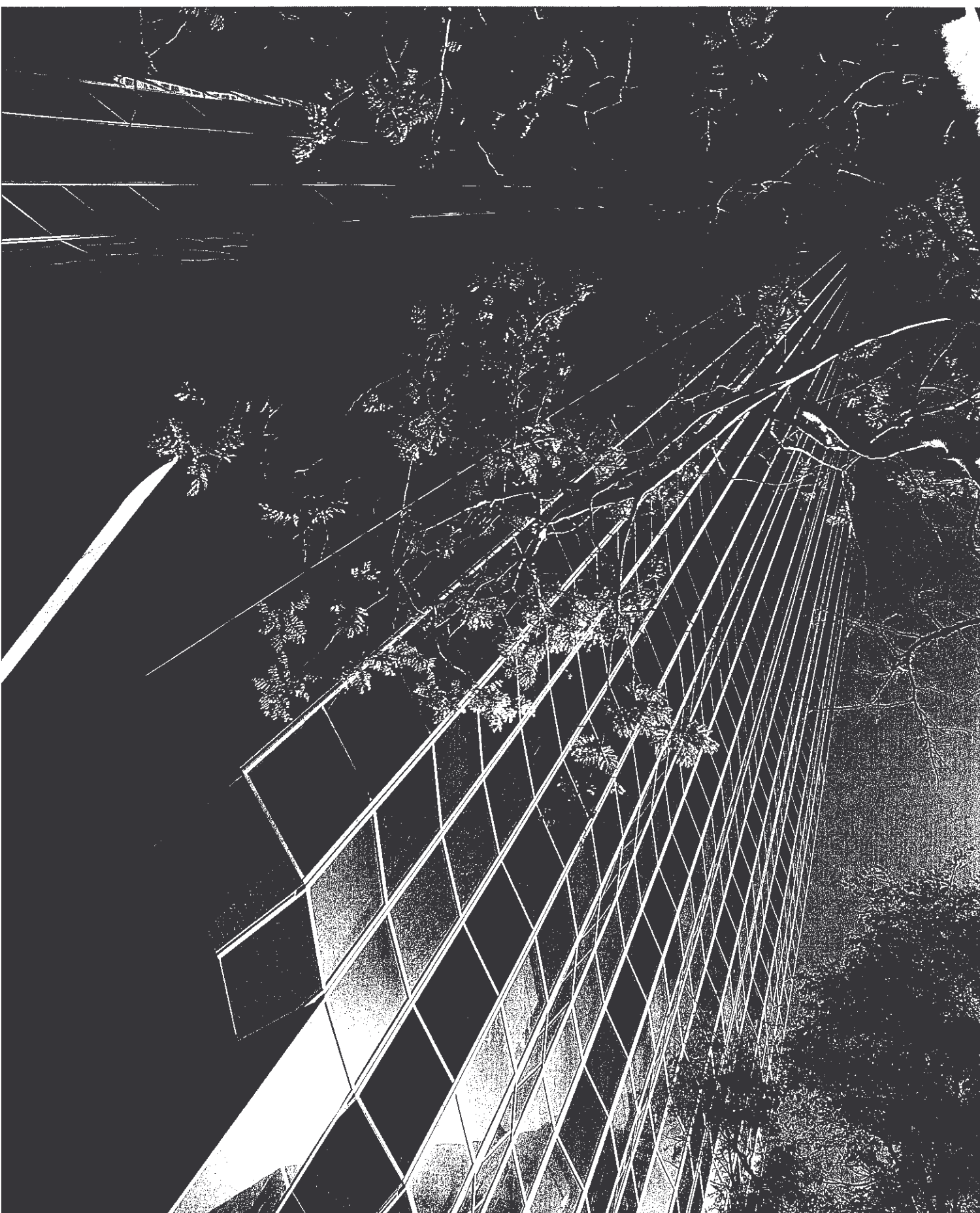


# Blue Tower Trust Annual Report

2004/5





**BLUE TOWER TRUST**  
**2004/5 ANNUAL REPORT**

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## LETTER FROM THE MANAGING DIRECTOR

We are pleased to present the 2004/5 Annual Report of the Blue Tower Trust.

On 28 November 2003 the Trust purchased a 37 level commercial office building known as Comalco Place (Blue Tower) at 12 Creek Street Brisbane. This "trophy" office building is located in the heart of Brisbane's "golden triangle".

The investment strategy was to refurbish and re-lease the building as current leases expire and to ultimately sell the building when deemed appropriate.

As a result of the quality of the buildings services, the only major upgrade to the building required to date has been the replacement of the air-conditioning cooling towers.

The re-leasing of the building has been extremely successful with the occupancy in the building having increased from approximately 85% when the building was acquired in November 2003 to approximately 98% at 30 June 2005.

The building has recently been independently valued by Knight Frank Valuations Queensland Pty Ltd at \$166.7 million. After allowance for capitalized costs, outstanding building works and asset management fees, the building has been revalued in the books of the Trust at \$151.2 million. This figure is in excess of the Trust's carrying cost by \$29,759,628 and has been credited to the Asset Revaluation Reserve as at 30 June 2005.

As a result of this revaluation, the net tangible asset ("NTA") per unit on issue at 30 June 2005 is \$1.96 per unit. This represents a 96% increase in NTA per unit over a 19 month period.

Blue Tower Trust recorded a profit of \$1,625,790 for the year ended 30 June 2005. Capital distributions of 6 cents per unit were paid to unitholders in accordance with the Product Disclosure Statement.

We look forward to continuing to achieve the investment objectives of Blue Tower Trust over the coming financial year.

Geoff McMahon  
Leyshon Corporation Limited  
Managing Director

22 September 2005

## **Directors' Report**

The Board of Directors of Leyshon Corporation Limited ABN 50 090 257 480 ("LCL") the Trustee and Responsible Entity of Blue Tower Trust ("Trust") has pleasure in submitting the Statement of Financial Position of Blue Tower Trust as at 30 June 2005, and related Statement of Financial Performance and Statement of Cash Flows for the year then ended and report as follows.

### **DIRECTORS**

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### **Names, qualifications, experience and special responsibilities**

**Neil Edwin Summerson** B.Com, FCA, FAICD, FAIM (Non-executive Chairman)

Neil Summerson was appointed as a director on 11 June 2004 and became the Chairman of LCL at that time. Neil is the Chairman of the audit and risk management committee for LCL. During the past three years Neil also served as a director of the following listed companies:

Bank of Queensland Ltd\*

**Geoffrey Michael McMahon** B.Econ, B.Com, FCPA, FAICD, FCIM, ASIA (Managing Director)

Geoff McMahon was appointed as a director of LCL on 1 November 1999.

Geoff has been working in the property sector with Leyshon Pty Ltd ("Leyshon") for approximately 15 years. He has been the Managing Director of Leyshon since 1996, and is responsible for the overall strategy of Leyshon and its property funds management, investments and development.

**William Gerard Collins** FAPI, Registered valuer, Licensed real estate agent, Registered auctioneer, Specialist retail valuer

William ("Bill") Collins was appointed as a director of LCL on 14 May 2003. Bill serves as a member on the audit and risk management committee for LCL.

Bill is a joint founding director of Collins O'Reilly Pty Ltd, property auditors which provide corporate property advice in the area of commercial property. Bill has been involved in the property industry since 1968, holding various positions including positions at the Valuer-General's Department, Knobel Real Estate, Ballieu Knight Frank and Hooker Corporate. Over the last decade, Bill has been involved in portfolio analysis including performance strategies, divestment, acquisition, adaptive re-use and risk management.

## Directors' Report continued

### Names, qualifications, experience and special responsibilities (contd)

#### Michael O'Reilly MA, MIEF, FAPI

Michael was appointed as a director of LCL on 14 May 2003.

Michael O'Reilly is a joint founding director of Collins O'Reilly Pty Ltd, property auditors which provide corporate property advice in the area of commercial property, with emphasis on major CBD office buildings and industrial portfolios. Michael has been involved in the property industry since 1973, and has held a number of senior management positions in Australia and South East Asia with national and international real estate organizations. Michael is a fellow of the Australian Property Institute and a licensed real estate agent in Queensland.

\* denotes current directorship

### Relevant Interests in the Trust and options over interests in the Trust

As at the date of this report, the Interests of the directors in the Trust were:

	<b>Relevant interests</b> <i>Fully paid units</i>
G McMahon	6,240,000
M O'Reilly	700,000
W Collins	700,000
N Summerson	6,740,000

The directors are not party to any contract with which the Directors may be entitled to a benefit or that confer a right to call for or deliver interest in the Trust.

### COMPANY SECRETARY

#### Christina N. Little B.Com, C.P.A, C.S.A

Christina Little has been the company secretary of LCL for two years. She has held the position of Financial Controller for Leyshon for three years. Christina has been a Certified Practising Accountant for eight years.

## **Directors' Report continued**

### **TRUST INFORMATION**

Blue Tower Trust is an Australian registered Trust. LCL, the Responsible Entity of the Trust, is incorporated and domiciled in Australia.

The registered office and principal place of business of the Responsible Entity is located at:

Level 1, 295 Elizabeth St  
(Cnr Creek St)  
Brisbane, QLD, 4000

The telephone number of the registered office is 07 3004 1222

### **Employees**

At balance date Leyshon Corporation Limited had three employees (2004: Nil)

### **Nature of operations and principal activities**

During the financial year the Trust continued its business of investment in a commercial office property in accordance with the provision of the Trust Constitution.

### **OPERATING AND FINANCIAL REVIEW**

#### **Review of Operations**

On 28 November 2003 the Trust purchased a 37 level commercial office building known as Comalco Place (Blue Tower) at 12 Creek Street Brisbane. This "trophy" office building is located in the heart of Brisbane's "golden triangle".

The investment strategy was to refurbish and re-lease the building as current leases expire and to ultimately sell the building when deemed appropriate.

As a result of the quality of the buildings services, the only major upgrade to the building required to date has been the replacement of the air-conditioning cooling towers.

The re-leasing of the building has been extremely successful with the occupancy in the building having increased from approximately 85% when the building was acquired in November 2003 to approximately 98% at 30 June 2005.

The building has recently been independently valued by Knight Frank Valuations Queensland Pty Ltd at \$166.7 million. After allowance for capitalized costs, outstanding building works and asset management fees, the building has been revalued in the books of the Trust at \$151.2 million. This figure is in excess of the Trust's carrying cost by \$29,759,628 and has been credited to the Asset Revaluation Reserve as at 30 June 2005.



## Directors' Report continued

### OPERATING AND FINANCIAL REVIEW (CONTD)

#### Results for the Year

The net operating income of Blue Tower Trust is presented in the Statement of Financial Performance. Net profit attributable to the unitholders of the Trust for the year ended 30 June 2005 was \$1,625,790 (2004: \$531,923).

#### Earnings per unit

	30 June 2005	30 June 2004
	\$	\$
Basic earnings per unit (cents)	5.4	1.9
Diluted earnings per unit (cents)	5.4	1.9
Weighted average <i>number of ordinary units</i> on issue during the year used in the calculation of basic earnings per unit	30,000,000	27,920,018

#### Distributions

Distributions paid to the unitholders during the year were paid quarterly including a distribution of 6.00 cents per unit paid on 16 July 2004 in respect of the quarter ended 30 June 2004 and distributions paid quarterly on 15 October 2004, 20 January 2005 and 18 April 2005.

A final distribution was declared for the year ended 30 June 2005 of 6.00 cents per unit in respect of the quarter ended 30 June 2005 and was paid on 20 July 2005.

#### UNITS ON ISSUE

30,000,000 units of Blue Tower Trust were on issue at 30 June 2005 (2004: 30,000,000). There were no units issued during the year (2004: 30,000,000).

#### TRUST ASSETS

At 30 June 2005, Blue Tower Trust held assets to the value of \$155,305,494 (2004: \$125,729,960). The basis for valuation of assets is disclosed in Note 1 to the financial statements.

#### FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

Leyshon Corporation Limited as Responsible Entity of the Trust received fees relating to property management during the financial year. Fees paid to the Responsible Entity and its Associates out of the Trust during the financial year are disclosed in Note 17 to the financial statements. No fees were directly paid by the Trust to the Directors of the Responsible Entity during the financial year.

## **Directors' Report continued**

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Trust during the financial year.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

The Directors are not aware of any other matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial years.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The investment strategy of the Trust will be maintained in accordance with the Trust Constitution and investment objectives. In the foreseeable future it is expected that the Trust will continue its property investment business.

The Responsible Entity continues to monitor the investment of the Trust.

### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

### **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

Neither the Trust nor the Responsible Entity has given or agreed to give any indemnity to an officer or auditor of the Responsible Entity or Trust and have not paid any premium for insurance against those officer's or auditor's liability for legal costs. Insurance and indemnity arrangements concerning officers of the economic entity were continued throughout 2005. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable. The Trust has not given or agreed to indemnify the auditors.

### **CORPORATE GOVERNANCE**

In recognizing the need for the highest standards of corporate behaviour and accountability, the Directors of LCL support the principles of corporate governance.

The Compliance Committee monitors and provides guidance to the Directors and Compliance Officer of the Responsible Entity in matters relating to Corporate Governance. A Compliance Program has been established and approved by the Compliance Committee and all requirements under this plan have been adhered to.



## Directors' Report continued

### BOARD COMMITTEES

As at the date of this report, an Audit and Risk Management Committee and a Compliance Committee, had been established by the Responsible Entity.

### REMUNERATION REPORT

The Directors of LCL are not remunerated directly by the Trust.

The Directors received remuneration from entities related to the Responsible Entity, Leyshon Corporation Limited. The amount of remuneration received by each Director for activities attributable to the Blue Tower Trust or the Responsible Entity is as follows:

G. McMahon	10,000
M. O'Reilly	5,000
W. Collins	5,000
N. Summerson	0

None of this remuneration has been charged as an expense to Blue Tower Trust.

### AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at Page 33.

### Non-Audit services

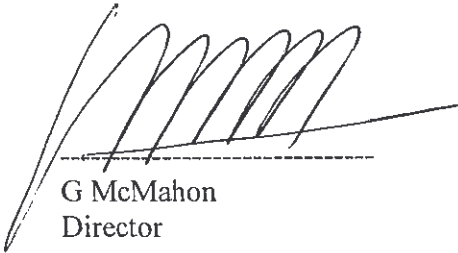
The following non-audit services were provided by the Trust's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst and Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance and advisory services	\$ 1,750
Other accounting and assurance services	\$ 2,000

## **Directors' Report continued**

Signed in accordance with a resolution of the Directors.



G McMahon  
Director



M O'Reilly  
Director

Brisbane  
31 August 2005

**Blue Tower Trust**  
**ARSN 109 093 852**

**Annual Financial Report**  
**for the year ended 30 June 2005**

# Statement of Financial Performance

## FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
<b>Revenue from Ordinary Activities</b>	2	13,492,265	7,167,399
Airconditioning expenses		(358,484)	(221,438)
Amortisation and depreciation expenses	3	(54,757)	(38,662)
Asset management fees		(600,000)	(354,932)
Borrowing cost expense	3	(353,957)	(202,049)
Finance charges – loans		(91,500)	(55,000)
Guarantee fees		(100,000)	(58,333)
Insurance		(162,410)	(130,524)
Interest paid	3	(7,082,769)	(4,037,343)
Land Tax		(224,678)	(127,749)
Leasing expenses		(43,795)	(73,730)
Lift expenses		(295,011)	(168,021)
Property management fees		(153,911)	(61,557)
Rates		(623,342)	(356,500)
Recoverable outgoings		(803,879)	(358,085)
Repairs and maintenance		(352,508)	(152,774)
Security		(123,352)	(83,587)
Other expenses from ordinary activities		(442,122)	(155,192)
<b>Total Expenses from Ordinary Activities</b>		<b>(11,866,475)</b>	<b>(6,635,476)</b>
<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>1,625,790</b>	<b>531,923</b>
Income tax expense	1(k)	0	0
<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>		<b>1,625,790</b>	<b>531,923</b>
Costs recognised directly against equity	1(i)	(61,328)	(127,635)
Increase in asset revaluation reserve	13(d)	29,759,628	0
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTION WITH UNITHOLDERS AS UNITHOLDERS</b>		<b>31,324,090</b>	<b>404,288</b>
Basic earnings per unit (cents)	4	5.4	1.9
Diluted earnings per unit (cents)	4	5.4	1.9

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

# Statement of Financial Position

AT 30 JUNE 2005

	Note	2005 \$	2004 \$
<b>Current Assets</b>			
Cash assets	5	927,918	3,603,171
Receivables	6	723,304	357,180
Other	7	273,605	86,315
<b>Total Current Assets</b>		1,924,827	4,046,666
<b>Non-Current Assets</b>			
Property investments held directly	8	151,220,000	119,886,271
Other	9	2,160,667	1,797,023
<b>Total Non-Current Assets</b>		153,380,667	121,683,294
<b>Total Assets</b>		155,305,494	125,729,960
<b>Current Liabilities</b>			
Payables	10	2,070,249	2,618,805
Interest bearing liabilities	12	600,000	0
<b>Total Current Liabilities</b>		2,670,249	2,618,805
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	11	93,700,000	93,700,000
<b>Total Non-Current Liabilities</b>		93,700,000	93,700,000
<b>Total Liabilities</b>		96,370,249	96,318,805
<b>Net Assets</b>		58,935,245	29,411,155
<b>Equity</b>			
Units issued	13(b)	29,811,037	29,872,365
Capital repayment	13(b)	(2,793,133)	(993,133)
Asset revaluation reserve	13(d)	29,759,628	0
Undistributed income	13(e)	2,157,713	531,923
<b>Total Equity</b>	13	58,935,245	29,411,155

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

**Statement of Cash Flows**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		12,819,283	7,368,421
Payments to suppliers & employees		(5,658,535)	(1,384,593)
Interest and other finance costs paid		(7,055,080)	(3,550,862)
Interest and bill discounts received		61,653	91,587
Borrowing costs paid		(32,779)	(1,742,616)
<b>Net cash inflows/(outflows) from operating activities</b>	18(a)	134,542	781,937
<b>Cash flows from investing activities</b>			
Purchase of Investment Properties		0	(119,886,271)
Payment for capital additions to investment properties		(1,574,101)	0
Formation expenses		0	(294,860)
<b>Net cash inflows/(outflows) from investing activities</b>		(1,574,101)	(120,181,131)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of units		0	30,000,000
Payment of unit issue costs		(61,328)	(127,635)
Payment of distributions to unitholders		(1,774,366)	(570,000)
Proceeds from borrowings		600,000	93,700,000
<b>Net cash inflows/(outflows) from financing activities</b>		(1,235,694)	123,002,365
<b>Net increase/(decrease) in cash held</b>		(2,675,253)	3,603,171
<b>Cash at beginning of the financial year</b>		3,603,171	0
<b>Cash at end of the financial year</b>	5	927,918	3,603,171

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



## **Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2005**

### **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of accounting**

This financial report is a general purpose financial report, which has been prepared in accordance with the Trust's Constitution and the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers Blue Tower Trust as an individual entity.

The financial statements are prepared on an accruals basis and are in accordance with the historical cost convention except where stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **(b) Provision for distribution**

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared, determined or publicly recommended prior to balance date. Distributions are of a capital nature as noted in the Product Disclosure Statement provided to investors.

#### **(c) Investment Properties**

Land and Buildings are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standard AASB 1021 "Depreciation" does not require investment properties to be depreciated. Accordingly, the buildings and components thereof (including plant and equipment) are not depreciated.

Investment properties are carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitable qualified property valuers. Such valuations are disclosed in the financial statements of the Trust. Notwithstanding, the Directors of the Responsible Entity assess carrying value of each investment property at each reporting period to ensure its carrying value does not exceed its fair value.

In determining fair value, the expected net cash flows have been discounted to their present value using a market determined, risk adjusted discount rate applicable to the respective asset.

A revaluation increment is credited directly to the asset revaluation reserve, unless it reverses a previous revaluation decrement charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2005**

#### **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)**

##### **(c) Investment Properties (Contd)**

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

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions.

##### **(d) Cash and cash equivalents**

Cash in banks and short-term deposits are stated at nominal values.

For purposes of the Statement of Cash Flows, cash includes deposits at call with financial institutions which are readily convertible into cash.

##### **(e) Receivables**

Receivables are recognised and carried at the original amount, less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off as incurred.

##### **(f) Payables**

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. The amounts are unsecured and are usually paid within 30 days of recognition.

##### **(g) Loans and borrowings**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

##### **(h) Revenue recognition**

Revenues from rents and recoverable outgoings are recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. Revenue received in advance is classified as Prepaid Income and recognised as revenue over the period to which the revenue received relates.

Interest revenue is recognised upon attaining the right to receive interest.

All revenue is stated net of the amount of goods and services tax.

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2005

### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

#### (i) Contributed equity

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Trust. The rights, obligations and restrictions attached to each unitholder are identical in all respects. Unitholders have various rights under the Trust Constitution, including the right to:

- Have their units redeemed;
- Receive income and capital distributions;
- Attend and vote at meetings of unitholders; and
- Participate in the termination and winding up of the Trust.

Any transaction costs arising on the issue of units are recognised directly in equity as a reduction of the unit proceeds received.

#### (j) Earnings per unit (EPU)

Basic and diluted EPU is calculated as net profit attributable to unitholders of the Trust, adjusted to exclude costs of servicing equity (other than distributions) divided by the weighted average number of ordinary units.

#### (k) Income tax

Under current tax legislation, the Trust is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unitholders.

#### *Goods and Services Tax ("GST")*

Revenues, expenses and assets (with the exception of receivables) are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the costs of acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to the taxation authority is included in the Statement of Financial Position as a receivable or payable.

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

No provision is made within the Financial Statements for tax effect accounting as the Trust is not liable for tax as all profits are distributed to the beneficiaries. The tax liability in respect of these distributions is borne directly by the beneficiaries.

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2005

### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

#### (l) Leases

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

##### *Operating Leases*

The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognized as revenue on a straight-line basis, which is considered to best represent the pattern of service rendered through the provision of the leased asset.

#### (m) Leasing fees

Costs that are directly associated with negotiating and executing the on-going renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are deferred and amortised over the lease term.

#### (n) Leasing incentives

Lease incentives in the form of up-front payments, contributions to certain lessee's costs, relocation costs and fit-outs that are offered in relation to the on-going operation of the property are recognised as an asset and amortised over the period to which the lease relates.

Incentives provided to lessees in the form of lessor-paid fit-outs and improvements that remain assets of the lessor, for example by becoming part of the structure of the property which is retained beyond the lease term, are capitalised to the carrying value of the property.

#### (o) Borrowing costs

Borrowing costs in respect of the Investment Property are initially capitalised and expensed over the term of the loan to which they relate. All other borrowing costs are expensed in the period in which they are incurred.

#### (p) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of assets given up or the liabilities undertaken at the date of acquisition plus costs incidental to acquisition.

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 the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2005**

#### **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)**

##### **(q) Recoverable amount of non-current assets**

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement is recognized as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market-determined, risk adjusted discount rate.

##### **(r) Formation costs**

Formation (Establishment) Costs in respect to the Trust are initially capitalised and expensed over a term of five years.

##### **(s) Web site costs**

Costs in relation to web sites are charged as expenses in the period in which they are incurred.

##### **(t) Interest bearing liabilities**

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

##### **(u) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. The 2004 comparative figures are for the period from 28 November 2003, being the date of acquisition of the property, to 30 June 2004.

**Notes to the Financial Statements (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	2005 \$	2004 \$
<b>Note 2. Revenue</b>		
<b>Revenue from operating activities</b>		
Rents and sub-lease rentals	12,277,804	6,753,579
Recoverable outgoings	1,152,808	322,002
	<hr/>	<hr/>
Total revenue from operating activities	13,430,612	7,075,581
	<hr/>	<hr/>
<b>Revenue from non-operating activities</b>		
Interest	61,653	91,818
	<hr/>	<hr/>
Total Revenue from non-operating activities	61,653	91,818
	<hr/>	<hr/>
<b>Total Revenue from ordinary activities</b>	13,492,265	7,167,399
	<hr/>	<hr/>
<b>Note 3. Expenses and Losses/(Gains)</b>		
Profit/(Loss) from ordinary activities before income tax expense includes the following specific expenses:		
<b>Amortisation</b>		
Formation expenses	54,757	38,662
Borrowing costs	353,957	202,049
	<hr/>	<hr/>
Total Amortisation	408,714	240,711
	<hr/>	<hr/>
<b>Borrowing costs</b>		
Interest and finance charges paid/payable - external	7,068,391	4,092,343
Interest paid/payable – related parties	14,378	0
	<hr/>	<hr/>
Borrowing costs expensed	7,082,769	4,092,343
	<hr/>	<hr/>
<b>Note 4. Earnings Per Unit</b>		
Basic earnings per unit (cents)	5.4	1.9
Diluted earnings per unit (cents)	5.4	1.9
Weighted average <i>number of units</i> on issue during the year used for Blue Tower Trust in the calculation of basic earnings per unit	30,000,000	27,920,018
	<hr/>	<hr/>
Net profit attributable to the unitholders of the Trust for the year ended 30 June 2005 used for the calculation of basic and diluted earnings per unit was \$1,625,790 (2004: \$531,923).		



## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
<b>Note 5. Cash Assets (Current)</b>			
Cash at bank and on hand		27	0
Deposits at call		927,891	3,603,171
		<hr/>	<hr/>
Total current cash assets		927,918	3,603,171
		<hr/>	<hr/>
<b>Note 6. Receivables (Current)</b>			
Trade debtors	6(a)	263,865	22,772
Amounts receivable from related parties	6(a)	0	20,404
Other	6(a)	459,439	314,004
		<hr/>	<hr/>
Total current receivables		723,304	357,180
		<hr/>	<hr/>

**(a) Terms and conditions**

Terms and conditions relating to the above financial instruments

- (i) Trade debtors are non-interest bearing and are generally on 30 day terms.
- (ii) Amount receivable from related parties are non-interest bearing and generally settled between 30 and 60 days.
- (iii) Other debtors are non-interest bearing and are generally settled between 30 and 60 days.

	Note	2005 \$	2004 \$
<b>Note 7. Other Assets (Current)</b>			
Prepayments		273,605	86,315
		<hr/>	<hr/>
Total current other assets		273,605	86,315
		<hr/>	<hr/>
<b>Note 8. Property Investments held directly (Non-Current)</b>			
Property investments held directly at fair value		151,220,000	119,886,271
		<hr/>	<hr/>
Total non-current property investments held directly		151,220,000	119,886,271
		<hr/>	<hr/>

**(a) Reconciliations of Carrying Amounts**

*Reconciliations of the carrying amounts of property investments*

Carrying amount at start of year	119,886,271	0
Capital additions	1,574,101	119,886,271
Disposals	0	0
Net revaluation increments	29,759,628	0
	<hr/>	<hr/>
Carrying amount at end of year	151,220,000	119,886,271
	<hr/>	<hr/>

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2005

### Note 8. Property Investments held directly (Non-Current)

#### (b) Assets pledged as security

The assets of Blue Tower Trust are pledged as security to Suncorp Metway Ltd and Investec Australia Ltd under registered mortgage debentures.

Included in the balances of property investments are assets over which mortgages have been granted as security over bank loans. The terms of the mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

The carrying value of the assets pledged as securities are:

	2005	2004
	\$	\$
Property Investments held directly at fair value	151,220,000	119,886,271

As part of the security for the bank loan, Leyshon Pty Ltd has provided a \$2.8 million (plus interest and all costs and expenses) corporate guarantee to Investec Australia Ltd and a \$7.2 million corporate guarantee to Suncorp Metway Ltd.

#### (c) Details of property investments

Description	Acquisition Date	Original Acquisition Cost	Total Costs Including Additions	Date of latest Independent Valuation	Latest Independent Valuation	Fair Value	
		\$'000	\$'000		\$'000	\$'000	
12 Creek Street, Qld	28 November 2003	117,356	121,460	August 2005	166,700 (i)	2005 151,220 (ii)	2004 120,000

- (i) As valued by Landmark White using a fair market value approach between a willing buyer and seller.
- (ii) Property Investments have been revalued to market value less allowances for costs that would be incurred if the building was sold and realisation of other capitalised assets.

	2005	2004
	\$	\$
<b>Note 9. Other Assets (Non-current)</b>		
Prepayments	739,579	0
Total non-current prepayments	739,579	0

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
<b>Note 9. Other Assets (Non-current) (Contd)</b>			
Establishment costs		295,117	294,860
Accumulated amortisation		(93,419)	(38,404)
Total establishment costs, net		201,698	256,456
Borrowing costs		1,775,396	1,742,616
Accumulated amortisation		(556,006)	(202,049)
Total borrowing costs, net		1,219,390	1,540,567
Total non-current other assets		2,160,667	1,797,023
<b>Note 10. Payables (Current)</b>			
Trade creditors	10(a)	12,436	34,159
Prepaid income	10(a)	561,375	806,580
Other creditors and accruals	10(a)	1,047,671	1,354,933
Accrued capital distribution	10(a)	448,767	423,133
Total current payables		2,070,249	2,618,805

*(a) Terms and conditions*

Terms and conditions relating to the above financial instruments

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Other creditors and accruals are non-interest bearing and have an average term of two months.
- (iii) Prepaid income is non-interest bearing and is recognised as income over the period to which the income relates.
- (iv) Accrued capital distribution represents a 6% annual capital return paid quarterly to unitholders.

### **Note 11. Interest bearing liabilities (Non-Current)**

*Secured borrowings:*

Secured loans (a)	93,700,000	93,700,000
Total non-current secured borrowings	93,700,000	93,700,000

(a) The loan facility is provided by Suncorp Metway Ltd and Investec Australia Ltd. Security provided to the lender is a guarantee and indemnity from Blue Tower Trust via registered mortgages over the properties owned by Blue Tower Trust. Refer to note 18(b) for details of the total facility.

**Notes to the Financial Statements (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	2005 \$	2004 \$
<b>Note 12. Interest bearing liabilities (Current)</b>		
Advance from related entity – unsecured	600,000	0
<b>Total current interest bearing liabilities</b>	<b>600,000</b>	<b>0</b>
<b>Note 13. Contributed Equity</b>		
<b>(a) Blue Tower Trust</b>		
Issued and paid up capital	29,811,037	29,872,365
Capital repayment	(2,793,133)	(993,133)
Asset revaluation reserve	29,759,628	0
Undistributed income	2,157,713	531,923
<b>Total contributed equity</b>	<b>58,935,245</b>	<b>29,411,155</b>
<b>(b) Issued and paid up units</b>		
Units on issue at beginning of year	29,872,365	0
Units issued during the year	0	30,000,000
Less: Transaction costs	(61,328)	(127,635)
<b>Units on issue at end of year</b>	<b>29,811,037</b>	<b>29,872,365</b>
<b>Capital repayment</b>		
Balance at beginning of year	(993,133)	0
Distributions paid during the year	(1,351,233)	(570,000)
Distributions accrued during the year	(448,767)	(423,133)
<b>Balance at end of year</b>	<b>(2,793,133)</b>	<b>(993,133)</b>
<b>Total issued and paid up units</b>	<b>27,017,904</b>	<b>28,879,232</b>

Capital distributions have been paid/accrued at a rate of 6% per annum (2004: 6%) in accordance with the Product Disclosure Statement provided to investors. Distributions are paid quarterly.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2005

#### Note 13. Contributed Equity (Contd)

	Number of units	Number of units
<b>(c) Movements in issued and paid up units</b>		
Units at beginning of the year	30,000,000	0
Issued during the year	0	30,000,000
	<hr/>	<hr/>
Balance at end of year	30,000,000	30,000,000
	<hr/>	<hr/>

- (i) On 28 November 2003, 27,740,000 units were issued at \$1 per unit on creation of Blue Tower Trust. The Trust issued a further 424,000 units at \$1 per unit on 9 June 2004 and 1,836,000 units at \$1 per unit on 15 June 2004.
- (ii) Unitholders have the right to receive distributions, and in the event of termination of the Trust, to participate in the proceeds from the sale of all surplus assets in proportion to the number of units held. Units entitle their holder to one vote, either in person or by proxy, at a meeting of the Trust.

	2005 \$	2004 \$
<b>(d) Asset revaluation reserve</b>		
<i>(i) Nature and purpose of reserve</i>		
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can on be used to pay distributions in limited circumstances.		
<i>(ii) Movement in reserve</i>		
Balance at the beginning of the year	0	0
Net increment in revaluation reserve	29,759,628	0
	<hr/>	<hr/>
Balance at end of the year	29,759,628	0
	<hr/>	<hr/>

#### **(e) Undistributed income**

Balance at the beginning of the year	531,923	0
Net profit/(loss) attributable to the unitholders	1,625,790	531,923
	<hr/>	<hr/>
Balance at end of year	2,157,713	531,923
	<hr/>	<hr/>

Undistributed income represents accounting profits derived that have not been distributed to unitholders. As Blue Tower Trust has not derived taxable income, no income distributions to unitholders have been declared.

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2005

### Note 14. Subsequent Events

No events of a material nature have occurred since 30 June 2005.

### Note 15. Segment Reporting

Blue Tower Trust operates in Australia and in the industry of property investment.

### Note 16. Commitments for capital expenditure

#### Capital Expenditure Commitments

There are no outstanding capital commitments for expenditure at 30 June 2005 (2004: Nil).

### Note 17. Related parties

#### (a) Trustee and Responsible Entity

The Responsible Entity of Blue Tower Trust is LCL. Shareholdings of LCL are as follows:

	%	No. of shares
Leyshon Pty Ltd	45	450
W G Collins Pty Ltd atf W G Collins Discretionary Trust	22.5	225
O'Reilly Enterprises Pty Ltd atf O'Reilly Family Trust	22.5	225
G & M Rees Investments Pty Ltd atf G & M Investment Trust	7.5	75
Glendower Investments Pty Ltd atf Glendower Super Fund	2.5	25
	<hr/>	<hr/>
	100	1,000
	<hr/>	<hr/>

#### Property Management Fees

During the year LCL received Property Management fees of \$48,500 (2004: Nil).

Transactions between Blue Tower Trust and LCL result from normal dealings with those companies as the Trust's property manager in accordance with the Property Management Agreement.

#### (b) Directors

The Directors of LCL during the year were:

Geoff McMahon  
Michael O'Reilly  
William Collins  
Neil Summerson



## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2005**

#### **Note 17. Related parties (Contd)**

##### **(c) Other Transactions**

###### Asset Management Fees

During the year, Leyshon Operations Pty Ltd received asset management fees of \$300,000 (2004: \$177,466) of which G. McMahon and N. Summerson are Directors and shareholders of the controlling entity, Leyshon.

During the year, Australian and Asia/Pacific Institute of Property Auditors Pty Ltd (AAPIPA) received asset management fees of \$300,000 (2004:\$177,466) of which M. O'Reilly and W. Collins are Directors and shareholders.

Transactions between Blue Tower Trust, Leyshon Operations Pty Ltd and AAPIPA result from normal dealings with those companies as the Trust's asset managers in accordance with the Asset Management Agreement.

###### Guarantee Fees

During the year, Leyshon Pty Ltd received guarantee fees of \$100,000 (2004: \$58,333) of which G. McMahon and N. Summerson are Directors and shareholders.

###### Interest Payments

During the year, Leyshon Pty Ltd advanced funds totaling \$600,000 (2004: Nil) to Blue Tower Trust and received interest of \$13,378 (2004: \$Nil). The loan is due for repayment by 30 November 2005 with interest being charged at a commercial rate of 8% per annum. G. McMahon and N. Summerson are Directors and shareholders of Leyshon.

During the year, Leyshon Operations Pty Ltd received interest charges of \$Nil (2004: \$74,301) of which G. McMahon and N. Summerson are Directors and shareholders of the controlling entity Leyshon Pty Ltd.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$	2004 \$
<b>Note 18. Statement of Cash Flows</b>		
<b>(a) Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities</b>		
Profit/(loss) from ordinary activities after income tax	1,625,790	531,923
Depreciation and amortisation	408,714	240,711
Borrowing costs capitalised	(32,779)	(1,742,616)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(567,418)	(155,886)
(Increase)/decrease in other assets	(926,869)	(86,315)
Increase/(decrease) in payables	(612,556)	2,195,414
Increase/(decrease) in GST payable	239,660	(201,294)
Net cash inflow/(outflows) provided from operating activities	134,542	781,937
<b>(b) Financing facilities</b>		
Total facilities available – Borrowings	95,500,000	95,500,000
Total facility used	93,700,000	93,700,000
Total facility unused	1,800,000	1,800,000
	95,500,000	95,500,000

The total facilities available in relation to the investment property are \$95,500,000 of which \$93,700,000 is utilised.

## Note 19. Financial Instruments

### (a) Derivative financial instruments

#### *Interest rate swaps*

Blue Tower Trust enters into interest rate swap agreements that are used to convert the variable interest rate of its long-term borrowings to long-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates. It is the Trust's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

### (b) Credit risk exposure

The credit risk on financial assets of the company which have been recognised on the balance sheet is the carrying amount, net of any provisions for doubtful debts.

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2005

### Note 19. Financial Instruments (contd)

#### (c) Net Fair Values

The Trust recognises financial assets and liabilities included in the Statement of Financial Position at their cost, which Directors believe approximates net fair value.

Interest rate swaps are not recognised by Blue Tower Trust. The fair value of interest rate swaps at 30 June 2005 is considered by the Directors of the Responsible Entity to be (\$1,479,512).

#### (d) Interest rate risk exposures

The Trust's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

	Notes	Floating Interest Charges	Fixed Interest maturing in:			Non Interest Bearing	Total	Interest Rate
			1 Year or less	Over 1 to 5 Years	More than 5 Years			
<b>2004</b>								
<i>Financial Assets</i>								
Cash and Deposits	5	3,603,171					3,603,171	5.30%
Receivables	6					357,180	357,180	N/A
		3,603,171	0	0	0	357,180	3,960,351	
<i>Financial Liabilities</i>								
Payables	10					1,812,225	1,812,225	N/A
Secured Loan	11	93,700,000					93,700,000	7.37%
Interest Rate Swap		(91,500,000)		91,500,000			0	N/A
		2,200,000	0	91,500,000	0	1,812,225	95,512,225	
<b>Net financial assets / (liabilities)</b>		1,403,171	0	(91,500,000)	0	(1,455,045)	(91,551,874)	
	Notes	Floating Interest Charges	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing	Total	Interest Rate
<b>2005</b>								
<i>Financial Assets</i>								
Cash and Deposits	5	927,918					927,918	5.55%
Receivables	6					723,304	723,304	N/A
		927,918	0	0	0	723,304	1,651,222	
<i>Financial Liabilities</i>								
Payables	10					1,508,874	1,508,874	N/A
Unsecured loans	12		600,000				600,000	8.00%
Secured Loans	11	93,700,000					93,700,000	7.39%
Interest Rate Swap		(91,500,000)		91,500,000			0	N/A
		0	600,000	91,500,000	0	1,508,874	95,808,874	
<b>Net financial assets / (liabilities)</b>		927,918	(600,000)	(91,500,000)	0	(785,570)	(94,157,652)	

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2005

#### Note 20. Leases

All of the leases in the property owned by the Trust are leased to third parties under operating leases at 30 June 2005.

	2005 \$	2004 \$
Future minimum rental revenues under non-cancelable operating leases at year end are as follows:		
- not later than one year	10,073,872	9,352,335
- later than one year and not later than five years	25,458,560	19,226,170
- later than five years	11,595,504	4,877,458
Total	47,127,936	33,455,963

#### Note 21. Contingent Liabilities and Contingent Assets

The Directors are of the opinion that there are no contingent liabilities at balance date not already provided in the financial statements.

	2005 \$	2004 \$
<b>Note 22. Auditors Remuneration</b>		
Amounts received or due and receivable by auditors for:		
- an audit or review of the financial report of the trust	15,000	23,920
- taxation and compliances services	1,750	16,302
- other assurance services	2,000	0
	18,750	40,222

#### Note 23. Remuneration of Directors

No remuneration is paid to Directors by the Blue Tower Trust or the Responsible Entity.

The Directors received remuneration from entities related to the Responsible Entity, Leyshon Corporation Limited. The amount of remuneration received by each Director for activities attributable to the Blue Tower Trust or the Responsible Entity is as follows:

G. McMahon	10,000
M. O'Reilly	5,000
W. Collins	5,000
N. Summerson	0

None of this remuneration has been charged as an expense to Blue Tower Trust.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2005**

#### **Note 24. Trust Details**

The registered office for the Trust is:

Leyshon Corporation Limited as Responsible Entity of Blue Tower Trust  
Level 1, 295 Elizabeth Street  
(Cnr Creek Street)  
BRISBANE QLD 4000

LCL, the Trustee of the Trust, is incorporated and domiciled in Australia.

At balance date the trustee had three employees (2004: Nil employees)

#### **Note 25. Other Information**

##### Commencement date of the Trust

The Trust was formed on 28 November 2003.

##### Life of the Trust

The life of the Trust is limited by a term of 80 years.

## **Notes to the Financial Statements continued FOR THE YEAR ENDED 30 JUNE 2005**

### **Note 26. Impact of Adopting Australian Equivalents to IFRS**

Leyshon Corporation Limited, the Responsible Entity of the Trust, began a project to address the conversion to Australian equivalents to International Financial Reporting Standards ("AIFRS") early in the 2004 year. This process involved the allocation of internal resources and the engagement of expert consultants to perform diagnostics and conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Blue Tower Trust's transition date to AIFRS.

Blue Tower Trust will prepare its audited financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006 in compliance with AIFRS. The financial statements for 2005 will be the last annual financial statements to be prepared according to Australian generally accepted accounting practices ("AGAAP"). The financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006 will include comparative amounts that have been restated to comply with the Australian equivalents to IFRS. Most adjustments required on transition to AIFRS will be made retrospectively against opening retained earnings on 1 July 2004.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- (a) ongoing transition work being undertaken by Blue Tower Trust;
- (b) potential amendments to IFRS's and Interpretations thereof being issued by the standard-setters and IFRIC; and
- (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.



## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2005

#### Note 26. Impact of Adopting Australian Equivalents to IFRS (Contd)

##### (a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	30 June 2005** \$	1 July 2004* \$
<b>Total equity under AGAAP</b>		58,935,245	29,411,155
<i>Adjustments to retained earnings (net of tax)</i>			
Property Investments	(i)	29,759,628	113,729
Intangible Assets – Formation Costs	(ii)	(201,698)	(256,456)
		<hr/>	<hr/>
<i>Adjustment to other reserves (net of tax)</i>			
Transfer from asset revaluation reserve	(i)	(29,759,628)	0
		<hr/>	<hr/>
<b>Total equity under IFRS</b>		58,733,547	29,268,428
		<hr/>	<hr/>

\* This column represents the adjustments as at the date of transition to AIFRS.

\*\* This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

- (i) AASB 140 *Investment Property* requires entities to measure investment property using the fair value model or cost model. The Trust will measure investment property at fair value with any increments/(decrements) taken to the profit and loss account. The Trust's current accounting policy under AGAAP allows for the investment property to be measured at fair value with increments/(decrements) taken through the Asset Revaluation Reserve.
- (ii) Under AASB 138 *Intangible Assets*, formation costs are to be expensed as incurred. The Trust's current accounting policy allows for the capitalisation of such costs which are amortised over 5 years.
- (iii) Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The IFRS project team is in the process of determining the impact that adopting the standards would have on the financial statements of the Trust.

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2005

#### Note 26. Impact of Adopting Australian Equivalents to IFRS (Contd)

- (iv) From 1 July 2005 AASB 139 *Financial Instruments: Recognition and Measurement* requires cashflow hedges to be measured at fair value with gains and losses recognised on the effective portion of the hedging instrument directly to equity, and any ineffective portion through profit or loss. The fair value of the interest rate swap as at 30 June 2005 is (\$1,479,512) (1 July 2004: (\$155,756)) however management have decide to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Refer Point (iii).
- (v) From 1 July 2005 AASB 139 *Financial Instruments: Recognition and Measurement* requires the Trust to classify unitholders' funds as debt if the Trust has a limited life. Income distributions to unitholders will under AIFRS be classified as interest expense. The value of unitholders' funds as at 30 June 2005 is \$27,017,904 (1 July 2004: \$28,879,232) however management are applying the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Refer Point (iii).
- (vi) AASB 132 *Financial Instruments: Disclosure and Presentation* requires capitalised borrowing costs of a financial instrument to be allocated against the financial instrument. This does not result in a change in net equity of Blue Tower Trust.
- (vii) AASB 112 *Income Taxes* requires the Trust to use a balance sheet liability method, rather than the current income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to the revalued assets. Under AGAAP, the tax effects of asset revaluations are not recognised.

Under AIFRS as for AGAAP, the Trust is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unitholders. On this basis, it is not expected that a deferred tax asset or liability will be recognised in Blue Tower Trust.

#### (b) Reconciliation of net profit under AGAAP to that under AIFRS

	Notes	30 June 2005 \$'000
Net profit as reported under AGAAP		1,625,790
Property Investment – increase in fair value	(i)	29,759,628
Intangible Assets – Formation costs amortisation	(ii)	54,757
Net profit under AIFRS		31,440,175

#### (c) Restated IFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

## **Directors' Declaration**

In accordance with a resolution of the Directors of Leyshon Corporation Limited, we state that:

- (1) In the opinion of the Directors:
  - (a) the financial statements and notes of the Trust are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Trust's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; 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.
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2005.

On behalf of the Board  
Leyshon Corporation Limited as Trustee and Responsible Entity  
for Blue Tower Trust  
ABN 50 090 257 480



\_\_\_\_\_  
G McMahon  
Director

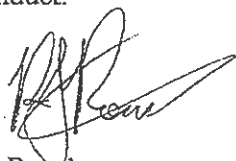


\_\_\_\_\_  
M O'Reilly  
Director

Brisbane  
31 August 2005

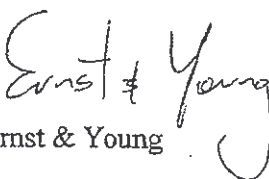
**Auditor's Independence Declaration to the Directors of Leyshon Corporation Limited as Responsible Entity of Blue Tower Trust**

In relation to our audit of the financial report of Blue Tower Trust for the year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



RJ Roach  
Partner  
Brisbane

24 August 2005



Ernst & Young

## Independent audit report to the unitholders of Blue Tower Trust

### Scope

#### *The financial report and trustee's responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Blue Tower Trust (the trust), for the year ended 30 June 2005.

The trustee of the trust is responsible for preparing a financial report that presents fairly the financial position and performance of the trust, and that complies with Accounting Standards in Australia, in accordance with the trust deed. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the unitholders of the trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the trust deed, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the trustee.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

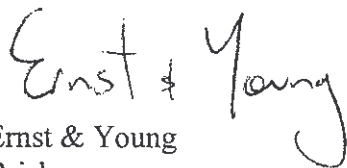
We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the trustee and management of the trust.

**Independence**

We are independent of the trust, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the trustee of the trust a written Auditor's Independence Declaration, a copy of which is attached at page 33. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the trustee at the date this audit report was signed. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

**Audit opinion**

In our opinion, the financial report of Blue Tower Trust presents fairly, in accordance with the trust deed, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the trust's financial position as at 30 June 2005, and of its performance as represented by the results of its operations and cash flows for the year then ended.



Ernst & Young  
Brisbane

31 August 2005

## BSX ADDITIONAL INFORMATION

Additional information required by the Bendigo Stock Exchange (BSX) and not shown elsewhere in this report is as follows. The information is current as at 22 September 2005.

### (a) Distribution of equity securities

The number of unitholders by size of holding:

1 - 1,000	45
1,001 - 5,000	0
5,001 - 10,000	0
10,001 - 100,000	5
100,001 and over	29
Total number of unitholders	<u>79</u>

### (b) The largest unitholders

The names of the largest ten unitholders are:

	Number of Units	Percentage of units
1. Leyshon Operations Pty Ltd	5,518,000	18.4%
2. Keats Group Pty Ltd atf the Guy Keats Family Trust	5,000,000	16.7%
3. J. Hendry	3,000,000	10.0%
4. P. Hendry	2,000,000	6.7%
5. Ashbar Constructions Pty Ltd	2,000,000	6.7%
6. Troxfield Pty Ltd atf Rosebury Super Fund	1,000,000	3.3%
7. Currabulla Pty Ltd	1,000,000	3.3%
8. P.C. Crowley	1,000,000	3.3%
9. Whatton Holdings Pty Ltd	1,000,000	3.3%
10. Leyshon Corporation Limited	700,000	2.3%

## DIRECTORY

### Responsible Entity

Leyshon Corporation Limited  
ABN 50 090 257 480  
AFSL No. 229287  
Level 1, 295 Elizabeth Street  
BRISBANE 4000  
Phone: (07) 3004 1222

### Custodian

The Public Trustee of Queensland

### Directors of the Responsible Entity

Geoff McMahon  
Michael O'Reilly  
William Collins  
Neil Summerson

### Unitholder Registry

Leyshon Corporation Limited

### Secretary of the Responsible Entity

Christina Little

### Auditors

Ernst and Young

### Asset Managers

Leyshon Operations Pty Ltd

### Solicitors

McCullough Robertson

Australian and Asia/Pacific Institute of  
Property Auditors Pty Ltd