





BLUE TOWER TRUST
2003/4 ANNUAL REPORT

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LETTER FROM THE MANAGING DIRECTOR

We are pleased to present the first Annual Report of Blue Tower Trust.

Blue Tower Trust acquired Comalco Place, 12 Creek Street, Brisbane ("Blue Tower") on 28 November 2003. Comalco Place is a prestigious 37 level commercial office building located on the corners of Charlotte, Creek and Elizabeth Streets in the heart of Brisbane's "Golden Triangle".

The investment strategy of Blue Tower Trust is to undertake a staged refurbishment and re-leasing of the building.

We are pleased to report that in the first seven months of the Trust's operations to 30 June 2004 the investment objectives of the Trust have been achieved. The prevailing conditions in the Brisbane CBD commercial office market, with limited vacancies and growing demand for office space, has assisted the Directors in achieving the Trust's first year objectives.

Comalco Place's quality building services meant that minimal refurbishment was required in the period since acquisition to 30 June 2004.

Blue Tower Trust recorded a profit of \$531,923 for the period 28 November 2003 to 30 June 2004. Capital distributions were paid to unitholders in accordance with the Product Disclosure Statement.

As was foreshadowed in the Product Disclosure Statement, Blue Tower Trust listed on Bendigo Stock Exchange ("BSX") on 15 June 2004.

We would like to acknowledge the support of our unitholders in the first year of the Trust's operations. We look forward to continuing to achieve the investment objectives of Blue Tower Trust over the coming financial year.



Geoff McMahon
Managing Director
15 September 2004



ABN 50 090 257 480

Leyshon Corporation Limited
GPO Box 3119 Brisbane QLD 4001
T: 07 3004 1222 F: 07 3003 0122
Australian Financial Services Licence No: 229287

DIRECTORS' REPORT

The Board of Directors of Leyshon Corporation Limited ABN 50 090 257 480 the Responsible Entity of Blue Tower Trust has pleasure in submitting the statement of financial position of Blue Tower Trust as at 30 June 2004, and related statement of financial performance and statement of cash flows for the period then ended and report as follows.

Directors

The names of the directors in office at the date of this report are:

G McMahon	Date of appointment 01/11/1999
M O'Reilly	Date of appointment 14/05/2003
W Collins	Date of appointment 14/05/2003
N Summerson	Date of appointment 11/06/2004

The directors held their positions as a director from the date of appointment and up to the date of this report.

Relevant Interests in the Trust

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

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

Principal Activities

During the financial period the trust commenced its business of investment in a commercial office property.

Results

The Net Profit attributable to the unitholders of the financial period ended 30 June 2004 was \$531,923. The earnings per unit for the period based on the weighted average number of units of 27,920,018 was 1.9 cents per unit.

Distributions

Capital distributions were paid quarterly to unitholders during the period and included a distribution of 6.00 cents per unit paid on 16 January 2004 in respect of the period ended 31 December 2003 and a distribution of 6.00 cents per unit paid on 15 April 2004 in respect of the quarter ended 31 March 2004.

A final capital distribution for the period ended 30 June 2004 of 6.00 cents per unit in respect of the quarter ended 30 June 2004 was paid on 16 July 2004.

Units on Issue

30,000,000 units of Blue Tower Trust were on issue at 30 June 2004. During the period 30,000,000 units were issued by the Trust.

Trust Assets

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

Fees paid to and Interests held in the Trust by the Responsible Entity

Fees paid to the Responsible Entity and its Associates out of the Trust during the financial period are disclosed in Note 13 to the financial statements. No fees were directly paid by the Trust to the directors of the Responsible Entity during the financial period.

Review of Operations

The trust purchased a commercial office property, Comalco Place (Blue Tower), on the 28th November 2003.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the trust.

Significant Events after 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 Future Results

In the foreseeable future it is expected that the trust will continue its property investment business.

Environmental Regulation

The trust's operations are not regulated by any significant environmental regulation under a law of The Commonwealth or a State or Territory.

Options

No options over issued units or interests in the trust were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

Indemnification of Officers and Auditors

Insurance and indemnity arrangements concerning officers of the economic entity were established during 2004. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable. Neither the Trust nor the Responsible Entity has given or agreed to indemnify the auditor of the Responsible Entity or Trust.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Leyshon Corporation Limited support and have adhered to 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.

Board Committees

As at the date of this report, the Responsible Entity had a Compliance Committee.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'G McMahon', written over a horizontal line.

G McMahon
Director

Brisbane
9 August 2004

Blue Tower Trust
ARSN 109 093 852

Financial Statements
For the period 28 November 2003 to 30 June 2004

**STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2004**

	Note	2004 \$
CURRENT ASSETS		
Cash Assets	2	3,603,171
Receivables	3	357,180
Other	4	<u>86,315</u>
TOTAL CURRENT ASSETS		<u>4,046,666</u>
NON-CURRENT ASSETS		
Property Investments held directly	5	119,886,271
Other	6	<u>1,797,023</u>
TOTAL NON-CURRENT ASSETS		<u>121,683,294</u>
TOTAL ASSETS		<u>125,729,960</u>
CURRENT LIABILITIES		
Payables	7	<u>2,618,805</u>
TOTAL CURRENT LIABILITIES		<u>2,618,805</u>
NON-CURRENT LIABILITIES		
Interest bearing liabilities	8	<u>93,700,000</u>
TOTAL NON-CURRENT LIABILITES		<u>93,700,000</u>
TOTAL LIABILITIES		<u>96,318,805</u>
NET ASSETS		<u>29,411,155</u>
UNITHOLDERS' FUNDS	9	
Units Issued		29,872,365
Capital Repayment		(993,133)
Undistributed Income		<u>531,923</u>
TOTAL UNITHOLDERS' FUNDS		<u>29,411,155</u>

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD 28 NOVEMBER 2003 TO 30 JUNE 2004**

	Note	2004 \$
Revenue from Ordinary Activities	11	7,167,399
Airconditioning expenses		(221,438)
Amortisation expenses		(38,662)
Asset Management fees		(354,932)
Amortisation of Borrowing costs		(202,049)
Finance Charges – Loans		(55,000)
Guarantee Fees		(58,333)
Insurance		(130,524)
Interest Paid – Bank		(4,037,343)
Leasing Expenses		(73,730)
Lift Expenses		(168,021)
Property Management Fees		(61,557)
Rates		(356,500)
Recoverable Outgoings		(358,085)
Repairs & Maintenance		(152,774)
Security		(83,587)
Other expenses from ordinary activities		(282,941)
Total Expenses from Ordinary Activities		<u>(6,635,476)</u>
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		531,923
Income Tax Expense		<u>0</u>
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		<u>531,923</u>
Basic earning per unit (cents per unit)	16	1.9
Diluted earnings per unit (cents per unit)	16	1.9

**STATEMENT OF CASH FLOWS
FOR THE PERIOD 28 NOVEMBER 2003 TO 30 JUNE 2004**

	Note	2004 \$
Cash Flows from operating activities		
Receipts from customers		7,368,421
Payments to suppliers & employees		(1,183,299)
Interest and other finance costs paid		(3,550,862)
Interest and bill discounts received		91,587
Net GST paid		<u>(201,294)</u>
<i>Net cash flow from operating activities</i>	14	<u>2,524,553</u>
Cash Flows from investing activities		
Purchase of Investment Properties		(119,886,271)
Formation Expenses		(294,860)
Borrowing Costs		<u>(1,742,616)</u>
<i>Net cash flows used in investing activities</i>		<u>(121,923,747)</u>
Cash Flows from financing activities		
Proceeds from issue of units		30,000,000
Payment of unit issue costs		(127,635)
Payment of distributions to unitholders		(570,000)
Proceeds from borrowings		<u>93,700,000</u>
<i>Net cash flows from financing activities</i>		<u>123,002,365</u>
Net increase in cash held		3,603,171
Cash at beginning of the financial period		<u>0</u>
Cash at end of the financial period	2	<u>3,603,171</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 28 NOVEMBER 2003 TO 30 JUNE 2004

Note 1. Statement of Significant Accounting Policies

Basis of Accounting

This general purpose financial report has been prepared in accordance with the Trust's Deed and the requirements of the Corporations Act, which includes Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus views) has 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.

Investment Property

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 cost. 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 Trustee 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 not 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.

Note 1. Statement of Significant Accounting Policies (Contd)

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

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes deposits at call with financial institutions which are readily convertible to cash on hand.

Loans and Borrowings

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

Borrowing Costs

Borrowing costs in respect of the Investment Property are initially capitalized 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.

Income Tax

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

Goods and Services Tax (GST)

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

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

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

Note 1. Statement of Significant Accounting Policies (Contd)

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

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

Earnings per Unit

Earnings per unit is calculated as net income attributable to unitholders divided by the weighted average number of ordinary units.

Receivables

Receivables are recognized and carried at the original amount. Collectability of debtors is reviewed on an ongoing basis. Debts known to be uncollectible are written off.

Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. 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.

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.

Note 1. Statement of Significant Accounting Policies (Contd)

Units Issued

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. Unitholders have various rights under the Trust Deed, 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.

The rights, obligations and restrictions attached to each unitholder are identical in all respects. Any transaction costs arising on the issue of units are recognized directly in equity as a reduction of the unit proceeds received.

Formation Costs

Formation Costs in respect to the Trust are initially capitalized and are expensed over a term of five years.

Payables

Liabilities for trade creditors and other amounts 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.

Web site costs

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

Interest Bearing Liabilities

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

Revenue Recognition

Revenues from rents are recognized in accordance with AASB 1008 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 recognized as a receivable.

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

Note 1. Statement of Significant Accounting Policies (Contd)

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

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.

Leasing Incentives

Lease incentives in the form of up-front payments, contributions to certain lessee costs, relocation costs and fit-outs that are offered in relation to the on-going operation of the property are recognized 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 capitalized to the carrying value of the property.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2004
\$

Note 2. Cash assets (Current)

Cash at bank and on hand	0
Deposits at call	3,603,171
Other Deposits	<u>0</u>
	<u>3,603,171</u>

Note 3. Receivables (Current)

Trade Debtors	22,772
Amounts receivable from related parties	20,404
Other receivables	<u>314,004</u>
	<u>357,180</u>

Note 4. Other Assets (Current)

Prepayments	<u>86,315</u>
	<u>86,315</u>

Note 5. Property Investments (Non-current)

Property Investments held directly at Cost	<u>119,886,271</u>
	<u>119,886,271</u>

(a) Assets pledged as security

The assets of Blue Tower Trust are pledged as security to Suncorp Metway Ltd under a first registered mortgage debenture.

Included in the balances of property investments are assets over which first mortgages have been granted as security over bank loans. The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first 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:

Property Investments held directly	\$119,886,271
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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.

Note 5. Property Investments (Non-current) Contd

(b) 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	119,886	September 2003	120,000 (i)	2004 120,000	2003 NA

(i) As valued by Landmark White using a fair market value approach between a willing buyer and seller.

(c) Reconciliations of Carrying Amounts

2004
\$

Reconciliations of the carrying amounts of property investments

Carrying amount at start of period	0
Capital additions	119,886,271
Disposals	0
Net revaluation increments	0
Carrying amount at end of period	<u>119,886,271</u>

Note 6. Other Assets (Non-current)

Formation Costs	294,860
Accumulated amortisation	<u>(38,404)</u>
	256,456
Borrowing Expenses	1,742,616
Accumulated amortisation	<u>(202,049)</u>
	1,540,567
Total Other Assets (Non-current)	<u>1,797,023</u>

Note 7. Payables (Current)

Trade creditors	34,159
Prepaid income	806,580
Other creditors and accruals	1,354,933
Accrued capital distribution	<u>423,133</u>
	<u>2,618,805</u>

2004
\$

Note 8. Interest Bearing Liabilities (Non-Current)

Secured Borrowings:

Secured loans (a)	<u>93,700,000</u>
Total secured borrowings	<u>93,700,000</u>

- (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 first registered mortgage over the properties owned by Blue Tower Trust. Refer to Note 5(a).

Note 9. Unitholders' Funds

(a)

UNITHOLDERS' FUNDS

Blue Tower Trust

Issued and paid up capital	9(b)	28,879,232
Undistributed Income		<u>531,923</u>
		<u>29,411,155</u>

(b)

Issued and paid up capital

Units on issue at beginning of the reporting period	0
Units issued during the reporting period	30,000,000
Less: transaction costs	<u>(127,635)</u>
Units on issue at reporting date	<u>29,872,365</u>

Capital Repayment

Balance at beginning of period	0
Distributions paid during the period	(570,000)
Distributions accrued during the period	<u>(423,133)</u>
Balance at end of period	<u>(993,133)</u>

Total Issued and paid up capital	<u>28,879,232</u>
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2004
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Note 9. Contributed Equity (Contd)

(c)

Movements in issued and paid up capital

	Number
of units	
Beginning of the financial period	0
Issued during the period	<u>30,000,000</u>
End of financial period	<u>30,000,000</u>

- (i) On 28 November 2003, 27,740,000 units were issued on creation of Blue Tower Trust. The Trust issued a further 424,000 units on 9 June 2004 and 1,836,000 units 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.

(d)

Undistributed Income

Balance at the beginning of period	0
Net Profit attributable to the unitholders	<u>531,923</u>
Balance at end of period	<u>531,923</u>

Note 10. Segment Reporting

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

2004

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Note 11. Revenue

Revenue from operating activities

Rents and sub-lease rentals	6,753,579
Outgoings recovered (net)	<u>322,002</u>
	<u>7,075,581</u>

Revenue from outside the operating activities

Interest – Other parties	<u>91,818</u>
	<u>91,818</u>

Revenue from ordinary activities	<u>7,167,399</u>
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(a) Expenses

Profit from ordinary activities before income tax expense includes the following specific expenses:

Expenses

Amortisation	
Formation Expenses	38,662
Borrowing Costs	<u>202,049</u>
Total Amortisation	<u>240,711</u>

Borrowing Costs	
Interest and finance charges paid/payable – Other parties	<u>4,092,343</u>
	<u>4,092,343</u>

Note 12. Commitments for capital expenditure

There are no outstanding capital commitments for expenditure at 30 June 2004 on Blue Tower Trust.

Note 13. Related parties

(a) Responsible Entity

The Responsible Entity of Blue Tower Trust is Leyshon Corporation Limited. Shareholdings of Leyshon Corporation Limited are as follows:

Leyshon Pty Ltd	(45%)	450 shares
W G Collins Pty Ltd ATF W G Collins Discretionary Trust	(22.5%)	225 shares
O'Reilly Enterprises Pty Ltd ATF O'Reilly Family Trust	(22.5%)	225 shares
G & M Rees Investments Pty Ltd	(7.5%)	75 shares
Glendower Investments Pty Ltd ATF Glendower Super Fund	(2.5%)	25 shares

(b) Directors

The directors of Leyshon Corporation Limited during the period were:

Geoff McMahon
Michael O'Reilly
William Collins
Neil Summerson

(c) Other Transactions

Management Fees

During the period, Leyshon Operations Pty Ltd received management fees of \$177,466 of which G. McMahon and N. Summerson are directors and shareholders of the controlling entity Leyshon Pty Ltd.

During the period, Australian and Asia/Pacific Institute of Property Auditors Pty Ltd (AAPIPA) received management fees of \$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 period, Leyshon Pty Ltd received guarantee fees of \$58,333 of which G. McMahon and N. Summerson are directors and shareholders.

Interest Charges

During the period, Leyshon Operations Pty Ltd received interest charges of \$74,301 of which G. McMahon and N. Summerson are directors and shareholders of the controlling entity Leyshon Pty Ltd.

Note 13. Related parties (Contd)

Acquisition Fees

During the period, Leyshon Operations Pty Ltd received acquisition fees of \$1,130,000 of which G. McMahon and N. Summerson are directors and shareholders of the controlling entity Leyshon Pty Ltd.

During the period, AAPIPA received acquisition fees of \$1,130,000 of which M. O'Reilly and W. Collins are directors and shareholders.

2004
\$

Note 14. Statement of Cash Flows

(a) Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

Profit from ordinary activities after related income tax	531,923
Amortisation	240,711
Change in operating Assets and liabilities:	
(Increase)/Decrease in Receivables	(115,886)
(Increase)/Decrease in Other Assets	(86,315)
Increase/(Decrease) in Payables	1,772,281
Increase/(Decrease) in Capital Payment	423,133
Increase/(Decrease) in GST Payable	<u>(201,294)</u>
Net Cash Inflow provided from Operating Activities	<u>2,524,553</u>

(b) Financing Facilities

Total Facilities available – Borrowings	<u>95,500,000</u>
Total Facility used	93,700,000
Total Facility unused	<u>1,800,000</u>
	<u>95,500,000</u>

Note 15. 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 recognize interest rate swaps in the financial statements. Net receipts and payments are recognized as an adjustment to interest expense.

(b) Credit risk exposure

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

(b) 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			
<i>Financial Assets</i>								
Cash and Deposits	2	3,603,171					3,603,171	5.30%
Receivables	3					357,180	357,180	NA
		<u>3,603,171</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>357,180</u>	<u>3,960,351</u>	
<i>Less: Financial Liabilities</i>								
Payables	7					1,812,225	1,812,225	NA
Secured Loan	8	93,700,000					93,700,000	7.37%
Interest Rate Swap		(91,500,000)		91,500,000			0	NA
		<u>2,200,000</u>	<u>0</u>	<u>91,500,000</u>	<u>0</u>	<u>1,812,225</u>	<u>95,512,225</u>	
Net financial assets / (liabilities)		<u>1,403,171</u>	<u>0</u>	<u>(91,500,000)</u>	<u>0</u>	<u>(1,455,045)</u>	<u>(91,551,874)</u>	

(d) Net Fair Values

The Trust's recognized financial assets and liabilities included in the Statement of Financial Position are carried at their net fair value, except the property investment which is carried at cost. Refer Note 1.

Interest rate swaps are not recognized by Blue Tower Trust. The fair value of interest rate swaps at 30 June 2004 is not considered by the directors of the Responsible Entity to be material.

2004
\$

Note 16. Earnings per Unit

Basic earnings per unit (cents)	1.9
Diluted earnings per unit (cents)	1.9
Weighted average <i>number of ordinary units</i> on issue during the period used in the calculation of basic earnings per unit	<u>27,920,018</u>

Note 17. Contingent Liabilities

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

Note 18. Leases

All of the property owned by the Trust is leased to third parties under operating leases at 30 June 2004.

Future minimum rental revenues under non-cancellable operating leases at 30 June 2004 are as follows:

- not later than one year	9,352,335
- later than one year and not later than five years	19,226,170
- later than five years	<u>4,877,458</u>
Total	<u>33,455,963</u>

Note 19. 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.

2004
\$

Note 20. Auditors Remuneration

Amounts received or due and receivable by auditors for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity	23,920
- other assurance services	<u>16,302</u>
	<u>40,222</u>

Note 21. Subsequent Events

No events of a material nature have occurred since 30th June 2004.

Note 22. Trust Details

The registered office for the trust is:

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

Leyshon Corporation Limited, the Responsible Entity of the Trust, is incorporated and domiciled in Australia.

At balance date the Trust had nil employees.

Note 23. 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 not limited by a term of years. The Trust shall continue whilst the units are listed on the Bendigo Stock Exchange.

Note 24. Impact of Adopting AASB Equivalents to IASB Standards

Blue Tower Trust has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Trust has allocated internal resources and intends to engage expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As Blue Tower Trust has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Blue Tower Trust prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Additional matters may be identified when the impact assessment is completed. At this stage the Trust has not been able to reliably quantify the impacts of the financial report.

Property investments which are currently held at cost and depreciated will upon adoption of IFRS (AASB 116) be required to either be held at cost and depreciated or be revalued to fair value each year. If revalued to fair value, the initial adjustment on adoption of AASB 116 will be to retained earnings with subsequent adjustments in fair value recognized in operating profit/loss.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognized on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Note 24. Impact of Adopting AASB Equivalents to IASB Standards

Hedge Accounting

Under AASB 139 *Financial Instruments: Recognition and Measurement* in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identified the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change in the entity's current accounting policy that does not currently recognize the interest rate swap financial instrument. Where the interest rate swap is not effective, all gains and losses on the swap will be recognized in the income statement. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

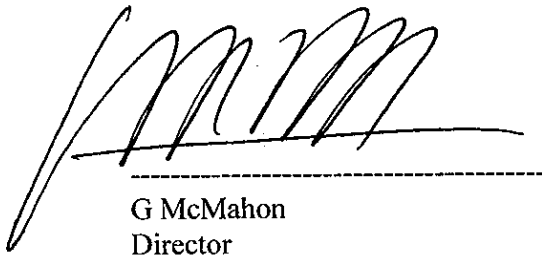
DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Trust are 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 2004 and of its performance for the period 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.

On behalf of the Board
Leyshon Corporation Limited
ABN 50 090 257 480



G McMahon
Director

Brisbane
9 August 2004

Independent audit report to unit holders of Blue Tower Trust

Scope

The financial report and directors' 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 Trustees' declaration for Blue Tower Trust (the Trust), for the period ended 30 June 2004.

The directors of the Trustee are 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 and 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 unit holders 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 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 directors.

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.

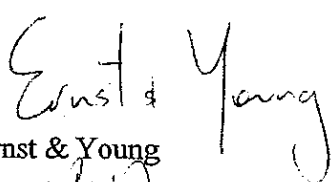
We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors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

Independence

We are independent of the Trust, and have met the independence requirements of Australian professional ethical pronouncements. 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 and 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 2004, and of its performance as represented by the results of its operations and cash flows for the period then ended.



Ernst & Young



R J Roach
Partner

Brisbane

Date: 13 August 2004

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 15 September 2004.

(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

Australian and Asia/Pacific Institute of
Property Auditors Pty Ltd

Solicitors

McCullough Robertson