 June 2007
[9] Cash bonus includes prior year amount ($250,000) plus an accrual for FY07 of $470,859

Valad Property Group

Directors' Report
(continued)

Remuneration report (continued)

10.2 Details of remuneration paid during the year ended 30 June 2006

2006	Notes	5 Highest paid KMP	Short-term benefits					Post employment benefits	Share based payments [2]	Total $
			Cash salaries and fees	Cash bonus	Non-monetary benefits		Other short-term benefits	Super-annuation	Options	
					Deferred sign-on incentive	Other [1]				
Non-Executive Directors										
Trevor Gerber	3		93,272	-	-	40,000	-	8,394	-	141,666
David Murray			55,046	-	-	-	-	4,954	-	60,000
Robert Seidler			60,000	-	-	-	-	-	-	60,000
Barry Wynne	4		90,000	-	-	98,236	-	-	-	188,236
Sub-total			**298,318**	**-**	**-**	**138,236**	**-**	**13,348**	**-**	**449,902**
Executive Directors										
Stephen Day – Chairman	5		289,908	193,900	-	116,225	-	26,092	-	626,125
Peter Hurley – Managing Director	5		287,615	387,837	-	116,225	-	25,885	-	817,562
Peter Hurley – Executive Director			149,826	-	-	-	-	7,843	-	157,669
Key Management Personnel										
Guy Farrands			237,664	-	145,631	18,548	3,961	37,086	-	442,890
Chris Carroll		*	191,519	256,667	29,126	-	3,961	15,732	16,667	513,672
Shaun Hannah	6	*	294,763	460,000	-	-	3,961	24,495	16,667	799,886
Jennifer Lambert	7	*	213,773	210,000	74,766	12,984	3,961	19,240	16,667	551,391
Martyn McCarthy		*	250,613	463,333	130,841	37,670	3,961	21,385	16,667	924,470
Paul Notaras		*	286,418	270,000	-	1,108	3,961	27,155	16,667	605,309
Total			**2,500,417**	**2,241,737**	**380,364**	**440,996**	**23,766**	**218,261**	**83,335**	**5,888,876**

[1] Non-monetary benefits for *Key Management Personnel* relates to interest free loans provided in previous years to acquire Group securities (in lieu of cash bonuses and with fixed forgiveness subject to continued employment) and comprises amounts for portions of loans forgiven during the year (including associated FBT cost)
[2] Share based payments for *Key Management Personnel* relates to 2 year options granted as at 1 November 05 as described in section 5.3 of the remuneration report
[3] Non-monetary benefits represent fees for consultancy services. The fees have been used to reduce the loan on Group securities. (NB It is expected that those arrangements will be terminated prior to 31 December 2006)
[4] Non-monetary benefits includes fees for consultancy services ($40,000) which have been used to reduce the loan on Group securities. Also included is FBT cost ($58,236) in respect of part loan forgiven during the year. (NB It is expected that these arrangements will be terminated prior to 31 December 2006)
[5] Non-monetary benefits represent FBT cost on loans forgiven during the year. Cash bonus amount relates to FY05
[6] Cash bonus includes $100,000 payable Dec 06. Payment is subject to continued employment with Valad up to that date
[7] Returned from maternity leave in August 05

Remuneration report (continued)

11. Options granted to Key Management Personnel (un-audited)

11.1 Details of options (including performance rights) granted

Name	Year Granted	Vested %	Financial Years in which options may vest	Maximum total value of grant yet to vest $
Directors of Valad Funds Management Limited				
Stephen Day	2007	-	2008	157,870
	2007	-	2009	208,334
	2007	-	2008	20,833
Peter Hurley	2007	-	2008	145,197
	2007	-	2009	191,667
	2007	-	2008	20,833
Key management personnel of the Group				
Chris Carroll	2007	-	2008	35,963
	2007	-	2009	95,900
	2006	-	2008	8,333
Shaun Hannah	2007	-	2008	90,749
	2007	-	2009	121,039
	2006	-	2008	8,333
Jennifer Lambert	2007	-	2008	39,417
	2007	-	2009	105,112
	2006	-	2008	8,333
Martyn McCarthy	2007	-	2008	91,500
	2007	-	2009	122,092
	2006	-	2008	8,333
Paul Notaras	2007	-	2008	87,249
	2007	-	2009	116,199
	2006	-	2008	8,333

No options will vest if the performance conditions underlying each option grant are not satisfied, hence the minimum value of the options yet to vest is nil.

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.

	A Remuneration consisting of options	B Value at Grant date	C Value at exercise date	D Value at lapse date	Total of columns B-D
Directors of Valad Funds Management Limited					
Stephen Day	42.6%	753,241	0	0	753,241
Peter Hurley	39.7%	702,895	0	0	702,895
Key management personnel of the Group					
Chris Carroll	27.8%	215,776	0	0	215,776
Shaun Hannah	44.9%	363,057	0	0	363,057
Jennifer Lambert	26.8%	236,502	0	0	236,502
Martyn McCarthy	26.2%	366,138	0	0	366,138
Paul Notaras	44.2%	348,798	0	0	348,798

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.
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 at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Loans to directors and executives
Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 35 to the financial statements.

Indemnification and insurance of officers and auditors
During the financial year, the Company paid a premium to insure all officers of the Company 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. The auditors of the Group are in no way indemnified out of assets of the Group.

Rounding of amounts
The Group is a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars, in accordance with that class order, unless otherwise indicated.

Non-audit services
The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group 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.

Valad Property Group

Directors' Report
(continued)

Non-audit services (continued)

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

	Consolidated		**Parent**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Audit services -				
PricewaterhouseCoopers Australian firm				
Audit and review of the financial reports and other audit work under the *Corporations Act 2001*	**595,765**	400,100	**462,265**	212,000
Total remuneration for audit services	**595,765**	400,100	**462,265**	212,000
Other assurance services -				
PricewaterhouseCoopers Australian firm				
Other audit services	**20,000**	20,000	**-**	-
Total remuneration for other assurance services	**20,000**	20,000	**-**	-
Total remuneration for assurance services	**615,765**	420,100	**462,265**	212,000
Non-audit services -				
PricewaterhouseCoopers Australian firm				
Tax compliance services including review of company and trust tax returns	**136,360**	62,390	**46,820**	32,110
Other tax consulting	**8,005**	53,390	**8,005**	40,640
Tax and accounting for property acquisitions/disposals	**21,840**	57,085	**21,840**	25,425
Tax, accounting and due diligence for investments	**650,055**	95,000	**650,055**	95,000
Tax, accounting and due diligence for business acquisitions	**38,450**	36,270	**38,450**	36,270
Tax and accounting advice on fund establishment	**80,240**	128,660	**80,240**	12,500
Technical accounting advice	**29,095**	-	**-**	-
International Financial Reporting Standards	**-**	97,360	**-**	97,360
Global best practice review of corporate governance practices	**-**	9,000	**-**	9,000
Facilitating risk assessment process	**-**	9,000	**-**	9,000

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 21.

Auditor
PricewaterhouseCoopers continues in office as auditors for the Group in accordance with section 327 of the *Corporations Act 2001.*

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

Stephen Day
Executive Chairman

Sydney
23 August 2007

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Auditor's Independence Declaration

As lead auditor for the audit of Valad Property Group for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Valad Property Group and the entities it controlled during the year.

David Prothero

D A Prothero
Partner
PricewaterhouseCoopers

Sydney
23 August 2007

Valad Property Group

Discussion and Analysis of the Consolidated Financial Statements

Income statement

Net profit after tax was $109,121,000 (2006: $78,938,000) for the financial year ending 30 June 2007, which is 38% higher than prior year. Underlying earnings was $76,193,000 (2006: $55,989,000) for the financial year ending 30 June 2007, which is 36% higher than prior year. The major adjustments between earnings reported under AIFRS and underlying earnings are the fair value adjustments on investment property relating to both Group properties $42,084,000 (2006: $7,264,000) and the Group's share of associate's properties nil (2006: $20,626,000), non-cash employee benefit expense with respect to employee securities $2,364,000 (2006: $391,000) and the amortisation of intangibles $5,536,000 (2006: $4,057,000).

Distributions are as forecast at 5.67 cents per stapled security for the half year to 30 June 2007, making 11.07 cents the full year distribution for the financial year to 30 June 2007.

Total income was $136,105,000 (2006: $104,230,000) which is 31% higher than prior year. The key differences between the current year and prior year results were:

- increased management fees earned from new projects, and
- interest received from third parties through preferred equity funding

Group expenses were $80,260,000 (2006: $70,062,000) which is 15% higher than prior year largely due to:

- additional staff from accelerated business growth (increase from 91 employees in 2006 to 120 in 2007)
- increased administration costs reflecting the growth in the business
- increased borrowing costs due to additional borrowings to fund property acquisitions, and
- increased property outgoings due to additional rental income properties being acquired

Balance Sheet

Total assets were $1,382,372,000 (2006: $1,052,794,000) as at 30 June 2007. The key assets acquired during the year were:

Property	Purpose
Wetherill Park, NSW	Industrial/office warehouse complex for passive investment
Gold Fields House, Circular Quay NSW	Office building for development
Shepparton, VIC	Industrial site under construction

The key assets disposed during the year were:

Property	Purpose
Home Central, West Gosford NSW	Sold to Century Funds Management July 06
20 Smith Street, Parramatta NSW	Sold to Investa Property Group August 06
BankWest Tower, Perth VIC	Sold to Stockland April 07
575 Bourke Street, Melbourne VIC	Sold to Valad Core Plus Fund May 07
132 Arthur Street, North Sydney NSW	Sold to Valad Core Plus Fund May 07
189 Coronation Drive, Milton NSW	Sold to Valad Core Plus Fund May 07
Tuggerah Business Park, NSW	Sold to Valad Core Plus Fund May 07
Tempe, NSW	Sold to Valad Core Plus Fund May 07
Gold Fields House, Circular Quay NSW	39% sold to Valad Core Plus Fund June 07

Receivables significantly increased from prior year due to new preferred equity loans provided to third parties by Valad Capital Services. In particular, the Crownstone transaction represented the Group's first investment into the European market.

Total liabilities were $294,118,000 (2006: $458,806,000) as at 30 June 2007. The decrease in total liabilities was primarily due to the repayment of corporate debt and debt related to assets that were transferred to Valad Core Plus Fund.

Net tangible assets per stapled security at 30 June 2007 were $1.25 (2006: $0.98). The gearing for the Group was 15% compared to 39% at 30 June 2006. The decrease in the gearing ratio was due to the transfer of debt relating to warehoused assets to the purchasing funds.

Cash flow statement

The significant cash flow movements from operating activities resulted from:

- Deposit paid on the purchase of inventory
- Increased borrowing costs due to debt held in relation to warehoused assets including Goldfields

The significant cash flow movements from investing activities resulted from:

- Acquisition of new investment properties
- Purchase of new investments including Investment in Core Plus Fund
- Sale of Level 8 & 9, 1 Chifley Square for $13.6m
- Continued expenditure on properties under construction which reached practical completion during the year including Home Central, Kawana, Home Central, Albion Park (Shell harbour) and Bunnings, Coffs Harbour
- Cash inflow from repayment of loans by associates due to the sale of underlying properties held by the associates
- Additional loans provided to third parties through preferred equity funding in particular, Crownstone

The significant cash flow movements from financing activities resulted from:

- Capital raisings throughout the year including a share placement and a share purchase plan in addition to proceeds from the dividend reinvestment plan
- Distributions paid net of dividend reinvestment plan
- Proceeds of borrowings from external financiers to assist with property acquisitions

Valad Property Group

Financial Statements
Income Statement
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Revenue	8	**135,818**	104,059	**39,612**	14,446
Other income		**287**	171	**-**	-
Employee benefits expense		**(33,375)**	(21,275)	**(3,734)**	(1,873)
Finance costs	9	**(22,113)**	(18,498)	**(37,075)**	(34,123)
Investment property expenses		**(9,811)**	(7,532)	**-**	-
Repairs and maintenance		**(837)**	(424)	**-**	-
Cost of property development sold		**-**	(12,606)	**-**	-
Net gain from fair value adjustments on investment property		**42,084**	7,264	**-**	-
Net gain from fair value adjustments on investment property - associates		**-**	20,626	**-**	-
Administrative expenses	9	**(7,284)**	(4,249)	**(4,628)**	(2,971)
Management fees		**-**	-	**(1,762)**	(16,078)
Other expenses		**(883)**	(1,083)	**(171)**	(112)
Depreciation expense		**(421)**	(338)	**-**	-
Fair value losses on forward exchange cash flow hedge contracts		**(534)**	-	**-**	-
Amortisation expense		**(5,536)**	(4,057)	**(407)**	(351)
Share of net profits of associates accounted for using the equity method		**12,001**	16,880	**-**	9,718
Profit before income tax expense		**109,396**	78,938	**(8,165)**	(31,344)
Income tax credit/(expense)	10	**(275)**	-	**4,005**	
Profit for the year		**109,121**	78,938	**(4,160)**	(31,344)
Profit attributable to the stapled security holders of Valad Property Group		**109,121**	78,938	**(4,160)**	(31,344)
Distributions/dividends paid/payable	33	**81,511**	56,113		

		Cents per stapled security	Cents per stapled security
Distributions/dividends paid/payable	33	**11.07**	10.3
Basic and diluted earnings	5	**16.0**	14.9

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

Valad Property Group

Balance Sheet
As at 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current assets					
Cash and cash equivalents	11	**60,181**	22,577	**49,500**	13,191
Receivables	12	**24,467**	23,864	**12,077**	10,755
Investments accounted for using the equity method	17	**-**	2,431	**-**	2,431
Investment property	20	**11,270**	35,895	**-**	-
Other	13	**9,377**	17,632	**8,914**	14,802
Derivative financial instruments	21	**742**	-	**-**	-
Total current assets		**106,037**	102,399	**70,491**	41,179
Non-current assets					
Receivables	14	**550,020**	131,636	**390,222**	224,185
Inventory	15	**20,712**	-	**1,961**	-
Investment in controlled entities	16	**-**	-	**61,567**	61,417
Investments accounted for using the equity method	17	**67,943**	54,711	**14,144**	7,221
Other financial assets	18	**68,043**	26,072	**28,728**	21,746
Property, plant and equipment	19	**2,797**	89,850	**-**	-
Investment property	20	**487,177**	586,225	**-**	-
Derivative financial instruments	21	**17,890**	3,348	**-**	-
Deferred tax assets	22	**5,619**	2,648	**764**	247
Intangible assets	23	**52,139**	55,905	**2,710**	1,400
Other assets		**3,995**	-	**3,950**	-
Total non-current assets		**1,276,335**	950,395	**504,046**	316,216
Total assets		**1,382,372**	1,052,794	**574,537**	357,395
Current liabilities					
Payables	24	**23,114**	17,736	**3,076**	1,193
Current tax liabilities	28	**783**	-	**780**	-
Derivative financial instruments	21	**487**	-	**-**	-
Provisions	25	**48,281**	29,137	**-**	-
Total current liabilities		**72,665**	46,873	**3,856**	1,193
Non-current liabilities					
Payables	26	**4,968**	-	**47,659**	27,912
Interest bearing liabilities	27	**210,606**	409,203	**384,381**	339,771
Deferred tax liabilities	28	**4,733**	2,648	**2,684**	108
Derivative financial instruments	21	**1,083**	-	**-**	-
Provisions	29	**63**	82	**-**	-
Total non-current liabilities		**221,453**	411,933	**434,724**	367,791
Total liabilities		**294,118**	458,806	**438,580**	368,984
Net assets		**1,088,254**	593,988	**135,959**	(11,589)
Equity					
Contributed equity	30	**1,034,349**	577,976	**193,965**	44,987
Reserves	31	**1,601**	(2,303)	**3,914**	1,184
Retained earnings	32	**52,304**	18,315	**(61,920)**	(57,760)
Total equity		**1,088,254**	593,988	**135,959**	(11,589)

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

Valad Property Group

Statement of Changes in Equity
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Total equity at the beginning of the year		**593,988**	480,991	**(11,589)**	(220)
Adjustment on adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, net of tax:					
Cash flow hedges, net of tax	31	**-**	627	**-**	-
Restated total equity at the beginning of the financial year		**593,988**	481,618	**(11,589)**	(220)
Changes in the fair value of financial assets, net of tax		**2,173**	(313)	**366**	(313)
Changes in the fair value of cash flow hedges, net of tax		**5,746**	3,919	**-**	-
Income recognised directly in equity		**7,919**	3,606	**366**	(313)
Profit for the year		**109,121**	78,938	**(4,160)**	(31,344)
Total recognised income and expense for the year		**117,040**	82,544	**(3,794)**	(31,657)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity		**458,346**	90,572	**150,728**	21,062
Equity raising costs		**(5,820)**	(988)	**(1,927)**	(226)
Distributions provided for or paid	33	**(81,511)**	(56,113)	**-**	-
Employee securities ownership plan		**3,847**	(4,035)	**177**	(938)
Employee securities ownership plan – option value		**2,364**	390	**2,364**	390
		377,226	29,826	**151,342**	20,288
Total equity at the end of the year		**1,088,254**	593,988	**135,959**	(11,589)

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

Valad Property Group

Cash Flow Statement

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		**116,752**	83,123	**15,307**	10,497
Cash payments in the course of operations		**(40,518)**	(42,631)	**(8,085)**	(25,209)
Proceeds from sale of inventory		**269**	16,800	**-**	-
Purchase of inventory		**(281,068)**	(12,606)	**(1,961)**	-
Deposit for inventory		**-**	(13,745)	**(4,033)**	(13,745)
Interest received		**26,091**	3,137	**10,780**	262
Distributions and dividends received		**8,468**	8,304	**6,897**	2,456
Borrowing costs paid		**(26,775)**	(19,042)	**-**	(4)
Income tax refund/(paid)		**(378)**	393	**-**	192
Net cash inflow/(outflow) from operating activities		**(197,159)**	23,733	**18,905**	(25,551)
Cash flows from investing activities					
Purchase of investment properties		**(68,959)**	(213,062)	**-**	-
Capital expenditure on investment properties		**(29,556)**	(6,835)	**-**	-
Proceeds from sale of investment properties		**196,485**	-	**-**	-
Preliminary costs for acquisitions		**(4,739)**	(1,265)	**(5,252)**	(361)
Proceeds from sale of property, plant and equipment		**13,607**	-	**-**	-
Payment for building, property, plant and equipment		**(1,640)**	(48,244)	**-**	-
Proceeds from sale of investments		**260,355**	15		15
Purchase of investments		**(49,744)**	(5,443)	**(13,715)**	(4,693)
Return of capital		**1,556**	10,101	**-**	4,692
Purchase of shares on behalf of employees and directors		**(2,266)**	(4,528)	**-**	(4,488)
Repayment of shares by employees and directors		**6,002**	-	**3,734**	-
Loan to associates		**(92,989)**	(6,133)	**-**	-
Repayment of loans from associates		**11,032**	42,362	**-**	16,531
Loan to third parties		**(338,647)**	(110,735)	**(9,934)**	(72,106)
Repayment of loans from third parties		**102,531**	-	**-**	-
Net cash inflow/(outflow) from investing activities		**3,028**	(343,767)	**(25,167)**	(60,410)
Cash flows from financing activities					
Net proceeds from issue of shares and other equity securities		**395,392**	70,812	**133,522**	-
Payment for issue costs		**(5,819)**	(988)	**(1,927)**	-
Distribution paid		**-**	(31,653)	**-**	-
Proceeds from borrowings		**456,898**	592,806	**622,945**	298,674
Repayment of borrowings		**(614,736)**	(304,401)	**(601,874)**	(152,757)
Proceeds from borrowings – related parties		**-**	-	**201,742**	35,357
Repayment of borrowings – related parties		**-**	-	**(311,837)**	(87,087)
Net cash inflow from financing activities		**231,735**	326,576	**42,571**	94,187
Net increase in cash held		**37,604**	6,542	**36,309**	8,226
Cash at the beginning of the financial year		**22,577**	16,035	**13,191**	4,965
Cash at the end of the financial year	11	**60,181**	22,577	**49,500**	13,191

Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities — 41

Non-cash financing and investing activities — 42

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

Notes to the Financial Statements

For the year ended 30 June 2007

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Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Valad Funds Management Limited as an individual entity and the consolidated entity consisting of Valad Funds Management Limited and its controlled entities, and Valad Property Trust and its controlled entities.

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

The two entities comprising the Group remain separate legal entities in accordance with the *Corporations Act 2001* and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Regulations.

The financial statements were authorised for issue by the Directors on 23 August 2007.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Valad Property Group comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

Early adoption of standards
The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property at fair value through profit and loss.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Note 1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Parent

Valad Funds Management Limited has been deemed the parent entity of Valad Property Group. Valad Commercial Management Limited, a wholly owned subsidiary of Valad Funds Management Limited is the responsible entity for the Valad Property Trust. Valad Commercial Management Limited also holds the financial license under which the Group operates. Further, Valad Group Holdings Pty Limited, a wholly owned subsidiary of Valad Funds Management Limited, employs all Valad Property Group staff.

(ii) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Valad Funds Management Limited and also includes Valad Property Trust and its subsidiaries as at 30 June 2007 and the results of all subsidiaries for the year then ended. These entities are together referred to in this financial report as the Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Valad Funds Management Limited.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Note 1 Summary of significant accounting policies (continued)

(iii) *Associates (continued)*
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) *Joint ventures*
Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

Joint venture entities
The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

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

(d) Foreign currency translation

(i) *Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Valad Property Group's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

Note 1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) *Group companies*
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) *Lease income*
Lease income from operating leases is recognised in income on a straight-line basis over the lease term. An asset is recognised to represent the portion of an operating lease income in a reporting period relating to fixed increases in operating lease rentals in future period. When Valad Property Group provide lease incentives to tenants, the cost of the incentives are recognised over the lease term, on a straight line basis, as a reduction of rental income.

(ii) *Funds management fees*
Funds management fees are brought to account on an accruals basis and, if not received at balance date are reflected in the balance sheet as a receivable. Where management fees are derived in respect of an acquisition or disposal of property the fees are recognised where all criteria for entitlement are met. Where management fees are earned over the life of a project, fees are recognised progressively over this term.

(iii) *Land development and resale*
Revenue is recognised when the risks and rewards have been transferred, which is considered to occur on settlement.

(iv) *Interest and investment income*
Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

(v) *Disposal of assets*
The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of the disposal and the proceeds on disposal. The net proceeds are included in the income statement in the year of disposal.

Note 1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for the jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
Valad Funds Management Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Valad Funds Management Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts after inter-entity eliminations. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer within the group.

In addition to its own current and deferred tax amounts, Valad Funds Management Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 10(d).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Note 1 Summary of significant accounting policies (continued)

(g) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

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

(j) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. The collectability of debts is reviewed on a regular basis and a specific provision is made for any doubtful debts.

Note 1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets

Classification
The Group classifies its investments in the following categories: loans and receivables and other (available-for-sale) financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) *Other (available-for-sale) financial assets*
Other financial assets, comprising principally equity securities, are non derivatives that are designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest method. Other financial assets are initially recognised at fair value plus transaction costs and then subsequently carried at fair value.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of other (available-for-sale) financial assets are recognised in equity.

Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as other available-for-sale assets, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Note 1 Summary of significant accounting policies (continued)

(l) Inventories

(i) Development properties held for re-sale/capitalisation of borrowing costs
Land and properties held for re-sale are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of development properties held for re-sale are those costs that would have been avoided if the expenditure on the acquisition and development of the property had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the prime cost method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	100 years
Furniture, fittings and equipment	3-20 years
IT equipment & software	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Investment property

(i) Investment property
Investment property comprise investment interests in land and building held for long term rental yields that are not occupied by the Group. Investment property is carried at fair value, representing open-market value determined tri-annually by external valuers. Land and buildings (including integral plant and equipment) that comprise investment property are not depreciated. The carrying amount includes components relating to lease incentives. Changes in fair values are recorded in the income statement.

(ii) Investment property under development
Property under development for future use as investment property is classified within property, plant and equipment and valued at the lower of cost and recoverable amount until development is complete.

(iii) Owner occupied investment properties
Where the Group occupies a significant portion of a building, that building is classified within property, plant and equipment.

Note 1 Summary of significant accounting policies (continued)

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group currently utilises only cash flow hedges.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 21. Movements in the hedging reserve in shareholder's equity are shown in note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset of liability when the remaining maturity of the hedged item is less than 12 months.

(i) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Note 1 Summary of significant accounting policies (continued)

(p) Fair value estimation

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

The fair value of financial instruments traded in active markets such as listed securities is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques, discounted cash flows or other techniques as appropriate.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) Intangibles assets

(i) *Goodwill*
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) *Management rights*
Management rights have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of management rights over their estimated useful lives, which vary from 4 to 20 years.

(r) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Note 1 Summary of significant accounting policies (continued)

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

(v) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting dates are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long service leave*
The liability for long service leave expected to be settled within 12 months of the reporting date are recognised in the provision for long service leave and measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is measured as the present value of expected future payments to be made in respect of service provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date.

(iii) *Employee Securities Ownership Plan ("ESOP")*
Securities based compensation benefits are provided to employees via the ESOP. Under the terms of the ESOP, employees are provided with a non-recourse loan (which may be interest bearing) which is used to acquire securities on market. The securities vest with employees either immediately or over a 3 year period. In all cases, a holding lock is placed over the securities, preventing employees from dealing with the securities until the loan is either repaid or forgiven. The terms of the loans create a synthetic option, the value of which needs to be brought to account pursuant to the terms of *AASB 2 Share Based Payments*. Further, AASB 2 requires the loans and underlying number of securities to be removed from receivables and contributed equity respectively.

Loans granted before 7 November 2002 and/or securities vested before 1 January 2005
The securities are recognised in contributed equity when the loans are either repaid and the proceeds received allocated to share capital or the loans are forgiven and a corresponding amount is recorded in the Income Statement. No option expense is recognised in respect of these loans.

Loans granted after 7 November 2002 and/or securities vested after 1 January 2005
The securities are recognised in equity when the loans are repaid and the proceeds received allocated to share capital. When loans are forgiven, equity is recognised but for nil consideration. Therefore the number of securities on issue increases without a corresponding increase in the value of equity.

The notional fair value of implied options in respect of these loans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the securities.

The notional fair value arising from the implied option flowing from the loans at grant date is determined using the Black-Scholes option pricing model.

The notional fair value of the implied options excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the quantum of loans expected to be repaid or forgiven.

Note 1 Summary of significant accounting policies (continued)

(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new securities or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new securities or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(x) Dividends and distributions

Provision is made for the amount of any dividend and distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(y) Earnings per stapled security

(i) Basic earnings per stapled security
Basic earnings per stapled security is calculated by dividing net profit attributable to equity holders of the Group, by the weighted average number of ordinary stapled securities outstanding during the financial year, adjusted for the weighted average number of stapled securities that have been issued for no consideration in relation to employee share loans.

(ii) Diluted earnings per stapled security
Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per stapled security to take into account dilutive potential ordinary stapled securities.

(iii) Underlying earnings per stapled security
Basic and diluted underlying earnings per stapled security is calculated by dividing net profit adjusted for the amortisation of intangibles, amortisation of lease incentives, fair value adjustment on investment properties and the non-cash employee benefits expense with respect to employee securities, by the weighted average number of ordinary stapled securities outstanding during the financial year.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Note 1 Summary of significant accounting policies (continued)

(aa) Rounding of amounts

The company is of 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(bb) New accounting standards and UIG interpretations

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

(i) AASB 7 *Financial Instruments: Disclosures and* AASB 2005-10 *Amendments to Australian Accounting standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1032 & AASB 1038)*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent's financial instruments.

(ii) AASB-I 10 *Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to annual reporting periods beginning on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(iii) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038)*

AASB 8 and AASB 2007 3 are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but will affect the segment disclosures provided in Note 4.

(iv) AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)*

AASB 2007-4 is applicable to annual reporting periods beginning on or after 1 July 2007. The Group has not adopted this standard early. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements, other than those now considered particularly relevant in the Australian reporting environment. Application of this standard will not affect any of the amounts recognised in the financial statements as none of the options introduced are relevant to the Group, but it may remove some of the disclosures that are currently required.

Note 2 Financial risk management

The Group's activities expose it to a variety of financial risks; cash flow interest rate risk, credit risk, liquidity risk and market risk (including currency risk). The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps, forward rate agreements and cross currency swaps to hedge certain risk exposures.

Aspects of risk management are carried out by a central treasury group (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

(a) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rate and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

(b) Credit risk

Credit risk for the group pertains to:

- the risk that a tenant will fail to honour the terms of the lease agreement under a contract
- the risk that a borrower will fail to repay principal and interest under a contract

Credit risk has been minimised by undertaking credit references and ensuring that tenants and borrowers have strong financial standing. Where appropriate, bank guarantees or other forms of security are obtained. Rent receivable and project performance are monitored on a monthly basis at management meetings.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Euro and New Zealand dollar. Forward rate agreements and currency swaps, transacted with Group Treasury, are used to manage foreign exchange risk.

(ii) Price risk

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

Note 3 Critical accounting estimates and assumptions

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of investment property

The Group determines the fair value from either:

- external valuations conducted by registered valuers, or
- internal valuations based on:
  - current net market income capitalised in perpetuity which may be adjusted for current or pending vacancies, leasing costs, incentives and capital expenditure. A capitalisation rate is applied based on current market yields.
  - an analysis of market information such as current sales and conditions, market rents and yields is conducted in consultation with third parties such as agents, valuers and research commentaries.

(ii) Fair value of derivatives

The Group bases the fair value of derivatives on external valuations conducted by banks.

Note 4 Reconciliation of net profit to distributable income

A reconciliation of net profit after tax to distributable income is as follows:

	Consolidated	
	2007 **$'000**	2006 $'000
Net profit after tax	**109,121**	78,938
Adjusted for:		
Amortisation expense	**5,536**	4,057
Amortisation of lease incentives	**1,381**	493
Rental income straight line adjustment	**(659)**	-
Fair value adjustment on investment property	**(42,084)**	(7,264)
Revaluation of investment properties attributable to equity accounted entities	**-**	(20,626)
Fair value losses on forward exchange cash flow hedge contracts	**534**	-
Non-cash employee benefit expense with respect to employee securities	**2,364**	391
Net realised profit from investment property sale	**30,496**	-
Distributable income	**106,689**	55,989
Add opening retained earnings	**18,315**	17,861
Transfer in from capital reserve for earnings on securities prior to issue	**8,811**	578
Available for distribution	**133,815**	74,428
Dividend/distribution paid/proposed	**(81,511)**	(56,113)
Closing retained earnings	**52,304**	18,315

Note 5 Earnings per stapled security

	Consolidated	
	2007	2006
Basic and diluted earnings per stapled security (cents)	**16.0**	14.9
Basic and diluted underlying earnings per stapled security (cents)	**11.1**	10.4

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

	Consolidated	
	2007	2006
	$'000	$'000
Basic earnings per stapled security		
Net profit	**109,121**	78,938
Diluted earnings per stapled security		
Net profit	**109,121**	78,938
Basic and diluted underlying earnings per stapled security		
Net profit	**109,121**	78,938
Amortisation of intangibles	**5,536**	4,057
Amortisation of lease incentives	**1,381**	493
Rental income straight line adjustment	**(659)**	-
Fair value adjustment on investment property	**(42,084)**	(7,264)
Fair value adjustment on investment property - associates	**-**	(20,626)
Fair value losses on forward exchange cash flow hedge contracts	**534**	-
Non-cash employee benefits expense with respect to employee securities	**2,364**	391
Underlying earnings	**76,193**	55,989

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

	Consolidated	
	2007	2006
	'000	'000
Weighted average number of ordinary stapled securities used as the denominator in calculating basic and diluted earnings per stapled security	**681,042**	528,454
Adjustments for calculation of underlying earnings per stapled security:		
Employee securities ownership plan	**4,183**	7,896
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating basic and diluted underlying earnings per stapled security	**685,225**	536,350

c) Information concerning the classification of securities

i) Employee securities ownership plan – Employee share loans granted to employees are considered to be potential ordinary stapled securities and have been included in the determination of diluted earnings per stapled security to the extent to which they are dilutive. They have not been included in the determination of basic earnings per stapled security.

Note 6 Segment information

(a) Description of segments

Business Segments

Property investment
Valad Property Trust invests in passive properties located throughout Australia and Europe. Valad Funds Management Limited also holds an investment in a passive property.

Funds management, property investment banking and other investments
Valad Funds Management Limited 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 Funds Management Limited also provides, through its Valad Capital services business, property investment banking services, focusing on structured finance, corporate advisory and capital services to third party sponsors.

Geographical segments

The Group began investing in international property markets during the financial year. The Group's investments are located and managed in two main geographical areas:

Australia & New Zealand
Valad Property Trust continues to invest directly in properties located throughout Australia. Valad Funds Management Limited also operates its Funds Management business primarily from Australia.

Europe
The Group made its first investment in the European market during the financial year. The investment in Crownstone involves investment properties located across Europe.

Valad Property Group

Notes to the Financial Statements
30 June 2007 (continued)

Note 6 Segment information (continued)

(b) Primary reporting format – business segments

30 June 2007	Property investment $'000	Funds management and other investments $'000	Eliminations $'000	Consolidated $'000
Segment revenue				
Rent from investment properties	60,296	-	-	60,296
Funds management income and other income	8,151	64,908	-	73,059
Other revenue	-	-	2,750	2,750
Total segment revenue and other income	68,447	64,908	2,750	136,105
Fair value adjustment to investment properties	42,084	-	-	42,084
Share of net profit of associates and joint ventures	6,189	5,812	-	12,001
Total income	116,720	70,720	2,750	190,190
Segment result	105,427	69,956	(66,262)	109,121
Segment assets	1,239,391	466,864	(323,883)	1,382,372
Segment liabilities	257,926	414,013	(377,821)	294,118

	Property investment $'000	Funds management and other investments $'000	Unallocated $'000	Consolidated $'000
Other segment information				
Investment in associates	59,113	8,830	-	67,943
Acquisition of investment properties	45,109	-	-	45,109
Acquisition of property, plant and equipment	-	-	1,668	1,668
Depreciation expense	-	-	421	421
Amortisation expense	-	-	5,536	5,536
Other non-cash expenses	111	1,768	2,962	4,841

Note 6 Segment information (continued)

30 June 2006	Property investment $'000	Property funds management and investment $'000	Eliminations $'000	Consolidated $'000
Segment revenue				
Rent from investment properties	48,749	-	-	48,749
Property development sale	-	16,800	-	16,800
Funds management income	-	26,446	(2,890)	23,556
Other revenue	842	14,283	-	15,125
Total segment revenue and other income	49,591	57,529	(2,890)	104,230
Fair value adjustment to investment properties	7,264	-	-	7,264
Fair value adjustment to investment properties – associates	20,626	-	-	20,626
Share of net profit of associates and joint ventures	5,080	10,941	859	16,880
Total income	82,561	68,470	(2,031)	149,000
Segment result	86,052	17,834	(24,948)	78,938
Segment assets	1,089,792	304,603	(341,601)	1,052,794
Segment liabilities	536,820	262,332	(340,346)	458,806

	Property investment $'000	Property funds management and investment $'000	Unallocated $'000	Consolidated $'000
Other segment information				
Investment in associates	54,635	2,507	-	57,142
Acquisition of investment properties	213,062	-	-	213,062
Acquisition of property, plant and equipment	47,684	-	560	48,244
Depreciation expense	(33)	-	371	338
Amortisation expense	-	-	4,057	4,057
Other non-cash expenses	-	5,145	843	5,988

Note 6 Segment information (continued)

(c) Secondary reporting format – geographical segments

30 June 2007	**Australia/ New Zealand $'000**	**Europe $'000**	**Unallocated/ Eliminations $'000**	**Consolidated $'000**
Segment revenues	**182,039**	**8,151**	**-**	**190,190**
Segment assets	**1,146,158**	**236,214**	-	**1,382,372**
Acquisition of non current segment assets	**46,777**	**-**	-	**46,777**

30 June 2006	Australia/ New Zealand $'000	Europe $'000	Unallocated/ Eliminations $'000	Consolidated $'000
Segment revenues	149,000	**-**	**-**	149,000
Segment assets	1,052,794	-	-	1,052,794
Acquisition of non current segment assets	261,306	-	-	261,306

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

Note 7 Remuneration of auditors

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Audit services -				
PricewaterhouseCoopers Australian firm				
Audit and review of the financial reports and other audit work under the *Corporations Act 2001*	**595,765**	400,100	**462,265**	212,000
Total remuneration for audit services	**595,765**	400,100	**462,265**	212,000
Other assurance services -				
PricewaterhouseCoopers Australian firm				
Other audit services	**20,000**	20,000	**-**	-
Total remuneration for other assurance services	**20,000**	20,000	**-**	-
Total remuneration for assurance services	**615,765**	420,100	**462,265**	212,000
Non-audit services -				
PricewaterhouseCoopers Australian firm				
Tax compliance services including review of company and trust tax returns	**136,360**	62,390	**46,820**	32,110
Other tax consulting	**8,005**	53,390	**8,005**	40,640
Tax and accounting for property acquisitions/disposals	**21,840**	57,085	**21,840**	25,415
Tax, accounting and due diligence for investments	**650,055**	95,000	**650,055**	95,000
Tax, accounting and due diligence for business acquisitions	**38,450**	36,270	**38,450**	36,270
Tax and accounting advice on fund establishment	**80,240**	128,660	**80,240**	12,500
Technical accounting advice	**29,095**	-	**-**	
International Financial Reporting Standards	**-**	97,360	**-**	97,360
Global best practice review of corporate governance practices	**-**	9,000	**-**	9,000
Facilitating risk assessment process	**-**	9,000	**-**	9,000

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 8 Revenue

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Rental income	**59,726**	49,242	**-**	-
Straight line adjustment	**659**	-	**-**	-
Amortisation of lease incentives	**(1,381)**	(493)	**-**	-
	59,004	48,749	**-**	-
Property development sale	**268**	16,800	**-**	-
Management fees	**44,056**	23,556	**10,426**	5,594
Dividend and distribution income from investments	**1,777**	2,968	**10,958**	1,532
Interest income	**30,617**	11,986	**17,839**	7,320
Other revenue	**96**	-	**389**	-
	135,818	104,059	**39,612**	14,446

Note 9 Expenses

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Finance costs				
Gross interest and finance charges paid/payable	**40,691**	18,498	**37,075**	34,123
Less: Capitalised interest	**(18,578)**	-	**-**	-
Finance costs expensed	**22,113**	18,498	**37,075**	34,123
Other expenses				
Administration expenses	**3,494**	2,760	**2,512**	2,091
Auditors' remuneration	**616**	420	**462**	212
Lease payments – office rent	**1,405**	337	**18**	60
Costs on projects abandoned	**1,261**	344	**1,261**	344
Legal expenses	**207**	133	**75**	61
Insurance	**301**	255	**300**	203
	7,284	4,249	**4,628**	2,971

Note 10 Income tax expense

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax	1,058	-	(5,919)	-
Deferred tax	(783)	-	1,914	-
	275	-	(4,005)	-
(b) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	**109,396**	78,938	**(8,165)**	(31,344)
Tax at the Australian tax rate of 30% (2006: 30%)	**32,819**	23,681	**(2,450)**	(9,403)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Valad Property Trust	**(31,382)**	(16,504)	**-**	-
Depreciation and amortisation	**2,000**	1,137	**105**	105
Fair value of investment property	**(46)**	(1,400)	**-**	-
Fair value of investment property - associates	**-**	(6,188)	**-**	-
Option costs	**743**	117	**743**	117
Tax offset for franked dividends	**(881)**	-	**(881)**	-
Share of net profit of associates/joint ventures	**(777)**	(2,241)	**-**	(2,713)
Elimination of fees in subs	**(427)**	-	**529**	-
Sundry items	**(1,058)**	59	**5**	71
Net deferred tax asset not recognised	**-**	1,339	**-**	11,823
Under/(over) provision in prior years	**237**	-	**(1,103)**	-
Prior year tax losses not recognised now recouped	**(953)**	-	**(953)**	-
Income tax expense	**275**	-	**(4,005)**	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised				
Potential tax benefit @ 30%	**1,294**	3,137	**1,294**	3,137

Note 10 Income tax expense (continued)

(d) Tax consolidation legislation

Valad Funds Management Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to the legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limited the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Valad Funds Management Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Valad Funds Management Limited for any current tax payable assumed and are compensated by Valad Funds Management Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Valad Funds Management Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Note 11 Current cash assets

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash at bank and on hand	**52,630**	16,392	**49,500**	13,191
Term deposits	**7,551**	6,185	**-**	-
	60,181	22,577	**49,500**	13,191

a) **Reconciliation to cash at the end of the year -** The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement of as follows:

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Balances as above	**60,181**	22,577	**49,500**	13,191
Balances per cash flow statement	**60,181**	22,577	**49,500**	13,191

b) **Cash at bank and on hand -** Cash on hand is non-interest bearing while cash at bank bears floating interest rates between 2.4% and 6.2% (2006: 3.0% - 5.7%).

c) **Deposits at call -** The term deposits bear a floating interest rate ranging between 6.4% and 6.6% (2006: 3.8% - 5.7%).

Note 12 Current receivables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Receivables:				
Trade debtors	**8,321**	7,913	**3,461**	426
Provision for doubtful debts	**(50)**	(73)	**-**	-
	8,271	7,840	**3,461**	426
Other debtors	**672**	85	**363**	8
Accrued income	**7,337**	13,177	**776**	8,686
GST receivable	**826**	1,181	**116**	54
Related party receivables:				
Loan to third parties	**5,780**	-	**5,780**	-
Loan to related party	**1,581**	1,581	**1,581**	1,581
	24,467	23,864	**12,077**	10,755

a) **Bad and doubtful debts** - The Group has recognised a loss of $47,000 (2006: $78,000) in respect of bad and doubtful debts related to tenants during the year ended 30 June 2007. The loss has been included in 'investment property expenses' in the income statement.

b) **Effective interest rates and credit risk -** Information concerning the effective interest rate and credit risk of both current and non current receivables is set out in the non current receivables note 14.

Note 13 Current other

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Deferred costs on prospective purchases	**4,837**	1,407	**4,837**	847
Prepayments	**486**	1,580	**40**	197
Deposits [1]	**4,054**	14,645	**4,037**	13,758
	9,377	17,632	**8,914**	14,802

[1] Includes a $4m deposit paid for Pentridge Piazza which exchanged on 20 June 2007 (2006: Includes a $13.7m deposit paid for Goldfields house which exchanged on 26 June 2006 and settled on 15 August 2006)

Note 14 Non current receivables

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Receivables:				
Trade debtors	**4,043**	-	**4,043**	-
Loans to third parties	**452,547**	120,030	**90,656**	79,611
Other	**-**	2	**-**	-
Related party receivables:				
Loans to associates – Valad Fields Trust	**77,879**	-	**-**	-
Loans to associates - Other	**15,551**	11,604	**-**	-
Loans to controlled entities	**-**	-	**295,523**	144,574
	550,020	131,636	**390,222**	224,185

a) Loans to associates - Refer to note 36 for information on loans to associates.

b) Fair values – The fair values and carrying values of non-current receivables of the Group are as follows:

	2007		2006	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Receivables:				
Loans to third parties	**452,547**	**452,547**	120,030	120,030
Trade debtors	**4,043**	**4,043**	2	2
Related party receivables:				
Loans to associates	**93,430**	**93,430**	11,604	11,604
	550,020	**550,020**	131,636	131,636

Note 14 Non current receivables (continued)

c) Interest rate risk – The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

30 June 2007	**FIXED INTEREST MATURING IN:**							
	1 year or less $'000	**Over 1 to 2 years $'000**	**Over 2 to 3 years $'000**	**Over 3 to 4 years $'000**	**Over 4 to 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Receivables	**-**	**-**	**-**	**-**	**-**	**-**	**21,149**	**21,149**
Loan to associates	**-**	**-**	**13,659**	**77,879**	**-**	**-**	**1,892**	**93,430**
Loan to third parties	**6,692**	**68,462**	**107,019**	**241,206**	**28,824**	**6,124**	**-**	**458,327**
Loan to related party	**1,581**	**-**	**-**	**-**	**-**	**-**	**-**	**1,581**
	8,273	**68,462**	**120,678**	**319,085**	**28,824**	**6,124**	**23,041**	**574,487**
Weighted average interest rate	**10.2%**	**12.1%**	**12.0%**	**9.8%**	**11.1%**	**11.5%**		

30 June 2006	FIXED INTEREST MATURING IN:							
	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Receivables	-	-	-	-	-	-	22,285	22,285
Loan to associates	-	11,604	-	-	-	-	-	11,604
Loan to third parties	-	120,030	-	-	-	-	-	120,030
Loan to related party	1,581	-	-	-	-	-	-	1,581
	1,581	131,634	-	-	-	-	22,285	155,500
Weighted average interest rate	9.0%	-	-	-	-	-	-	

d) Credit risk – There is no concentration of credit risk with respect to current and non current receivables, as there are numerous debtors with good credit histories. Loan to third parties includes a $236m preferred equity loan to a single borrower. This transaction occurred in February 07 and extensive due diligence was undertaken on the underlying assets. Refer to note 2 for more information on the risk management policy of the Group.

Note 15 Non current inventory

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Development properties held for sale	**18,751**	-	**-**	-
Other inventory	**1,961**	-	**1,961**	-
	20,712	-	**1,961**	-

Note 16 Non current investment in controlled entities

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Investment in controlled entities	**-**	-	**61,567**	61,417
	-	-	**61,567**	61,417

Refer to note 38 for details of Controlled Entities

Note 17 Investments accounted for using the equity method

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current				
Investment in RP1 Trust	**-**	2,431	**-**	2,431
	-	2,431	**-**	2,431
Non-current				
Investment in KVSI Holdings Trust	**30,375**	28,512	**-**	-
Investment in KVSI Holdings Pty Ltd	**28,738**	26,122	**7,144**	7,144
Investment in Honeycombes	**7,736**	-	**7,000**	-
Investment in Valad Fields Trust No 1- 4	**566**	-	**-**	-
Investment in HRC Petrac Holdings	**528**	-	**-**	-
Investment in Craigieburn Trust [1]	**-**	-	**-**	-
Investment in One Chifley Square Trust [2]	**-**	77	**-**	77
Investment in RP1 Trust [3]	**-**	-	**-**	-
Investment in Pitt/Underwood Trust [4]	**-**	-	**-**	-
	67,943	54,711	**14,144**	7,221

Refer to note 39 for details of Investments accounted for using the equity method

[1] Interest in net assets of Craigieburn Trust represents 36% of $100 being $36 (2006: $36)
[2] Interest in net assets of One Chifley Square Unit Trust represents 50% of $200 being $100
[3] Interest in net assets of RP1 Trust represents 50% of $200 being $100 (2006: $100)
[4] Interest in net assets of Pitt/Underwood Trust represents 50% of $100 being $50 (2006: $50)

Note 18 Non current other financial assets

	Consolidated		Parent	
	2007 **$'000**	2006 $'000	**2007** **$'000**	2006 $'000
Investment in listed property funds:				
Valad Opportunity Fund No. 11	**6,310**	5,944	**6,310**	5,944
Investment in unlisted property funds:				
Valad Fund No. 12 HEZ	**13,664**	10,973	**13,664**	10,973
Valad Fund No. 13 Core Plus Fund	**37,408**	-	**-**	-
ICA Development Fund 1	**216**	812	**-**	-
ICA Development Fund 2	**782**	2,126	**-**	-
ICA Development Fund 3	**909**	1,127	**-**	-
ICA Development Fund 4	**8,254**	4,829	**8,254**	4,829
ICA Development Fund 5	**500**	-	**500**	-
Burwood Property Trust	**-**	261	**-**	-
	68,043	26,072	**28,728**	21,746

The Group held investments in the following schemes which are also managed by a subsidiary of Valad Funds Management Limited.

	Fair value of investment		Interest held		Distributions received/receivable	
	2007 **$**	2006 $	**2007** **%**	2006 %	**2007** **$**	2006 $
Investment in listed property funds:						
Valad Opportunity Fund No. 11	**6,309,975**	5,944,325	**19**	19	**398,831**	532,568
Investment in unlisted property funds:						
Valad Fund No. 12 HEZ	**13,663,883**	10,972,525	**13**	10	**-**	-
Valad Fund No. 13 Core Plus Fund	**37,407,688**	-	**18**	-	**200,000**	-
ICA Development Fund 1	**216,097**	811,893	**19**	19	**376,104**	-
ICA Development Fund 2	**782,469**	2,126,469	**7**	7	**785,344**	111,253
ICA Development Fund 3	**909,107**	1,126,506	**7**	7	**65,320**	127,946
ICA Development Fund 4	**8,253,388**	4,829,041	**12**	12	**-**	-
ICA Development Fund 5	**500,000**	-	**7**	-	**-**	-
Burwood Property Trust	**-**	261,111	**-**	28	**39,062**	647,073
	68,042,607	26,071,870			**1,864,661**	1,418,840

Note 19 Non current property, plant and equipment

Consolidated	Property under construction $'000	Owner occupied premises $'000	Plant & Equipment $'000	Total $'000
At 1 July 2005				
Cost	27,268	13,321	1,729	42,318
Accumulated depreciation	-	(33)	(341)	(374)
Net book amount	27,268	13,288	1,388	41,944
Year ended 30 June 2006				
Opening net book amount	27,268	13,288	1,388	41,944
Additions	47,684	-	560	48,244
Depreciation charge	-	33	(371)	(338)
Closing net book amount	74,952	13,321	1,577	89,850
At 30 June 2006				
Cost	74,952	13,321	2,289	90,562
Accumulated depreciation	-	-	(712)	(712)
Net book amount	74,952	13,321	1,577	89,850
Year ended 30 June 2007				
Opening net book amount	74,952	13,321	1,577	89,850
Additions	17,842	-	1,668	19,510
Disposals	-	(13,321)	(27)	(13,348)
Transfers to investment property	(92,794)	-	-	(92,794)
Depreciation charge	-	-	(421)	(421)
Closing net book amount	-	-	2,797	2,797
At 30 June 2007				
Cost	**-**	**-**	**3,922**	**3,922**
Accumulated depreciation	**-**	**-**	**(1,125)**	**(1,125)**
Net book amount	**-**	**-**	**2,797**	**2,797**

a) **Property under construction** – The Group previously had a number of properties under construction which upon completion were reclassified to investment property. They included: Home Central, Kawana**,** Tuggerah Industrial Development, Bulky Goods Coffs Harbour and Bulky Goods, Shellharbour.

b) **Owner occupied premises** – During the year, the Group had a direct interest in Level 8 and Level 9, 1 Chifley Square, Sydney from which it operated. The property was sold in October 2006 and Level, 7, 8 and 9 were leased back to the Group.

c) **Non-current assets pledged as security** - Refer to note 27 for information on non current assets pledged as security by the parent entity and its controlled entities.

Note 20 Investment property

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current				
Bulky goods	**11,270**	-	**-**	-
Office	**-**	35,895	**-**	-
	11,270	35,895	**-**	-
Non-current				
Office	**221,116**	401,903	**-**	-
Bulky goods	**234,463**	171,222	**-**	-
Industrial	**31,598**	13,100	**-**	-
	487,177	586,225	**-**	-
	498,447	622,120	**-**	-

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

	Consolidated 2007 $'000	Consolidated 2006 $'000
Opening balance at 1 July	**622,120**	393,550
Acquisitions	**45,109**	213,062
Capital expenditure	**29,990**	2,889
Lease incentives	**3,261**	5,355
Straight line rental income	**659**	-
Disposals	**(337,570)**	-
Net gain/(loss) from fair value adjustment	**42,084**	7,264
Transfers from property, plant and equipment	**92,794**	-
Closing balance at 30 June	**498,447**	622,120

Properties held directly or indirectly by the Consolidated entity are classified in the balance sheet under the following categories:

Property portfolio	**Note**	**Classified under**	**Consolidated book value 30/6/07**	Consolidated book value 30/6/06
Investment property	20	Investment property	**498,447**	622,120
Owner occupied building	19	Property, plant and equipment	**-**	13,321
Property under construction	19	Property, plant and equipment	**-**	74,952
Investment in associates	20	Investments accounted for using the equity method	**155,354**	144,893
Total property portfolio			**653,801**	855,286

Note 20 Investment property (continued)

Investment property	Acquisition date	Purchase price	Cost and additions	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30/6/07	Consolidated book value 30/6/06
		$'000	$'000		$'000		$'000	$'000
Current								
- Bulky goods								
Bunnings, Coffs Harbour, NSW	31/8/05	5,924	11,270	-	-	-	**11,270**	-
- Office								
20 Smith Street, Parramatta, NSW	-	-	-	-	-	-	**-**	35,895
Total Current Investment Property							**11,270**	35,895
Non current								
- Office								
Airport Central, Mascot, NSW	18/12/02	66,250	78,287	30/6/05	78,000	Savills (NSW)	**82,917**	78,837
Riverside Corporate Place, North Ryde, NSW	31/10/05	68,475	69,583	23/8/05	68,450	Savills (NSW)	**69,583**	68,506
207 Pacific Highway, St Leonards, NSW (50%)	31/8/04	58,500	63,333	30/6/06	68,250	Savills (NSW)	**68,616**	68,250
575 Bourke St, Melbourne, VIC	-	-	-	-	-	-	**-**	53,275
189 Coronation Drive, Milton, QLD	-	-	-	-	-	-	**-**	10,511
132 Arthur St, North Sydney, NSW	-	-	-	-	-	-	**-**	30,024
BankWest Tower, Perth, WA (50%)	-	-	-	-	-	-	**-**	92,500
- Bulky goods								
Home Central, Chapel Rd Bankstown, NSW	1/3/05	37,570	40,112	1/4/07	40,500	Colliers	**40,500**	39,863
Home Central, Kawana, NSW	15/3/05	17,000	82,363	1/4/07	85,000	Colliers	**82,363**	-
Home Central, Windsor Road McGraths Hill, NSW	1/12/04	23,800	33,851	1/4/07	30,000	Colliers	**30,001**	31,949
Bunnings, Moonah, TAS	5/5/05	8,000	8,399	1/4/07	8,100	Colliers	**8,099**	8,403
Bunnings, Oxley, QLD	5/5/05	14,700	15,356	31/3/07	16,200	Colliers	**16,200**	15,209
Durgadin Drive, Shellharbour, NSW	21/12/05	13,850	22,002	1/4/07	19,700	Colliers	**19,700**	14,339
Ruthven Street, Toowoomba, QLD	19/12/05	22,750	23,982	30/3/07	24,000	Colliers	**24,000**	22,750
Bunnings, West Gosford, NSW	31/3/05	11,000	12,453	1/4/07	13,600	Colliers	**13,600**	12,402
Home Central, West Gosford, NSW	-	-	-	-	-	-	**-**	26,307

Note 20 Investment property (continued)

Investment property	Acquisition date	Purchase price	Cost and additions	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30/6/07	Consolidated book value 30/6/06
Non current								
- Industrial								
Boundary Rd, Richlands, QLD	6/10/05	11,815	12,531	30/6/06	13,100	Knight Frank	**13,116**	13,100
Wetherill Park, NSW	14/7/06	17,480	18,482	26/4/06	18,500	Colliers	**18,482**	-
Total Non current Investment property							**487,177**	586,225
Total Investment property							**498,447**	622,120

Investment in associates	Acquisition date	Purchase price	Cost and additions	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30/6/07	Consolidated book value 30/6/06
		$'000	**$'000**		**$'000**		**$'000**	$'000
- Self storage								
324-328, Hoddle Street, Abbotsford VIC (50%)	3/11/04	5,306	5,408	30/4/06	4,827	Blackwell Consulting	**4,889**	4,827
6 Newcastle Street, Burleigh Junction QLD (50%)	3/11/04	4,074	4,216	30/4/06	4,536	Blackwell Consulting	**4,661**	4,536
721 Webster Road, Chermside QLD (50%)	3/11/04	2,702	2,718	30/4/06	2,978	Blackwell Consulting	**2,994**	2,978
159 Racecourse Road Flemington VIC (50%)	3/11/04	2,692	2,729	30/4/06	3,327	Blackwell Consulting	**3,354**	3,327
51 Raleigh Street, Maribyrnong VIC (50%)	3/11/04	4,075	4,248	30/4/06	4,223	Blackwell Consulting	**4,259**	4,223
16-20 Black Street, Milton QLD (50%)	3/11/04	3,593	3,617	30/4/06	6,592	Blackwell Consulting	**6,617**	6,592
140-142 Parraweena Rd, Miranda NSW (50%)	16/8/06	2,914	2,950	29/6/06	2,700	Blackwell Consulting	**2,950**	-
160 Port Hacking Rd, Miranda NSW (50%)	28/8/06	4,945	5,551	29/6/06	4,500	Blackwell Consulting	**5,551**	-
137 Breakfast Creek Road, Newstead QLD (50%)	3/11/04	4,190	4,303	30/4/06	5,639	Blackwell Consulting	**5,752**	5,639
181 Bell Street, Preston VIC (50%)	3/11/04	3,960	4,041	30/4/06	4,075	Blackwell Consulting	**4,121**	4,075
52 Bank Street, West End QLD (50%)	3/11/04	3,567	3,596	30/4/06	5,570	Blackwell Consulting	**5,599**	5,570
5 Percy Street, Auburn NSW (50%)	3/11/04	4,150	4,522	30/4/06	4,850	Blackwell Consulting	**4,945**	4,850
2 Gibson Avenue, Bankstown NSW (50%)	3/11/04	4,100	4,310	30/4/06	4,600	Blackwell Consulting	**4,577**	4,600
48 Blaxland Road, Campelltown NSW (50%)	3/11/04	2,500	2,624	30/4/06	3,300	Blackwell Consulting	**3,277**	3,300

Investment in associates	Acquisition date	Purchase price	Cost and additions	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30/6/07	Consolidated book value 30/6/06
		$'000	**$'000**		**$'000**		**$'000**	$'000
5 Packard Avenue, Castle Hill NSW (50%)	3/11/04	6,338	7,901	30/4/06	8,000	Blackwell Consulting	**9,204**	8,000
497 Victoria Road Gladesville NSW (50%)	3/11/04	5,625	5,885	30/4/06	7,300	Blackwell Consulting	**7,269**	7,300
21-31 Commercial Road, Kingsgrove NSW (50%)	3/11/04	2,830	2,987	30/4/06	3,750	Blackwell Consulting	**3,732**	3,750
4 By the Sea Road Mona Vale, NSW (50%)	3/11/04	2,775	2,901	30/4/06	3,800	Blackwell Consulting	**3,783**	3,800
105 Wigram Street, Parramatta NSW (50%)	3/11/04	4,635	4,855	30/4/06	5,500	Blackwell Consulting	**5,470**	5,500
606 Petersham Road, Petersham NSW (50%)	3/11/04	5,570	5,829	30/4/06	6,450	Blackwell Consulting	**6,440**	6,450
632 Princess Highway, Tempe NSW (50%)	3/11/04	6,375	6,685	30/4/06	8,200	Blackwell Consulting	**8,178**	8,200
6-8 Phyllis Avenue, Thornleigh NSW (50%)	3/11/04	4,900	5,130	30/4/06	5,825	Blackwell Consulting	**5,799**	5,825
444 Jones Street, Ultimo NSW (50%)	3/11/04	5,875	6,157	30/4/06	7,750	Blackwell Consulting	**7,733**	7,750
492 Jones Street, Ultimo NSW (50%)	3/11/04	4,750	4,968	30/4/06	6,350	Blackwell Consulting	**6,334**	6,350
866 Bourke Street, Waterloo NSW (50%)	3/11/04	14,750	16,268	30/4/06	22,250	Blackwell Consulting	**22,690**	22,251
409 Great Western Highway, Wentworthville NSW (50%)	3/11/04	3,720	3,888	30/4/06	5,200	Blackwell Consulting	**5,176**	5,200
Total Investment in associates							**155,354**	144,893

Note 20 Investment property (continued)

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 2007 external revaluations were based on independent assessments made by members of the Australian Property Institute.

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

b) Non-current assets pledged as security - Refer to note 27 for information on non current assets pledged as security by the parent entity and its controlled entities.

c) Contractual obligations - Refer to note 34 for disclosure of any 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		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	**44,380**	66,131	-	-
Later than one year, but not later than five years	**142,482**	188,455	-	-
Later than five years	**60,917**	71,129	-	-
	247,779	325,715	-	-

Note 21 Derivative financial instruments

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current assets				
Interest rate swap contracts – cash flow hedges	**341**	-	-	-
Forward rate agreements – cash flow hedges	**401**	-	-	-
Total	**742**	-	-	-
Non-current assets				
Interest rate swap contracts – cash flow hedges	**6,991**	3,348	-	-
Forward rate agreements – cash flow hedges	**905**	-	-	-
Cross currency swaps – cash flow hedges	**9,994**	-	-	-
Total	**17,890**	3,348	-	-
Current liabilities				
Forward rate agreements – cash flow hedges	**487**	-	-	-
Total	**487**	-	-	-
Non-current liabilities				
Cross currency swaps – cash flow hedges	**1,083**	-	-	-
Total	**1,083**	-	-	-

a) Instruments used by the group – The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

i) Interest rate swaps – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 6.45% (2006: 5.97%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The contracts require settlement of net interest receivable or payable at 30 or 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The Group was in a fully hedged position at the reporting date (2006: 65%) with contracts timed to expire as the loan repayments fall due. The fixed interest rates range between 5.48% and 6.18% (2006: 5.48%-6.18%).

At 30 June 2007, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2007	2006
	$'000	$'000
Less than 1 year	**80,000**	-
1-2 years	**-**	80,000
2-3 years	**131,870**	-
3-4 years	**-**	122,370
4-5 years	**33,865**	-
Over 5 years	**60,000**	30,201

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised.

Note 21 Derivative financial instruments (continued)

ii) Forward rate agreements – cash flow hedges

A Forward Rate Agreement is an agreement between two parties to settle the difference between an agreed level of interest and an actual future level of interest.

At 30 June 2007, the notional principal amounts and periods of expiry of forward rate agreement contracts are as follows:

	2007 $'000	2006 $'000
Less than 1 year	**39,060**	-
2-3 years	**-**	-
3-4 years	**59,061**	-

iii) Cross currency swaps – cash flow hedges

Cross currency swaps are used to swap the interest rate and currency risk on loans. Primarily they have been used by the group to protect the loan made to Crownstone.

At 30 June 2007, the notional principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2007 $'000	2006 $'000
3-4 years	**209,247**	-
4-5 years	**83,699**	-

Note 22 Non current deferred tax assets

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Accruals	**3,567**	1,467	**751**	197
Provisions	**2,052**	2,574	**13**	50
Lease incentives	**-**	65	**-**	-
Sundry	**-**	-	**-**	-
Utilisation of prior year tax losses	**-**	(1,458)	**-**	-
	5,619	2,648	**764**	247
Movements:				
Opening balance at 1 July	**2,648**	1,153	**247**	388
Credited/(charged) to the income statement	**2,971**	1,495	**517**	(141)
Closing balance at 30 June	**5,619**	2,648	**764**	247
Deferred tax assets to be recovered after more than 12 months	**21**	25	**-**	-
Deferred tax assets to be recovered within 12 months	**5,598**	2,623	**764**	247
	5,619	2,648	**764**	247

Note 23 Non current intangible assets

	Consolidated			Parent	
	Management rights $'000	Goodwill $'000	Total $'000	Management rights $'000	Total $'000
At 1 July 2005					
Cost	25,959	43,846	69,805	1,750	1,750
Accumulated amortisation and impairment	(6,499)	(3,344)	(9,843)	-	-
Net book amount	19,460	40,502	59,962	1,750	1,750
Year ended 30 June 2006					
Opening net book amount	19,460	40,502	59,962	1,750	1,750
Additions	-	-	-	-	-
Amortisation charge	(4,057)	-	(4,057)	(350)	(350)
Closing net book amount	15,403	40,502	55,905	1,400	1,400
At 30 June 2006					
Cost	25,959	40,502	66,461	1,750	1,750
Accumulated amortisation and impairment	(10,556)	-	(10,556)	(350)	(350)
Net book amount	15,403	40,502	55,905	1,400	1,400
Year ended 30 June 2007					
Opening net book amount	15,403	40,502	55,905	1,400	1,400
Acquisition of subsidiary	-	-	-	-	-
Additions	1,717	53	1,770	1,717	1,717
Amortisation charge	(5,536)	-	(5,536)	(407)	(407)
Closing net book amount	11,584	40,555	52,139	2,710	2,710
At 30 June 2007					
Cost	**27,676**	**40,555**	**68,231**	**3,467**	**3,467**
Accumulated amortisation and impairment	**(16,092)**	**-**	**(16,092)**	**(757)**	**(757)**
Net book amount	**11,584**	**40,555**	**52,139**	**2,710**	**2,710**

The goodwill amount carried relates to the formation of Valad Property Group at listing in December 2002 and the acquisition of ICA Property Group in July 2004. The goodwill is tested for impairment annually or earlier if there are indications the goodwill maybe impaired. The recoverable amount of the cash-generating unit (CGU) is based on the fair value method. The fair value method compares the recoverable amount less costs of disposals with the carrying value of the CGU. The Group reviews recent transactions of similar CGUs within the property sector, which includes funds management and diversified property assets.

There has been no impairment charge recorded against goodwill or other intangibles during the year ended 30 June 2007 (2006: Nil).

Note 24 Current payables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Trade creditors	**2,075**	1,974	**574**	598
Accruals	**14,603**	7,877	**2,501**	595
Deferred income	**5,024**	4,660	**-**	-
GST Payable	**1,226**	3,026	**-**	-
Other	**186**	199	**-**	-
	23,114	17,736	**3,075**	1,193

Note 25 Current provisions

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Provision for distribution	**46,959**	28,402	**-**	-
Provision for annual leave	**1,157**	632	**-**	-
Provision for long service leave	**165**	86	**-**	-
Other provisions	**-**	17	**-**	-
	48,281	29,137	**-**	-

Movements in provisions

Provision for distributions				
Carrying amount at beginning of year	**28,402**	23,701	**-**	-
Additional provision	**46,959**	28,402	**-**	-
Amounts utilised during the year	**(28,402)**	(23,701)	**-**	-
Carrying amount at the end of the year	**46,959**	28,402	**-**	-
Provision for other				
Carrying amount at beginning of year	**17**	764	**-**	-
Additional provision	**-**	-	**-**	-
Amounts utilised during the year	**(17)**	(747)	**-**	-
Carrying amount at the end of the year	**-**	17	**-**	-

Note 26 Non current payables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Other payables	**1,018**	-	**-**	-
Loan from third party	**3,950**	-	**3,950**	-
Loan from related parties - Subsidiaries	**-**	-	**43,709**	**27,912**
	4,968	-	**47,659**	**27,912**

Note 27 Non current interest bearing liabilities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Secured liabilities				
Bank loans (net of borrowing costs)	**210,606**	409,203	**-**	-
Loan from related party – Valad Property Trust	**-**	-	**384,381**	339,771
	210,606	409,203	**384,381**	339,771

(a) Assets pledged as security

The bank loans of the Group are secured by first mortgages over some of the Group's buildings, including those classified as investment properties.

The carrying amount of assets pledged as security for non current interest bearing liabilities are:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
First mortgage				
Receivables	**90,655**	79,611	**90,655**	-
Property, plant and equipment (note 19)	**-**	22,348	**-**	-
Investment property (note 20)	**498,447**	598,509	**-**	-
Total non current assets pledged as security	**589,102**	700,468	**90,655**	-
Total assets pledged as security	**589,102**	700,468	**90,655**	-

(b) Financing arrangements

The following lines of credit were available at balance date:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Bank loan facilities				
Total facilities	**570,000**	541,393	**-**	-
Used at balance date (excluding borrowing costs)	**213,651**	412,087	**-**	-
Unused at balance date	**356,349**	129,306	**-**	-

Note 27 Non current interest bearing liabilities (continued)

(c) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods.

30 June 2007		**FIXED INTEREST MATURING IN**						
	Floating interest rate $'000	**1 year or less $'000**	**Over 1 to 2 years $'000**	**Over 2 to 3 years $'000**	**Over 3 to 4 years $'000**	**Over 4 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Interest bearing liabilities	**210,606**	**-**	**-**	**-**	**-**	**-**	**-**	**210,606**
Interest rate swap *	**(305,735)**	**80,000**	**-**	**131,870**		**33,865**	**60,000**	**-**
	(95,129)	**80,000**	**-**	**131,870**	**-**	**33,865**	**60,000**	**210,606**
Weighted average interest rate	**6.45%**	**5.52%**		**5.80%**		**5.94%**	**5.97%**	

* Notional principal amount

30 June 2006		FIXED INTEREST MATURING IN						
	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Interest bearing liabilities	409,203	-	-	-	-	-	-	409,203
Interest rate swap *	(232,571)	-	80,000	-	122,370	-	30,201	-
	176,632	-	80,000	-	122,370	-	30,201	409,203
Weighted average interest rate	6.64%		5.52%		5.80%		5.94%	

* Notional principal amount

(d) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2007		2006	
On-balance sheet	**Carrying amount $'000**	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Non-current				
Bank loans (net of borrowing costs)	**210,606**	**210,606**	409,203	409,203
Total secured non-current borrowings	**210,606**	**210,606**	409,203	409,203

Note 28 Deferred tax liabilities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Prepayments	**20**	11	**-**	-
Income accrual	**2,858**	2,198	**1,853**	40
Incentives	**-**	74	**-**	-
Inventories	**1,024**	15	**831**	-
Investment property	**770**	281	**-**	-
Investments	**-**	69	**-**	68
Borrowing costs	**61**	-	**-**	-
	4,733	2,648	**2,684**	108
Movements:				
Opening balance at 1 July	**2,648**	1,153	**108**	249
Charged/(credited) to the income statement	**2,085**	1,495	**2,576**	(141)
Closing balance at 30 June	**4,733**	2,648	**2,684**	108
Deferred tax liabilities to be settled after more than 12 months	**770**	326	**-**	249
Deferred tax liabilities to be settled within 12 months	**3,963**	2,322	**2,684**	(141)
	4,733	2,648	**2,684**	108

Note 29 Non current provisions

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Provision for long service leave	**63**	82	**-**	-
	63	82	**-**	-

Note 30 Contributed equity

(a) Issued securities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Valad Funds Management Limited	**197,805**	47,077	**197,805**	47,077
Valad Property Trust	**861,565**	553,947	**-**	-
Total contributed equity	**1,059,370**	601,024	**197,805**	47,077
Adjusted for:				
Issue costs	**(18,812)**	(12,992)	**(2,571)**	(644)
Employee securities ownership plan	**(6,209)**	(10,056)	**(1,269)**	(1,446)
Net contributed equity	**1,034,349**	577,976	**193,965**	44,987

The number of securities outstanding at the end of the reporting period was 828,205,647 (2006: 551,492,627).

(b) Movement in contributed equity

			Valad Property Trust		Valad Funds Management Limited	
Date		Price	No of units '000	$'000	No of shares '000	$'000
1-Jul-05	Opening balance		483,692	484,438	483,692	26,014
11-Aug-05	Share placement	$1.34	48,950	50,742	48,950	14,851
31-Aug-05	Dividend reinvestment plan – Jun 05	$1.33	5,329	5,016	5,329	2,063
20-Dec-05	Valad employee security ownership plan	$1.36	114	121	114	34
20-Feb-06	Share purchase plan	$1.31	3,866	3,923	3,866	1,141
24-Feb-06	Dividend reinvestment plan – Dec 05	$1.33	9,542	9,707	9,542	2,974
30-Jun-06	Closing balance		551,493	553,947	551,493	47,077
30-Aug-06	Share placement	$1.45	67,700	68,994	67,700	29,171
31-Aug-06	Dividend reinvestment plan – June 07	$1.38	20,527	21,034	20,527	7,368
18-Dec-06	Employee securities trust	$1.60	137	145	137	73
20-Feb-07	Share placement	$1.78	82,848	94,118	82,848	53,352
28-Feb-07	Dividend reinvestment plan – Dec 06	$1.61	21,490	24,713	21,490	9,839
22-Mar-07	Share placement	$1.78	77,971	91,414	77,971	47,374
5-Apr-07	Share purchase plan	$1.78	6,040	7,200	6,040	3,551
30-Jun-07	Closing balance		828,206	861,565	828,206	197,805
	Contributed equity			861,565		197,805
	Issue costs			(16,241)		(2,571)
	Securities issued under employee securities ownership plan			(4,940)		(1,269)
	Net contributed equity			840,384		193,965

(c) Valad Property Group stapled securities

At 30 June 2007, there were 828,205,647 stapled securities outstanding which have no par value. Each stapled security comprises a share in the Company and a unit in the Trust. They cannot be traded or dealt with separately. Stapled securities entitle the holder to participate in dividends/distributions and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the securities held. On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote. On a poll each ordinary shareholder is entitled to one vote for each fully paid share and each unit holder is entitled to one vote for each one dollar of the value of the units held.

(d) Dividend reinvestment plan issues (DRP)

The Group has established a dividend reinvestment plan, under which, holders of stapled securities may elect to have all, or part of, their dividend entitlements satisfied by the issue of new stapled securities at a discount to the prevailing market price rather than by being paid in cash. Under the stapled security structure the capital raised under the dividend reinvestment plan can be attributed to either Valad Property Trust or the Company. Participants in the DRP pay no brokerage, commission or stamp duty on the issue of the stapled securities. Stapled securities issued under this scheme will rank equally in all respects with existing issued stapled securities, including distribution entitlements. The DRP was suspended on 25 June 2007 until further notice.

Note 30 Contributed equity (continued)

(e) Valad employee security ownership plan (ESOP)

The employee security ownership plan rewards staff and aligns their interest to those of security holders through the issue of a nominal number of escrowed securities. Staff remuneration is structured to ensure less reliance on cash based salaries through increased equity participation that aligns staff remuneration with the dividend performance of securities. Moreover, the Valad ESOP securities are issued under escrow for a period of 12 months ensuring they promote staff retention.

Note 31 Reserves

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Capital reserve				
Opening balance	**(8,033)**	(30,404)	**-**	-
Transfer to/(from) retained earnings	**(6,379)**	22,371	**-**	-
Closing balance	**(14,412)**	(8,033)	**-**	-
(b) Hedging reserve – cash flow hedges				
Opening balance	**4,546**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**-**	627	**-**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax - associates	**-**	(860)	**-**	-
Revaluation	**5,746**	4,779	**-**	-
Closing balance	**10,292**	4,546	**-**	-
(c) Fair value reserve – financial assets				
Opening balance	**(313)**	-	**(313)**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**-**	(188)	**-**	(188)
Revaluation	**2,173**	(125)	**366**	(125)
Closing balance	**1,860**	(313)	**53**	(313)
(d) Share-based payments reserve				
Opening balance	**1,497**	1,107	**1,497**	1,107
Option expense	**2,364**	390	**2,364**	390
Closing balance	**3,861**	1,497	**3,861**	1,497
	1,601	(2,303)	**3,914**	1,184

(a) Capital reserve

The Capital reserve is used to record the transfer to retained earnings of the amortisation of intangibles, AIFRS non-cash adjustments including the fair value of investment properties and the entitlement of new equity to distributions accruing prior to the date of issue of those securities. This transfer is required at aggregation of the Group accounts and not in the underlying entity accounts.

(b) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(c) Fair value reserve – financial assets

The fair value reserve is used to record gains or losses of financial assets recorded at fair value. Accumulated gains or losses are transferred to the profit and loss when the financial asset is sold.

(d) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

Note 32 Retained earnings

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Opening balance	**18,315**	17,861	**(57,760)**	(26,416)
Net profit	**109,121**	78,938	**(4,160)**	(31,344)
Transfer (to)/from capital reserve	**6,379**	(22,371)	**-**	-
Distributions paid/payable	**(81,511)**	(56,113)	**-**	-
Closing balance	**52,304**	18,315	**(61,920)**	(57,760)

Note 33 Dividends and distributions

(a) Ordinary securities

	2007 $'000	2006 $'000	**2007 Cents per unit**	2006 Cents per unit
31 December interim – paid 28 February 2007	**34,551**	27,711	**5.40**	5.15
30 June final - payable 31 August 2007	**46,960**	28,402	**5.67**	5.15
Total distributions provided or paid	**81,511**	56,113	**11.07**	10.30

(b) Franked dividends

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**697**	460	**697**	460

Note 34 Commitments

a) Capital commitments

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Capital commitments – development costs					
Commitments in relation to development contracts contracted for at reporting date but not recognised as liabilities payable:					
Within one year		**5,758**	40,612	**-**	-
		5,758	40,612	**-**	-
Capital commitments – investment property					
Commitments in relation to capital expenditure on investment properties contracted for at reporting date but not recognised as liabilities payable:					
Within one year		**3,500**	2,915	**-**	-
		3,500	2,915	**-**	-
Capital commitments – properties to be settled					
Commitments in relation to settlement of properties contracted for at reporting date but not recognised as liabilities payable:					
Within one year	(a)	**62,550**	319,327	**38,300**	275,145
		62,550	319,327	**38,300**	275,145
Capital commitments – tenant obligations					
Commitments in relation to tenant obligations contracted for at reporting date but not recognised as liabilities payable:					
Within one year		**110**	700	**-**	-
		110	700	**-**	-
Capital commitments – capital call and funding					
Commitments in relation to capital calls and funding of projects contracted for at reporting date but not recognised as liabilities payable:					
Within one year	(b)	**93,927**	28,478	**9,027**	7,676
Within one to five years		**10,246**	-	**10,246**	-
		104,173	28,478	**19,273**	7,676

(a) Includes commitment for settlement of Pentridge Piazza $38.5m exchanged in June 07 and Kirrawee $23m (2006: Properties to be settled include Goldfields House, Tempe industrial complex and Wetherill Park industrial/office complex.)

(b) Includes commitments for Crownstone, Development Fund capital calls and other VCS project commitments

Note 34 Commitments (continued)

b) Lease commitments: Group company as lessee

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Lease commitments – Operating				
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:				
Within one year	**1,983**	437	-	-
Later than one year, but not later than five years	**7,314**	600	-	-
Later than five years	**4,003**	-	-	-
	13,300	1,037	-	-
Representing:				
Cancellable operating leases	**-**	-	-	-
Non-cancellable operating leases	**13,300**	1,037	-	-
	13,300	1,037	-	-

i) Operating leases

The Group entered into a sale and lease back agreement for its office premise at 1 Chifley Square, Sydney in November 2007 upon sale of Levels 8 & 9. The lease will expire October 2014.

The Group entered into a lease for office premises in Brisbane which will expire in June 2009.

The Group continues to lease an office premise at North Ryde, being the previous office site of ICA Property Group which was acquired 1 July 2005. The lease will expire August 2008. The office is currently subleased to tenants and rental income is being received.

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**1,983**	437	-	-
Later than one year, but not later than five years	**7,314**	600	-	-
Later than five years	**4,003**	-	-	-
	13,300	1,037	-	-

Note 35 Key management personnel disclosures

a) Directors

The following persons were directors of Valad Funds Management Limited and Valad Commercial Management Limited during the financial year:

i) Chairman – Executive
Stephen Day

ii) Executive director
Peter Hurley

iii) Non-executive directors
Trevor Gerber
Andrew Martin (Appointed – 16 November 2006)
David Murray (Deceased – 10 March 2007)
Robert Seidler
Barry Wynne (Retired – 7 October 2006)

Kevin MCabe and Ian Robertson were appointed to the Board of Directors on 1 August 2007.

b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Chris Carroll	Group General Counsel	Valad Group Holdings Pty Limited
Shaun Hannah	Group Head – Real Estate Developments	Valad Group Holdings Pty Limited
Jennifer Lambert	Chief Financial Officer	Valad Group Holdings Pty Limited
Jeff Locke	Chief Operating Officer	Valad Group Holdings Pty Limited
Martyn McCarthy	Group Head - Real Estate Investments	Valad Group Holdings Pty Limited
Paul Notaras	Group Head - Funds Management	Valad Group Holdings Pty Limited

All the above persons were also key management persons during the year ended 30 June 2006, except for Jeff Locke who commenced on 1 June 2007. Guy Farrands was a key management person in the year ended 30 June 2006.

c) Key management personnel compensation

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short term employee benefits	**9,209,090**	5,587,280	**-**	-
Post-employment benefits	**485,641**	218,261	**-**	-
Other long term benefits	**-**	-	**-**	-
Termination benefits	**1,000,000**	-	**-**	-
Share-based payments	**1,461,454**	83,335	**-**	-
	12,156,185	5,888,876	**-**	-

The table above sets out the compensation for key management personnel in aggregate. Refer to the remuneration report in the Director's Report for details of the Group's remuneration policy and compensation details by individual.

Note 35 Key management personnel disclosures (continued)

d) Equity instruments disclosures relating to Directors and key management personnel

i) Options provided as remuneration and securities issued on exercise of such options

Details of options provided as remuneration and stapled securities issued on the exercise of such options together with terms and conditions of the options can be found in the remuneration report on pages 8 to 18.

ii) Option holdings

The number of options over stapled securities in the Group held during the financial year by each director of Valad Funds Management Limited and other key management personnel of the group, including their personally related parties, are set out below.

2007	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Valad Funds Management Limited							
Stephen Day	1,000,000	4,667,461	-	-	5,667,461	1,000,000	4,667,461
Peter Hurley	1,000,000	4,404,385	-	-	5,404,385	1,000,000	4,404,385
Other key management personnel of the Group							
Chris Carroll	555,556	1,108,560	-	-	1,664,116	-	1,664,116
Shaun Hannah	555,556	1,887,358	-	-	2,442,914	-	2,442,914
Jennifer Lambert	555,556	1,215,044	-	-	1,770,600	-	1,770,600
Martyn McCarthy	555,556	1,903,351	-	-	2,458,907	-	2,458,907
Paul Notaras	555,556	1,813,281	-	-	2,368,837	-	2,368,837

2006	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Valad Funds Management Limited							
Stephen Day	1,000,000	-	-	-	1,000,000	1,000,000	-
Peter Hurley	1,000,000	-	-	-	1,000,000	1,000,000	-
Other key management personnel of the Group							
Chris Carroll	555,556	-	-	-	555,556	-	555,556
Shaun Hannah	555,556	-	-	-	555,556	-	555,556
Jennifer Lambert	555,556	-	-	-	555,556	-	555,556
Martyn McCarthy	555,556	-	-	-	555,556	-	555,556
Paul Notaras	555,556	-	-	-	555,556	-	555,556

Note 35 Key management personnel disclosures (continued)

iii) Stapled security holdings

The number of stapled securities in the company held during the financial year by each director of Valad Funds Management Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2007	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Valad Funds Management Limited				
Stephen Day [1]	7,591,838	-	-	7,591,838
Trevor Gerber	300,000	-	2,808	302,808
Peter Hurley [1]	7,591,838	-	-	7,591,838
Andrew Martin	-	-	25,000	25,000
David Murray	107,706	-	(107,706)	-
Robert Seidler	125,000	-	-	125,000
Barry Wynne [1]	7,482,828	-	(7,482,828)	-
Other key management personnel of the Group				
Chris Carroll	501,500	-	(497,192)	4,308
Guy Farrands	891,500	-	(891,500)	-
Shaun Hannah	2,191,980	-	(1,461,980)	730,000
Jennifer Lambert	441,451	-	(438,451)	3,000
Martyn McCarthy	816,487	-	(715,995)	100,492
Paul Notaras	1,977,327	-	(651,493)	1,325,834

[1] Some held beneficially through interposed entities

2006	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Valad Funds Management Limited				
Stephen Day [1]	10,591,838	-	(3,000,000)	7,591,838
Trevor Gerber	300,000	-	-	300,000
Peter Hurley [1]	10,591,838	-	(3,000,000)	7,591,838
David Murray	100,000	-	7,706	107,706
Robert Seidler	125,000	-	-	125,000
Barry Wynne [1]	8,482,828	-	(1,000,000)	7,482,828
Other key management personnel of the Group				
Chris Carroll	529,902	-	(28,402)	501,500
Guy Farrands	904,951	-	(13,451)	891,500
Shaun Hannah	2,653,732	-	(461,752)	2,191,980
Jennifer Lambert	439,951	-	1,500	441,451
Martyn McCarthy	884,209	-	(67,722)	816,487
Paul Notaras	2,393,236	-	(415,909)	1,977,327

[1] Some held beneficially through interposed entities

e) Loans to key management personnel

There were no loans to individuals at any time in 2007 or in the prior year.

Note 35 Key management personnel disclosures (continued)

f) Other transactions with key management personnel

The Company executed "consultancy services agreements" on 10 December 2002 with Mr Barry Wynne and Mr Trevor Gerber, for the provision of consultancy services to the group. Loans of $200,000 each were provided by VCML, which was used to purchase 200,000 stapled securities ("Consultancy Securities") and registered in their names or an associated entity. The consultancy securities were placed on a holding lock and released annually on the anniversary date over a five year period. During the year 30 June 2007, these agreements were terminated and the remaining balance on these loans repaid.

During the year 30 June 2007, the Company paid $16,720 (2006: $25,080) under the terms of its lease for car parking spaces at Level 1, 6 Bridge Street, Sydney. The premises are owned by an associated entity of Barry Wynne, Peter Hurley and Stephen Day. The 5 year lease was executed in February 2002 by Valad Property Group Pty Ltd, a company acquired by the Group on listing. When the Group relocated premises to 1 Chifley Square, Sydney, the car spaces were subleased to tenants. Rental income was received. Rent payable for the car parking spaces was provided for at relocation, hence there is no expense incurred by the Group.

A director, Robert Seidler, is a partner in the firm Blake Dawson Waldron lawyers. Blake Dawson Waldron has provided legal services to the Group for several years on normal commercial terms and conditions. Amounts paid/payable may be expensed in the income statement or capitalised as borrowing costs or capital expenditure in the balance sheet.

Aggregate amounts of each of the above types of other transactions with key management personnel of Valad Property Group:

	Consolidated	
	2007	2006
	$	$
Amounts recognised as revenue		
Interest income	**-**	20,072
Amounts recognised as expense		
Investment property expenses	**82,045**	-
Employee benefits expense including employee related legal fees and directors fees [1]	**101,327**	-
Legal expense	**3,030**	19,112
Amounts recognised as a capitalised asset		
Inventory	**71,985**	-
Borrowing costs	**10,155**	202,162
Capital expenditure	**411,956**	93,761

[1]Directors fees relating to services provided by R. Seidler are paid to Blake Dawson Waldron. This amount is included in the figures disclosed within the remuneration report.

Aggregate amounts payable to key management personnel of the Group at balance date relating to the above types of other transactions:

	Consolidated	
	2007	2006
	$	$
Current liabilities	**-**	5,646

Aggregate amounts removed against equity at balance date relating to director's loans:

	Consolidated	
	2007	2006
	$	$
Director related loans – consultancy service agreements	**-**	120,000

Note 36 Related party transactions

a) Parent entities

The parent entity within the Group is Valad Funds Management Limited.

b) Subsidiaries

Interests in subsidiaries are set out in note 38.

c) Key management personnel

Disclosures relating to key management personnel are set out in note 35.

d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2007 **$**	2006 $	**2007** **$**	2006 $
Management fees received/receivable				
Associates	**407,228**	3,545,355	**-**	-
Interest income received/receivable				
Associates	**3,129,707**	2,527,277	**5,865,291**	-
Subsidiaries	**-**	-	**523,641**	-
Dividend revenue				
Associates	**26,046**	2,812,223	**6,491,483**	929,631
Management fees paid/payable				
Subsidiaries	**-**	-	**1,761,989**	16,078,206
Finance costs paid/payable				
Other related parties	**-**	-	**37,075,371**	34,119,609

e) Other transactions with related parties

The Group disposed of a number of entities to Valad Core Plus Fund in May 07 including: 575 Bourke Street, Melbourne, 132 Arthur Street, North Sydney, 189 Coronation Drive, Milton and industrial development sites at Tuggerah and Tempe. Further, the Group sold 39% of its interest in Gold Fields House to Valad Core Plus Fund in June 2007.

Note 36 Related party transactions (continued)

f) Outstanding balances arising from related party transactions

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Current receivables				
Associates	**-**	-	**-**	-
Non -current receivables				
Subsidiaries	**-**	-	**295,523,550**	144,574,916
Associates	**93,429,888**	11,604,013	**-**	-
Non-current payables				
Subsidiaries	**-**	-	**43,708,594**	27,911,808
Loan from Valad Property Trust	**-**	-	**384,380,948**	339,771,291

g) Loans to/from related parties

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loans to subsidiaries				
Beginning of the year	**-**	-	**144,574,916**	67,913,029
Loans advanced	**-**	-	**217,626,748**	184,505,824
Loan repayments received	**-**	-	**(66,678,114)**	(107,843,937)
End of year	**-**	-	**295,523,550**	144,574,916
Loans from subsidiaries				
Beginning of the year	**-**	-	**27,911,808**	3,977,149
Loans advanced	**-**	-	**32,032,169**	81,121,407
Loan repayments	**-**	-	**(16,235,383)**	(57,186,748)
End of year	**-**	-	**43,708,594**	27,911,808
Loans to associates				
Beginning of the year	**11,604,013**	47,653,082	**-**	16,500,427
Loans advanced	**90,304,800**	8,815,258	**-**	249,242
Loan repayments received	**(11,210,308)**	(45,661,786)	**-**	(16,749,669)
Interest charged	**3,334,892**	2,735,047	**-**	-
Interest received	**(603,509)**	(1,937,588)	**-**	-
End of year	**93,429,888**	11,604,013	**-**	-
Loans from Valad Property Trust				
Beginning of the year	**-**	-	**339,771,291**	183,667,949
Loan advanced	**-**	-	**628,843,385**	277,837,211
Loan repayments made	**-**	-	**(621,309,099)**	(155,853,478)
Interest charged	**-**	-	**37,075,371**	34,119,609
End of year	**-**	-	**384,380,948**	339,771,291

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Note 36 Related party transactions (continued)

h) Guarantees

The following guarantees have been given:

	Consolidated		Parent	
	2007 **$**	2006 $	**2007** **$**	2006 $
Guarantee of a construction contract for RP1 Trust	**60,000**	60,000	**60,000**	-

i) Terms and conditions

Conflict of interest

No director of Valad Funds Management Limited has become entitled to receive any benefits because of a contract made by the Trust or the Company with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest other than as disclosed in this note.

Note 37 Share-based payments

a) Valad Stapled Securities Options Plan

Options over un-issued stapled securities of the Group have the right to subscribe for up to 2,000,000 stapled securities each at a fixed price of $1.00 on the following terms and conditions:

- 1,000,000 may be exercisable in 3 equal tranches on the three anniversary dates of listing commencing on the third anniversary date (13 December 2005).

- 1,000,000 may be exercised in three equal tranches on the three anniversary dates of listing commencing on the third anniversary date (13 December 2005) if the growth in the accumulation index specific to the stapled securities exceeds the growth in the S&P/ASX 200 Listed Property Trust accumulation index over the relevant anniversary date from listing. This condition has been satisfied.

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

Set out below are summaries of options granted under the option plan:

Grant date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
13 Dec 02	$1.00	2,000,000	-	-	-	2,000,000	2,000,000
		2,000,000	-	-	-	2,000,000	2,000,000

b) Valad Security Ownership Plan (VSOP)

Set out below is a summary of the loans to staff (which are treated as options in accordance with AASB 2 *Share Based Payments*) provided to employees pursuant to the VSOP and also includes those loans to the leadership Group, which, as per Not 5.4.2 of the Remuneration Report were repaid during the year.

Grant date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
31 Jan 05	$1.34	67,360	-	(44,927)	-	22,433	22,433
22 Mar 05	$1.31	326,665	-	(326,665)	-	-	-
26 Apr 05	$1.24	330,503	-	(330,503)	-	-	-
19 May 05	$1.23	400,000	-	(100,000)	-	300,000	300,000
24 May 05	$1.25	168,501	-	(49,926)	-	118,575	118,575
22 Jul 05	$1.36	552,515	-	-	-	552,515	552,515
4 Aug 05	$1.38	72,372	-	-	-	72,372	72,372
9 Aug 05	$1.38	72,643	-	(18,161)	-	54,482	54,482
24 Aug 05	$1.41	124,316	-	-	-	124,316	124,316
16 Sep 05	$1.47	288,876	-	(238,876)	-	50,000	50,000
22 Sep 05	$1.47	374,652	-	-	-	374,652	374,652
27 Sep 05	$1.49	33,599	-	(13,272)	(20,327)	-	-
28 Oct 05	$1.37	120,000	-	-	-	120,000	120,000
24 Nov 05	$1.37	473,725	-	(72,593)	-	401,132	401,132
20 Dec 05	$1.38	572,330	-	(404)	-	571,926	571,926
17 Jan 06	$1.38	145,095	-	-	-	145,095	145,095
22 Feb 06	$1.37	272,856	-	(18,148)	-	254,708	254,708
12 May 06	$1.37	300,000	-	-	-	300,000	300,000
23 May 06	$1.33	75,059	-	-	-	75,059	75,059
4 Aug 06	$1.48	-	236,837	-	-	236,837	236,837
		4,771,067	236,837	(1,213,475)	(20,327)	3,774,102	3,774,102
Weighted average exercise price		$1.36	$1.48	$1.32	$1.49	$1.37	

Note 37 Share-based payments (continued)

b) Valad Security Ownership Plan (VSOP) (continued)

The terms of the loan include:

1. Loans made under the Existing Scheme are at an interest rate equal to the weighted average interest rate paid by the Group for the year (including line fees and margin), which for the year to 30 June 2006 was 6.45% (2006: 6.64%). Depending on the terms of an employee's contract, loans may or may not attract interest and may be repaid any time after five years and in any case are repayable when an employee ceases employment (plus various other circumstances). If the loans are not repaid or interest if payable is not paid the stapled securities may be sold and the funds received applied to repay the loan and interest on the loan.

2. The loans are accounted for in accordance with *AASB 2 Share Based Payments*, as follows:
   a. The loans are not recorded on the balance sheet, as they are regarded as options.
   b. The value of a loan is determined by an option valuation model calculation (Black-Scholes model) and this amount is treated as an employee expense with a corresponding increase in reserves.
   c. A repayment of a loan is treated as an increase to Contributed Equity
   d. Where a part of loan is forgiven the accounting impact depends on when the loan was provided.
      i. For those loans provided before January 2005, the forgiven amount is expensed in the Income Statement with a corresponding increase in Contributed Equity.
      ii. For loans provided after January 2005 there is no further effect on the Balance Sheet or Income Statement when an amount is forgiven.

c) Long Term Incentive Plan (LTIP)

Commence-ment date	Vest date	Expiry date	Exercise price	Balance at the start of the year	Granted during the year	Forfeited during the year	Balance at the end of the year	Vested & Exercisable at the end of the year	Option fair value
1-Nov-05	31-Oct-07	29-Jan-08	$1.36	-	3,888,892	(277,778)	3,611,114	-	$0.09
1-Nov-05	31-Oct-07	29-Jan-08	$1.36	-	2,777,778	-	2,777,778	-	$0.09
1-Jul-06	30-Jun-09	28-Sep-10	$1.36	-	5,549,722	(466,534)	5,083,188	-	$0.12
1-Jul-06	30-Jun-09	28-Sep-10	$0.00	-	840,317	(70,640)	769,677	-	$0.76
1-Jul-06	30-Jun-09	28-Sep-09	$1.36	-	2,640,372	-	2,640,372	-	$0.12
1-Jul-06	30-Jun-09	28-Sep-09	$0.00	-	391,818	-	391,818	-	$0.76
1-Jul-06	30-Jun-08	28-Sep-09	$1.36	-	3,292,031	-	3,292,031	-	$0.11
1-Jul-06	30-Jun-08	28-Sep-09	$0.00	-	419,849	-	419,849	-	$0.82
1-Jul-06	30-Jun-08	28-Sep-08	$1.36	-	2,892,930	-	2,892,930	-	$0.11
1-Jul-06	30-Jun-08	28-Sep-08	$0.00	-	368,948	-	368,948	-	$0.82
1-Jul-06	14-Jul-09	12-Jan-10	$1.36	-	87,121	-	87,121	-	$0.12
1-Jul-06	14-Jul-09	12-Jan-10	$0.00	-	13,192	-	13,192	-	$0.76
1-Jul-06	9-Oct-09	9-Apr-10	$1.36	-	426,136	-	426,136	-	$0.12
1-Jul-06	9-Oct-09	9-Apr-10	$0.00	-	56,564	-	56,564	-	$0.88
1-Jul-06	9-Oct-09	9-Apr-10	$1.56	-	75,914	-	75,914	-	$0.13
1-Jul-06	9-Oct-09	9-Apr-10	$0.00	-	11,497	-	11,497	-	$0.87
1-Jul-06	6-Nov-09	7-May-10	$1.63	-	74,176	-	74,176	-	$0.14
1-Jul-06	6-Nov-09	7-May-10	$0.00	-	11,451	-	11,451	-	$0.87
1-Jul-06	9-Jan-10	10-Jul-10	$1.59	-	200,000	-	200,000	-	$0.14
1-Jul-06	9-Jan-10	10-Jul-10	$0.00	-	24,191	-	24,191	-	$1.03
4-Apr-07	30-Jun-10	28-Sep-11	$2.04	-	68,325	-	68,325	-	$0.24
4-Apr-07	30-Jun-10	28-Sep-11	$0.00	-	13,907	-	13,907	-	$1.16
28-Jun-07	30-Jun-09	31-Aug-10	$1.92	-	4,512,000	-	4,512,000	-	$0.16
28-Jun-07	30-Jun-10	31-Aug-10	$1.92	-	4,512,000	-	4,512,000	-	$0.19
				-	33,149,131	(814,952)	32,334,179	-	
Weighted average exercise price					$1.43	$1.24	$1.43		

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.28 years.

Note 37 Share-based payments (continued)

c) Long Term Incentive Plan (LTIP) (continued)

During the year, no options were exercised or expired.

The table above includes grants provided to Executive Directors (as explained in further detail in the Remuneration Report) which are subject to security holder approval.

As detailed in the Remuneration Report, the above grants were issued subject to Legislation being passed. The actual granting of options in accordance with the Long term Incentive Plan rules will occur during the 2008 financial year.

Fair value of options granted

The option fair value at grant date is independently determined using various Option Pricing models (Monte-Carlo Simulation for options with TSR performance hurdles and Binomial Tree for those options with EPS performance hurdles). These models take into account the exercise price, the option term, the underlying security price, risk free interest rate, expected volatility of underlying security price and dividends expected on the securities.

The expected price volatility for the Group's securities is based on the previous 2 years of historic volatility. The model inputs for options granted during the year ended 30 June 2007 included:

- Performance hurdles - includes TSR and EPS hurdles, as described in section 5.4.4 of Remuneration Report
- Exercise price - as per values detailed in table above
- Commencement date - as per dates detailed in table above
- Expiry date - as per dates detailed in table above
- Security price at grant date - generally security price at commencement date and equal to exercise price as detailed above
- Expected price volatility of the group's securities - 18.0%
- Expected dividend yield - range 6.51% to 7.1% (dependent on the market expected dividend for FY07 divided by the exercise price)
- Risk-free interest rate - range from 5.27% to 6.08%

d) Employee Securities Ownership Plan (ESOP)

The employee security ownership plan rewards staff and aligns their interest to those of security holders through the issue of a nominal number of escrowed securities accounted for as per note 1s(iii).

Each employee was issued with 1,500 securities conditional upon the successful completion of twelve months service from the date of the grant.

The market price of securities issued under the ESOP during the reporting period was based on the volume weighted average market price for the fifteen trading days up to and including 18 December 2006 of $1.60 (2006 - $1.36). The amount is recognised in the balance sheet as contributed equity and as part of employee benefit costs in the period the securities are granted.

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Securities issued under the plan to participating employees on 18 December 2006 (2006 – 20 December)	**218**	155	**218**	34

Note 37 Share-based payments (continued)

e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of the employee benefit expense were as follows:

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Non cash employee benefits expense relating to employee securities loans (VSOP)	**606**	391	**606**	391
Non cash options expense relating to options issued under Long Term Incentive Plan	**1,758**	-	**1,758**	-
	2,364	391	**2,364**	391

Note 38 Investments in controlled entities

a) Group controlled entities at balance date

Name of entity	Country of incorporation	Class of shares/ Units	Equity/Unit Holding 2007 %	Equity/Unit Holding 2006 %
Valad Property Trust – Controlled entities				
Valad Property Trust	Australia	Ordinary	**100**	100
321 Exhibition Street Trust	Australia	Ordinary	**100**	100
321 Holdings Trust	Australia	Ordinary	**100**	100
Exhibitions Holdings Trust	Australia	Ordinary	**100**	100
Airport Central Tower Trust	Australia	Ordinary	**100**	100
BankWest Tower Trust	Australia	Ordinary	**100**	100
207 Holdings Trust	Australia	Ordinary	**100**	100
207 30% Owners Trust	Australia	Ordinary	**100**	100
207 20% Owners Trust	Australia	Ordinary	**100**	100
Home Central Trust	Australia	Ordinary	**100**	100
Chapel Rd Bankstown Trust	Australia	Ordinary	**100**	100
West Gosford Unit Trust	Australia	Ordinary	**100**	100
Manns Road Unit Trust	Australia	Ordinary	**100**	100
West Gosford Holdings Trust	Australia	Ordinary	**100**	100
Kawana Way Unit Trust	Australia	Ordinary	**100**	100
Windsor Rd Unit Trust	Australia	Ordinary	**100**	100
Bulky Goods Holdings Trust	Australia	Ordinary	**100**	100
Richlands Holdings Trust	Australia	Ordinary	**100**	100
Durgadin Drive Trust	Australia	Ordinary	**100**	100
Ruthven St Toowoomba Trust	Australia	Ordinary	**100**	100
Valad Subscriber Pty Ltd	Australia	Ordinary	**100**	100
Valad ILN Pty Ltd	Australia	Ordinary	**100**	100
Valad Guernsey Holdings Ltd	Guernsey	Ordinary	**100**	-
Valad European Holdings Sarl	Luxembourg	Ordinary	**100**	-
Valad French Holdings Sarl	Luxembourg	Ordinary	**100**	-
Valad Select Property Trust	Australia	Ordinary	**100**	-
KVSI NSW Trust	Australia	Ordinary	**100**	-
Valad Funds Management Limited – Controlled entities				
Valad Funds Management Ltd	Australia	Ordinary	**100**	100
Valad Commercial Management Ltd	Australia	Ordinary	**100**	100
Valad Group Holdings Pty Ltd	Australia	Ordinary	**100**	100
Valad Development Management Pty Ltd	Australia	Ordinary	**100**	100
Valad Development Trust	Australia	Ordinary	**100**	100
Valad Development Group Pty Ltd	Australia	Ordinary	**100**	100
Valad Management Pty Ltd	Australia	Ordinary	**100**	100
Valad Management Trust	Australia	Ordinary	**100**	100
Valad Property Group Pty Ltd	Australia	Ordinary	**100**	100
Valad Property Group Trust	Australia	Ordinary	**100**	100
Valad Property Mezzanine Fund	Australia	Ordinary	**100**	100
Valad Property Fund No 11	Australia	Ordinary	**100**	100
Valad Registry Services Pty Ltd	Australia	Ordinary	**100**	100
321 Holdings Pty Ltd	Australia	Ordinary	**100**	100
VDG 1 Chifley Pty Ltd	Australia	Ordinary	**100**	100
VG3 Pty Ltd	Australia	Ordinary	**100**	100
VG3 Trust	Australia	Ordinary	**100**	100

Note 38 Investments in controlled entities (continued)

a) Group controlled entities at balance date (continued)

Name of entity	Country of incorporation	Class of shares/ Units	Equity/Unit Holding 2007 %	Equity/Unit Holding 2006 %
Valad Funds Management Limited – Controlled entities				
VG4 Pty Ltd	Australia	Ordinary	**100**	100
VG4 Trust	Australia	Ordinary	**100**	100
20 Smith Street Pty Ltd	Australia	Ordinary	**100**	100
20 Smith Street Trust	Australia	Ordinary	**100**	100
VST 41 Pty Ltd	Australia	Ordinary	**100**	100
VST 41 Trust	Australia	Ordinary	**100**	100
VST 42 Pty Ltd	Australia	Ordinary	**100**	100
VST 42 Trust	Australia	Ordinary	**100**	100
VST 43 Pty Ltd	Australia	Ordinary	**100**	100
VST 43 Trust	Australia	Ordinary	**100**	100
Valad Fund No.12	Australia	Ordinary	**100**	100
Valad IBC Pty Ltd	Australia	Ordinary	**100**	100
Bessemer Business Park Pty Ltd	Australia	Ordinary	**100**	100
Bessemer Business Park Trust	Australia	Ordinary	**100**	100
Bridge Street Custodian Pty Ltd	Australia	Ordinary	**100**	100
Bridge Street Property Services Pty Ltd	Australia	Ordinary	**100**	100
Burwood Investment Holdings Trust	Australia	Ordinary	**100**	100
Valad Asset Management Pty Ltd	Australia	Ordinary	**100**	100
Valad Asset Management Trust	Australia	Ordinary	**100**	100
RP1 Pty Ltd	Australia	Ordinary	**100**	100
RP1 Trust	Australia	Ordinary	**100**	100
Regency Corporation Pty Ltd	Australia	Ordinary	**100**	100
Regency Trust	Australia	Ordinary	**100**	100
Lot 19 Pty Ltd	Australia	Ordinary	**100**	100
Lot 19 Trust	Australia	Ordinary	**100**	100
VG1 Pty Ltd	Australia	Ordinary	**100**	100
VG2 Pty Ltd	Australia	Ordinary	**100**	100
33 Erskine Street Pty Ltd	Australia	Ordinary	**100**	100
Valad LTIP Nominee Pty Ltd	Australia	Ordinary	**100**	100
Valad Employee Securities Trust	Australia	Ordinary	**100**	100
ICA Management Ltd	Australia	Ordinary	**100**	100
Valad Projects Pty Ltd	Australia	Ordinary	**100**	100
ICA Property Funds Management Pty Ltd	Australia	Ordinary	**100**	100
ICA Property Group Pty Ltd	Australia	Ordinary	**100**	100
Pitt/Underwood Holdings Pty Ltd	Australia	Ordinary	**100**	100
Pitt/Underwood Holdings Trust	Australia	Ordinary	**100**	100
Pitt/Underwood Pty Ltd	Australia	Ordinary	**100**	100
Coffs Harbour Bulky Goods Unit Trust	Australia	Ordinary	**100**	100
West Gosford Pty Ltd	Australia	Ordinary	**100**	100
West Gosford Holdings Pty Ltd	Australia	Ordinary	**100**	100
Valad Core Plus Management Limited	Australia	Ordinary	**100**	100

Note 38 Investments in controlled entities (continued)

a) Group controlled entities at balance date (continued)

Name of entity	Country of incorporation	Class of shares/ Units	Equity/Unit Holding 2007 %	Equity/Unit Holding 2006 %
Valad Funds Management Limited – Controlled entities				
Valad Fields Holding Trust	Australia	Ordinary	**100**	100
VFT No. 1 Pty Ltd	Australia	Ordinary	**100**	100
VFT No. 2 Pty Ltd	Australia	Ordinary	**100**	100
VFT No. 3 Pty Ltd	Australia	Ordinary	**100**	100
VFT No. 4 Pty Ltd	Australia	Ordinary	**100**	100
VFT No. 5 Pty Ltd	Australia	Ordinary	**100**	100
VFT No. 6 Pty Ltd	Australia	Ordinary	**100**	100
VF Trust No 1	Australia	Ordinary	**100**	100
VF Trust No 2	Australia	Ordinary	**100**	100
VF Trust No 3	Australia	Ordinary	**100**	100
VF Trust No 4	Australia	Ordinary	**100**	100
Valad Fields Trust	Australia	Ordinary	**100**	100
Craigieburn Holdings Trust	Australia	Ordinary	**100**	100
Craigieburn Holdings Pty Ltd	Australia	Ordinary	**100**	100
21 Talavera Rd Trust	Australia	Ordinary	**100**	100
21 Talavera Rd Holdings Trust	Australia	Ordinary	**100**	100
21 Talavera Rd Pty Ltd	Australia	Ordinary	**100**	100
PHT No. 1 Pty Ltd	Australia	Ordinary	**100**	-
PHT No. 2 Pty Ltd	Australia	Ordinary	**100**	-
PHT No. 3 Pty Ltd	Australia	Ordinary	**100**	-
PHT No. 4 Pty Ltd	Australia	Ordinary	**100**	-
PHT No. 5 Pty Ltd	Australia	Ordinary	**100**	-
PHT No. 6 Pty Ltd	Australia	Ordinary	**100**	-
Valad Pentridge Holdings Pty Ltd	Australia	Ordinary	**100**	-
Valad Pentridge No. 1 Pty Ltd	Australia	Ordinary	**100**	-
Valad Pentridge No. 2 Pty Ltd	Australia	Ordinary	**100**	-
Valad Pentridge No. 3 Pty Ltd	Australia	Ordinary	**100**	-
Valad Pentridge No. 4 Pty Ltd	Australia	Ordinary	**100**	-
Valad Pentridge No. 5 Pty Ltd	Australia	Ordinary	**100**	-
Valad Pentridge No. 6 Pty Ltd	Australia	Ordinary	**100**	-
ICAPDF No 5 Holding Pty Ltd	Australia	Ordinary	**100**	-
ICA Property Development Fund No 5 Pty Ltd	Australia	Ordinary	**100**	-
Shepparton ILN Pty Ltd	Australia	Ordinary	**100**	-
Valad Funds Management (NZ) Pty Ltd	Australia	Ordinary	**100**	-
Shepparton Homemaker Trust	Australia	Ordinary	**100**	-
Valad SPV No 1 Pty Ltd	Australia	Ordinary	**100**	-
VFT ILN Pty Ltd	Australia	Ordinary	**100**	-
Valad European Management Ltd	Australia	Ordinary	**100**	-
Valad Select Property Management Ltd	Australia	Ordinary	**100**	-
Valad Belgium Holdings NV	Belgium	Ordinary	**100**	-
Oxley Trust	Australia	Ordinary	**100**	-
KVSI Operations Pty Ltd	Australia	Ordinary	**100**	-
Valad TCL Holdings Limited	Australia	Ordinary	**100**	-

Note 39 Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the associates is set out below.

Name of entity	Principal activity	Ownership interest		Consolidated		Parent	
		2007 %	2006 %	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
RP1 Trust	Property development	**50%**	50%	**-**	2,431	**-**	2,431
One Chifley Square Unit Trust[1]	Property investment – office	**50%**	50%	**-**	77	**-**	77
KVSI Holdings Trust	Property investment – self storage	**50%**	50%	**30,375**	28,512	**-**	-
KVSI Holdings Pty Ltd	Property investment – self storage	**50%**	50%	**28,738**	26,122	**7,144**	7,144
Honeycombes Ownership Pty Limited	Property development	**32%**	-	**7,736**	-	**7,000**	-
Honeycombes Property Group Pty Limited	Property development	**32%**	-	**-**	-	**-**	-
Valad Fields Trust No 1 - 4	Property investment – office	**61%**	-	**567**	-	**-**	-
Albany City Management Limited	Property investment – office	**50%**	-	**-**	-	**-**	-
Albany Partners Limited	Property investment – office	**50%**	-	**-**	-	**-**	-
VHP Holding Trust	Property development	**50%**	-	**528**	-	**-**	-
FKP Mackay Turf Farm No.1 Pty Limited	Property development	**50%**	-	**-**	-	**-**	-
KVSI Operations Pty Limited	Property investment – self storage	**50%**	-	**-**	-	**-**	-
Pitt/Underwood Trust[2]	Property investment – office	**50%**	50%	**-**	-	**-**	-
Craigieburn Trust[3]	Property development – town centre	**36%**	36%	**-**	-	**-**	-
Total				**67,943**	57,142	**14,144**	9,652

Each of the associates is incorporated in Australia except for Albany City Management Limited and Albany Partners Limited which were incorporated in New Zealand.

	2007 $'000	2006 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**57,142**	32,260
Additional investments in associates	**8,264**	-
Share of profits after income tax	**12,001**	37,506
Dividends received/receivable	**(11,082)**	(13,822)
Share of increment of interest rate hedges	**1,618**	1,198
Carrying amount at the end of the financial year	**67,943**	57,142
Share of associates' profits or losses		
Net profit before fair value adjustments	**12,001**	16,880
Net gain from fair value adjustments on investment property	**-**	20,626
Profits before income tax	**12,001**	37,506
Income tax expense	**-**	-
Profits after income tax	**12,001**	37,506
Share of associates' expenditure commitments		
Capital commitments	**3,142**	7,894
Lease commitments	**-**	9,941
	-	17,835

Note 39 Investments in associates (continued)

Summarised financial information of associates

	Group' share of: Assets $'000	Liabilities $'000	Revenue $'000	Profit $'000
2007				
Valad Fields Trust No 1 – 4	**179,513**	**178,948**	**-**	**-**
KVSI Holdings Pty Ltd	**121,592**	**95,024**	**18,751**	**3,856**
KVSI Holdings Trust	**53,239**	**21,198**	**2,504**	**1,597**
Honeycombes Property Group Pty Limited	**5,845**	**786**	**3,638**	**736**
Honeycombes Ownership Pty Limited	**-**	**-**	**-**	**-**
Craigieburn Trust	**2,511**	**2,511**	**-**	**-**
VHP Holding Trust	**528**	**-**	**-**	**-**
Albany City Management Limited	**-**	**-**	**-**	**-**
Albany Partners Limited	**-**	**-**	**-**	**-**
FKP Mackay Turf Farm No.1 Pty Limited	**-**	**-**	**-**	**-**
KVSI Operations Pty Limited	**-**	**-**	**-**	**-**
RP1 Trust	**-**	**-**	**64**	**301**
One Chifley Square Unit Trust	**-**	**-**	**27,754**	**5,386**
Pitt/Underwood Trust	**-**	**-**	**78**	**125**
	363,228	**298,467**	**52,789**	**12,001**
2006				
RP1 Trust	2,423	351	15,388	715
One Chifley Square Unit Trust	22,055	21,978	447	76
KVSI Holdings Trust	42,604	12,258	2,486	8,993
KVSI Holdings Pty Ltd	111,641	81,660	37,090	22,200
Pitt/Underwood Trust	-	-	57,127	8,336
Craigieburn Trust	2,516	2,516	-	-
	181,239	118,763	112,538	40,320

Note 40 Events occurring after reporting date

Business Acquisition of Scarborough entities

In June 07, the Group announced the intention to acquire the Scarborough group. The acquisition occurred on 11 July 07.

Capital Raising – Security placement and Security Purchase Plan

The Group issued an additional 694,041,354 securities at $1.92 in July 07 to fund the Group's acquisition of a number of related business interests collectively known as "Scarborough" and repay Group debt.

Acquisitions of properties

The Group acquired the following properties:
* Erskine Park from Valad Opportunity Fund No 11 and ICA Development Fund 4
* Carter Holt Harvey portfolio acquisition comprising 15 depots, 10 packaging plants, 1 office building and 5 development sites in Australia and New Zealand with a total value of $277.3m on 31 July

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 or may significantly affect the operations of the Group, the results of these operations, or state of affairs in future financial years.

Note 41 Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Net profit after tax	**109,121**	78,938	**(4,160)**	(31,344)
Amortisation expense	**5,536**	4,057	**407**	350
Amortisation of lease incentives	**1,381**	493	**-**	-
Straight line rental income	**(659)**	-	**-**	-
Fair value adjustment on investment property	**(42,084)**	(7,264)	**-**	-
Fair value adjustment on investment property - associates	**-**	(20,626)	**-**	-
Fair value losses on forward exchange cash flow hedge contracts	**534**	-	**-**	-
Employee shares option value	**2,364**	391	**2,364**	391
Underlying earnings	**76,193**	55,989	**(1,389)**	(30,603)
Adjust for:				
Depreciation expense	**421**	338	**-**	-
Rent free income	**(965)**	(905)	**-**	-
Net profit on disposal of assets	**(287)**	-	**-**	-
Cost of investments written off	**1,541**	1,428	**1,430**	113
Share of profits of associates not received as dividend	**(7,504)**	(6,051)	**-**	(1,382)
Loan forgiveness	**113**	453	**113**	453
Other	**602**	-	**-**	-
Increase in receivables	**(260,191)**	(20,978)	**(17,955)**	(12,925)
Increase in inventory	**(20,712)**	-	**(1,961)**	-
(Increase)/decrease in deferred tax assets	**(2,971)**	(1,495)	**(517)**	141
(Increase)/decrease in other assets	**2,979**	(12,874)	**(7,077)**	(13,343)
Increase in interest payables	**-**	848	**37,075**	34,119
Increase/(decrease) in payables and provisions	**11,537**	5,485	**6,610**	(1,983)
Increase/(decrease) in deferred tax liability	**2,085**	1,495	**2,576**	(141)
Net cash inflow/(outflow) from operating activities	**(197,159)**	23,733	**18,905**	(25,551)

Note 42 Non-cash financing and investing activities

Dividend reinvestment plan

Under the terms of the dividend reinvestment plan $62,953,954 (2006: $19,759,777) of dividends were paid via the issue of 42,017,799 (2006: 14,870,560) securities.

Note 43 Contingent Liabilities

The Group had contingent liabilities at 30 June 2007 in respect of bank guarantees totalling $2,574,430 (2006: $233,500).

Valad Property Group

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 to 94 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and Group's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

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

(c) the audited remuneration disclosures set out on pages 8 to 18 of the director's report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

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

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

Stephen Day
Executive Chairman

Sydney
23 August 2007

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Independent audit report to the security holders of Valad Property Group

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Valad Property Group (the Group), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Group (the consolidated entity). The consolidated entity comprises the Valad Property Trust and its controlled entities, and Valad Funds Management Limited and its controlled entities.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the Group has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 8 to 18 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the Group are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Group are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

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

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

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

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of the Group for the financial year ended 30 June 2007 included on Valad Property Group's web site. The Group's directors are responsible for the integrity of Valad Property Group's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Valad Property Group is in accordance with the Corporation Act 2001, including:

   i giving a true and fair view of the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 8 to 18 of the directors' report comply with Accounting Standard AASB 124.

D A Prothero
Partner
PricewaterhouseCoopers

Sydney
23 August 2007

Valad Property Trust
(ARSN 102 618 824)
Annual Financial Report
30 June 2007

Valad Property Trust
Annual Report – 30 June 2007

Contents

This financial report covers both Valad Property Trust as an individual entity and the consolidated entity consisting of Valad Property Trust and its controlled entities. The financial report is presented in the Australian currency.

Valad Commercial Management Limited, the Responsible Entity of the 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.

Valad Property Trust

Directors' Report

The directors of 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 report together with the consolidated financial report of Valad Property Trust and its controlled entities (the "Consolidated entity") for the year ended 30 June 2007.

The units in the Trust are 'stapled' to the shares in Valad Funds Management Limited (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 VCML during the financial year and up to the date of this report unless otherwise stated:

S. Day	Executive Chairman
T. Gerber	Deputy Chairman
P. Hurley	Executive Director
A. Martin	Director (Appointed - 16 November 2006)
K. McCabe	Director (Appointed - 1 August 2007)
D. Murray	Director (Deceased - 10 March 2007)
I. Robertson	Director (Appointed - 1 August 2007)
R. Seidler	Director
B. Wynne	Director (Retired – 7 October 2006)

On 15 August 2006, Barry Wynne announced his retirement from the Board effective 7 October 2006, being the occasion of his 70th birthday. Barry was Chairman of Valad from inception, through ASX listing in 2002 until July 2004 when Stephen Day assumed the role of Executive Chairman of the Valad group.

On 1 February 2007, Peter Hurley moved to a new role as Director Corporate and International Transactions.

On 1 June 2007, Jeff Locke was appointed Chief Operating Officer of Valad Property Group.

On 1 August 2007, Kevin MCabe and Ian Robertson were appointed to the board of directors following the acquisition of Scarborough in July 2007.

David Murray
It was with great sadness that we were advised of the sudden passing of David Murray on 10 March 2007. David was a great friend of the Valad family. During his time with Valad, he served as Chairman of the Audit Committee and was a Member of the Remuneration and Nomination Committee

David Murray was previously Chairman of First Permanent Financial Services Pty Limited and Amalgamated Mortgages Pty Limited. Previously, he was General Manager International – NSW & ACT for ANZ. This was his final role at ANZ after 40 years service, which included roles such as Senior Vice President of ANZ's Chicago, Los Angeles and Singapore offices. He was a prior Chairman of the Singapore International Chamber of Commerce and prior President of the Singapore Australia Business Council.

Principal activities
The principal continuing activity of the Consolidated entity consisted of passive property ownership and investment.

Distributions
Distributions in respect of the year ended 30 June 2007 were $81,511,518 (2006: $56,113,261), which is equivalent to 11.07 cents per unit (2006: 10.3 cents per unit) paid and payable as follows:

	2007 $'000
Interim payment of 5.40 cents per security paid on 28 February 2007	**34,551**
Final payment of 5.67 cents per security payable on 31 August 2007	**46,960**
Total	**81,511**

Review of operations
A summary of consolidated results are set out below:

	2007 $'000	2006 $'000
Net profit attributable to unit holders	**104,606**	56,926
Add back/(Deduct):		
Amortisation of lease incentives	**1,098**	233
Straight line rental income	**(659)**	-
Fair value adjustment on investment property	**(42,071)**	(1,814)
Fair value adjustment on investment property - associates	**-**	(5,535)
Fair value losses on forward exchange cash flow hedge contracts	**863**	-
Underlying earnings	**63,837**	49,810
Total assets at 30 June	**1,129,367**	978,995

Comments on the operations and the results of those operations are set out in the Discussion and Analysis of the Consolidated Financial Statements.

Earnings per unit

	2007 Cents per unit	2006 Cents per unit
Basic and diluted earnings	**15.4**	10.8
Basic and diluted underlying earnings	**9.3**	9.3

Units on issue
There were 828,205,647 units on issue at 30 June 2007 (2006: 551,492,627).

Reconciliation of contributed equity

Date		Price issued	No of units '000	$'000
1-Jul-06	Opening balance		551,493	553,947
30-Aug-06	Share placement	$1.45	67,700	68,994
31-Aug-06	Dividend reinvestment plan – June 07	$1.38	20,527	21,034
18-Dec-06	Employee securities trust	$1.60	137	145
20-Feb-07	Share placement	$1.78	82,848	94,118
28-Feb-07	Dividend reinvestment plan – Dec 06	$1.61	21,490	24,713
22-Mar-07	Share placement	$1.78	77,971	91,414
5-Apr-07	Share purchase plan	$1.78	6,040	7,200
30-Jun-07	Closing balance		828,206	861,565
	Contributed equity			861,565
	Issue costs			(16,241)
	Securities issued under employee securities ownership plan			(4,939)
	Net contributed equity			840,385

Significant changes in the state of affairs
Significant changes in the state of affairs of the Consolidated entity during the year were as follows:

(i) International expansion into European and New Zealand markets through passive investment and preferred equity development funding, including:
- Crownstone European Properties Limited portfolio acquired for $A1.26bn investment in February 2007 with additional investments committed

(ii) New investment locally including:
- Wetherill Park industrial/office warehouse complex acquired July 06 for $17.5m

(iii) Completion of the sale of the following properties:
- Home Central, West Gosford sold to Century Funds Management in July 06 for $28.66m
- BankWest Tower, Perth to Stockland in April 2007 for $134 million
- 575 Bourke Street, Melbourne, 132 Arthur Street, North Sydney, 189 Coronation Drive, Milton, Tuggerah Industrial Development and Tempe Industrial Development to Valad Core Plus Fund in May 2007

(iv) Additional capital raised through the following transactions with owners:
- Share placement to institutional investors totalling $68,994,000 at $1.45 on 30 August 2006
- Dividend reinvestment plan totalling $21,034,000 at $1.38 on 31 August 2006
- Employee share scheme totalling $145,000 at $1.60 on 18 December 2006
- Share placement totalling $94,118,000 at $1.78 on 20 February 2007
- Dividend reinvestment plan totalling $24,713,000 at $1.61 on 28 February 2007
- Share placement totalling $91,414,000 at $1.78 on 22 March 2007
- Share purchase plan totalling $7,200,000 at $1.78 on 5 April 2007

Matters subsequent to the end of the financial year

Capital Raising – Security placement and Security Purchase Plan

The Group issued an additional 694,041,354 securities at $1.92 in July 07 to fund the Group's acquisition of a number of related business interests collectively known as "Scarborough" and repay Group debt.

Acquisitions of properties

The Group acquired the following properties:
* Carter Holt Harvey portfolio acquisition comprising 15 depots, 10 packaging plants, 1 office building and 5 development sites in Australia and New Zealand with a total value of $277.3m on 31 July

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

Likely developments and expected results of operations
Information on likely developments in the operations of the 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 Consolidated entity.

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

Remuneration report

The information provided in this report is prepared in accordance with Section 300A of the *Corporations Act 2001* and includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. The disclosures required under AASB 124 have been transferred from the financial report and have been audited.

This report covers five separate groups:

Non-Executive Directors -	Trevor Gerber, Robert Seidler, Andrew Martin and, part period, David Murray and Barry Wynne
Executive Directors –	Stephen Day (Executive Chairman) and Peter Hurley (Executive Director)
Chief Executive Officer –	Guy Farrands (part period)
Chief Operating Officer –	Jeff Locke (part period)
Group Heads -	Being the Chief Operating Officer's direct reports who are members of the Executive Committee and whose remuneration details are set out in this report as "Key Management Personnel"

1. Background

As reported in the 30 June 2006 Remuneration Report, the Remuneration and Nomination Committee and the Board, with the assistance of external independent advisors, reviewed the Group's remuneration philosophy and strategy. The Board resolved in 2006 to implement substantial changes to the way senior employees are remunerated with effect from 1 July 2006 but with transitional elements effective from 1 November 2005. The changes were subject to legislation being passed by Federal Parliament allowing entities with a stapled security structure to issue options and performance rights on the same basis as companies. This legislation became law in April 2007. The Board stated in the 2006 Remuneration Report that the date and terms of the options and performance rights offered would take effect from when they were made and not when the legislation was passed or legal documentation establishing the necessary schemes was completed.

In some cases, where the cost to the Company does not justify unwinding them, some previous remuneration arrangements have been retained. This report notes where it has been decided to maintain previous structures for this reason.

It should be noted that since the Initial Public Offering in December 2002 the Group's performance has been as follows:

	2003	**2004**	**2005**	**2006**	**2007**	**Compound Growth**
Underlying earnings	$9.20m	$19.36m	$36.35m	$55.99m	$76.19m	46.5%[1]
Net Tangible Assets Per Security	$0.82	$0.82	$0.88	$0.98	$1.25	11.1%
Security Price	$1.00	$0.91	$1.34	$1.36	$1.985	18.7%
Dividend Per Security (cents)	8.35	9.55	9.80	10.30	11.07	7.3%
Underlying Earnings Per Security (cents)	8.10	9.00	9.95	10.44	11.12	8.2%

[1]Underlying earnings for 2003 relates to period 10 December 2002 to 30 June 2003. The earnings figure has been annualised in the compound growth calculation. The 2003 dividend per security and underlying earnings per security shown above are annualised amounts.

Remuneration report (continued)

2. Remuneration Policy and Strategy

2.1 Overview

The responsibility for overseeing remuneration policy and strategy lies with the Remuneration and Nomination Committee including:

1. Reviewing and making recommendations to the Board on remuneration strategy and policies for Group employees.
2. Annually reviewing and making recommendations to the Board on the Executive Directors' and Chief Operating Officer's remuneration and performance.
3. Making recommendations to the Board on Directors' compensation.

2.2 Valad Property Group's Remuneration Policy

Valad Property Group's Remuneration Framework is structured to:

- Attract and motivate high quality talent to deliver superior long term returns for security holders
- Align security holders and employees' interests and create value for security holders by ensuring a reasonable proportion of senior employees' remuneration is based on growth in earnings per security ("EPS") and total security holder returns ("TSR")
- Be fair and consistent
- Manage total rewards with emphasis on the "at risk" element as a motivator for senior executives.

3. Review of Remuneration Policy and Strategy

3.1 Executive Directors

In the 2006 Remuneration Report it was noted that the Remuneration and Nomination Committee had commenced a review of the strategy for the Executive Directors' remuneration. During the current reporting period that review was finalised. The remuneration framework adopted by the Board for the Executive Directors is essentially the same framework as that adopted for the Group Heads as set out in last year's report and summarised below.

3.2 Chief Operating Officer and Group Heads

During the year ended 30 June 2007, the Remuneration and Nomination Committee implemented the strategy for the Group Heads' remuneration, based on the review which had taken place in 2006 and reported on in the 2006 Remuneration Report and as outlined below.

4. Performance Appraisal System

During 2006, a performance appraisal system was introduced throughout the Valad Group to ensure that employees are aware of what is expected of them through their personal objectives and the impact of their performance on their remuneration. This was introduced 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 performance appraisal system commenced in full on 1 July 2006 following a three month trial period.

The Chief Operating Officer's objectives are formulated by the Executive Directors and then agreed with the Remuneration and Nomination Committee and the Board. Once approved these objectives cascade down to the Group Heads, their direct reports and then to the rest of the Group's employees.

This framework is consistent across the Group Heads 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 objective of optimising growth of earnings per security.

Performance is reviewed formally 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 reviews the Executive Directors' and the Chief Operating Officer's performance.

Remuneration report (continued)

5. Revised Remuneration Strategy for the Executive Directors, Chief Operating Officer and Group Heads

5.1 Remuneration Mix

With the introduction of Valad's new remuneration framework from 1 July 2006, remuneration packages comprise:

- Total Fixed Remuneration ("TFR") which is a market related base salary including superannuation contributions. TFR is determined by reference to the TFRs offered by the top quartile of comparator industry employers and is subject to annual benchmarking. TFR is reviewed annually and upon change of role or responsibility.

- Short Term Incentives ("STI"). STI is set as a percentage of TFR and is assessed annually against achievement of Key Performance Indicators ("KPIs"). STIs earned are paid as soon as practicable after the end of the year of assessment. With effect from 2008, fifteen (15) per cent of executive bonuses will be used to purchase securities under an Employee Securities Scheme.

- Long Term Incentives ("LTI"). LTI is set as a percentage of TFR and is to be provided in the form of options and performance rights which vest upon the achievement of KPIs linked to growth in earnings per security and total security holders' returns.

The chart below shows the mix between TFR, STI and LTI for the Executive Directors, Chief Operating Officer and Group Heads for for the financial years ending 30 June 2007 and 2008. It should be noted that the mix shown in the chart below applies only for the financial years mentioned and that thereafter it is intended that the normal mix for Executive Directors, COO and Group Heads remuneration will return to TFR 40%, STI 40% and LTI 20% with the at risk component being 60%.

	Component(s) Total Remuneration Package			
	TFR	**STI**	**LTI**	**At Risk Component**
Stephen Day (Executive Chairman)	33%	33%	33%	66%
Peter Hurley (Executive Director)	33%	33%	33%	66%
Jeff Locke (Chief Operating Officer)	33%	33%	33%	66%
Martyn McCarthy (Group Head – Real Estate Investments)	33%	33%	33%	66%
Shaun Hannah (Group Head – Real Estate Developments)	33%	33%	33%	66%
Paul Notaras (Group Head – Funds Management)	33%	33%	33%	66%
Jennifer Lambert (Chief Financial Officer)	36%	36%	28%	64%
Chris Carroll (Group General Counsel)	36%	36%	28%	64%

The above percentages assume target performance is achieved for STI (see later).

5.2 Performance Measures

Performance measures for STI and LTI include both financial and non financial objectives. The financial KPIs for STI are at two levels: corporate (achievement of earnings per security target set by the Board) and, where appropriate, personal (e.g. increase in funds under management or acquisitions).

Personal non financial KPIs vary from individual to individual but include improved operational efficiency, personal and staff development and in particular includes the successful implementation of a Performance Appraisal System (see earlier).

Performance measures for LTI are purely financial and include the achievement of earnings per security and total security holder return targets set by the Board, details of which are set out below.

5.3 Short Term Incentives

Under the new reward strategy a target for STI is calculated as a percentage of TFR. The target STI's for Executive Directors, Chief Operating Officer and Group Heads for the financial years ending 30 June 2007 and 2008 are set out earlier under 5.1 Remuneration Mix.

Actual STI awarded can range from 0% of TFR to in excess of 100% of TFR for outstanding performance. Any awards of STI over 100% of TFR must be approved by the Board on the recommendation of the Remuneration and Nomination Committee.

Approval of STI awards for the Executive Directors and Chief Operating Officer is by the Board on recommendation of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee approves an overall budget for the Group Heads and the Chief Operating Officer approves individual STI awards for each Group Head within that budget. As stated earlier, the Remuneration and Nomination Committee and then the Board must approve any STI above 100% of TFR. STI payments paid or earned in the year ended 30 June 2007 are shown later in this report.

Remuneration report (continued)

5.4 Long Term Incentives

5.4.1 Overview

The Board, on the recommendation of the Remuneration and Nomination Committee, in 2006 resolved to introduce a long term incentive scheme for the Executive Directors, the Chief Operating Officer and the Group Heads (the "New Scheme") subject to the Federal government passing legislation to reflect changes foreshadowed in the Federal 2006 Budget in relation to allowing entities with a stapled security structure to issue options and performance rights on the same basis as companies (the "New Legislation"). The New Legislation became law in April 2007 and will provide the Group with greater flexibility in the design of equity based components of its remuneration structure. The New Structure will be cascaded down to other employees in the Group.

5.4.2 The Old Scheme

Prior to 2006 and the passing of the New Legislation Valad Property Group, in order to create an alignment of interest with security holders offered employees an employee security ownership plan involving loans to acquire Valad Property Group Securities (the "Old Scheme"). In anticipation of the New Scheme being implemented, the Board in 2006 implemented a Transitional Scheme (see below) and the New Scheme despite the New Legislation not being passed until April 2007. All arrangements under the Old Scheme for the Group Heads were unwound and the Executive Directors, Chief Operating Officer and Group Heads were offered LTI's under the Transitional Scheme and the New Scheme on this basis.

5.4.3 The Transitional Scheme

As part of the transitional arrangements between the Old Scheme and the New Scheme (see later) options were granted to the Executive Directors (subject to Security Holder's approval) and Group Heads which are 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%

As a result, none of the options are exercisable if the Group's TSR is below the fifty percentile of its peers and all will be exercisable if the Group's TSR is in the top quartile compared to its peers.

Terms and conditions of each grant of options affecting Executive Directors' and Group Heads' remuneration in respect of the Transitional Scheme

Option Commencement Date	Performance Hurdle	Date Vested and Exercisable	Expiry Date	Exercise Price	Value per Option at Grant Date
1 November 05	TSR	31 October 2007	29 January 2008	$1.36	$0.09

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	
	2007[1]	**2006**	**2007**	**2006**
Executive Directors				
Stephen Day	1,388,889	-	-	-
Peter Hurley	1,388,889	-	-	-
Key management personnel				
Chris Carroll	-	555,556	-	-
Shaun Hannah	-	555,556	-	-
Jennifer Lambert	-	555,556	-	-
Martyn McCarthy	-	555,556	-	-
Paul Notaras	-	555,556	-	-

[1]As noted in 3.1 the Executive Directors remuneration framework was under review in 2006 and not finalised until after year end. The Board's intention was to mirror the Remuneration framework for the Group Heads agreed in the 2006 year including the terms of the Transitional Scheme. The grant of options to Executive Directors is part of the same issue of options under the Transitional Scheme which was made to Key Management Personnel although made at a later date and is subject to approval at the Annual General Meeting of security holders to be held on 31 October 2007.

Remuneration report (continued)

5.4.4 The New Scheme

As noted earlier the LTI component of the Executive Directors', Chief Operating Officer's and Group Head's remuneration package is set as a percentage of their TFR. For the financial year ending 30 June 2007 the LTI component was 33% of their TFR for Executive Directors and the Group Heads (except Chris Carroll and Jennifer Lambert which was 28%). This was then 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 twelve months after vesting except for the Executive Directors whose options and performance rights are all exercisable immediately upon vesting. There will be no retesting of performance during this twelve 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.

The performance hurdles will be set by the Board at the time of granting the options and performance rights. The initial grant made on 1 July 2006 (the "Initial Grant") 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):

- Fifty (50) per cent 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%

- Fifty (50) per cent 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% p.a options would vest as follows:

	Compound EPS Growth <2.5% pa	**Compound EPS growth 2.5 – 5.0%**	**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%

LTI grants will be made annually and will be subject to performance conditions. Options and performance rights are not entitled to distributions.

The Board has the final decision on the determination of performance relative to targets independent of management and will use the services of independent advisors to calculate the TSR.

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.

To the extent performance hurdles are not met the options and performance rights will lapse.

Initially there will be a cap of 5% of Valad Group's issued capital on the number of securities to be issued under the new scheme. This limit may be increased in the future.

Executive Directors, the Chief Operating Officer and the Group Heads must not deal in any options over any Valad Securities issued under the Transitional Scheme or the New Scheme whilst those securities are subject to dealing restrictions imposed when the securities were issued.

Remuneration report (continued)

The Valad Group does not permit holders of options or performance rights to hedge their position until the options or performance rights have vested.

Terms and conditions of each grant of options (including performance rights) affecting Executive Directors', Chief Operating Officer and Group Heads' remuneration in respect of the New Scheme

Commencement Date	Performance Hurdle	Date Vested and Exercisable	Expiry Date	Exercise Price[1]	Value per Option at Commencement Date
1 July 06	TSR	30 June 2008	28 September 09	$1.36 (O)	$0.10
1 July 06	TSR	30 June 2008	28 September 09	$0.00 (PR)	$0.63
1 July 06	EPS	30 June 2008	28 September 09	$1.36(O)	$0.11
1 July 06	EPS	30 June 2008	28 September 09	$0.00(PR)	$1.18
1 July 06	TSR	30 June 2009	28 September 10	$1.36(O)	$0.11
1 July 06	TSR	30 June 2009	28 September 10	$0.00(P)	$0.59
1 July 06	EPS	30 June 2009	28 September 10	$1.36(O)	$0.12
1 July 06	EPS	30 June 2009	28 September 10	$0.00(PR)	$1.06

[1]O = Options PR = Performance Rights

Details of options (including performance rights) provided as remuneration

	Number of options granted during the year[1]		Number of options vested during the year	
	2007	**2006**	**2007**	**2006**
Executive Directors				
Stephen Day	3,278,572	-	-	-
Peter Hurley	3,015,496	-	-	-
Key management personnel				
Chris Carroll	1,108,560	-	-	-
Shaun Hannah	1,887,358	-	-	-
Jennifer Lambert	1,215,044	-	-	-
Martyn McCarthy	1,903,351	-	-	-
Paul Notaras	1,813,281	-	-	-

[1]As noted above these Options, were offered subject to the New Legislation being passed.

The grant of options to Executive Directors is subject to security holder approval at the Annual General Meeting of to be held on 31 October 2007.

6. Service Agreements

6.1 Executive Directors

It was announced during the year that Stephen Day and Peter Hurley had entered into new three (3) year contracts. The contracts can be terminated by the Company with cause on three (3) months notice with payment of all accrued entitlements. Termination without cause by the Company is permitted upon nine (9) months notice with payment of all accrued entitlements plus an amount equal to the average of the two previous completed financial years total remuneration. In addition Stephen Day and Peter Hurley have been given an incentive to stay with the Group by being eligible for two years base salary if they remain with the Group for three (3) years.

The total remuneration payable under each service agreement is subject to review each year by the Board on the recommendation of the Remuneration and Nomination Committee. The base remuneration cannot decrease at any time unless the Executive Director's role is changed with his consent.

Remuneration report (continued)

6.2 Chief Executive Officer

Guy Farrands held the position of Chief Executive Officer from 19 October 2005 to 21 November 2006 and then President, Japan Operations following a restructure to reflect Valad's international aspirations. Mr Farrands left the Group on 31st March 2007. Details of Mr Farrand's remuneration and payments on leaving the group are set out later.

6.3 Chief Operating Officer

Jeff Locke joined the Group as Chief Operating officer on 1st June 2007. Mr Locke's service agreement can be terminated by him on three months notice or by the company on 3 months notice.

6.4 Group Heads

Service agreements for the Group Heads contain provisions relating to the granting of interest free loans for the purchase of securities. As mentioned under the heading 'Old Scheme', these security purchase loans were put in place when it was not possible to issue options and performance rights. As noted, with the introduction of the New Scheme these service agreements and, where possible, these loan arrangements, have been renegotiated and the arrangements unwound.

The existing service agreements for the Group Head, Real Estate Investments; the Chief Financial Officer and the Group General Counsel contained provisions for payments to be made to the employee, which must be used by the employee to repay the security purchase plan loans after the deduction of tax.

These payments were negotiated at the time the employee joined the Group as deferred sign on fees. Some elements of these deferred sign on fees remain on foot.

The deferred sign on fees still to be earned are as follows:

- Group Head, Real Estate Investments: $296,636 on the next anniversary of employment;
- Chief Financial Officer: $128,972 on the next anniversary of employment;
- Group General Counsel: $85,981 on the next anniversary of employment.

The standard termination notice period for the Group and for most of the employees of the Group is one month's notice. In the case of the Chief Operating Officer and Group Heads three months' notice is required by either the Group or the executive, except for the Group Head, Real Estate Investments who is required to give one month's notice and the Group is required to give him between three and six months' notice depending on length of service.

A termination payment, other than for gross misconduct and only where termination is by Valad, not the employee, is included in the service agreement for the Group Head Real Estate Investments and is an amount equal to the deferred sign on fees, as stipulated in the employment contract, which have not yet been paid.

Again, these provisions were negotiated by the Group Heads at the time of their employment during the early days of Valad Property Group as a newly listed entity.

Remuneration – Non-Executive Directors

7.1 Valad Property Group's Policy

The Remuneration and Nomination Committee makes recommendations to the Board concerning the remuneration and remuneration structure for Non Executive Directors.

During the year ended 30 June 2006, the Board resolved that its policy going forwards will be that Non Executive Directors' remuneration will be transparent and easily explained and that in future the principal features of the remuneration policy will be:

Non Executive Director remuneration will comprise 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 eg 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.

Remuneration report (continued)

7.1 Valad Property Group's Policy (continued)

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 will be sought at least every three years.

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

Trevor Gerber, as the lead independent director is paid a higher fee than other non-executive directors.

7.2 Review of Arrangements

After receipt of external independent advice the Board sought and received security holder's approval at the Annual General Meeting in October 2006 to increase the maximum aggregate Board and Committee fees payable to Non Executive Directors to $650,000.

Again, as foreshadowed in last year's report and following security holder's approval of an increase in the aggregate director's fees, the consultancy agreement with Trevor Gerber was terminated. Barry Wynne, who also had a consultancy agreement, retired on 7 October 2006 and that agreement terminated on his retirement.

Total Non Executive Directors' fees must be within the aggregate amount set out in the Company's constitution. The current maximum aggregate amount is $650,000 per annum. This amount can only be increased at a general meeting of the Company. It is intended to put a resolution to security holders at the Annual General Meeting on 31 October 2007 to increase this limit to reflect the international nature of the Group and the increased number of directors following the acquisition of the Scarborough Group. Full details will be given in the Notice of Meeting and Explanatory Memorandum.

The total of Directors' fees paid to Non Executive Directors for the year ended 30 June 2007 was $408,789 (2006: $369,902).

No director's fees are paid to the Executive Directors.

7.3 Other payments made to Non Executive Directors

In addition to Directors' fees, the Constitution of the company provides for directors to receive payment for other services. As mentioned earlier, Trevor Gerber and Barry Wynne had consultancy agreements, which were disclosed in the Prospectus/Product Disclosure Statement at the time of the Group's Initial Public Offering. The total amount included in the remuneration note below for consultancy fees is $12,986 (2006: $80,000). These amounts are used to reduce the loans on Group securities issued to these Non Executive Directors. As stated earlier, both consultancy agreements were terminated during this reporting period.

The Non Executive Directors do not receive any retirement allowances.

8. Options granted to Executive Directors other than outlined above

Stephen Day and Peter Hurley received one (1) million options each prior to of the Group's Initial Public Offering in December 2002, the details of which were fully disclosed in the Prospectus/Product Disclosure Statement issued at the time of the IPO. Further details are contained in note 28.

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

The Board has accepted the Remuneration and Nomination Committee's recommendation that the cost of cancelling these options does not justify unwinding them.

9. 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.

Valad Property Trust

Directors' Report
(continued)

Remuneration report (continued)

10. Details of Remuneration

10.1 Details of remuneration earned or paid during the year ended 30 June 2007

2007	Notes	5 Highest paid KMP	Short-term benefits						Post employment benefits	Termination Benefits	Share based payments [1]	Total $
			Cash salaries and fees	Cash bonus	Cash Deferred sign-on Incentive	Non-monetary benefits: Deferred sign-on incentive	Non-monetary benefits: Other	Other short-term benefits	Super-annuation		Options	
Non-Executive Directors												
Trevor Gerber	2		77,221	-	-	-	-	-	100,000	-	-	177,221
Andrew Martin	3		-	-	-	-	-	-	51,837	-	-	51,837
David Murray			64,679	-	-	-	-	-	5,821	-	-	70,500
Robert Seidler			85,000	-	-	-	-	-	-	-	-	85,000
Barry Wynne	4		24,231	-	-	-	12,986	-	-	-	-	37,217
Sub-total			**251,131**	**-**	**-**	**-**	**12,986**	**-**	**157,658**	**-**	**-**	**421,775**
Executive Directors												
Stephen Day – Chairman	5		582,615	1,142,375	-	-	-	-	42,385	-	366,205	2,133,580
Peter Hurley – Executive Director	6		532,615	1,193,875	-	-	-	-	42,384	-	345,198	2,114,072
Key Management Personnel												
Guy Farrands	7		589,949	326,407	-	-	-	-	37,982	1,000,000	-	1,954,338
Jeff Locke	8		38,073	85,000	-	-	-	-	4,427	-	-	127,500
Chris Carroll		*	231,777	418,826	-	56,075	-	4,486	64,789	-	108,913	884,866
Shaun Hannah		*	319,817	453,875	-	-	-	4,486	30,817	-	176,269	985,264
Jennifer Lambert		*	264,559	450,321	120,664	-	-	4,486	42,386	-	116,973	999,389
Martyn McCarthy	9	*	346,657	720,859	296,636	-	-	4,486	30,029	-	177,546	1,576,213
Paul Notaras		*	315,818	435,750	-	-	-	4,486	32,784	-	170,350	959,188
Total			**3,473,011**	**5,227,288**	**417,300**	**56,075**	**12,986**	**22,430**	**485,641**	**1,000,000**	**1,461,454**	**12,156,185**

[1] Share based payments is the pro-rata cost recognised in respect of options granted
[2] Commenced 16 November 2006
[3] Retired 10 March 2007
[4] Retired 7 October 2006. Non-monetary benefits relates to fees for consultancy services (up to date of retirement) which were used to reduce loans on group securities
[5] Cash bonus includes prior year amount ($343,000) plus an accrual for FY07 of $799,375
[6] Cash bonus includes prior year amount ($457,000) plus an accrual for FY07 of $736,875
[7] Terminated 31 March 2007
[8] Commenced 1 June 2007
[9] Cash bonus includes prior year amount ($250,000) plus an accrual for FY07 of $470,859

Remuneration report (continued)

10.2 Details of remuneration paid during the year ended 30 June 2006

2006	Notes	5 Highest paid KMP	Short-term benefits					Post employment benefits	Share based payments [2]	Total $
			Cash salaries and fees	Cash bonus	Non-monetary benefits: Deferred sign-on incentive	Non-monetary benefits: Other [1]	Other short-term benefits	Super-annuation	Options	
Non-Executive Directors										
Trevor Gerber	3		93,272	-	-	40,000	-	8,394	-	141,666
David Murray			55,046	-	-	-	-	4,954	-	60,000
Robert Seidler			60,000	-	-	-	-	-	-	60,000
Barry Wynne	4		90,000	-	-	98,236	-	-	-	188,236
Sub-total			**298,318**	**-**	**-**	**138,236**	**-**	**13,348**	**-**	**449,902**
Executive Directors										
Stephen Day – Chairman	5		289,908	193,900	-	116,225	-	26,092	-	626,125
Peter Hurley – Managing Director	5		287,615	387,837	-	116,225	-	25,885	-	817,562
Peter Hurley – Executive Director			149,826	-	-	-	-	7,843	-	157,669
Key Management Personnel										
Guy Farrands			237,664	-	145,631	18,548	3,961	37,086	-	442,890
Chris Carroll		*	191,519	256,667	29,126	-	3,961	15,732	16,667	513,672
Shaun Hannah	6	*	294,763	460,000	-	-	3,961	24,495	16,667	799,886
Jennifer Lambert	7	*	213,773	210,000	74,766	12,984	3,961	19,240	16,667	551,391
Martyn McCarthy		*	250,613	463,333	130,841	37,670	3,961	21,385	16,667	924,470
Paul Notaras		*	286,418	270,000	-	1,108	3,961	27,155	16,667	605,309
Total			**2,500,417**	**2,241,737**	**380,364**	**440,996**	**23,766**	**218,261**	**83,335**	**5,888,876**

[1] Non-monetary benefits for *Key Management Personnel* relates to interest free loans provided in previous years to acquire Group securities (in lieu of cash bonuses and with fixed forgiveness subject to continued employment) and comprises amounts for portions of loans forgiven during the year (including associated FBT cost)
[2] Share based payments for *Key Management Personnel* relates to 2 year options granted as at 1 November 05 as described in section 5.3 of the remuneration report.
[3] Non-monetary benefits represent fees for consultancy services. The fees have been used to reduce the loan on Group securities. (NB It is expected that those arrangements will be terminated prior to 31 December 2006)
[4] Non-monetary benefits includes fees for consultancy services ($40,000) which have been used to reduce the loan on Group securities. Also included is FBT cost ($58,236) in respect of part loan forgiven during the year. (NB It is expected that these arrangements will be terminated prior to 31 December 2006)
[5] Non-monetary benefits represent FBT cost on loans forgiven during the year. Cash bonus amount relates to FY05.
[6] Cash bonus includes $100,000 payable Dec 06. Payment is subject to continued employment with Valad up to that date.
[7] Returned from maternity leave in August 05

Remuneration report (continued)

11. Options granted to Key Management Personnel (un-audited)

11.1 Details of options (including performance rights) granted

Name	Year Granted	Vested %	Financial Years in which options may vest	Maximum total value of grant yet to vest $
Directors of Valad Funds Management Limited				
Stephen Day	2007	-	2008	157,870
	2007	-	2009	208,334
	2007	-	2008	20,833
Peter Hurley	2007	-	2008	145,197
	2007	-	2009	191,667
	2007	-	2008	20,833
Key management personnel of the Group				
Chris Carroll	2007	-	2008	35,963
	2007	-	2009	95,900
	2006	-	2008	8,333
Shaun Hannah	2007	-	2008	90,749
	2007	-	2009	121,039
	2006	-	2008	8,333
Jennifer Lambert	2007	-	2008	39,417
	2007	-	2009	105,112
	2006	-	2008	8,333
Martyn McCarthy	2007	-	2008	91,500
	2007	-	2009	122,092
	2006	-	2008	8,333
Paul Notaras	2007	-	2008	87,249
	2007	-	2009	116,199
	2006	-	2008	8,333

No options will vest if the performance conditions underlying each option grant are not satisfied, hence the minimum value of the options yet to vest is nil.

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.

	A Remuneration consisting of options	B Value at Grant date	C Value at exercise date	D Value at lapse date	Total of columns B-D
Directors of Valad Funds Management Limited					
Stephen Day	42.6%	753,241	0	0	753,241
Peter Hurley	39.7%	702,895	0	0	702,895
Key management personnel of the Group					
Chris Carroll	27.8%	215,776	0	0	215,776
Shaun Hannah	44.9%	363,057	0	0	363,057
Jennifer Lambert	26.8%	236,502	0	0	236,502
Martyn McCarthy	26.2%	366,138	0	0	366,138
Paul Notaras	44.2%	348,798	0	0	348,798

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.
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 at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Valad Property Trust

Directors' Report
(continued)

Fees paid to the responsible entity or its associate
Fees paid to VCML and its associates out of Trust property during the year were $3,427,378 (2006: $2,590,757) for responsible entity fees. No fees were paid out of the Trust property to the directors of the responsible entity during the financial period.

Indemnification and insurance of officers and auditors
No insurance premiums are paid out of the assets of the Consolidated entity in respect of insurance cover provided for the directors of VCML or the auditors of the Consolidated entity. So long as the officers of VCML act in accordance with the constitution and the law, the officers remain indemnified out of the assets of the Consolidated entity against losses incurred while acting on behalf of the Consolidated entity. The auditors of the Consolidated entity are in no way indemnified out of assets of the Consolidated entity.

Rounding of amounts
The Consolidated entity is a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars, in accordance with that class order, unless otherwise indicated.

Non-audit services
The responsible entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the trust and/or the 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.

Non-audit services (continued)

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Audit services -				
PricewaterhouseCoopers Australian firm				
Audit and review of the financial reports and other audit work under the *Corporations Act 2001*	**126,000**	188,100	**126,000**	188,100
Total remuneration for audit services	**126,000**	188,100	**126,000**	188,100
Other assurance services -				
PricewaterhouseCoopers Australian firm				
Other audit services	**-**	11,000	**-**	11,000
Total remuneration for other assurance services	**-**	11,000	**-**	11,000
Total remuneration for assurance services	**126,000**	199,100	**126,000**	199,100
Non-audit services -				
PricewaterhouseCoopers Australian firm				
Tax compliance services including review of trust tax returns	**89,540**	30,280	**89,540**	30,280
Other tax consulting	**-**	7,470	**-**	7,470
Tax and accounting for property acquisitions/disposals	**3,125**	31,670	**3,125**	-
Tax and accounting advice on fund establishment	**-**	116,160	**-**	-

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 17.

Auditor
PricewaterhouseCoopers continues in office as auditors for the Consolidated entity in accordance with section 327 of the *Corporations Act 2001*.

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

Stephen Day
Executive Chairman

Sydney
23 August 2007

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Auditor's Independence Declaration

As lead auditor for the audit of Valad Property Trust for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Valad Property Trust and the entities it controlled during the year.

D A Prothero
Partner
PricewaterhouseCoopers

Sydney
23 August 2007

Valad Property Trust

Discussion and Analysis of the Consolidated Financial Statements

Income statement

Net profit after tax was $104,606,000 (2006: $56,926,000) for the financial year ending 30 June 2007, which is 84% higher than prior year. Underlying earnings was $63,837,000 (2006: $49,810,000) for the financial year ending 30 June 2007, which is 28% higher than prior year. The major adjustments between earnings reported under AIFRS and underlying earnings are the fair value adjustments on investment property relating to both the Consolidated entity's properties $42,071,000 (2006: $1,814,000) and the Consolidated entity's share of associate's properties nil (2006: $5,535,000).

Distributions are as forecast at 5.67 cents per stapled security for the half year to 30 June 2007, making 11.07 cents the full year distribution for the financial year to 30 June 2007.

Total income was $103,680,000 (2006: $76,950,000) which is 35% higher than prior year. The key differences between the current year and prior year results were:

- greater rental income primarily due to the acquisition of 575 Bourke Street, Melbourne and Bulky goods centres at Shellharbour and Toowoomba, a full year's receipt of rental income for properties acquired in the prior financial year including 207 Pacific Highway, offset by the loss of rental income from 321 Exhibition Street which was sold in the prior year

Consolidated entity's underlying expenses were $41,879,000 (2006: $29,030,000) which is 44% higher than prior year primarily due to:

- increased borrowing costs due to additional borrowings to fund Crownstone, and
- increased property outgoings due to additional rental income properties being acquired

Balance Sheet

Total assets were $1,129,367 (2006: $978,995,000) as at 30 June 2007. The key assets acquired during the year were:

Property	**Purpose**
Wetherill Park, NSW	Industrial/office warehouse complex for passive investment

The key assets disposed during the year were:

Property	**Purpose**
Home Central, West Gosford NSW	Sold to Century Funds Management July 06
BankWest Tower, Perth VIC	Sold to Stockland April 07
575 Bourke Street, Melbourne VIC	Sold to Valad Core Plus Fund May 07
132 Arthur Street, North Sydney NSW	Sold to Valad Core Plus Fund May 07
189 Coronation Drive, Milton NSW	Sold to Valad Core Plus Fund May 07
Tuggerah Business Park, NSW	Sold to Valad Core Plus Fund May 07
Tempe, NSW	Sold to Valad Core Plus Fund May 07

Receivables significantly increased from prior year due to new preferred equity loans provided to third parties by Valad Capital Services. In particular, the Crownstone transaction represented the Group's first investment into the European market.

Discussion and Analysis of the Consolidated Financial Statements (continued)

Cash flow statement

The significant cash flow movements from operating activities resulted from:

- rental revenue from existing investment property, including warehoused assets
- borrowing costs on the corporate debt facility

The significant cash flow movements from investing activities resulted from:

- Acquisition of investment property at Wetherill Park, NSW
- Sale of BankWest Tower, Perth
- Sale of Level 8 & 9, 1 Chifley Square for $13.6m
- Continued expenditure on properties under construction which reached practical completion during the year including Home Central, Kawana and Home Central, Albion Park (Shell harbour)

The significant cash flow movements from financing activities resulted from:

- capital raisings throughout the year including a share placement and a share purchase plan in addition to proceeds from the dividend reinvestment plan
- distributions paid net of dividend reinvestment plan
- proceeds of borrowings from external financiers to assist with property acquisitions

Valad Property Trust

Financial Statements
Income Statement
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Revenue	7	**103,401**	76,878	**104,551**	60,114
Other income		**279**	72	**279**	72
Finance costs	8	**(28,608)**	(19,427)	**(17,533)**	(8,468)
Investment property expenses		**(8,511)**	(6,171)	**(154)**	-
Repairs and maintenance		**(755)**	(375)	**(6)**	-
Management fee		**(3,427)**	(2,591)	**(3,427)**	(2,591)
Other expenses	8	**(578)**	(466)	**(573)**	(460)
Net gain/(loss) from fair value adjustments on investment property		**42,071**	1,814	**-**	-
Net gain from fair value adjustments on investment property – associates		**-**	5,535	**-**	-
Fair value losses on forward exchange cash flow hedge contracts		**(863)**	-	**-**	-
Depreciation expense		**-**	33	**-**	33
Share of net profits of associates accounted for using the equity method		**1,597**	1,624	**-**	-
Profit for the year		**104,606**	56,926	**83,137**	48,700
Profit attributable to unit holders of Valad Property Trust		**104,606**	56,926	**83,137**	48,700
Distributions paid and payable	26	**81,511**	56,113	**81,511**	56,113

	Notes	**Cents per unit**	Cents per unit
Distributions paid and payable	26	**11.07**	10.3
Basic and diluted earnings	4	**15.4**	10.8

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

Valad Property Trust

Balance Sheet
As at 30 June 2007

		Consolidated		Parent	
	Notes	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Current assets					
Cash and cash equivalents	9	**2,457**	2,535	**954**	221
Receivables	10	**1,414**	2,112	**556**	122
Other	11	**338**	2,656	**49**	1,081
Derivative financial instruments	18	**665**	-	**341**	-
Total current assets		**4,874**	7,303	**1,900**	1,424
Non-current assets					
Receivables	12	**620,697**	339,771	**708,666**	431,714
Investment in controlled entities	13	**-**	-	**407,799**	407,739
Investments accounted for using the equity method	14	**30,903**	28,512	**20,620**	20,117
Other investments	15	**37,408**	-	**37,408**	-
Property, plant & equipment	16	**-**	82,343	**-**	13,321
Investment property	17	**417,593**	517,718	**18,482**	-
Derivative financial instruments	18	**17,892**	3,348	**6,991**	2,314
Total non-current assets		**1,124,493**	971,692	**1,199,966**	875,205
Total assets		**1,129,367**	978,995	**1,201,866**	876,629
Current liabilities					
Payables	19	**5,272**	6,118	**1,785**	1,063
Provisions	20	**46,959**	28,402	**46,959**	28,402
Total current liabilities		**52,231**	34,520	**48,744**	29,465
Non-current liabilities					
Payables	21	**-**	-	**93,113**	118,292
Interest bearing liabilities	22	**204,062**	409,203	**204,062**	188,773
Derivative financial instruments	18	**1,083**	-	**-**	-
Total non-current liabilities		**205,145**	409,203	**297,175**	307,065
Total liabilities		**257,376**	443,723	**345,919**	336,530
Net assets		**871,991**	535,272	**855,947**	540,099
Unit holders' funds					
Contributed equity	23	**840,385**	532,989	**840,385**	532,989
Reserves	24	**(7,390)**	(4,807)	**9,140**	2,314
Undistributed income	25	**38,996**	7,090	**6,422**	4,796
Total unit holders' funds		**871,991**	535,272	**855,947**	540,099

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

Valad Property Trust

Statement of Changes in Equity
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Total equity at the beginning of the year		**535,272**	465,291	**540,099**	479,547
Adjustment on adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, net of tax:					
Cash flow hedges, net of tax	24	**-**	627	**-**	(51)
Restated total equity at the beginning of the financial year		**535,272**	465,918	**540,099**	479,496
Changes in the fair value of cash flow hedges, net of tax		**4,421**	2,891	**5,019**	2,366
Changes in the fair value of financial assets, net of cash		**1,808**	-	**1,808**	-
Net income recognised directly in equity		**6,229**	2,891	**6,827**	2,366
Profit for the year		**104,606**	56,926	**83,137**	48,700
Total recognised income and expense for the year		**110,835**	59,817	**89,964**	51,066
Transactions with unit holders in their capacity as unit holders:					
Contributions of equity		**307,617**	69,509	**307,617**	69,509
Equity raising costs		**(3,892)**	(763)	**(3,892)**	(763)
Distributions provided for or paid	26	**(81,511)**	(56,113)	**(81,511)**	(56,113)
Employee securities ownership plan		**3,670**	(3,096)	**3,670**	(3,096)
		225,884	9,537	**225,884**	9,537
Total equity at the end of the year		**871,991**	535,272	**855,947**	540,099

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

Valad Property Trust

Cash Flow Statement

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		**63,566**	45,139	**7,294**	449
Cash payments in the course of operations		**(17,845)**	(15,979)	**(3,840)**	(4,659)
Interest received		**10,798**	736	**3,110**	3,015
Distributions received		**26**	1,883	**26**	1,883
Borrowing costs paid		**(31,093)**	(20,819)	**(20,947)**	(8,521)
Net cash inflow/(outflow) from operating activities		**25,452**	10,960	**(14,357)**	(7,833)
Cash flows from investing activities					
Purchase of controlled entities		**-**	-	**(59)**	(50,948)
Purchase of investments		**(36,128)**	-	**(36,128)**	-
Proceeds from sale of property, plant and equipment		**-**	-	**13,600**	-
Proceeds from sale of investment property		**303,599**	-	**-**	-
Purchase of investment properties		**(62,129)**	(136,861)	**(17,608)**	-
Capital expenditure on investment properties		**(29,224)**	(15,623)	**-**	-
Proceeds from sale of property, plant and equipment		**13,600**	-	**-**	-
Capital expenditure on property, plant and equipment		**-**	(41,754)	**-**	-
Loan to third party		**(247,073)**	-	**(3,723)**	-
Repayment of loan from related party		**619,081**	152,757	**916,433**	342,111
Loan to related party		**(626,938)**	(277,837)	**(1,119,264)**	(490,628)
Net cash (outflow) from investing activities		**(65,212)**	(319,318)	**(246,749)**	(199,465)
Cash flows from financing activities					
Net proceeds from issue of units		**244,663**	54,786	**244,663**	54,786
Payment for issue costs		**-**	(762)	**-**	(762)
Distribution paid		**-**	(36,689)	**-**	(36,689)
Proceeds from borrowings		**407,377**	592,806	**407,376**	479,972
Repayment of borrowings		**(612,358)**	(304,401)	**(390,200)**	(291,951)
Proceeds from borrowings – related parties		**-**	-	**-**	-
Repayment of borrowings - related parties		**-**	-	**-**	-
Net cash inflow/(outflow) from financing activities		**39,682**	305,740	**261,839**	205,356
Net increase/(decrease) in cash held		**(78)**	(2,618)	**733**	(1,942)
Cash at the beginning of the financial year		**2,535**	5,153	**221**	2,163
Cash at the end of the financial year	9	**2,457**	2,535	**954**	221
Reconciliation of net profit to net cash inflow/(outflow) from operating activities	34				
Non-cash financing and investing activities	35				

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

Valad Property Trust

Notes to the Financial Statements
For the year ended 30 June 2007

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Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Valad Property Trust as an individual entity and the consolidated entity consisting of Valad Property Trust and its controlled entities.

The units in the Trust are ‘stapled’ to the shares in Valad Funds Management Limited (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.

The two entities comprising the Group remain separate legal entities in accordance with the *Corporations Act 2001* and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Regulations.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 23 August 2006.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the consolidated financial statements and notes of Valad Property Trust comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

Early adoption of standards
The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property at fair value through profit and loss.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Note 1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Valad Property Trust as at 30 June 2007 and the results of all subsidiaries for the year then ended. Valad Property Trust and its subsidiaries together are referred to in this financial report as the Consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Valad Property Trust.

(ii) Associates

Associates are all entities over which the Consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Consolidated entity's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Consolidated entity and its associates are eliminated to the extent of the Consolidated entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity.

Note 1 Summary of significant accounting policies (continued)

(iii) *Joint ventures*
Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

Joint venture entities
The interest in a joint venture is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Consolidated entity's ownership interest until such time as they are realized by the joint venture on consumption or sale, unless they relate to an unrealized loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

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

(d) Foreign currency translation

(i) *Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Valad Property Group's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

(iii) *Group companies*
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity

(d) Foreign currency translation (continued)

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

(i) *Lease income*
Rental income from operating leases is recognised in income on a straight-line basis over the lease term. An asset is recognised to represent the portion of an operating lease income in a reporting period relating to fixed increases in operating lease rentals in future period. When Valad Property Trust provide lease incentives to tenants, the cost of the incentives are recognised over the lease term, on a straight line basis, as a reduction of rental income.

(ii) *Funds management fees*
Funds management fees are brought to account on an accruals basis and, if not received at balance date are reflected in the balance sheet as a receivable. Where management fees are derived in respect of an acquisition or disposal of property the fees are recognised where all criteria for entitlement are met. Where management fees are earned over the life of a project, fees are recognised progressively over this term.

(iii) *Interest and investment income*
Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

(iv) *Disposal of assets*
The gain or loss on disposal of re-valued assets is calculated as the difference between the carrying amount of the asset at the time of the disposal and the proceeds on disposal and is included in the income statement in the year of disposal.

(f) Income tax

Under current legislation, Valad Property Trust and its controlled entities is not liable for tax, provided that taxable income and taxable realised gains are fully distributed to unit holders each year.

Note 1 Summary of significant accounting policies (continued)

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Investment property

(i) *Investment property*
Investment property comprise investment interests in land and building held for long term rental yields that is not occupied by the Consolidated entity. Investment property is carried at fair value, representing open-market value determined tri-annually by external valuers. Land and buildings (including integral plant and equipment) that comprise investment property are not depreciated. The carrying amount includes components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods. Changes in fair values are recorded in the income statement as part of other income.

(ii) *Investment property under development*
Property under development for future use as investment property is classified within property, plant and equipment and valued at the lower of cost and recoverable amount until development is complete.

(iii) *Owner occupied investment properties*
Where the Consolidated entity occupies a significant portion of a building, that building is classified within property, plant and equipment.

(i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	100 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(j) Cash and cash equivalents

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

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for doubtful debts. The collectability of debts is reviewed on a regular basis and a specific provision is made for any doubtful debts.

Note 1 Summary of significant accounting policies (continued)

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Consolidated entity currently utilises only cash flow hedges.

The Consolidated entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholder's equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset of liability when the remaining maturity of the hedged item is less than 12 months.

(i) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Note 1 Summary of significant accounting policies (continued)

(m) Fair value estimation

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

The fair value of financial instruments traded in active markets such as listed securities is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques, discounted cash flows or other techniques as appropriate.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Payables

These amounts represent liabilities for goods and services provided to the Consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) Provisions

Provisions are recognised when the Consolidated entity has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

(r) Contributed equity

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new units or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Notes to the Financial Statements

30 June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(s) Distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(t) Earnings per unit

(i) Basic earnings per unit

Basic earnings per unit is calculated by dividing net profit attributable to unit holders of the Trust, by the weighted average number of ordinary units outstanding during the financial year, adjusted for the weighted average number of units assumed to have been issued for no consideration in relation to employee share loans.

(ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account dilutive potential securities.

(iii) Underlying earnings per unit

Basic and diluted underlying earnings per unit is calculated by dividing net profit adjusted for the amortisation of lease incentives and fair value adjustment on investment properties, by the weighted average number of ordinary securities outstanding during the financial year.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(v) Rounding of amounts

The Trust is of 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 1 Summary of significant accounting policies (continued)

(w) New accounting standards and UIG interpretations

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

(i) AASB 7 *Financial Instruments: Disclosures and* AASB 2005-10 *Amendments to Australian Accounting standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1032 & AASB 1038)*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent's financial instruments.

(ii) AASB-I 10 *Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to annual reporting periods beginning on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(iii) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038)*

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but will affect the segment disclosures provided in Note 4.

(iv) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)

AASB 2007-4 is applicable to annual reporting periods beginning on or after 1 July 2007. The Group has not adopted this standard early. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements, other than those now considered particularly relevant in the Australian reporting environment. Application of this standard will not affect any of the amounts recognised in the financial statements as none of the options introduced are relevant to the Group, but it may remove some of the disclosures that are currently required.

Note 2 Financial risk management

The Consolidated entity's activities expose it to a variety of financial risks; cash flow interest rate risk, credit risk, liquidity risk and market risk (including currency risk). The Consolidated entity's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated entity. The Consolidated entity uses derivative financial instruments such as interest rate swaps, forward rate agreements and cross currency swaps to hedge certain risk exposures.

Aspects of risk management are carried out by a central treasury group (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

(a) Cash flow interest rate risk

The Consolidated entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Consolidated entity to cash flow interest rate risk.

The Consolidated entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Consolidated entity raises long-term borrowings at floating rate and swaps them into fixed rates that are lower than those available if the Consolidated entity borrowed at fixed rates directly. Under the interest rate swaps, the Consolidated entity agrees with other parties to exchange, at specified intervals the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

(b) Credit risk

Credit risk for the Consolidated entity pertains to:

- the risk that a tenant will fail to honour the terms of the lease agreement under a contract
- the risk that a borrower will fail to repay principal and interest under a contract

Credit risk has been minimised by undertaking credit references and ensuring that tenants and borrowers have strong financial standing. Where appropriate, bank guarantees or other forms of security are obtained. Rent receivable and project performance are monitored on a monthly basis at management meetings.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Consolidated entity operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Euro. Forward rate agreements and cross currency swaps, transacted with Group Treasury, are used to manage foreign exchange risk.

(ii) Price risk

Price risk is the risk that the value of the Consolidated entity's investment portfolio (consisting of financial assets and investment property) will fluctuate as a result of changes in valuations. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

Note 3 Critical accounting estimates and assumptions

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of investment property

The Consolidated entity determines the fair value from either:

- external valuations conducted by registered valuers; or
- internal valuations based on:
  - current net market income capitalised in perpetuity which may be adjusted for current or pending vacancies, leasing costs, incentives and capital expenditure. A capitalisation rate is applied based on current market yields.
  - an analysis of market information such as current sales and conditions, market rents and yields is conducted in consultation with third parties such as agents, valuers and research commentaries.

(ii) Fair value of derivatives

The Group bases the fair value of derivatives on external valuations conducted by banks.

Note 4 Earnings per unit

	Consolidated **2007**	Consolidated 2006
Basic and diluted earnings per unit (cents)	**15.4**	10.8
Basic and diluted underlying earnings per unit (cents)	**9.3**	9.3

a) Reconciliation of earnings used in calculating earnings per unit

	Consolidated **2007 $'000**	Consolidated 2006 $'000
Basic earnings per unit		
Net profit	**104,606**	56,926
Diluted earnings per unit		
Net profit	**104,606**	56,926
Basic and diluted underlying earnings per unit		
Net profit	**104,606**	56,926
Amortisation of lease incentives	**1,098**	233
Rental income straight line adjustment	**(659)**	-
Fair value adjustment on investment property	**(42,071)**	(1,814)
Fair value adjustment on investment property - associates	**-**	(5,535)
Fair value losses on forward exchange cash flow hedge contracts	**863**	-
Underlying earnings	**63,837**	49,810

b) Weighted average number of units used as the denominator

	Consolidated **2007 '000**	Consolidated 2006 '000
Weighted average number of units used as the denominator in calculating basic and diluted earnings per unit	**681,042**	528,454
Adjustments for calculation of underlying earnings per unit:		
Employee securities ownership plan	**4,183**	7,896
Weighted average number of units and potential units used as the denominator in calculating basic and diluted underlying earnings per unit	**685,225**	536,350

c) Information concerning the classification of securities

i) Employee securities ownership plan – Employee share loans granted to employees are considered to be potential ordinary units and have been included in the determination of diluted earnings per unit to the extend to which they are dilutive. They have not been included in the determination of basic earnings per unit.

Note 5 Segment information

(a) The Consolidated entity operates solely in the business of passive property investment and made its first investments in international markets.

(b) Primary reporting format – geographic segments

30 June 2007	Australia/New Zealand $'000	Europe $'000	Unallocated/ Eliminations $'000	Consolidated $'000
Segment revenue				
Rent from investment properties	51,810	-	-	51,810
Other revenue	43,719	8,151	-	51,870
Total segment revenue and other income	95,529	8,151	-	103,680
Fair value adjustment to investment properties	42,071	-	-	42,071
Share of net profit of associates and joint ventures	1,597	-	-	1,597
Total income	139,197	8,151	-	147,348
Segment result	96,455	8,151		104,606
Segment assets	893,153	236,214	-	1,129,367
Segment liabilities	257,376	-	-	257,376
Other segment information				
Investment in associates	30,903	-	-	30,903
Acquisition of investment properties	45,140			45,140
Depreciation expense	-	-	-	-
Other non-cash expenses	863	-	-	863

Note 5 Segment information (continued)

30 June 2006	Australia/New Zealand $'000	Europe $'000	Unallocated/ Eliminations $'000	Consolidated $'000
Segment revenue				
Rent from investment properties	39,354	-	-	39,354
Other revenue	37,596	-	-	37,596
Total segment revenue and other income	76,950	-	-	76,950
Fair value adjustment to investment properties	1,814	-	-	1,814
Fair value adjustment to investment properties – associates	5,535	-	-	5,535
Share of net profit of associates and joint ventures	1,624	-	-	1,624
Total income	85,923	-	-	85,923
Segment result	56,926	-	-	56,926
Segment assets	978,995	-	-	978,995
Segment liabilities	443,723	-	-	443,723
Other segment information				
Investment in associates	28,512	-	-	28,512
Acquisition of investment properties	144,555	-	-	144,555
Depreciation expense	33	-	-	33
Other non-cash expenses	-	-	-	-

Note 6 Remuneration of auditors

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Audit services -				
PricewaterhouseCoopers Australian firm				
Audit and review of the financial reports and other audit work under the *Corporations Act 2001*	**126,000**	188,100	**126,000**	188,100
Total remuneration for audit services	**126,000**	188,100	**126,000**	188,100
Other assurance services -				
PricewaterhouseCoopers Australian firm				
Other audit services	**-**	11,000	**-**	11,000
Total remuneration for other assurance services	**-**	11,000	**-**	11,000
Total remuneration for assurance services	**126,000**	199,100	**126,000**	199,100
Non-audit services -				
PricewaterhouseCoopers Australian firm				
Tax compliance services including review of trust tax returns	**89,540**	30,280	**89,540**	30,280
Other tax consulting	**-**	7,470	**-**	7,470
Tax and accounting for property acquisitions/disposals	**3,125**	31,670	**3,125**	-
Tax and accounting advice on fund establishment	**-**	116,160	**-**	-

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 7 Revenue

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Rental income	**52,249**	39,587	**1,469**	-
Straight line adjustment	**659**	-	**-**	-
Amortisation of lease incentives	**(1,098)**	(233)	**-**	-
	51,810	39,354	**1,469**	-
Fee income	**5,603**	2,741	**5,603**	-
Distribution income from controlled entities	**-**	-	**58,787**	22,979
Interest income	**45,988**	34,783	**38,692**	37,135
	103,401	76,878	**104,551**	60,114

Note 8 Expenses

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Profit before income tax includes the following specific expenses:				
Finance costs				
Gross interest and finance charges paid/payable	**28,608**	19,427	**17,533**	8,468
Less: Capitalised interest	**-**	-	**-**	-
Interest and finance charges paid/payable	**28,608**	19,427	**17,533**	8,468
Other expenses				
Administration expenses	**452**	267	**447**	261
Auditors' remuneration	**126**	199	**126**	199
	578	466	**573**	460

Note 9 Current cash assets

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash at bank and on hand	**2,457**	2,535	**954**	221

a) **Reconciliation to cash at the end of the year** - The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement of as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Balances as above	**2,457**	2,535	**954**	221
Balances per cash flow statement	**2,457**	2,535	**954**	221

b) **Cash at bank and on hand** - Cash on hand is non-interest bearing while cash at bank bears floating interest rates between 4.5% and 4.8% (2006: 3.0% – 5.7%)

Note 10 Current receivables

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Trade debtors	**388**	958	**3**	
Provision for doubtful debts	**(50)**	(73)	**-**	-
	338	885	**3**	-
Other debtors	**165**	85	**15**	-
Accrued income	**413**	-	**200**	-
GST receivable	**498**	1,142	**338**	122
	1,414	2,112	**556**	122

a) **Bad and doubtful debts** - The Consolidated entity has recognised a loss of $47,000 in respect of bad and doubtful debts during the year ended 30 June 2007 (2006: $78,000). The loss has been included in 'investment property expenses' in the income statement.

b) **Effective interest rates and credit risk** - Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non current receivables note 12.

Note 11 Current other

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Deferred costs on prospective purchases	**-**	561	**-**	48
Prepayments	**337**	1,221	**49**	159
Deposits	**1**	874	**-**	874
	338	2,656	**49**	1,081

Note 12 Non current receivables

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Loans to third parties	**236,213**	-	**3,611**	-
Loans to related parties	**384,484**	339,771	**384,381**	339,771
Loans to controlled entities	**-**	-	**320,674**	91,943
	620,697	339,771	**708,666**	431,714

a) **Loans to related parties** - Refer to note 29 for information on loans to related parties.

b) **Fair values** – The fair values and carrying values of non-current receivables of the Consolidated entity are as follows:

	2007		2006	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Loans to third parties	**236,213**	**236,213**	-	-
Loans to related parties	**384,484**	**384,484**	339,771	339,771
Loans to controlled entities	**-**	**-**	-	-
	620,697	**620,697**	339,771	339,771

Note 12 Non current receivables (continued)

c) **Interest rate risk** – The Consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

30 June 2007	**Floating interest rate $'000**	**More than 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Receivables	**-**	**-**	**1,414**	**1,414**
Loan to third party	**-**	**236,213**	**-**	**236,213**
Loan to related party	**-**	**384,484**	**-**	**384,484**
	-	**620,697**	**1,414**	**622,111**
Weighted average interest rate	**-**	**9.5%**	**-**	

30 June 2006	Floating interest rate $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Receivables	-	-	2,112	2,112
Loan to related party	-	339,771	-	339,771
	-	339,771	2,112	341,883
Weighted average interest rate	**-**	9.2%	**-**	

d) **Credit risk** – There is no concentration of credit risk with respect to current and non-current receivables, as there is a broad range of tenant debtors over the property portfolio. Loan to third party relates to a preferred equity loan to a single borrower. The transaction occurred in February 07 and extensive due diligence was undertaken on the underlying assets. Loan to related party refers to the loan to Valad Funds Management Limited. Refer to note 2 for more information on the risk management policy of the Consolidated entity.

Note 13 Non current investment in controlled entities

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Investment in Controlled Entities	-	-	**407,799**	407,739

Refer to note 31 for details of Controlled Entities

Note 14 Non current investments accounted for using the equity method

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Investment in KVSI Trust	**30,375**	28,512	**20,092**	20,117
Investment in VHP Holdings Trust	**528**	-	**528**	-
	30,903	28,512	**20,620**	20,117

Refer to note 32 for details of Investments accounted for using the equity method

Note 15 Other investments

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Investment in Valad Core Plus Fund	**37,408**	-	**37,408**	-
	37,408	-	**37,408**	-

Note 16 Non current property, plant and equipment

	Consolidated: Property under construction $'000	Consolidated: Owner occupied premises $'000	Consolidated: Total $'000	Parent: Owner occupied premises $'000	Parent: Total $'000
At 1 July 2005					
- Cost	27,268	13,321	40,589	13,321	13,321
Accumulated depreciation	-	(33)	(33)	(33)	(33)
Net book amount	27,268	13,288	40,556	13,288	13,288
Year ended 30 June 2006					
Opening net book amount	27,268	13,288	40,556	13,288	13,288
Additions	41,754	-	41,754	-	-
Disposals	-	-	-	-	-
Depreciation charge	-	33	33	33	33
Closing net book amount	69,022	13,321	82,343	13,321	13,321
At 30 June 2006					
- Cost	69,022	13,321	82,343	13,321	13,321
Accumulated depreciation	-	-	-	-	-
Net book amount	69,022	13,321	82,343	13,321	13,321
Year ended 30 June 2007					
Opening net book amount	69,022	13,321	82,343	13,321	13,321
Additions	17,544	-	17,544	-	-
Disposals	-	(13,321)	(13,321)	(13,321)	(13,321)
Transfers to investment property	(86,566)	-	(86,566)	-	-
Closing net book amount	-	-	-	-	-
At 30 June 2007					
- Cost	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation	**-**	**-**	**-**	**-**	**-**
Net book amount	**-**	**-**	**-**	**-**	**-**

a) **Property under construction** – The Consolidated entity previously had a number of properties under construction which upon completion were reclassified to investment property. They included: Home Central, Kawana**,** Tuggerah Industrial Development and Bulky Goods, Shellharbour.

b) **Owner occupied premises** – During the year, the Consolidated entity had a direct interest in Level 8 and Level 9, 1 Chifley Square, Sydney from which it operated. The property was sold in October 2006 and Level, 7, 8 and 9 were leased back to the Group.

c) **Non-current assets pledged as security** - Refer to note 22 for information on non current assets pledged as security by the parent entity and its controlled entity.

Note 17 Non current investment property

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Non-current				
Office	**151,533**	333,397	**-**	-
Bulky goods	**234,462**	171,221	**-**	-
Industrial	**31,598**	13,100	**18,482**	-
	417,593	517,718	**18,482**	-

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

	Consolidated	
	2007	2006
	$'000	$'000
Opening balance at 1 July	**517,718**	363,550
Acquisitions	**45,140**	144,555
Capital expenditure	**25,233**	2,794
Lease incentives	**1,862**	5,005
Straight line rental income	**659**	-
Disposals	**(301,656)**	-
Transfer from property, plant and equipment	**86,566**	-
Net gain/(loss) from fair value adjustment	**42,071**	1,814
Closing balance at 30 June	**417,593**	517,718

Properties held directly or indirectly by the Consolidated entity are classified in the balance sheet under the following categories:

Property portfolio	**Note**	**Classified under**	**Consolidated book value 30/6/07**	Consolidated book value 30/6/06
Investment property	17	Investment property	**417,593**	517,718
Owner occupied building	16	Property, plant and equipment	**-**	13,321
Property under construction	16	Property, plant and equipment	**-**	69,022
Investment in associates	17	Investments accounted for using the equity method	**50,747**	41,767
Total property portfolio			**468,340**	641,828

Note 17 Non current investment property (continued)

Investment property	Acquisition date	Purchase price	Cost and additions	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30/6/07	Consolidated book value 30/6/06
		$'000	$'000		$'000		$'000	$'000
Non current								
- Office								
Airport Central, Mascot, NSW	18/12/02	66,250	78,287	30/6/05	78,000	Savills (NSW)	**82,917**	78,837
575 Bourke St, Melbourne, VIC	-	-	-	-	-	-	**-**	53,275
189 Coronation Drive, Milton, QLD	-	-	-	-	-	-	**-**	10,511
132 Arthur St, North Sydney, NSW	-	-	-	-	-	-	**-**	30,024
BankWest Tower, Perth, WA (50%)	-	-	-	-	-	-	**-**	92,500
207 Pacific Highway, St Leonards, NSW (50%)	31/8/04	58,500	63,333	30/6/06	68,250	Savills (NSW)	**68,616**	68,250
- Bulky goods								
Home Central, Chapel Rd Bankstown, NSW	1/3/05	37,570	40,112	1/4/07	40,500	Colliers	**40,500**	39,863
Home Central, Kawana NSW	13/5/05	17,000	82,363	1/4/07	85,000	Colliers	**82,363**	-
Home Central, Windsor Road McGraths Hill, NSW	1/12/04	23,800	33,851	1/4/07	30,000	Colliers	**30,001**	31,949
Bunnings, Moonah, TAS	5/5/05	8,000	8,399	1/4/07	8,100	Colliers	**8,099**	8,403
Bunnings, Oxley, QLD	5/5/05	14,700	15,356	31/3/07	16,200	Colliers	**16,200**	15,209
Durgadin Drive, Shellharbour, NSW	21/12/05	13,850	22,002	1/4/07	19,700	Colliers	**19,700**	14,338
Ruthven Street, Toowoomba, QLD	19/12/05	22,750	23,982	30/3/07	24,000	Colliers	**24,000**	22,750
Bunnings, West Gosford, NSW	31/3/05	11,000	12,453	1/4/07	13,600	Colliers	**13,600**	12,402
Home Central, West Gosford, NSW	-	-	-	-	-	-	**-**	26,307
- Industrial								
Boundary Rd, Richlands, QLD	6/10/05	11,815	12,531	30/6/06	13,100	Knight Frank	**13,116**	13,100
Wetherill Park, NSW	14/7/06	17,480	18,482	26/4/06	18,500	Colliers	**18,481**	-
Total Non current Investment property							**417,593**	517,718
Total Investment property							**417,593**	517,718

Note 17 Non current investment property (continued)

Investment in associates	Acquisition date	Purchase price	Cost and additions	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30/6/07	Consolidated book value 30/6/06
		$'000	$'000		$'000		$'000	$'000
- Self storage								
324-328 Hoddle Street, Abbotsford VIC (50%)	3/11/04	5,306	5,408	30/4/06	4,827	Blackwell Consulting	**4,889**	4,827
6 Newcastle Street, Burleigh Junction QLD (50%)	3/11/04	4,074	4,216	30/4/06	4,536	Blackwell Consulting	**4,661**	4,536
721 Webster Road, Chermside QLD (50%)	3/11/04	2,702	2,718	30/4/06	2,978	Blackwell Consulting	**2,994**	2,978
159 Racecourse Road, Flemington VIC (50%)	3/11/04	2,692	2,729	30/4/06	3,327	Blackwell Consulting	**3,354**	3,327
51 Raleigh Street, Maribyrnong VIC (50%)	3/11/04	4,075	4,248	30/4/06	4,223	Blackwell Consulting	**4,259**	4,223
16-20 Black Street, Milton QLD (50%)	3/11/04	3,593	3,617	30/4/06	6,592	Blackwell Consulting	**6,617**	6,592
140-142 Parraweena Rd, Miranda NSW (50%)	16/8/06	2,914	2,950	29/6/06	2,700	Blackwell Consulting	**2,950**	-
169 Port Hacking Rd, Miranda NSW (50%)	28/8/06	4,945	5,551	29/6/06	4,500	Blackwell Consulting	**5,551**	-
137 Breakfast Creek Road, Newstead QLD (50%)	3/11/04	4,190	4,303	30/4/06	5,639	Blackwell Consulting	**5,752**	5,639
181 Bell Street, Preston VIC (50%)	3/11/04	3,960	4,041	30/4/06	4,075	Blackwell Consulting	**4,121**	4,075
52 Bank Street, West End QLD (50%)	3/11/04	3,567	3,596	30/4/06	5,570	Blackwell Consulting	**5,599**	5,570
Total Investment in associates							**50,747**	41,767

Note 17 Non current investment property (continued)

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 2007 external revaluations were based on independent assessments made by members of the Australian Property Institute.

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

b) Non-current assets pledged as security - Refer to note 22 for information on non current assets pledged as security by the parent entity and its controlled entity.

c) Contractual obligations - Refer to note 27 for disclosure of any 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		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Minimum lease receipts under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	**44,380**	59,902	**1,595**	-
Later than one year, but not later than five years	**142,482**	175,353	**4,591**	-
Later than five years	**60,917**	70,306	**247**	-
	247,779	305,561	**6,433**	-

Note 18 Derivative financial instruments

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current assets				
Interest rate swaps – cash flow hedges	**341**	-	**341**	-
Forward rate agreement – cash flow hedges	**325**	-	**-**	-
Total	**666**	-	**341**	-
Non-current assets				
Interest rate swaps – cash flow hedges	**6,991**	3,348	**6,991**	2,314
Forward rate agreement – cash flow hedges	**10,900**	-	**-**	-
Total	**17,891**	3,348	**6,991**	2,314
Non-current liabilities				
Cross currency swap – cash flow hedges	**1,083**	-	**-**	-
Total	**1,083**	-	**-**	-

a) Instruments used by the consolidated entity – The Consolidated entity is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest in accordance with the Consolidated entity's financial risk management policies.

i) Interest rate swaps – cash flow hedges

Bank loans of the Consolidated entity currently bear an average variable interest rate of 6.45% (2006: 6.64%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The contracts require settlement of net interest receivable or payable at 30 or 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The Group was in a fully hedged at the reporting date (2006: 65%) with contracts timed to expire as the loan repayments fall due. The fixed interest rate rates range between 5.48% and 6.18% (2006: 5.48%-6.18%).

At 30 June 2007, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2007	2006
	$'000	$'000
Less than 1 year	**80,000**	-
1-2 years	**-**	80,000
2-3 years	**131,870**	-
3-4 years	**-**	122,370
4-5 years	**33,865**	-
Over 5 years	**60,000**	30,201

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised.

Note 18 Derivative financial instruments (continued)

ii) Forward rate agreements – cash flow hedges

Forward Rate Agreements is an agreement between two parties to settle the difference between an agreed level of interest and an actual future level of interest.

At 30 June 2007, the notional principal amounts and periods of expiry of forward rate agreement contracts are as follows:

	2007 $'000	2006 $'000
Less than 1 year	**9,790**	-
3-4 years	**47,480**	-

iii) Cross currency swaps – cash flow hedges

Cross currency swaps are used to swap the interest rate and currency risk on loans. Primarily they have been used by the group to protect the loan made to Crownstone.

At 30 June 2007, the notional principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2007 $'000	2006 $'000
3-4 years	**209,247**	-
4-5 years	**83,699**	-

Note 19 Current payables

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade creditors	**1,477**	1,612	**1,086**	384
Accruals	**2,115**	2,234	**699**	679
GST payable	**657**	670	**-**	-
Rent in advance	**838**	1,464	**-**	-
Lease incentives payable	**185**	138	**-**	-
	5,272	6,118	**1,785**	1,063

Note 20 Current provisions

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Provision for distribution	**46,959**	28,402	**46,959**	28,402
Other provisions	**-**	-	**-**	-
	46,959	28,402	**46,959**	28,402

(a) Movements in provisions

Provision for distributions				
Carrying amount at the beginning of the financial year	**28,402**	23,701	**28,402**	23,701
Additional provision	**46,959**	28,402	**46,959**	28,402
Amounts utilised during the year	**(28,402)**	(23,701)	**(28,402)**	(23,701)
Carrying amount at the end	**46,959**	28,402	**46,959**	28,402

Note 21 Non current payables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Loan from related party	**-**	-	**93,113**	118,292
	-	-	**93,113**	118,292

Note 22 Non current Interest bearing liabilities

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Secured liabilities				
Bank loans (net of borrowing costs)	**204,062**	409,203	**204,062**	188,773
	204,062	409,203	**204,062**	188,773

(a) Assets pledged as security

The carrying amount of assets pledged as security for non current interest bearing liabilities are:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
First mortgage				
Property, plant and equipment (note 16)	**-**	22,348	**-**	13,321
Investment property (note 17)	**417,593**	494,108	**18,482**	-
Total non current assets pledged as security	**417,593**	516,456	**18,482**	13,321
Total assets pledged as security	**417,593**	516,456	**18,482**	13,321

(b) Financing arrangements

The following lines of credit were available at balance date:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Bank loan facilities				
Total facilities	**570,000**	541,393	**570,000**	277,980
Used at balance date (excluding borrowing costs)	**207,107**	412,087	**207,107**	189,930
Unused at balance date	**362,893**	129,306	**362,893**	88,050

Note 22 Non current interest bearing liabilities (continued)

(c) Interest rate risk exposures

The following table sets out the Consolidated entity's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods.

30 June 2007		**FIXED INTEREST MATURING IN**						
	Floating interest rate $'000	**1 year or less $'000**	**Over 1 to 2 years $'000**	**Over 2 to 3 years $'000**	**Over 3 to 4 years $'000**	**Over 4 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Interest bearing liabilities	204,062	-	-	-	-	-	-	204,062
Interest rate swap *	(305,735)	80,000	-	131,870	-	33,865	60,000	-
	(101,673)	80,000	-	131,870	-	33,865	60,000	204,062
Weighted average interest rate	6.45%	5.52%		5.80%		5.94%	5.97%	

* Notional principal amount

30 June 2006		FIXED INTEREST MATURING IN						
	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Interest bearing liabilities	409,203	-	-	-	-	-	-	409,203
Interest rate swap *	(232,571)	-	80,000	-	122,370	-	30,201	-
	176,632	-	80,000	-	122,370	-	30,201	409,203
Weighted average interest rate	6.64%		5.52%		5.80%		5.94%	

* Notional principal amount

(d) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2007		2006	
On-balance sheet	**Carrying amount $'000**	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Non-current				
Bank loans (net of borrowing costs)	**204,062**	**204,062**	409,203	409,203
Total secured non-current borrowings	**204,062**	**204,062**	409,203	409,203

Note 23 Contributed equity

(a) Issued units

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Valad Property Trust	**861,565**	553,947	**861,565**	553,947
Total contributed equity	**861,565**	553,947	**861,565**	553,947
Adjusted for:				
Issue costs	**(16,241)**	(12,348)	**(16,241)**	(12,348)
Employee securities ownership plan	**(4,939)**	(8,610)	**(4,939)**	(8,610)
Net contributed equity	**840,385**	532,989	**840,385**	532,989

The number of securities outstanding at the end of the reporting period was 828,205,647 (2006: 551,492,627).

Note 23 Contributed equity (continued)

(b) Movement in contributed equity

Date		Price	No of units '000	$'000
1-Jul-05	Opening balance		483,692	484,438
11-Aug-05	Share placement	$1.34	48,950	50,742
31-Aug-05	Dividend reinvestment plan – Jun 05	$1.33	5,329	5,016
20-Dec-05	Valad employee security ownership plan	$1.36	114	121
20-Feb-06	Share purchase plan	$1.31	3,866	3,923
24-Feb-06	Dividend reinvestment plan – Dec 05	$1.33	9,542	9,707
30-Jun-06	Closing balance		551,493	553,947
30-Aug-06	Share placement	$1.45	67,700	68,994
31-Aug-06	Dividend reinvestment plan – June 07	$1.38	20,527	21,034
18-Dec-06	Employee securities trust	$1.60	137	145
20-Feb-07	Share placement	$1.78	82,848	94,118
28-Feb-07	Dividend reinvestment plan – Dec 06	$1.61	21,490	24,713
22-Mar-07	Share placement	$1.78	77,971	91,414
5-Apr-07	Share purchase plan	$1.78	6,040	7,200
30-Jun-07	Closing balance		828,206	861,565
	Contributed equity			861,565
	Issue costs			(16,241)
	Employee securities ownership plan			(4,939)
	Net contributed equity			840,385

(c) Valad Property Group stapled securities

At 30 June 2007, there were 828,205,647 units outstanding which have no par value. Each stapled security comprises a share in the Company and a unit in the Trust. They cannot be traded or dealt with separately. Stapled securities entitle the holder to participate in dividends/distributions and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the securities held. On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote. On a poll each ordinary shareholder is entitled to one vote for each fully paid share and each unit holder is entitled to one vote for each one dollar of the value of the units held.

(d) Dividend reinvestment plan issues (DRP)

The Group has established a dividend reinvestment plan, under which, holders of stapled securities may elect to have all, or part of, their dividend entitlements satisfied by the issue of new stapled securities at a discount to the prevailing market price rather than by being paid in cash. Under the stapled security structure the capital raised under the dividend reinvestment plan can be attributed to either Valad Property Trust or the Company. Participants in the DRP pay no brokerage, commission or stamp duty on the issue of the stapled securities. Stapled securities issued under this scheme will rank equally in all respects with existing issued stapled securities, including distribution entitlements. The DRP was suspended on 25 June 2007 until further notice.

(e) Valad employee security ownership plan (ESOP)

The employee security ownership plan rewards staff and aligns their interest to those of security holders through the issue of a nominal number of escrowed securities. Staff remuneration is structured to ensure less reliance on cash based salaries through increased equity participation that aligns staff remuneration with the dividend performance of securities. Moreover, the Valad ESOP securities are issued under escrow for a period of 12 months ensuring they promote staff retention.

Note 24 Reserves

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(a) Capital reserve				
Opening balance	**(8,324)**	(7,747)	**-**	-
Transfer to retained earnings	**(8,811)**	(577)	**-**	-
Closing balance	**(17,135)**	(8,324)	**-**	-
(b) Hedging reserve – cash flow hedges				
Opening balance	**3,517**	-	**2,314**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**-**	627		(51)
Revaluation	**4,420**	2,722	**5,018**	2,365
Revaluation – share of associates	**-**	168		-
Closing balance	**7,937**	3,517	**7,332**	2,314
(c) Fair value reserve				
Opening balance	**-**	-	**-**	-
Revaluation	**1,808**	-	**1,808**	-
Closing balance	**1,808**	-	**1,808**	-
	(7,390)	(4,807)	**9,140**	2,314

(a) Capital reserve

The Capital reserve is used to record the transfer to retained earnings of the entitlement of new equity to distributions accruing prior to the date of issue of those securities totalling $8,811,000 (2006: $577,000).

(b) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(c) Fair value reserve – financial assets

The fair value reserve is used to record gains or losses of financial assets recorded at fair value. Accumulated gains or losses are transferred to the profit and loss when the financial asset is sold.

Note 25 Undistributed income

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Opening balance	**7,090**	5,700	**4,796**	12,209
Net profit	**104,606**	56,926	**83,137**	48,700
Transfer from capital reserve	**8,811**	577	**-**	-
Distributions payable	**(81,511)**	(56,113)	**(81,511)**	(56,113)
Closing balance	**38,996**	7,090	**6,422**	4,796

Note 26 Distributions

	2007 $'000	2006 $'000	2007 Cents per stapled security	2006 Cents per stapled security
31 December interim – paid 28 February 2007	**34,551**	27,711	**5.40**	5.15
30 June final - payable 31 August 2007	**46,960**	28,402	**5.67**	5.15
Total distributions provided or paid	**81,511**	56,113	**11.07**	10.30

Note 27 Commitments

a) Capital commitments

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Capital commitments – development costs					
Commitments in relation to development contracts contracted for at reporting date but not recognised as liabilities payable:					
Within one year		**-**	36,189	**-**	-
		-	36,189	**-**	-
Capital commitments – investment property					
Commitments in relation to capital expenditure on investment properties contracted for at reporting date but not recognised as liabilities payable:					
Within one year		**3,500**	2,915	**-**	-
		3,500	2,915	**-**	-
Capital commitments – properties to be settled					
Commitments in relation to properties to be settled contracted for at reporting date but not recognised as liabilities payable:					
Within one year	(a)	**23,000**	44,182	**-**	-
		23,000	44,182	**-**	-
Capital commitments – tenant obligations					
Commitments in relation to tenant obligations contracted for at reporting date but not recognised as liabilities payable:					
Within one year		**-**	620	**-**	-
		-	620	**-**	-
Capital commitments – other					
Other commitments contracted for at reporting date but not recognised as liabilities payable:					
Within one year	(b)	**58,000**	-	**-**	-
		58,000	-	**-**	-

(a) Includes commitment for settlement of Kirrawee $23m (2006: Properties to be settled include Tempe industrial complex and Wetherill Park industrial/office complex.)

(b) Includes commitments for Crownstone, Development Fund capital calls and other VCS project commitments

Note 28 Key management personnel disclosures

a) Responsible entity

The responsible entity of Valad Property Trust is Valad Commercial Management Limited.

b) Directors

The following persons were directors of Valad Commercial Management Limited during the financial year:

i) Chairman – executive
Stephen Day

ii) Executive directors
Peter Hurley

iii) Non-executive directors
Trevor Gerber
Andrew Martin (Appointed – 16 November 2006)
David Murray (Deceased – 10 March 2007)
Robert Seidler
Barry Wynne (Retired – 7 October 2006)

Kevin MCabe and Ian Robertson were appointed to the Board of Directors on 1 August 2007.

c) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Responsible entity, directly or indirectly, during the financial year:

Name	Position	Employer
Chris Carroll	Group General Counsel	Valad Group Holdings Pty Limited
Shaun Hannah	Group Head – Real Estate Developments	Valad Group Holdings Pty Limited
Jennifer Lambert	Chief Financial Officer	Valad Group Holdings Pty Limited
Jeff Locke	Chief Operating Officer	Valad Group Holdings Pty Limited
Martyn McCarthy	Group Head - Real Estate Investments	Valad Group Holdings Pty Limited
Paul Notaras	Group Head - Funds Management	Valad Group Holdings Pty Limited

All the above persons were also key management persons during the year ended 30 June 2006, except for Jeff Locke who commenced on 1 June 2007. Guy Farrands was a key management person in the year ended 30 June 2006.

d) Key management personnel compensation

	Consolidated		Parent	
	2007 $	2006 $	**2007 $**	2006 $
Short term employee benefits	**9,209,090**	5,587,280	**-**	-
Post-employment benefits	**485,641**	218,261	**-**	-
Other long term benefits	**-**	-	**-**	-
Termination benefits	**1,000,000**	-	**-**	-
Share-based payments	**1,461,454**	83,335	**-**	-
	12,156,185	5,888,876	**-**	-

The table above sets out the compensation for directors and key management personnel in aggregate. Refer to the remuneration report in the Director's Report for details of Valad Property Group's remuneration policy and compensation details by individual.

Note 28 Key management personnel disclosures (continued)

e) Equity instruments disclosures relating to Directors and Key management personnel

i) Options provided as remuneration and securities issued on exercise of such options

Details of options provided as remuneration and stapled securities issued on the exercise of such options together with terms and conditions of the options can be found in the remuneration report on pages 4 to 14.

ii) Option holdings

The number of options over stapled securities in the Group held during the financial year by each director of Valad Commercial Management Limited and key management personnel of the Consolidated entity, including their personally related parties, are set out below.

2007	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Valad Funds Management Limited							
Stephen Day	1,000,000	4,667,461	-	-	5,667,461	1,000,000	4,667,461
Peter Hurley	1,000,000	4,404,385	-	-	5,404,385	1,000,000	4,404,385
Other key management personnel of the Group							
Chris Carroll	555,556	1,108,560	-	-	1,664,116	-	1,664,116
Shaun Hannah	555,556	1,887,358	-	-	2,442,914	-	2,442,914
Jennifer Lambert	555,556	1,215,044	-	-	1,770,600	-	1,770,600
Martyn McCarthy	555,556	1,903,351	-	-	2,458,907	-	2,458,907
Paul Notaras	555,556	1,813,281	-	-	2,368,837	-	2,368,837

2006	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Valad Funds Management Limited							
Stephen Day	1,000,000	-	-	-	1,000,000	1,000,000	-
Peter Hurley	1,000,000	-	-	-	1,000,000	1,000,000	-
Other key management personnel of the Group							
Chris Carroll	555,556	-	-	-	555,556	-	555,556
Shaun Hannah	555,556	-	-	-	555,556	-	555,556
Jennifer Lambert	555,556	-	-	-	555,556	-	555,556
Martyn McCarthy	555,556	-	-	-	555,556	-	555,556
Paul Notaras	555,556	-	-	-	555,556	-	555,556

Note 28 Key management personnel disclosures (continued)

iii) Stapled security holdings

The number of stapled securities in the company held during the financial year by each director of Valad Commercial Management Limited and other key management personnel of the Consolidated entity, including their personally related parties, are set out below.

2007	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Valad Commercial Management Limited				
Stephen Day [1]	7,591,838	-	-	7,591,838
Trevor Gerber	300,000	-	2,808	302,808
Peter Hurley [1]	7,591,838	-	-	7,591,838
Andrew Martin	-	-	25,000	25,000
David Murray	107,706	-	(107,706)	-
Robert Seidler	125,000	-	-	125,000
Barry Wynne [1]	7,482,828	-	(7,482,828)	-
Other key management personnel of the Consolidated entity				
Chris Carroll	501,500	-	(497,192)	4,308
Guy Farrands	891,500	-	(891,500)	-
Shaun Hannah	2,191,980	-	(1,461,980)	730,000
Jennifer Lambert	441,451	-	(438,451)	3,000
Martyn McCarthy	816,487	-	(715,995)	100,492
Paul Notaras	1,977,327	-	(651,493)	1,325,834

[1] Some held beneficially through interposed entities

2006	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Valad Commercial Management Limited				
Stephen Day [1]	10,591,838	-	(3,000,000)	7,591,838
Trevor Gerber	300,000	-	-	300,000
Peter Hurley [1]	10,591,838	-	(3,000,000)	7,591,838
David Murray	100,000	-	7,706	107,706
Robert Seidler	125,000	-	-	125,000
Barry Wynne [1]	8,482,828	-	(1,000,000)	7,482,828
Other key management personnel of the Consolidated entity				
Chris Carroll	529,902	-	(28,402)	501,500
Guy Farrands	904,951	-	(13,451)	891,500
Shaun Hannah	2,653,732	-	(461,752)	2,191,980
Jennifer Lambert	439,951	-	1,500	441,451
Martyn McCarthy	884,209	-	(67,722)	816,487
Paul Notaras	2,393,236	-	(415,909)	1,977,327

[1] Some held beneficially through interposed entities

f) Loans to key management personnel

There were no loans to individuals at any time in 2007 or in the prior year.

Note 28 Key management personnel disclosures (continued)

g) Other transactions with key management personnel

The Company executed "consultancy services agreements" on 10 December 2002 with Mr Barry Wynne and Mr Trevor Gerber, for the provision of consultancy services to the group. Loans of $200,000 each were provided by VCML, which was used to purchase 200,000 stapled securities ("Consultancy Securities") and registered in their names or an associated entity. The consultancy securities were placed on a holding lock and released annually on the anniversary date over a five year period. During the year 30 June 2007, these agreements were terminated and the remaining balance on these loans repaid.

A director, Robert Seidler, is a partner in the firm Blake Dawson Waldron lawyers. Blake Dawson Waldron has provided legal services to the Consolidated entity for several years on normal commercial terms and conditions. Amounts paid/payable may be expensed in the income statement or capitalised as borrowing costs or capital expenditure in the balance sheet.

Aggregate amounts of each of the above types of other transactions with key management personnel of Valad Commercial Management Limited:

	Consolidated	
	2007	2006
	$	$
Amounts recognised as a capitalised asset		
Investment property expenses	**82,045**	-
Borrowing costs	**10,155**	196,257
Capital expenditure	**-**	2,058

Aggregate amounts removed against equity at balance date relating to director's loans:

	Consolidated	
	2007	2006
	$	$
Director related loans – consultancy service agreements	**-**	120,000

Note 29 Related party transactions

a) Parent entities

The parent entity within the Consolidated entity is Valad Property Trust.

b) Subsidiaries

Interests in subsidiaries are set out in note 31.

c) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2007 **$**	2006 $	**2007** **$**	2006 $
Interest income received				
Related parties				
Valad Funds Management Limited	**37,075,371**	34,119,609	**37,075,371**	34,119,609
Valad Investment Trust	**-**	-	**-**	3,015,000
Management fees paid				
Related parties				
Valad Commercial Management Limited	**3,427,378**	2,590,757	**3,427,378**	2,590,757
Dividend/Distribution revenue				
Subsidiaries	**-**	-	**58,787,433**	22,978,600
Associates	**-**	-	**26,046**	1,882,592

e) Outstanding balances arising from related party transactions

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2007 **$**	2006 $	**2007** **$**	2006 $
Current receivables				
Subsidiaries	**-**	-	**320,673,951**	91,943,000
Related party – VFML	**384,380,948**	339,771,291	**384,380,948**	339,771,291
Current payables				
Subsidiaries	**-**	-	**93,112,698**	118,292,446

Note 29 Related party transactions (continued)

f) Loans to/from related parties

	Consolidated		Parent	
	2007 $	2006 $	**2007 $**	2006 $
Loans to subsidiaries				
Beginning of the year	**-**	-	**91,943,016**	15,022,710
Loans advanced	**-**	-	**316,620,687**	160,747,521
Loan repayments received	**-**	-	**(87,889,752)**	(83,827,215)
End of year	**-**	-	**320,673,951**	91,943,016
Loans from subsidiaries				
Beginning of the year	**-**	-	**118,292,446**	87,786,538
Loans advanced	**-**	-	**93,112,698**	105,675,431
Loan repayments received	**-**	-	**(118,292,446)**	(75,169,523)
End of year	**-**	-	**93,112,698**	118,292,446
Loan to Valad Funds Management Limited				
Beginning of the year	**339,771,291**	183,667,949	**339,771,291**	183,667,949
Loans advanced	**628,843,385**	277,837,211	**628,843,385**	277,837,211
Loan repayments received	**(621,309,099)**	(155,853,478)	**(621,309,099)**	(155,853,478)
Interest received	**37,075,371**	34,119,609	**37,075,371**	34,119,609
End of year	**384,380,948**	339,771,291	**384,380,948**	339,771,291

No provisions for doubtful debts have been raised to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

g) Terms and conditions

Conflict of interest

No director of Valad Commercial Management Limited as the responsible entity for Valad Property Trust has become entitled to receive any benefits because of a contract made by the Consolidated entity or the Trust with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest other than as disclosed in this note.

Note 30 Share-based payments

a) Valad Stapled Securities Options Plan

Options over un-issued stapled securities of the Group have the right to subscribe for up to 2,000,000 stapled securities each at a fixed price of $1.00 on the following terms and conditions:

- 1,000,000 may be exercisable in 3 equal tranches on the three anniversary dates of listing commencing on the third anniversary date (13 December 2005).

- 1,000,000 may be exercised in three equal tranches on the three anniversary dates of listing commencing on the third anniversary date (13 December 2005) if the growth in the accumulation index specific to the stapled securities exceeds the growth in the S&P/ASX 200 Listed Property Trust accumulation index over the relevant anniversary date from listing. This condition has been satisfied.

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

Set out below are summaries of options granted under the option plan:

Grant date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
13 Dec 02	$1.00	2,000,000	-	-	-	2,000,000	2,000,000
		2,000,000	-	-	-	2,000,000	2,000,000

b) Valad Security Ownership Plan (VSOP)

Set out below is a summary of the loans to staff (which are treated as options in accordance with AASB 2 *Share Based Payments*) provided to employees pursuant to the VSOP and also includes those loans to the leadership Group, which, as per Not 5.4.2 of the Remuneration Report were repaid during the year.

Grant date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
31 Jan 05	$1.34	67,360	-	44,927	-	22,433	22,433
22 Mar 05	$1.31	326,665	-	326,665	-	-	-
26 Apr 05	$1.24	330,503	-	330,503	-	-	-
19 May 05	$1.23	400,000	-	100,000	-	300,000	300,000
24 May 05	$1.25	168,501	-	49,926	-	118,575	118,575
22 Jul 05	$1.36	552,515	-	-	-	552,515	552,515
4 Aug 05	$1.38	72,372	-	-	-	72,372	72,372
9 Aug 05	$1.38	72,643	-	18,161	-	54,482	54,482
24 Aug 05	$1.41	124,316	-	-	-	124,316	124,316
16 Sep 05	$1.47	288,876	-	238,876	-	50,000	50,000
22 Sep 05	$1.47	374,652	-	-	-	374,652	374,652
27 Sep 05	$1.49	33,599	-	13,272	20,327	-	-
28 Oct 05	$1.37	120,000	-	-	-	120,000	120,000
24 Nov 05	$1.37	473,725	-	72,593	-	401,132	401,132
20 Dec 05	$1.38	572,330	-	404	-	571,926	571,926
17 Jan 06	$1.38	145,095	-	-	-	145,095	145,095
22 Feb 06	$1.37	272,856	-	18,148	-	254,708	254,708
12 May 06	$1.37	300,000	-	-	-	300,000	300,000
23 May 06	$1.33	75,059	-	-	-	75,059	75,059
4 Aug 06	$1.48	-	236,837	-	-	236,837	236,837
		4,771,067	236,837	1,213,475	20,327	3,774,102	3,774,102
Weighted average exercise price		$1.36	$1.48	$1.32	$1.49	$1.37	

Valad Property Trust

Notes to the Financial Statements

30 June 2007 (continued)

Note 30 Share-based payments (continued)

b) Valad Security Ownership Plan (VSOP) (continued)

The terms of the loan include:

1. Loans made under the Existing Scheme are at an interest rate equal to the weighted average interest rate paid by the Group for the year (including line fees and margin), which for the year to 30 June 2006 was 6.45% (2006: 6.64%). Depending on the terms of an employee's contract, loans may or may not attract interest and may be repaid any time after five years and in any case are repayable when an employee ceases employment (plus various other circumstances). If the loans are not repaid or interest if payable is not paid the stapled securities may be sold and the funds received applied to repay the loan and interest on the loan.

2. The loans are accounted for in accordance with *AASB 2 Share Based Payments*, as follows:
   a. The loans are not recorded on the balance sheet, as they are regarded as options.
   b. The value of a loan is determined by an option valuation model calculation (Black-Scholes model) and this amount is treated as an employee expense with a corresponding increase in reserves.
   c. A repayment of a loan is treated as an increase to Contributed Equity
   d. Where a part of loan is forgiven the accounting impact depends on when the loan was provided.
      i. For those loans provided before January 2005, the forgiven amount is expensed in the Income Statement with a corresponding increase in Contributed Equity.
      ii. For loans provided after January 2005 there is no further effect on the Balance Sheet or Income Statement when an amount is forgiven.

c) Long Term Incentive Plan (LTIP)

Commence-ment date	Vest date	Expiry date	Exercise price	Balance at the start of the year	Granted during the year	Forfeited during the year	Balance at the end of the year	Vested & Exercisable at the end of the year	Option fair value
1-Nov-05	31-Oct-07	29-Jan-08	$1.36	-	3,888,892	(277,778)	3,611,114	-	$0.09
1-Nov-05	31-Oct-07	29-Jan-08	$1.36	-	2,777,778	-	2,777,778	-	$0.09
1-Jul-06	30-Jun-09	28-Sep-10	$1.36	-	5,549,722	(466,534)	5,083,188	-	$0.12
1-Jul-06	30-Jun-09	28-Sep-10	$0.00	-	840,317	(70,640)	769,677	-	$0.76
1-Jul-06	30-Jun-09	28-Sep-09	$1.36	-	2,640,372	-	2,640,372	-	$0.12
1-Jul-06	30-Jun-09	28-Sep-09	$0.00	-	391,818	-	391,818	-	$0.76
1-Jul-06	30-Jun-08	28-Sep-09	$1.36	-	3,292,031	-	3,292,031	-	$0.11
1-Jul-06	30-Jun-08	28-Sep-09	$0.00	-	419,849	-	419,849	-	$0.82
1-Jul-06	30-Jun-08	28-Sep-08	$1.36	-	2,892,930	-	2,892,930	-	$0.11
1-Jul-06	30-Jun-08	28-Sep-08	$0.00	-	368,948	-	368,948	-	$0.82
1-Jul-06	14-Jul-09	12-Jan-10	$1.36	-	87,121	-	87,121	-	$0.12
1-Jul-06	14-Jul-09	12-Jan-10	$0.00	-	13,192	-	13,192	-	$0.76
1-Jul-06	9-Oct-09	9-Apr-10	$1.36	-	426,136	-	426,136	-	$0.12
1-Jul-06	9-Oct-09	9-Apr-10	$0.00	-	56,564	-	56,564	-	$0.88
1-Jul-06	9-Oct-09	9-Apr-10	$1.56	-	75,914	-	75,914	-	$0.13
1-Jul-06	9-Oct-09	9-Apr-10	$0.00	-	11,497	-	11,497	-	$0.87
1-Jul-06	6-Nov-09	7-May-10	$1.63	-	74,176	-	74,176	-	$0.14
1-Jul-06	6-Nov-09	7-May-10	$0.00	-	11,451	-	11,451	-	$0.87
1-Jul-06	9-Jan-10	10-Jul-10	$1.59	-	200,000	-	200,000	-	$0.14
1-Jul-06	9-Jan-10	10-Jul-10	$0.00	-	24,191	-	24,191	-	$1.03
4-Apr-07	30-Jun-10	28-Sep-11	$2.04	-	68,325	-	68,325	-	$0.24
4-Apr-07	30-Jun-10	28-Sep-11	$0.00	-	13,907	-	13,907	-	$1.16
28-Jun-07	30-Jun-09	31-Aug-10	$1.92	-	4,512,000	-	4,512,000	-	$0.16
28-Jun-07	30-Jun-10	31-Aug-10	$1.92	-	4,512,000	-	4,512,000	-	$0.19
				-	33,149,131	(814,952)	32,334,179	-	
Weighted average exercise price					$1.43	$1.24	$1.43		

Note 30 Share-based payments (continued)

d) Long Term Incentive Plan (LTIP)

During the year, no options were exercised or expired.

The table above includes grants provided to Executive Directors (as explained in further detail in the Remuneration Report) which are subject to security holder approval.

As detailed in the Remuneration Report, the above grants were issued subject to Legislation being passed. The actual granting of options in accordance with the Long term Incentive Plan rules will occur during the 2008 financial year.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.28 years.

Fair value of options granted

The option fair value at grant date is independently determined using various Option Pricing models (Monte-Carlo Simulation for options with TSR performance hurdles and Binomial Tree for those options with EPS performance hurdles). These models take into account the exercise price, the option term, the underlying security price, risk free interest rate, expected volatility of underlying security price and dividends expected on the securities.

The expected price volatility for the Group's securities is based on the previous 2 years of historic volatility. The model inputs for options granted during the year ended 30 June 2007 included:

- Performance hurdles - includes TSR and EPS hurdles, as described in section 5.4.4 of Remuneration Report.
- Exercise price - as per values detailed in table above.
- Commencement date - as per dates detailed in table above
- Expiry date - as per dates detailed in table above
- Security price at grant date - generally security price at commencement date and equal to exercise price as detailed above
- Expected price volatility of the group's securities - 18.0%
- Expected dividend yield - range 6.51% to 7.1% (dependent on the market expected dividend for FY07 divided by the exercise price)
- Risk-free interest rate - range from 5.27% to 6.08%

e) Employee Securities Ownership Plan (ESOP)

The employee security ownership plan rewards staff and aligns their interest to those of security holders through the issue of a nominal number of escrowed securities.

Each employee was issued with 1,500 securities conditional upon the successful completion of twelve months service from the date of the grant.

The market price of securities issued under the ESOP during the reporting period was based on the volume weighted average market price for the fifteen trading days up to and including 18 December 2006 of $1.60 (2006 - $1.36). The amount is recognised in the balance sheet as contributed equity and as part of employee benefit costs in the period the securities are granted.

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Securities issued under the plan to participating employees on 18 December 2006 (2006 – 20 December)	**144**	121	**144**	121

Note 31 Investments in controlled entities

Name of entity	Country of incorporation	Class of shares/ Units	Equity/Unit Holding 2007 %	Equity/Unit Holding 2006 %
Valad Property Trust – Controlled entities				
Valad Property Trust	Australia	Ordinary	**100**	100
321 Exhibition Street Trust	Australia	Ordinary	**100**	100
321 Holdings Trust	Australia	Ordinary	**100**	100
Exhibitions Holdings Trust	Australia	Ordinary	**100**	100
Airport Central Tower Trust	Australia	Ordinary	**100**	100
BankWest Tower Trust	Australia	Ordinary	**100**	100
207 Holdings Trust	Australia	Ordinary	**100**	100
207 30% Owners Trust	Australia	Ordinary	**100**	100
207 20% Owners Trust	Australia	Ordinary	**100**	100
Home Central Trust	Australia	Ordinary	**100**	100
Chapel Rd Bankstown Trust	Australia	Ordinary	**100**	100
West Gosford Unit Trust	Australia	Ordinary	**100**	100
Manns Road Unit Trust	Australia	Ordinary	**100**	100
West Gosford Holdings Trust	Australia	Ordinary	**100**	100
Kawana Way Unit Trust	Australia	Ordinary	**100**	100
Windsor Rd Unit Trust	Australia	Ordinary	**100**	100
Bulky Goods Holdings Trust	Australia	Ordinary	**100**	100
Richlands Holdings Trust	Australia	Ordinary	**100**	100
Durgadin Drive Trust	Australia	Ordinary	**100**	100
Ruthven St Toowoomba Trust	Australia	Ordinary	**100**	100
Valad Subscriber Pty Ltd	Australia	Ordinary	**100**	100
Valad ILN Pty Ltd	Australia	Ordinary	**100**	100
Valad Guernsey Holdings Ltd	Guernsey	Ordinary	**100**	-
Valad European Holdings Sarl	Luxembourg	Ordinary	**100**	-
Valad French Holdings Sarl	Luxembourg	Ordinary	**100**	-
Valad Select Property Trust	Australia	Ordinary	**100**	-
KVSI NSW Trust	Australia	Ordinary	**100**	-

Note 32 Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the associates is set out below.

Name of entity	Principal activity	Ownership interest		Consolidated		Parent	
		2007 %	2006 %	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
KVSI Holdings Trust	Property investment	**50%**	50%	**30,375**	28,512	**20,092**	20,117
VHP Holding Trust	Property investment	**50%**	-	**528**	-	**528**	-
Total				**30,903**	28,512	**20,620**	20,117

These associates are incorporated in Australia.

	2007 $'000	2006 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**28,512**	23,067
Additional investments in associates	**528**	-
Share of profits after income tax	**1,597**	7,159
Dividends received/receivable	**(26)**	(1,883)
Share of increment of interest rate hedges	**292**	169
Carrying amount at the end of the year	**30,903**	28,512
Share of associates' profits or losses		
Net profit before fair value adjustments	**1,597**	1,624
Net gain from fair value adjustments on investment property	**-**	5,535
Profits before income tax	**1,597**	7,159
Income tax expense	**-**	-
Profits after income tax	**1,597**	7,159
Share of associates' expenditure commitments		
Capital commitments	**12,969**	7,494
Lease commitments	**-**	-
	12,969	7,494

Summarised financial information of associates

	Consolidated entity's share of:			
	Assets $'000	**Liabilities $'000**	**Revenue $'000**	**Profit $'000**
2007				
KVSI Holdings Trust	**53,239**	**21,198**	**2,504**	**1,597**
VHP Holding Trust	**528**	**-**	**-**	**-**
	53,767	**21,198**	**2,504**	**1,597**
2006				
KVSI Holdings Trust	42,604	12,258	2,486	7,159
	42,604	12,258	2,486	7,159

Note 33 Events occurring after reporting date

Capital Raising – Security placement and Security Purchase Plan

The Group issued an additional 694,041,354 securities at $1.92 in July 07 to fund the Group's acquisition of a number of related business interests collectively known as "Scarborough" and repay Group debt.

Acquisitions of properties

The Group acquired the following properties:
* Carter Holt Harvey portfolio acquisition comprising 15 depots, 10 packaging plants, 1 office building and 5 development sites in Australia and New Zealand with a total value of $277.3m on 31 July

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

Note 34 Reconciliation of profit to net cash inflow/(outflow) from operating activities

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Net profit	**104,606**	56,926	**83,137**	48,700
Amortisation of lease incentives	**1,098**	233	**-**	-
Straight line rental income	**(659)**	-	**-**	-
Fair value adjustments on investment property	**(42,071)**	(1,814)	**-**	-
Fair value adjustments on investment property - associates	**-**	(5,535)	**-**	-
Fair value losses on forward exchange cash flow hedge contracts	**863**	-	**-**	-
Underlying earnings	**63,837**	49,810	**83,137**	48,700
Adjust for:				
Depreciation expense	**-**	(33)	**-**	(33)
Rent free income	**(498)**	(665)	**-**	-
Share of profits of associates not received as dividend	**(1,597)**	(1,624)	**-**	-
Net gain on sale of property, plant and equipment	**(279)**	-	**(279)**	-
Other	**-**	-	**111**	-
(Increase)/decrease in receivables	**698**	(940)	**(434)**	72
Increase in interest receivable	**(37,075)**	(34,119)	**(37,075)**	(34,119)
Increase in distribution receivable	**-**	-	**(58,788)**	(22,979)
(Increase)/decrease in other assets	**1,422**	69	**135**	904
Increase/(decrease) in payables	**(1,025)**	(148)	**591**	101
Decrease in other liabilities	**(162)**	(1,390)	**(1,886)**	(479)
Increase in provisions	**131**	-	**131**	-
Net cash inflow/(outflow) from operating activities	**25,452**	10,960	**(14,357)**	(7,833)

Note 35 Non-cash financing and investing activities

Dividend reinvestment plan

Under the terms of the dividend reinvestment plan $45,747,344 (2006: $14,723,423) of dividends were paid via the issue of 42,017,799 (2006: 14,870,560) units.

Note 36 Contingent Liabilities

The Consolidated entity had contingent liabilities at 30 June 2007 in respect of bank guarantees totalling $2,574,430 (2006: $233,500).

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 20 to 67 are in accordance with the *Corporations Act 2001*, including:

> (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
>
> (ii) giving a true and fair view of the trust's and consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

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

(c) the audited remuneration disclosures set out on pages 4 to 14 of the director's report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

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

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

Stephen Day
Executive Chairman

Sydney
23 August 2007

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Independent audit report to the unit holders of Valad Property Trust

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Valad Property Trust (the Trust), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Trust (the consolidated entity). The consolidated entity comprises the Valad Property Trust and its controlled entities.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the Trust has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 4 to 14 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Trust are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

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

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

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

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of the Trust for the financial year ended 30 June 2007 included on Valad Property Group's web site. The Trust's directors are responsible for the integrity of Valad Property Group's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

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

Auditor's opinion on the financial report

In our opinion:

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

  i giving a true and fair view of the Trust's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 4 to 14 of the directors' report comply with Accounting Standard AASB 124.

David Prothero

D A Prothero
Partner
PricewaterhouseCoopers

Sydney
23 August 2007