

Westralia Property Trust

ARSN 096 588 046



Annual Report
30 June 2006

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Responsible Entity	<p>Westralia Property Management Limited ACN 072 899 060</p> <p>Ground Floor 66 Kings Park Road West Perth WA 6151 Phone: (08) 9486 0870 Facsimile: (08) 9322 8488 Web: www.westraliapropertytrust.com.au</p> <p>Australian Financial Services Licence Number: 225064</p>
Postal Address	<p>PO Box 886 West Perth WA 6872</p>
Registered Address	<p>Ground Floor 66 Kings Park Road West Perth WA 6005</p>
Directors	<p>Anthony Charles Gwynne Davies David Ayers Hinton Leslie Peter Wozniczka Peter Arthur Ray Hall</p>
Company Secretaries	<p>David Ayers Hinton Sonya Catherine Furey</p>
Compliance Committee	<p>David Ayers Hinton Robert Peter Jenkins Ross Terence Kestel</p>
Registry	<p>Computershare Investor Services Pty Ltd 45 St George's Terrace Perth WA 6000 Phone: (08) 9323 2000 Facsimile: (08) 9323 2033</p>
Auditor	<p>Ernst & Young 11 Mounts Bay Road Perth WA 6000</p>
ASX code	<p>WST</p>
Custodian	<p>Sandhurst Trustees Limited 120 Harbour Esplanade Docklands VIC 3008</p>

MANAGER'S REPORT

The Directors of Westralia Property Management Limited (Westralia), the Responsible Entity of the Westralia Property Trust (the Trust); present the financial results of the Trust for the year ended 30 June 2006.

Whilst reporting a loss in 2006, the results for this year show a significant improvement from the loss posted in 2005. The property at 166 Murray Street Mall, Perth continues to increase in value but this has been offset by reductions in the carrying values of the tourism assets.

The collection of receivables and the policy of applying cash flow to debt reduction has had a positive impact on the Trust. The operating cash flow for the year was a positive \$1,022,000 compared to a negative \$25,000 in the prior year and net debt has reduced to \$59.7 million from \$61.9 million.

Overview

The reported changes in net assets attributable to unitholders of the Trust after minority interests was a loss of \$1.1 million (2005: loss of \$4 million) after finance costs attributable to unitholders.

Included in the result is a net property adjustment comprising an accretion in the value of the retail / commercial property at 166 Murray Street Perth CBD of \$3.5 million to \$67.3 million, offset by a \$6.2 million (after minority interest \$4.3 million) reduction in the carrying value of tourism assets and investments.

The results generated by the different asset categories are summarised below:

\$000's 2006	Commercial	Tourism	Unallocated	Total
Rental and other property income	6,589	1,600	-	8,189
Fair value increments/(decrements) *	3,111	(6,216)	-	(3,105)
Other expenses	(2,726)	(510)	(296)	(3,532)
EBIT	6,974	(5,126)	(296)	1,552
2005 EBIT	11,327	(10,219)	(620)	488

* Fair value increments are net of related Responsible Entity fees of \$0.4 million.

The net debt of the Trust has been reduced by \$2.2 million to \$59.7 million primarily through a combination of active debt collection and the ongoing suspension of distributions. The gearing ratio (debt to total assets) has remained unchanged at 57% from 30 June 2005 to 30 June 2006. The ratio has not changed despite the reduction in net debt due to the overall decrement in the value of investments and investment properties. The NTA per unit decreased from \$0.60 to \$0.58.

Revenue and expenses

Rental income for the year was \$8.2 million, up 4.5% from last year. Within this increase, rental income on Commercial assets increased by 10.1% while Tourism assets decreased by 13.7%. Borrowing costs and interest remained constant in the year as reductions in debt were offset by increases in general interest rates.

MANAGER'S REPORT

Performance of Property Portfolio

166 Murray Street Mall, Perth

The City Central property at 166 Murray Street Mall, Perth is a retail/office complex situated in the heart of the Perth CBD.

The property, which was acquired in June 2004, has increased in value to \$67.3 million from an original purchase price of \$56.2 million. This significant gain of 19.8% is due to the firming of valuation capitalisation rates for this asset class to 6.7%. Rental income for the property has increased 10.1% in 2006. This positive performance is reflective of the property being fully tenanted and the improved tenancy profile in the year following the replacement of several tenants with a Government Department and a national retailer. The property manager has also been changed during the year.

Kalgoorlie Apartment Hotel Syndicate

The Trust owns 100% of the Kalgoorlie Apartment Hotel Syndicate which, in turn, owns the Broadwater Resort Hotel, Kalgoorlie. The Hotel is leased to, and operated by, Broadwater Hospitality Management Pty Ltd. Based upon a discounted cash flow of the operating performance of the Hotel the carrying value has been reduced to \$12.3 million.

Dunsborough Hotel Property Syndicate

The Trust owns 51.15% (2005: 51.15%) of the Dunsborough Hotel Property Syndicate which owns 100% of the 88 room Broadwater Resort and Spa, on Caves Road, Dunsborough, Western Australia. The Resort is leased to, and operated by, Broadwater Hospitality Management Pty Ltd.

For the year ending 31 December 2005, the average occupancy rate for tourism accommodation in the Shire of Busselton was 48.7%. The total number of overnight visitors to the Shire of Busselton for 2005 showed no increase on 2004 and only a 1% increase on 2003. Due to the competitive pressures facing Tourism assets in the South West region as a result of the stagnant demand noted above, and an increasing supply of accommodation, the carrying value of the Resort has been reduced from \$13.2 million at 30 June 2005 to \$11.9 million at 30 June 2006.

An independent consultant was engaged to determine the ability to rezone the land at the Resort. The opinion of the consultant is that it is unlikely that an application to rezone the land as permanent residential will be granted by the Shire of Busselton, WA Planning Commission or the WA Tourism Commission. Given this outcome the prospect of pursuing a rezoning of the land has now been suspended and other options will be considered.

Pagoda Hotel Property Syndicate

The Trust owns 85.5% (2005: 84.6%) of the Pagoda Hotel Property Syndicate which, in turn, owns 65.8% (2005: 65.8%) of the Pagoda Fixed Term Property Syndicate.

The Pagoda Hotel Property Syndicate owns 36 suites (2005: 34 suites) in the Broadwater Pagoda Resort Hotel. The Hotel traded positively in the year leading to record profits of \$1.0 million (2005: \$0.8 million). The Pagoda Hotel Property Syndicate share of this profit was \$0.4 million (2005: \$0.3 million).

The Pagoda Fixed Term Property Syndicate owns the facilities lot in the Hotel which incorporates the bar, restaurant, kitchen and conference facilities of the Hotel.

The Hotel is operated by, and the facilities lot leased to, Broadwater Hospitality Pty Ltd.

The carrying value of the facilities lot in the Pagoda Fixed Term Property Syndicate has been reduced from \$4.3 million at 30 June 2005 to \$2.3 million at 30 June 2006 based on forecast performance of the underlying operations. During the year the operator of the facilities lot went into administration and the operations relinquished to Broadwater Hospitality Pty Ltd.

MANAGER'S REPORT

Broadwater Busselton Property Syndicate

The Trust owns 14.4% (2005: 14.4%) of the Broadwater Busselton Property Syndicate.

The investment in this syndicate has been written down to \$187,000 due to the uncertainty over its recoverability. The impact of the write down is \$0.9m. This Responsible Entity no longer acts as Responsible Entity of this syndicate.

Distributions to Unitholders

The Trust has not paid a distribution to unitholders during the year.

As previously advised the Trust will be able to consider future distributions once the level of debt has been reduced and the Trust has been restructured to generate sustainable profits and cash flow.

Outlook

Since last years Annual Report the restructuring of the Trust has progressed. Apart from the sale of the Broadwater Bungalows Resort (non-consolidated 14.4% investment) the desired outcome of the disposal of Tourism assets has not been achieved. The inherent complexities of the Tourism asset structures have to date made it difficult to recognise value. Notwithstanding this, the Responsible Entity has collected, for the Trust, \$2.9 million of tourism related receivables and has in place a process to achieve further rationalisation.

The Responsible Entity is dedicated to increasing investor value. This may include the divestment by the Trust of the Tourism assets which do not add value whilst also seeking to acquire additional properties for the Trust. Once capital is released this will enable the addition of further properties which will enhance the value of the Trust.

The current criteria for future acquisitions are:

- The majority of direct property assets be located in Western Australia.
- Property securities such as investments in other managed investment schemes, or listed property trusts and property investment companies, may be acquired.
- Acquisitions will be aimed at enhancing distribution capability and providing longer term growth in net asset backing.

The Directors

The Board of Westralia Property Management Limited are:

David Hinton BBus CA AICS

Mr Hinton is a Chartered Accountant and an Associate of the Institute of Chartered Secretaries. He is the Chief Executive Officer, Company Secretary and Compliance Officer of Westralia. He was appointed as a Director of Westralia in July 2003.

Mr Hinton has been with Futuris Corporation Limited since joining as the Group Financial Controller in 1995.

Les Wozniczka MBA BSc(Hon)

Mr Wozniczka is the Managing Director and Chief Executive of Futuris Corporation Limited. He also holds directorships in Futuris Automotive Group Limited, Elders Australia Limited, Australian Agricultural Company Limited, Forest Enterprises Australia Limited, Hi Fert Pty Ltd and Integrated Tree Cropping Limited. He was appointed as a Director of Westralia on 14 April 2005.

MANAGER'S REPORT

Tony Davies BA FCA

Mr Davies is a Chartered Accountant and Director of Amcom Telecommunications Limited, Chemeq Limited and Integrated Tree Cropping Limited. He was appointed as a Director of Westralia on 14 April 2005.

Peter Hall

Mr Hall has extensive property experience and is the Managing Director of Caversham Property Pty Ltd. He was appointed as a Director of Westralia on 14 April 2005.

A handwritten signature in black ink, appearing to read 'D Hinton', with a stylized, cursive script.

David Hinton
Director

Westralia Property Management Limited

14 September 2006

CORPORATE GOVERNANCE

The Westralia Property Trust ("Trust") is a registered managed investment scheme under the Corporations Act 2001 ("Corporations Act"). Westralia Property Management Limited ("Responsible Entity") is the Responsible Entity for the Trust and establishes the corporate governance policies of the Trust. The Responsible Entity holds an Australian Financial Services Licence authorising it to operate the Trust and has a duty to act in the best interests of unitholders of the Trust.

The Australian Stock Exchange Limited ("ASX") Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles"), in conjunction with the ASX listing rules, require the Trust to disclose in its annual report the extent to which its corporate governance practices follow the ASX Principles and to give reasons why any recommendations have not been followed.

The Responsible Entity complies with a majority of the ASX Principles. Where it does not, it is largely in respect of matters where the nature of the regulation of the Trust or of the Trust's business is such that the board of the Responsible Entity considers that compliance is not appropriate or required and that there is no detriment to unitholders of the Trust from non-compliance.

The Responsible Entity's key corporate governance principles and practices adopted by the board of the Responsible Entity follow.

Further information on corporate governance policies can be found on the Trust's website at www.westraliapropertytrust.com.au

Principle 1 - Lay solid foundations for management and oversight

Recommendation 1.1 - Formalise and disclose the functions reserved to the board of the Responsible Entity and those delegated to management.

The Chief Executive is responsible to the board for the day-to-day management of the Responsible Entity.

The relationship between the board and management is a partnership that is crucial to the long-term success of both the Responsible Entity and the Trust. The separation of responsibilities between the board and management is clearly understood.

The respective roles of the board and management of the Responsible Entity are set out in the compliance plan which is available to unitholders. The Trust's compliance plan sets out the key processes, systems and measures the Responsible Entity will apply to ensure compliance with the Corporations Act and the constitution of the Trust.

In addition, the board of the Responsible Entity has adopted a board charter designed to emphasise the responsibilities of the board in managing the Trust in a manner which protects and builds wealth for the unitholders, taking into account other stakeholders such as employees, customers, suppliers, lenders and the wider community.

Principle 2 - Structure the board of the Responsible Entity to add value

Recommendation 2.1 - A majority of the board of the Responsible Entity should be independent directors.

The board of the Responsible Entity comprises directors or executives of its ultimate parent company, Futuris Corporation Limited, and one former executive. The directors are therefore not independent, but are nominated on the basis of expertise in the Trust's core business. Details of the directors are set out on page 4 of this Report.

In accordance with the Corporations Act, the board has established a Compliance Committee. The role of the Compliance Committee is to monitor the extent of the Responsible Entity's compliance with the Trust's constitution, compliance plan and the Corporations Act, to ensure that the Responsible Entity acts in the best interests of the unitholders.

CORPORATE GOVERNANCE

The Compliance Committee comprises three members, two of whom are external and independent of the Responsible Entity, and any party related to the Responsible Entity, and satisfy both the external member tests in the Corporations Act and the independence tests set out in the ASX Principles. The Compliance Committee meets on a regular basis and may report to the board on any matters of compliance in relation to the Trust.

The board therefore considers that the additional oversight of the Trust's activities by the Compliance Committee and the procedures set out in the compliance plan relating to the operation of the Trust provide sufficient independent oversight and transparency in the management of the Trust.

For the reasons noted above and due to the relative size and nature of the Trust's activities the board does not consider it necessary to adopt the remaining recommendations under Principle 2.

Principle 3 - Promote ethical and responsible decision making

Recommendation 3.1- Establish a code of conduct to guide the directors of the Responsible Entity, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

- 3.1.1 the practices necessary to maintain confidence in the Trust's integrity
- 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Trust's compliance plan sets out the arrangements the Responsible Entity has to ensure that breaches of the Corporations Act, constitution of the Trust, Australian Financial Services Licence conditions, industry or internal standards are identified, reported and rectified if necessary.

The external auditor of the Trust's compliance plan has completed the annual audit for the year. No material breaches of the plan were identified as a result of this audit.

The board of the Responsible Entity has adopted a director's Code of Conduct, which can be found on the Trust's website.

Recommendation 3.2 - Disclose the policy concerning trading in units in the Trust by directors, officers and employees.

The director's Code of Conduct sets out that directors of the Responsible Entity and other parties associated with the Trust, including employees and officers who possess inside information, must not trade in the Trust's units.

Principle 4 - Safeguard integrity in financial reporting

Recommendation 4.1 - Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board of the Responsible Entity that the Trust's financial reports present a true and fair view, in all material respects, of the Trust's financial condition and operational results and are in accordance with relevant accounting standards.

The Responsible Entity's financial report preparation and approval process requires the Chief Executive and the Chief Financial Officer to provide a written declaration to the board that, to the best of their knowledge and belief, the Trust's financial report presents a true and fair view in all material respects of the Trust's financial condition and operating results and is in accordance with applicable accounting standards. The board received this declaration for the financial year.

Recommendation 4.2 - The board of the Responsible Entity should establish an audit committee.

The Trust's current external auditors are Ernst & Young. The Board reviews the effectiveness, performance and independence of the external auditors. Prior to the completion of the financial statements the board meets with the auditors who present their report. A non-executive director chairs this meeting.

CORPORATE GOVERNANCE

The ASX listing rules do not require the Trust to establish an audit committee. The relative size of the board and expertise of each director allows the full board to more efficiently and effectively perform an audit committee function. Accordingly, the board does not consider it necessary to establish a separate committee for this purpose.

The board monitors the independence of the external auditor who is required to confirm such independence on a semi-annual basis. The board monitors the performance and terms of the audit engagement on an annual basis. The auditor and the audit firm are prohibited from providing any non-audit services that may impinge on their independence.

The board charter establishes the functions of the board as they relate to the financial management of the Trust, including those functions reserved to the board. Recommendations 4.3 and 4.4 dealing with the structure and charter of an audit committee are not applicable.

Principle 5 - Make timely and balanced disclosure

Recommendation 5.1 - Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Responsible Entity is committed to complying with the continuous disclosure obligations of the Corporations Act and the ASX listing rules and has systems in place to ensure timely disclosure of price sensitive information to the market. All announcements made to the market, including information provided to analysts, are posted to the Trust's website.

The Responsible Entity has established a continuous disclosure policy designed to ensure timely and full disclosure to unitholders and the market in general, and to ensure that all stakeholders have an equal opportunity to receive and obtain information issued by the Trust.

The Continuous Disclosure Policy can be found on the Trust's website.

Principle 6 - Respect the rights of unitholders

Recommendation 6.1 – Design and disclose a communications strategy to promote effective communication with unitholders and encourage effective participation at general meetings.

The Trust is not required to hold an Annual General Meeting but does so to promote effective communication with unitholders. Other unitholder meetings are convened as required.

To enhance communication with unitholders, important information including details of the Trust's properties, financial performance and the Trust's complaints handling procedure can be found on the website. The website is periodically reviewed to ensure the accuracy and relevance of the information it contains.

The auditor and the compliance plan auditor are entitled to attend any meeting of unitholders of the Trust and be heard on any item of business that concerns the auditor.

Principle 7 - Recognise and manage risk

Recommendation 7.1 – The board of the Responsible Entity or appropriate board committee should establish policies on risk oversight and management.

As discussed under Principle 2 the Responsible Entity has established a Compliance Committee whose duties include monitoring compliance with the compliance plan.

CORPORATE GOVERNANCE

Operation of the Trust in accordance with the compliance plan ensures that the rights and interests of unitholders are protected and that business risks are identified and properly managed.

Principal areas of risk to the Trust are identified and assessed in the compliance plan, as well as measures to monitor and manage each risk. Operation of the Trust in accordance with the compliance plan is intended to protect the rights and interests of unitholders and to enable the board of the Responsible Entity to identify and manage business risk. In particular, the compliance plan establishes processes and contains policies relating to:

- Monitoring compliance with the Responsible Entity's Australian Financial Services Licence conditions and ASX listing rules
- Proper acquisition and disposals of Trust property
- Regular valuation of Trust property
- Maintenance of financial and scheme records
- Management of investment risks
- Management of conflicts of interest
- Maintenance of adequate insurance cover for Trust assets
- Borrowings within limits and conditions
- Handling of complaints
- The Compliance Officer regularly reports to the Compliance Committee on compliance with the compliance plan.

Recommendation 7.2 of the ASX Principles requires, in summary, that the chief executive officer (or equivalent) and chief financial officer (or equivalent) should; make statements in writing to the board of the Responsible Entity of the Trust that the statements given in accordance with Recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and; that those systems are operating efficiently and effectively.

These statements are incorporated in the declaration by the Chief Executive and the Chief Financial Officer required under Recommendation 4.1 which were received by the board for the financial year.

Principle 8 – Fairly review and actively encourage enhanced board and management effectiveness

Recommendation 8.1 Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.

Performance of the directors and key executives of the Responsible Entity is regularly reviewed in accordance with Futuris Corporation Limited's group policy and includes a review by its Nomination & Prudential Committee. In relation to the boards of subsidiaries, which includes the Responsible Entity of the Trust, the Nomination & Prudential Committee will review duties and responsibilities of those boards and the recommendations of the Futuris Chief Executive Officer on appointees to those boards. The Committee's charter can be found on the corporate governance section of the Futuris website at www.futuris.com.au.

The board does not consider it necessary to conduct formal performance evaluations on each director of the Responsible Entity as this would duplicate the performance assessments conducted by Futuris as part of its executive performance evaluation procedures. The board assesses the performance of any director who is not an employee of Futuris on an ongoing basis.

CORPORATE GOVERNANCE

Principle 9 – Remunerate fairly and responsibly

Recommendation 9.1 – Provide disclosure in relation to remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key Executives of the Responsible Entity and corporate performance.

Remuneration expenses of the Responsible Entity are not borne by the Trust. Directors of the Responsible Entity are remunerated by the Responsible Entity or their related parties. As directors and employees of the Responsible Entity are not remunerated by the Trust, unitholders have no direct exposure to those remuneration expenses.

In accordance with the Corporations Act, the right of the Responsible Entity to be remunerated and indemnified by the Trust is set out in the constitution of the Trust. The Responsible Entity's fee is prescribed in the constitution of the Trust and any change to that fee would require the approval of unitholders. The constitution is available from the Responsible Entity free of charge and is also available from ASIC.

There are no equity incentive schemes in relation to the Trust.

The nature of the regulation of the Trust and the Trust's business is such that the board of the Responsible Entity considers that there is no detriment to unitholders of the Trust from non-compliance with the recommendations under ASX Principle 9.

Principle 10 Recognise the legitimate interests of stakeholders

Recommendation 10.1 – Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The board of the Responsible Entity considers that unitholders are adequately protected and the principle is complied with by virtue of the obligations imposed on the Responsible Entity by the Corporations Act, the Trust's constitution and compliance plan and the Compliance Committee.

INCOME STATEMENT

YEAR ENDED 30 June 2006

	Notes	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
Rental and other property income		8,189	7,838	-	-
Interest income from other related parties		1	200	20	-
Interest income from other persons/corporations		92	54	2	1
Distributions received from related entities	19(b)	-	107	-	107
Distributions received from controlled entities	19(b)	-	-	4,410	1,514
Other income		-	49	-	27
Total revenue and other income		8,282	8,248	4,432	1,649
Property related expenses	3	(2,383)	(2,078)	-	-
Other Trust expenses:					
- Finance costs	4	(4,694)	(4,520)	-	(58)
- Responsible Entity fees		(991)	(396)	(60)	(130)
- Prospectus costs expensed		-	(263)	-	(263)
- Other expenses		(547)	(456)	(600)	(245)
Net fair value decrement of investment		(889)	(756)	(5,706)	(9,057)
Net fair value decrement of investment properties		(1,827)	(3,557)	-	-
Total expenses		(11,331)	(12,026)	(6,366)	(9,753)
Net loss before minority interests and finance costs attributable to unitholders		(3,049)	(3,778)	(1,934)	(8,104)
Net loss attributable to minority interests		1,959	2,710	-	-
Net loss attributable to unitholders of the Trust		(1,090)	(1,068)	(1,934)	(8,104)
Finance costs attributable to unitholders of the Trust		-	(2,944)	-	(2,944)
Changes in net assets attributable to unitholders of the Trust		(1,090)	(4,012)	(1,934)	(11,048)

The accompanying notes form part of the financial statements

BALANCE SHEET

AT 30 JUNE 2006

	Notes	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
Current Assets					
Cash and cash equivalents	5	873	460	105	15
Trade and other receivables	6	1,071	3,752	297	818
Other	7	-	41	-	-
Total Current Assets		1,944	4,253	402	833
Non Current Assets					
Investment properties	8	103,549	104,365	-	-
Other financial assets	9	187	1,076	37,643	42,988
Total Non Current Assets		103,736	105,441	37,643	42,988
Total Assets		105,680	109,694	38,045	43,821
Current Liabilities					
Trade and other payables	10	1,468	972	1,661	5,864
Interest bearing loans and borrowings	11	12,188	24,603	-	-
Total Current Liabilities		13,656	25,575	1,661	5,864
Non Current Liabilities					
Interest bearing loans and borrowings	11	48,455	37,833	-	-
Total Non Current Liabilities		48,455	37,833	-	-
Total Liabilities Excluding Net Assets Attributable to Unitholders and Minority Interests		62,111	63,408	1,661	5,864
Net Assets Attributable to Unitholders and Minority Interests		43,569	46,286	36,384	37,957
Represented By					
Unitholder interest liabilities	13	39,397	40,522	36,384	37,957
Minority interest liabilities	14	4,172	5,764	-	-
Total Unitholders and Minority Interest Liabilities		43,569	46,286	36,384	37,957

Statement of Changes in Equity

Due to the finite life clause contained within the constitution of the Trust and its subsidiaries, upon adoption of AASB 132 on 1 July 2004, the amount previously representing unitholder and minority interest funds are now classified as liabilities. As a result, there was no equity at the start or end of the period. Changes in Unitholder Interest Liabilities and Minority Interest Liabilities are disclosed at Note 13 and Note 14 respectively.

The accompanying notes form part of the financial statements

CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2006

	Notes	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Rent received		8,725	8,426	-	-
Interest received		217	26	22	1
Distributions received		-	-	939	1,621
Other receipts		-	156	-	32
Borrowing costs paid		(4,618)	(4,525)	-	(46)
Payments for property expense		(2,342)	(2,959)	-	-
GST received (net)		23	230	4	245
Fees and other expenses paid		(983)	(1,379)	(257)	(600)
NET OPERATING CASHFLOW	15(a)	1,022	(25)	708	1,253
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of, and additions to, investment properties		(873)	(2,129)	-	-
Proceeds from sale of investment properties		1,987	1,956	-	-
Payments for investments		-	-	-	(883)
Advances from related parties		481	120	-	6,517
Repayment of advance from related parties		-	(491)	(1,135)	(2,842)
Advances to related parties		(610)	-	-	(2,866)
Repayment of advances to related parties		772	-	517	2,593
NET INVESTING CASHFLOW		1,757	(544)	(618)	2,519
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment for unit issue costs		-	(486)	-	(443)
Distributions paid		(29)	(2,016)	-	(1,826)
Proceeds from loans and borrowings		3,017	11,665	-	-
Repayment of loans and borrowings		(5,451)	(9,425)	-	(1,500)
NET FINANCING CASHFLOW		(2,463)	(262)	-	(3,769)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		316	(831)	90	3
Cash and cash equivalents at beginning of period		422	1,253	15	12
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15(b)	738	422	105	15

The accompanying notes form part of the financial statements

NOTES

30 JUNE 2006

1. TRUST INFORMATION

Westralia Property Trust is an Australian registered scheme. Westralia Property Management Limited, the Responsible Entity of the Trust, is incorporated and domiciled in Australia.

The financial report of Westralia Property Trust for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity as at the date of signing the Director's Declaration.

The registered office and principal place of business of the Responsible Entity is located at 66 Kings Park Road, West Perth, WA 6005.

The nature of the operations and principal activities of the Trust are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Constitution of the Westralia Property Trust and the Corporations Act 2001, including applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost convention except for investment properties and other financial assets which have been measured at fair value based upon Directors' valuations. Independent valuations are conducted at intervals of not more than three years and are considered by the Directors of the Responsible Entity when determining fair values.

The financial report is presented in Australian dollars and all values have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Trust in accordance with ASIC Class Order 98/0100.

Going concern – consolidated entity

The Directors have prepared the financial report on a going concern basis.

In the adoption of the going concern basis the Directors have considered the impact of the following matters on the consolidated entity and the Trust's ability to continue as a going concern:

- There are interest bearing loans and borrowings of \$12,188,000 due within 12 months. Within this amount are the following individual balances:
 - \$4,428,000 in the Dunsborough Hotel Property Syndicate (DHPS) which is in default of its facilities due to a breach of its interest cover ratio. DHPS's lender has acknowledged this breach and at the date of this report has not sought the repayment of the facility and has reserved their rights;
 - \$2,000,000 in the Pagoda Fixed Term Property Syndicate (PFTPS). PFTPS's lender has extended the facility to 4 October 2006 and is considering a further extension to 10 November 2006 to allow the Responsible Entity time to consider alternative options available to the syndicate; and
 - \$4,847,000 in the Pagoda Hotel Property Syndicate (PHPS). PHPS's lender has extended the existing facilities to 29 September 2006. In addition, a conditional offer has been made to extend the facilities to 31 December 2006. This offer is being considered.
- The consolidated entity and the Trust made a net loss for the year ended 30 June 2006 of \$1,090,000 and \$1,934,000 respectively.
- The consolidated entity has a deficiency of current assets over current liabilities of \$11,712,000 as at 30 June 2006, due to the borrowing maturities noted above and the long term nature of its property investments.

Notwithstanding the above, the Directors believe that at the date of signing the financial report there are reasonable grounds to believe that the Trust and the consolidated entity can continue as a going concern. In arriving at this position the Directors have considered the following pertinent matters:

- During the year ended 30 June 2006 the consolidated entity has achieved a positive operating cash flow of \$1,022,000 and a reduction in net debt of \$2,206,000.
- The Responsible Entity is currently in negotiations with financiers to refinance the bank facilities in breach and due for repayment within the next 12 months.

The ability of the consolidated entity and the Trust to continue as a going concern and therefore realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report is therefore dependent upon a satisfactory resolution of the covenant breach, ongoing compliance with other bank covenants, and the extension or re-financing of borrowings falling due as discussed above. Should the Responsible Entity not be able to extend or refinance these bank facilities then there is significant uncertainty whether the consolidated entity and the Trust will continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the consolidated entity and the Trust not be able to continue as going concerns.

NOTES

30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared under AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS net assets and changes in net assets attributable to unitholders for the 30 June 2005 are detailed in note 2(v).

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below:

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 117, AASB 139 & AASB 1].

AASB 2005-4 Amendments to Australian Accounting Standards [AASB 139, AASB 132 & AASB 1], AASB 2005-5 Amendments to Australian Accounting Standards [AASB 1 & AASB 139], AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4 & AASB 1023, AASB 139 & AASB 132] & UIG 4 Determining whether an Arrangement contains a Lease.

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 2005-4, AASB 2005-5, AASB 2005-9 and UIG 4 are applicable to annual reporting periods beginning on or after 1 January 2006. The Trust has not adopted these standards early. These standards will not affect the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the financial instruments.

c) Basis of consolidation

The consolidated financial statements of the Trust comprise the financial statements of Westralia Property Trust (WPT) and its subsidiaries as at 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as WPT, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-Trust transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Trust and cease to be consolidated from the date on which control is transferred out of the Trust.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which WPT has control.

Minority interests represent the interests in Dunsborough Hotel Property Syndicate, Pagoda Hotel Property Syndicate and Pagoda Fixed Term Property Syndicate not held by the Trust.

d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Trust's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments – Trust as Lessor

Certain investment properties owned by the Trust are leased to a related party of the Responsible Entity. The Trust has determined that it retains all the significant risks and rewards of ownership of this property and has thus classified the lease as an operating lease.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. There are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period other than investment properties, refer to note 8.

e) Cash and cash equivalents

Cash at bank and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. They are stated at their nominal values.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES

30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Interest is applied to overdue amounts in accordance with trading agreements.

An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified.

g) Investment properties

Initially, investment properties are measured at cost including all transaction costs. Subsequent to initial recognition investment properties are stated at fair value, which reflects market conditions at balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified valuers. Such valuations are reflected in the financial statements of the Trust. Notwithstanding, the Directors of the Responsible Entity assess the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

Where assets have been revalued, the potential effect of 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 capital gains tax in respect of the assets.

h) Investments and other financial assets

Financial assets in the scope of AASB 139 "Financial Instruments: Recognition and Measurement" are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value. The Trust determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

Gains and losses on available for sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The Trust's direct investment in its subsidiary is carried at cost less any provision for impairment. Balances and transactions between the Trust and the subsidiaries have been eliminated in preparing the consolidated financial report.

i) Impairment of assets

The Trust assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indicators exist, or when annual impairment testing for an asset is required, the Trust makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount through equity in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES

30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

j) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are recognised and carried at the nominal amount due. These amounts are interest free and payable on 30 day terms.

k) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method including any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

l) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalised as part of the cost of that asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

m) 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 included in the determination of the net profit in equal instalments over the lease term.

n) Leasing fees and leasing incentives

Leasing fees in relation to the initial leasing of the property after a redevelopment are capitalised to the carrying value of the property and amortised on a straight line basis over the period to which the lease relates.

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 also capitalised as part of the carrying value of the property and amortised on a straight line basis over the lease term on the same basis as the lease income.

Lease incentives which may take the form of up front payments, contributions to certain lessee costs, relocation costs and fit outs and improvements are recognised as part of the carrying value of the investment properties. The aggregate cost of incentives is recognised on a straight line basis over the lease term as a reduction of rental income.

o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rental income:

Rental and other property income is recognised as income when receivable under the terms of the rental agreement. Contingent rentals are recognised as revenue in the period in which they are earned.

Interest:

Revenue is recognised as the interest accrues using the effective interest method.

Distributions:

Revenue is recognised when the Trust's right to receive payment is established.

NOTES

30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

p) Provision for distribution

In accordance with the Trust's Constitution, the Trust fully distributes its distributable income to unitholders. Distributable income includes capital gains arising from the disposal of investments.

q) Taxation

Under current Australian income tax legislation, the Trust is not liable for income tax provided that its taxable income (including any taxable capital gains) is fully distributed to unitholders each year.

Goods and services tax (GST)

Revenues, expenses and assets are recognised 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 recognised 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

r) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust. A unit does not confer any interest in any particular asset or investment of WPT. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- receive income distributions.
- attend and vote at meetings of unitholders.
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unitholder are identical in all respects.

s) Unitholder interest liabilities

The units of the Trust are classified as liabilities as the Trust has a finite life, being 80 years less one day from the date of registration of the Trust. The reclassification under AIFRS from unitholders' funds to liabilities is for reporting purposes only and does not change the underlying nature, rights or obligations associated with the units.

Unitholders interest liabilities comprise the fair value of the consideration received by the Trust for the issue of its units less any transaction costs arising on the issue of those units, plus or minus changes in net assets attributable to unitholders of the Trust.

t) Minority interest liabilities

Minority interest liabilities comprise the fair value of the interests held by parties other than the Trust in partially owned, but controlled subsidiaries of the Trust.

u) Earnings per unit (EPU)

Basic EPU is calculated as net profit / (loss) attributable to unitholders of the Trust divided by the weighted average number of ordinary units.

Diluted EPU is calculated as net profit / (loss) attributable to unitholders of the Trust divided by the weighted average number of ordinary units adjusted for the effects of all dilutive potential ordinary units.

NOTES**30 JUNE 2006****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****v) Impact of adoption of AIFRS**

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable to financial years beginning before 1 January 2005 ('AGAAP') are illustrated below.

i) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	Consolidated 30-Jun-05 \$'000	Consolidated 01-Jul-04 \$'000	Westralia Property Trust 30-Jun-05 \$'000	Westralia Property Trust 01-Jul-04 \$'000
Total equity under AGAAP	46,594	56,261	37,987	47,075
Adjustments:				
Fair value decrement of investment properties (A)	(4,451)	(4,451)	-	-
Change in basis of property valuation under AGAAP (B)	4,451	-	-	-
Deferred expenditure recognised (C)	(308)	(507)	(30)	(35)
Reclassification of equity to liabilities (D)	(46,286)	(51,303)	(37,957)	(47,040)
Total equity under AIFRS	-	-	-	-

ii) Reconciliation of net loss under previous AGAAP to that under AIFRS

	Consolidated Year ended 30-Jun-05 \$'000	Westralia Property Trust Year ended 30-Jun-05 \$'000
Prior year loss from continuing operations under AGAAP	(5,698)	(8,109)
Adjustments:		
Fair value decrement of investment properties (A)	4,451	-
Deferred expenditure recognised (C)	179	5
Finance costs attributable to Westralia Property Trust unitholders (D)	(2,944)	(2,944)
Profit / (loss) under AIFRS	(4,012)	(11,048)

(A) Under AIFRS (AASB 140 Investment Properties) properties are initially recorded at cost plus transaction costs such as stamp duty. At balance date the property is carried at fair value reflecting current market conditions with changes in carrying value recognised in the Income Statement. The adjustment represents the expensing of transaction costs that are in excess of fair value at reporting date.

(B) At 30 June 2005, the Trust amended its accounting policy to measure all investment properties at fair value under AGAAP. The adjustment represents the increment in valuation under the new policy.

(C) Scheme formation costs are expensed as incurred under AASB 138 ('Intangible Assets'). They were previously capitalised and amortised under AGAAP.

(D) Unitholders funds are classified as liabilities as they are redeemable on a specific date under AASB 132 ('Financial Instruments: Disclosure and Presentation') and AASB 139 ('Financial Instruments: Recognition and Measurement'). Distributions to the Trust unitholders are treated as a finance cost.

iii) Restated AIFRS Statement of Cash Flows

There are no material impacts between the cash flows presented under AGAAP and those presented under AIFRS.

NOTES**30 JUNE 2006**

	Notes	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
3. PROPERTY RELATED EXPENSES					
Property related expenses comprise:					
- rates and property related taxes		926	805	-	-
- insurance		155	179	-	-
- maintenance, repairs, consumables and other property expenses		1,302	1,094	-	-
		<u>2,383</u>	<u>2,078</u>	-	-

4. FINANCE COSTS

Finance costs expensed

Interest expense

- Related parties

- other related parties

- Other persons/corporations

Total finance costs expensed

	70	-	-	-
	<u>4,624</u>	<u>4,520</u>	-	<u>58</u>
	<u>4,694</u>	<u>4,520</u>	-	<u>58</u>

5. CASH AND CASH EQUIVALENTS

Cash at bank and in hand

Short term deposits

	713	300	105	15
	<u>160</u>	<u>160</u>	-	-
15(b)	<u>873</u>	<u>460</u>	<u>105</u>	<u>15</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates

Short term deposits are made for varying periods of between one to three months and earn interest at the respective short term deposit rates. Short term deposit is security for bank facilities and is not accessible by the Trust.

The fair value of cash and cash equivalents is \$873,000 (2005: \$460,000).

6. TRADE AND OTHER RECEIVABLES

Rent receivable

Related party receivables

- receivable from controlled syndicate

- secured loan

Other receivables

- secured loans

- sundry debtors

- other debtor

	447	781	-	-
	-	-	285	802
	<u>610</u>	-	-	-
	-	896	-	-
	<u>14</u>	<u>73</u>	<u>12</u>	<u>16</u>
	-	<u>2,002</u>	-	-
	<u>1,071</u>	<u>3,752</u>	<u>297</u>	<u>818</u>

Terms and conditions relating to the above financial instruments:

Rent receivable is interest bearing and generally receivable on the first day of the month.

Related party receivable from controlled syndicate is non-interest bearing and receivable at call.

Related party secured loan accrues interest at 8.5% and is secured by a registered first mortgage over investment property.

Secured loan accrues interest at 15% and is secured by a fixed and floating charge over the assets of the debtor.

Sundry debtors are non interest bearing and generally have 30 - 90 day terms

Other debtor is non-interest bearing and secured by a caveat over the title of land sold.

7. OTHER ASSETS

Prepayments

	-	41	-	-
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NOTES**30 JUNE 2006**

	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
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8. INVESTMENT PROPERTIES**(a) Property investments**

Investment properties held by controlled entities at fair value:

166 Murray Street Mall	67,300	63,800	-	-
Broadwater Resort & Spa, Dunsborough	11,900	13,200	-	-
Broadwater Resort Hotel Kalgoorlie	12,325	13,925	-	-
Broadwater Pagoda Resort Hotel	12,024	13,440	-	-
	<u>103,549</u>	<u>104,365</u>	<u>-</u>	<u>-</u>

Fair value of investment properties is determined by reference to either independent or Directors' valuations (Refer Note 2). The properties are pledged as security to secure interest bearing loans and borrowings at note 11.

The valuations undertaken were based on an open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation.

(b) Reconciliation of carrying amounts

	Carrying amount at start of year \$'000	Additions \$'000	Disposals \$'000	Increment / (decrement) from fair value adjustments \$'000	Carrying amount at end of year \$'000
Investment Properties					
166 Murray Street Mall (i)	63,800	-	-	3,500	67,300
Broadwater Resort & Spa, Dunsborough (ii)	13,200	373	-	(1,673)	11,900
Broadwater Resort Hotel Kalgoorlie (iii)	13,925	-	-	(1,600)	12,325
Broadwater Pagoda Resort Hotel (iv)	13,440	638	-	(2,054)	12,024
	<u>104,365</u>	<u>1,011</u>	<u>-</u>	<u>(1,827)</u>	<u>103,549</u>

(c) Details of property investments

- (i) 166 Murray Street Mall, Perth – carried at a Directors Valuation of \$67,300,000 based upon the application of a capitalisation rate of 6.7% to the net income generating capability of the property as at 30 June 2006. In assessing fair value the Directors have had regard to the 1 March 2006 Independent Valuation which ascribed a value of \$65,000,000 and a range of values of \$62,700,000 to \$67,300,000. The Directors Valuation is within this range.
- (ii) Broadwater Resort & Spa, Dunsborough – last independent valuation July 2005 of \$13,200,000. The July 2005 valuation was based upon the direct comparison approach. Adopting this same methodology as at 30 June 2006 the Directors have assessed the fair value of the property as \$11,900,000.
- (iii) Broadwater Resort Hotel, Kalgoorlie – carried at a Directors Valuation of \$12,325,000. The basis of the valuation has been to assess the cash flows of the property and apply an appropriate discount rate to the cash flows. In arriving at this valuation the Directors have had regard to a valuation for mortgage purposes completed in September 2005.
- (iv) Broadwater Pagoda Resort Hotel, Perth – 36 Hotel Suites are carried at a Directors Valuation of \$9,801,000. This Directors Valuation is based upon individual March 2005 independent valuations prepared on a direct comparison approach. These individual valuations have then been extrapolated across the 36 Hotel Suites owned. Additionally, the Facilities Lot of the Hotel is carried at a Directors Valuation of \$2,300,000 as at balance date. In determining this Directors Valuation, Directors have assessed the current cash flows and applied a similar methodology to the January 2005 Independent Valuation.

	Notes	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
9. OTHER FINANCIAL ASSETS					
Investment in controlled entities net of impairment	19(b)	-	-	37,456	41,874
Other investment at fair value (i)		187	1,076	187	1,114
		<u>187</u>	<u>1,076</u>	<u>37,643</u>	<u>42,988</u>

- (i) Other investment is in the Broadwater Busselton Property Syndicate. The Trust has reduced the carrying amount of this investment to \$0.10/unit (2005: \$0.60/unit) due to the uncertainty of its recoverability.

NOTES**30 JUNE 2006**

	Notes	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
10. TRADE AND OTHER PAYABLES					
Trade creditors		201	237	-	28
Amounts payable to related parties:					
- controlled entities		-	-	1,150	5,756
- associated entities		464	108	33	6
Other payables:					
- unearned income		118	87	-	-
- accruals		577	397	466	62
- other payables		108	143	12	12
		<u>1,468</u>	<u>972</u>	<u>1,661</u>	<u>5,864</u>

Terms and conditions relating to the above financial instruments:

Trade creditors are non interest bearing and generally on 30 day terms.

Details of the terms and conditions of related party payables are set out in note 19.

11. INTEREST BEARING LOANS AND BORROWINGS**CURRENT**

Secured:

- bills of exchange		11,274	21,181	-	-
- bank overdraft	15(b)	135	38	-	-
- convertible note		-	1,000	-	-
- other loans		-	255	-	-

Unsecured:

- notes		50	1,873	-	-
- loan from Responsible Entity		481	-	-	-
- other loans		248	256	-	-
		<u>12,188</u>	<u>24,603</u>	<u>-</u>	<u>-</u>

NON CURRENT

Secured:

- bills of exchange		48,455	37,833	-	-
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Financing facilities

Total facilities used – bills of exchange		59,729	59,014	-	-
Total facilities used – prepaid interest		576	638	-	-
Total facilities unused - bills of exchange		855	2,208	-	-
Total facilities available - bills of exchange		<u>61,160</u>	<u>61,860</u>	<u>-</u>	<u>-</u>

Each facility is only available to the entity concerned.

Terms and conditions relating to the above financial instruments:

Bank overdraft is secured by a first registered mortgage over the property and first registered mortgage debenture over the respective entity. Interest rate for the overdraft is the banks base indicator rate plus a customer margin of 4.75%.

Convertible notes were convertible to units in the Trust at the investors option at a 10% discount to market. Convertible notes were repaid in cash during the year and incurred interest at 10%.

Other loans are secured by a first registered mortgage over property.

Unsecured notes are due for repayment and incur interest at 10%.

Unsecured loan from Responsible Entity has an interest rate of 8.5% and was repaid on 30 August 2006.

Unsecured other loans have no fixed repayment date with 7% interest paid monthly in arrears.

NOTES**30 JUNE 2006****11. INTEREST BEARING LOANS AND BORROWINGS (Cont.)**

Terms and conditions relating to the above financial instruments:

Secured bank facilities comprise bills of exchange and bank overdraft, which are denominated in Australian dollars and are secured by registered first mortgages over the assets of the respective Syndicates as follows:

Murray Street Mall Property Trust and Kalgoorlie Apartment Hotel Syndicate

Murray Street Mall Property Trust and Kalgoorlie Apartment Hotel Syndicate have facilities for \$37,500,000 and \$10,000,000 respectively payable on or before 31 May 2009. The \$37,500,000 facility bears interest at the bank bill rate, plus a margin of 0.20% per annum, plus a line fee of 0.65% on the total facility quarterly in advance. The \$10,000,000 facility bears interest at the bank bill rate, plus a margin of 0.20% per annum, plus a line fee of 1.75% on the total facility monthly in advance. Murray Street Mall Property Trust and Kalgoorlie Apartment Hotel Syndicate have entered into an interlocking cross deed of guarantee, covenant and indemnity. The Trust has provided a \$19,000,000 guarantee in support of this facility.

Pagoda Hotel Property Syndicate

Pagoda Hotel Property Syndicate has facilities of \$4,910,000 with a re-negotiated payable date on or before 29 September 2006. The \$4,910,000 facility bears interest at the bank bill rate plus a line fee of 1.75% on the total facility payable in advance.

Pagoda Fixed Term Property Syndicate

Pagoda Fixed Term Property Syndicate has facilities of \$2,000,000 with a re-negotiated payable date on or before 4 October 2006. The \$2,000,000 facility bears interest at the bank bill rate payable monthly in arrears.

Dunsborough Hotel Property Syndicate

Dunsborough Hotel Property Syndicate has facilities of \$4,450,000 payable on or before 7 February 2008. The \$4,450,000 facility bears interest at 6.01% plus a line fee of 1.75% on the total facility. The Dunsborough Hotel Property Syndicate facility is in breach of its banking covenants at 30 June 2006. Its lender has acknowledged the breach and reserved their rights.

WPT Finance Pty Ltd

WPT Finance Pty Ltd has facilities of \$2,300,000 payable on or before 31 December 2007. The \$2,300,000 facility bears interest at bank bill rate plus a line fee of 0.85% on the total facility. Westralia Property Trust has provided a guarantee limited to \$2,300,000 and a wholly owned subsidiary of the ultimate parent company of the Responsible Entity has provided a bank guarantee, with a fee equivalent to the difference between 10% and the finance cost charged by the bank.

	Consolidated 2006 Number '000	Consolidated 2005 Number '000	Westralia Property Trust 2006 Number '000	Westralia Property Trust 2005 Number '000
12. UNITS ON ISSUE				
Units on issue at beginning of the year	67,420	64,454	67,420	64,454
Units issued during the year				
- distribution reinvestment plan (i)	-	2,254	-	2,254
- units issued for purchase of investment properties and investments	721	712	721	712
Units on issue as at the reporting date	68,141	67,420	68,141	67,420

Rights and restrictions over Ordinary units

Each unit ranks equally with all other ordinary units for the purpose of distributions and on termination of the Trust.

Ordinary units entitle the holder to one vote, either in person or by proxy, at a meeting of the Trust.

- (i) The distribution reinvestment plan ("DRP") allows unitholders to elect to reinvest their distribution into new units of the Trust. The issue price of units under the DRP is the average trading price (weighted by volume) of the Trust's units traded on the Australian Stock Exchange during the 10 trading days from, and including the date on which the Trust's units trade ex-distribution, less a discount of up to 10% as determined by the Directors at their absolute discretion. The value of distributions reinvested relating to the year to 30 June 2006 was \$nil (2005: \$1,485,196) which resulted in the issue of nil units (2005: 2,253,731). The latest date for receipt of an election notice for participation in the DRP is the record date for each distribution which is the last day of each quarter.

	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
13. UNITHOLDER INTEREST LIABILITIES				
Balance at beginning of the year	40,522	42,569	37,957	47,040
Units issued during the year	361	1,969	361	1,969
Unit raising costs	-	(4)	-	(4)
Changes in net assets attributable to unitholders	(1,090)	(4,012)	(1,934)	(11,048)
Minority interest acquired	(396)	-	-	-
Closing balance	39,397	40,522	36,384	37,957

NOTES**30 JUNE 2006**

	Notes	Consolidated 2006 \$'000	Consolidated 2005 \$'000		
14. MINORITY INTEREST LIABILITIES					
Balance at beginning of the year		5,764	8,734		
Unitholder interest transferred		396	-		
Share of operating loss		(1,959)	(2,710)		
Distributions		(29)	(190)		
Shares acquired from minority interest		-	(70)		
Closing balance		4,172	5,764		
15. STATEMENT OF CASH FLOWS					
(a) Reconciliation of net loss before minority interest and finance costs attributable to unitholders to net cash flow from operations:		Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
Net loss		(3,049)	(3,778)	(1,934)	(8,104)
Net decrement in the fair value of investment		889	756	5,706	9,057
Net decrement in the fair value of investment properties		1,827	3,557	-	-
(Increase)/decrease in receivables		496	(505)	4	251
(Increase)/decrease in prepayments		104	(5)	-	12
Increase/(decrease) in creditors		755	(50)	(3,068)	37
Net operating cash flow		1,022	(25)	708	1,253
(b) Reconciliation of cash					
Cash and cash equivalents	5	873	460	105	15
Bank overdraft	11	(135)	(38)	-	-
		738	422	105	15
(c) Non cash financing activities					
(i) The value of distributions reinvested in the year to 30 June 2006 was \$nil (2005: \$1,485,196) which resulted in the issuance of nil units (2005: 2,253,731 units).					
(ii) The Trust issued 721,000 units (2005: 609,191 units) at 50 cents (2005: 68 cents) as consideration for investment properties.					
(iii) The Trust issued nil units (2005: 102,647 units at 68 cents) as consideration for investment in controlled entity.					
16. AUDITOR'S REMUNERATION					
		Consolidated 2006 \$	Consolidated 2005 \$	Westralia Property Trust 2006 \$	Westralia Property Trust 2005 \$
Amounts received or due and receivable by Ernst & Young for:					
- an audit or review of the financial report of the entity and any other entity in the consolidated entity		85,050	-	67,750	-
- other services in relation to the entity and any other entity in the consolidated entity:					
- compliance plan audit		27,500	-	5,500	-
- tax services		7,680	-	-	-
		120,230	-	73,250	-
Amounts received or due and receivable by RSM Bird Cameron Partners for:					
- an audit or review of the financial report of the entity and any other entity in the consolidated entity		15,000	70,050	7,100	41,000
- other services in relation to the entity and any other entity in the consolidated entity:					
- compliance plan audit		-	10,000	-	2,000
- tax services		6,420	1,650	2,060	-
		21,420	81,700	9,160	43,000
		141,650	81,700	82,410	43,000

NOTES**30 JUNE 2006**

	Consolidated 2006	Consolidated 2005
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17. EARNINGS PER UNIT

Basic loss per unit (cents)	(1.61)	(6.09)
Diluted loss per unit (cents)	(1.61)	(6.09)

Loss per unit and diluted loss per unit is calculated by dividing the net profit attributable to members of the Trust by the weighted average number of ordinary units on issue during the year. The weighted number of units in the calculation of earnings per unit is 67,886,448 (2005: 65,834,283).

18. NET ASSET BACKING PER UNIT

Basic net asset backing per unit (\$)	0.58	0.60
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Basic net asset backing per unit is calculated by dividing the unitholder interest liability by the number of units on issue at the year end.

19. RELATED PARTY DISCLOSURES**(a) Responsible Entity**

The Responsible Entity of Westralia Property Trust is Westralia Property Management Limited, whose immediate parent entity is Prestige Property Holdings Pty Ltd and its ultimate parent entity is Futuris Corporation Limited.

(b) Related party transactions

The consolidated financial statements include the financial statements of Westralia Property Trust and the subsidiaries listed in the following table:

Name	Equity interest held by consolidated entity		Westralia Property Trust	Westralia Property Trust
	2006 %	2005 %	2006 \$'000	2005 \$'000
Dunsborough Hotel Property Syndicate	51.15	51.15	7,453	7,453
Kalgoorlie Apartment Hotel Syndicate	100.00	100.00	9,650	9,650
Pagoda Hotel Property Syndicate	85.53	84.61	5,433	5,072
WPT Finance Pty Ltd (i)	100.00	100.00	-	-
Murray Street Mall Property Trust	100.00	100.00	28,000	28,000
Provision for impairments			(13,080)	(8,301)
			37,456	41,874

(i) Carrying amount of investment is \$2.

The above subsidiaries are all domiciled in Australia and have balance dates of 30 June, consistent with the Trust.

All related party transactions are conducted on normal commercial terms and conditions. Related party receivables and payables, unless otherwise stated, are unsecured, receivable or payable within 30 days and do not bear interest.

Advances

A wholly owned entity of the Trust advanced \$80,000 (2005: \$nil) during the year to partially owned controlled entities. The loans were unsecured, repayable on demand and accrued interest at 10%. Balance at 30 June 2006 was \$82,649 (2005: \$nil).

A wholly owned entity of the Trust advanced \$266,681 (2005: \$nil) during the year to a partially owned controlled entity. The loan was secured over a property, repayable on or before 28 December 2007 and accrued interest at 8.5%. Balance at 30 June 2006 was \$266,827 (2005: \$nil).

The Responsible Entity of the Trust loaned a wholly owned entity of the Trust \$609,112 (2005: \$nil), with \$129,112 being repaid during the period. The loan is unsecured, accrues interest at 8.5% per annum and was repaid in full on 30 August 2006. Balance at 30 June 2006 was \$480,873 (2005: \$nil).

A wholly owned entity of the Trust loaned a related party of the Responsible Entity \$609,112 (2005: \$nil). The loan accrued interest at 8.5% per annum and was repaid in full on 30 August 2006. The balance at 30 June 2006 is \$610,112 (2005: \$nil).

Futuris Administration Pty Ltd (a wholly owned subsidiary of Futuris Corporation Limited) loaned \$853,108 to a wholly owned entity of the Trust during the period (2005: \$nil). This loan was unsecured, repayable on demand and accrued interest at 10% per annum, with \$35,994 of interest being incurred during the period (2005: \$nil). The balance of \$889,102 was repaid during the year (2005: \$6,645). The balance at 30 June 2006 is \$nil (2005: \$nil).

NOTES**30 JUNE 2006****19. RELATED PARTY DISCLOSURES (Cont.)****Interest revenue**

Interest and finance charges of \$63,054 (2005: \$199,999) were charged to related entities of former directors. Balance due at 30 June 2006 is \$nil (2005: \$896,034).

Rental income

During the year controlled entities of Westralia Property Trust were entitled to rental income and reimbursement of outgoings of \$1,119,241 (2005: \$1,299,742) which was received or receivable from Broadwater Hospitality Management Pty Ltd, the hospitality manager of the tourism properties, an entity wholly owned by Prestige Property Holdings Pty Ltd (a wholly owned entity of Futuris Corporation Limited). This rental is receivable under lease agreements between the parties.

Broadwater Hospitality Management Pty Ltd owes \$nil rent to controlled entities of the Trust. (2005: owed \$471,727 of which \$58,754 was penalty interest). A controlled entity of the Trust derecognised \$16,376 in penalty interest during the period.

Distributions received or receivable

The following distributions were received or receivable by Westralia Property Trust:

	2006 \$	2005 \$
Controlled entities		
Dunsborough Hotel Property Syndicate	-	181,714
Murray Street Mall Property Trust	4,409,898	1,332,271
	<u>4,409,898</u>	<u>1,513,985</u>
Related entities		
Broadwater Busselton Property Syndicate	-	107,136
	<u>-</u>	<u>107,136</u>

Guarantees

Westralia Property Trust has guaranteed the bank facilities of Murray Street Mall Property Trust for \$19,000,000 and WPT Finance Pty Ltd for \$2,300,000.

Futuris Administration Pty Ltd has guaranteed the bank facilities of WPT Finance Pty Ltd for \$2,530,000. WPT Finance Pty Ltd has accrued \$17,785 in fees for this guarantee.

Bank facilities

The Murray Street Mall Property Trust and Kalgoorlie Apartment Hotel Syndicate bills of exchange facilities have an interlocking cross deed of guarantee, covenant and indemnity.

(c) Details of Key Management Personnel**Directors**

The Directors of Westralia Property Management Limited, the Responsible Entity of the Westralia Property Trust are considered to be key management personnel of the Trust:

The names of the Directors of the Responsible Entity in office during the financial period and until the date of this report are:

L.P. Wozniczka	Chairman
D.A. Hinton	Director
P.A.R. Hall	Non-executive Director
A.C.G. Davies	Non-executive Director

(d) Compensation of Key Management Personnel

No amounts are paid by the Trust directly to the Key Management Personnel of the Trust.

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly from the ultimate holding company of the Responsible Entity, Futuris Corporation Limited. Consequently, no compensation as defined in AASB 124: Related Parties is paid by the Trust to its Key Management Personnel.

Westralia Property Management Limited, as Responsible Entity of the Trust, is deemed to be a key management personnel of the Trust. Compensation is paid to the Responsible Entity in the form of fees disclosed in Note 19(f) which are not paid in reference to costs incurred by the Responsible Entity.

(e) Wholly-owned group transactions

Loans made by Westralia Property Trust to wholly owned entities are interest free, unsecured and repayable on demand.

NOTES**30 JUNE 2006****19. RELATED PARTY DISCLOSURES (Cont.)****(f) Fees**

Transactions between the consolidated entity and Westralia Property Management Limited result from normal dealings with that company as Responsible Entity.

	Consolidated 2006 \$	Consolidated 2005 \$	Westralia Property Trust 2006 \$	Westralia Property Trust 2005 \$
The following fees were paid or payable to the Responsible Entity during the year:				
Management fee (i)	990,784	396,137	60,000	60,000
Accounting fee for preparation of financial statements and taxation matters	78,000	70,000	40,000	70,000
Administrative fees for due diligence of investment properties and investment vehicles.	-	219,087	-	219,087
Administrative fees in respect of the acquisition of investment properties	-	39,725	-	-
Total	1,068,784	724,949	100,000	349,087

(i) Management fees are charged in accordance with the constitution of individual Syndicates or Trusts.

(g) Units in the Trust held by Key Management Personnel

Key Management Personnel do not hold any units in the Trust at year end, nor have they held any units in the Trust during the year.

(h) Transactions

Broadwater Hospitality Pty Ltd was paid \$35,000 during the period by a partially owned controlled entity of the Trust for consultancy fees.

20. FINANCIAL INSTRUMENTS**(a) Interest rate risk**

The following table sets out the carrying amount, by maturity, of the Trust's financial instruments that are exposed to interest rate risk:

Year ended 30 June 2006	< 1 year	>1<2 years	>2<3 years	Total	Weighted average effective interest rate
	\$'000	\$'000	\$'000	\$'000	%
CONSOLIDATED FINANCIAL ASSETS					
<i>Floating rate</i>					
Cash and cash equivalents	873	-	-	873	1.51%
Rent receivable	445	-	-	445	4.53%
Secured loans receivable	610	-	-	610	8.50%
Weighted average effective interest rate	4.22%	-	-		
FINANCIAL LIABILITIES					
<i>Fixed rate</i>					
Bills of exchange	4,427	-	33,470	37,897	6.17%
Notes unsecured	50	-	-	50	10.00%
Loan from Responsible Entity	481	-	-	481	8.50%
Other loans	248	-	-	248	7.00%
Weighted average effective interest rate	6.33%	-	6.19%		
<i>Floating rate</i>					
Bank overdraft	135	-	-	135	9.40%
Bills of exchange	6,847	1,490	13,495	21,832	6.39%
Weighted average effective interest rate	6.71%	10.00%	5.86%		

NOTES**30 JUNE 2006****20. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Interest rate risk (continued)**

Year ended 30 June 2005	< 1 year	>2<3 years	>3<4 years	Total	Weighted average effective interest rate
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	%
FINANCIAL ASSETS					
<i>Floating rate</i>					
Cash and cash equivalents	460	-	-	460	2.24%
Rent receivable	781	-	-	781	10.38%
Secured loans receivable	896	-	-	896	15.00%
Weighted average effective interest rate	10.56%	-	-		
FINANCIAL LIABILITIES					
<i>Fixed rate</i>					
Bills of exchange	-	4,416	26,417	30,833	6.11%
Notes unsecured	1,873	-	-	1,873	10.00%
Convertible note	1,000	-	-	1,000	10.00%
Other loans	511	-	-	511	8.74%
	9.81%	6.01%	6.12%		
<i>Floating rate</i>					
Bank overdraft	38	-	-	38	9.40%
Bills of exchange	21,181	-	7,000	28,181	5.77%
Weighted average effective interest rate	5.93%	-	5.79%		

The parent entity's interest rate risk comprised its cash and equivalent assets of \$105,000 (2005: \$15,000) with a floating interest rate of 4.25% (2005: 3.85%).

(b) Fair values

The carrying values of the Trust's financial assets and liabilities included in the Balance Sheet approximate their fair values.

Refer to note 2 for the methods and assumptions adopted in determining fair values of investments.

(c) Credit risk exposure

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Trust minimises exposure to credit risk in relation to receivables by obtaining security over property or syndicate interests as well as dealing with a number of counter parties. The majority of these counter parties are located in Western Australia.

21. LEASES

Investment properties owned by the Trust are leased to a related party of the Responsible Entity, being Broadwater Hospitality Management Pty Ltd (refer to Note 19(b)) or to third parties under operating leases at 30 June 2006. Lease terms vary between tenants and some leases include percentage rental payments based on sales volumes.

	Consolidated 2006 \$'000	Consolidated 2005 \$'000	Westralia Property Trust 2006 \$'000	Westralia Property Trust 2005 \$'000
Future minimum rental revenues under non-cancellable operating leases at 30 June 2006 are as follows:				
- not later than one year	6,649	6,583	-	-
- later than one year and not later than five years	15,490	19,624	-	-
- later than five years	7,528	9,250	-	-
Total	29,667	35,457	-	-

NOTES

30 JUNE 2006

22. CAPITAL COMMITMENTS

There is \$nil (2005: \$nil) estimated capital expenditure contracted for at 30 June but not provided for.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Trust's principal financial instruments comprise bills of exchange, cash and short term deposits. The main purpose of these financial instruments is to raise finance to acquire investment properties. The Trust has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the year, the Trust's policy that no trading in financial instruments shall be undertaken.

The main risks from the Trust's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Trust's exposure to market risk for changes in interest rates relates primarily to the Trust's long term debt obligations.

The Trust's policy is for the Board to review the Trust's banking facilities on a regular basis to ensure an efficient and effective mix of fixed and variable debt.

Credit risk

The Trust negotiates to provide leases only to tenants who are considered creditworthy parties. In addition, rent receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Trust, which comprise cash and cash equivalents, the Trust's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Trust's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bills of exchange, debentures and other loans. At 30 June 2006, 20% of the Trust's debts will mature in less than one year (2005: 39%).

24. SEGMENT REPORTING

Business Segments

	Commercial / Retail		Tourism		Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	6,589	5,985	1,600	1,875	-	134	8,189	7,994
EBIT before fair value adjustments	3,863	3,757	1,090	1,664	(296)	(620)	4,657	4,801
Fair value increment / (decrement) of investment property *	3,111	7,570	(5,327)	(11,127)	-	-	(2,216)	(3,557)
Fair value decrement of investment	-	-	(889)	(756)	-	-	(889)	(756)
Segment EBIT	6,974	11,327	(5,126)	(10,219)	(296)	(620)	1,552	488
Net interest expense	(2,564)	(2,422)	(1,848)	(1,682)	(189)	(162)	(4,601)	(4,266)
Segment result	4,410	8,905	(6,974)	(11,901)	(485)	(782)	(3,049)	(3,778)
Net loss attributable to minority interests							1,959	2,710
Net loss attributable to unitholders of the Trust							(1,090)	(1,068)

* Fair value increment is net of related Responsible Entity fees of \$389,000.

NOTES**30 JUNE 2006****24. SEGMENT REPORTING (Cont.)**

	Commercial / Retail		Tourism		Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	68,069	64,897	36,735	43,766	876	1,031	105,680	109,694
Segment liabilities	37,477	37,756	22,483	23,309	2,151	2,343	62,111	63,408
Other segment information								
Acquisition of investment properties	-	30	638	2,380	-	-	638	2,410

Segment products and locations

The Trust operates in two business segments, being commercial/retail investment property and tourism investment property activities. The Trust's operations involve investment in real property for the purpose of deriving income from rentals and capital appreciation.

Geographically, the Trust operates in one segment, being Australia.

25. SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since the end of the year that have affected or may affect the Trust's operations in the future financial year, the result of those operations or state of affairs in future financial years.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A controlled entity of the Trust has provided \$200,000 for rent abatement as a result of demolition and associated works at the Broadwater Resort & Spa, Dunsborough. The amount provided represents the Directors best estimate of the potential claim. The amount of the claim will not be known until it is quantified by an independent assessor.

The Responsible Entity of the Trust has agreed to pay a claim against it of \$153,000 and has initiated action for reimbursement from former directors. Should this action against former directors not be successful, the Responsible Entity has a right of indemnity from the funds of a controlled entity of the Trust.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of the Responsible Entity, Westralia Property Management Limited, I state that:

- (1) In the opinion of the Directors:
 - (a) The financial statements and notes of the Trust and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001 and the provisions of the Trust's constitution; and
 - (b) subject to successful resolution of the matters set out at Note 2(a), there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- (2) This declaration has been made after receiving the declarations required to be made to the Directors of the Responsible Entity in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

On behalf of the Board of Westralia Property Management Limited



David Hinton
Director

Perth, 14 September 2006

DIRECTOR'S REPORT

The Directors of Westralia Property Management Limited (ABN 16 072 899 060), the Responsible Entity of the Westralia Property Trust ("the Trust"), submit their report, for Westralia Property Trust and its controlled entities for the year ended 30 June 2006.

DIRECTORS

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

D.A. Hinton
L.P. Wozniczka
A.C.G. Davies
P.A.R. Hall

The Directors were in office from the beginning of the year until the date of this report, unless otherwise stated.

DIRECTORS' UNITS

No Directors have any interests in the Trust, nor do they have any rights or options over interests in the Trust or contracts to which the Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

PRINCIPAL ACTIVITIES

The principal activities of the Trust during the year were to acquire and own income producing properties in Australia.

There has been no significant change in the nature of this activity during the period.

TRUST INFORMATION

The Trust was registered as a Managed Investment Scheme on 7 May 2001.

Westralia Property Management Limited, the Responsible Entity, was incorporated and is domiciled in Australia. At balance date the Trust had no employees.

The registered office of the Responsible Entity is Ground Floor, 66 Kings Park Road, West Perth, Western Australia, 6005.

REVIEW OF RESULTS AND OPERATIONS

Results

The consolidated net loss before finance costs attributable to unitholders and minority interests is presented in the Income Statement. Changes in net assets attributable to unitholders of the Trust was a loss of \$1,090,000 (2005: loss \$4,012,000). Further details are included in the Manager's Report.

Distributions

There were no distributions paid or payable by the Trust for the financial year ended 30 June 2006 (2005: \$2,944,000). The distributions were 100% tax advantaged in 2005.

UNITS ON ISSUE

At 30 June 2006 68,140,618 units of the Trust were on issue (2005: 67,419,618 units). During the year 721,000 units (2005: 2,965,569) were issued.

TRUST ASSETS

At 30 June 2006, the Trust held assets with a total value of \$105,680,000 (2005: \$109,694,000). The basis for valuation of the assets is disclosed in Note 2 to the financial report.

RESPONSIBLE ENTITY AND ASSOCIATES

Details of fees paid or payable to the Responsible Entity and its associates out of scheme property are included in Note 19(f) of the financial report.

The Responsible Entity and its associates hold 33,218,188 unit interests in the Trust (2005: 33,218,188)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the year to the date of this report were:

- i) 721,000 units issued during the year for the purchase of investment properties.
- ii) Net fair value decrement of investment properties of \$1,827,000.
- iii) Net fair value decrement of investment of \$889,000.

DIRECTOR'S REPORT

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no matters or circumstances that have arisen since the end of the year that have significantly affected, or may affect the Trust's or the consolidated entity's operations in future financial years, the results of those operations or state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Responsible Entity continues to monitor the investment strategy and will direct investment funds in those areas that it considers offers the best medium term growth opportunities. Future results will depend on the performance of the market in relation to the Trust's investment strategy. The investment strategy of the Trust will be maintained in accordance with its Constitution and investment objectives.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Westralia Property Management Limited support and comply with the majority of the ASX Principles of Good Corporate Governance and Best Practice Recommendations. The Responsible Entity's corporate governance statement is contained within pages 6 to 10 of this annual report.

BOARD COMMITTEES

The Responsible Entity does not have an audit committee as the Board fulfills this function. For full details, refer to the Corporate Governance Statement.

INSURANCE OF DIRECTORS AND OFFICERS

During, or since the end of the financial year, the Responsible Entity has paid, or agreed to pay, a premium in respect of a contract insuring all the directors and officers against a liability incurred in their role as directors and officers of the entity, except where the liability arises from fraudulent or dishonest conduct.

The total amount of insurance contract premiums paid has not been disclosed due to a confidentiality clause in the insurance contract.

NON AUDIT SERVICES

Non audit services are disclosed on page 24.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Trust under ASIC Class Order 98/0100.

AUDITOR'S INDEPENDENCE DECLARATION

Our auditor, Ernst & Young, has provided the Board of Directors of the Responsible Entity with an independence declaration in accordance with section 307C of the Corporations Act 2001. The independence declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



D.A. Hinton
Director

Westralia Property Management Limited

14 September 2006

Independent audit report to the unitholders of Westralia Property Trust

Scope

The financial report, and directors' of Westralia Property Management Limited responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Westralia Property Trust (the Trust) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the Trust and the entities it controlled during that year.

The directors of Westralia Property Management Limited, the Responsible Entity of the Trust ("the Responsible Entity") are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Trust and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001 and the Trust's Constitution. 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 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 Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia and the Trust's Constitution, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of their performance as represented by the results of their 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 of the Responsible Entity and management of the Trust.

Independence

We are independent of the Trust, the consolidated entity and the Responsible Entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration. 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 Westralia Property Trust is in accordance with:

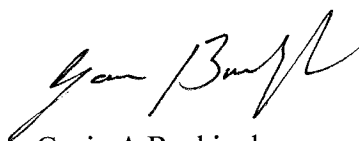
- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Westralia Property Trust and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia and the Trust's Constitution.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2(a) "Basis of Preparation - Going Concern" to the financial statements, there is significant uncertainty whether the Trust and the consolidated entity will be able to continue as going concerns and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Trust and the consolidated entity not continue as going concerns.



Ernst & Young



Gavin A Buckingham

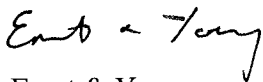
Partner

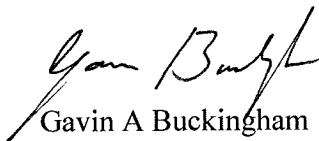
Perth

14 September 2006

Auditor's Independence Declaration to the Directors of Westralia Property Management Limited, the Responsible Entity of Westralia Property Trust

In relation to our audit of the financial report of Westralia Property Trust for the financial year ended 30 June 2006, 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.


Ernst & Young


Gavin A Buckingham
Partner
Perth
14 September 2006

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2006.

(a) Substantial Unitholders

The names of substantial unitholders who have notified the Trust in accordance with section 671B of the Corporations Act 2001 are:

	Units	%
Futuris Administration Pty Ltd	23,398,975)	
Westralia Property Management Limited	5,977,609)	49.27
Prestige Property Holdings Pty Ltd	3,169,267)	
Oakcure Pty Ltd	16,234,929	23.82

(b) Distribution of Unitholders

The number of unitholders by size of holding are:

Range of Holdings	Holders	Units	%
1 - 1,000	19	5,072	0.01%
1,001 - 5,000	168	502,226	0.74%
5,001 - 10,000	126	896,625	1.32%
10,001 - 100,000	195	5,388,746	7.91%
100,001 - over	46	61,347,950	90.02%
Total	554	68,140,619	100.00%
Unitholders holding less than a marketable parcel	21	7,167	

(c) Voting Rights

Each fully paid unit carries voting rights of one vote per unit. All units issued are fully paid.

(d) Twenty Largest Shareholders

The names of the 20 largest unitholders of quoted units are:

Name	Units	%
Futuris Administration Pty Ltd	23,965,079	35.17
Emerald Securities Pty Ltd <Emerald Investment A/c>	8,000,000	11.74
Westralia Property Management Limited	6,083,842	8.93
Oakcure Pty Ltd <Oakcure Unit A/c#1>	5,483,493	8.05
Westpac Custodian Nominees Limited	3,247,186	4.77
Prestige Property Holdings Pty Ltd	3,169,267	4.65
ANZ Nominees Limited <Cash Income A/c>	1,400,000	2.05
Oakcure Pty Ltd <Oakcure Unit A/c#2>	1,388,889	2.04
Emerald Nominees (WA) Pty Ltd	1,052,714	1.54
Jojaman Pty Ltd <Super Fund A/c>	531,550	0.78
S. Arunasalam	524,666	0.77
C.E. & M.M. Dawson	351,202	0.52
B.O.T. Steggall	328,570	0.48
W. Santoso	322,824	0.47
Oakcure Pty Ltd <Oakcure Unit A/c#3>	309,833	0.45
J.H. Kuyper	287,208	0.42
P.V. & E Hughes	270,000	0.40
E.R. Bana	257,028	0.38
K.W. Sheppard <Sheppard Family A/c>	250,000	0.37
M.M. Dilley & R.M. Nandapi <Marimay Super Fund A/c>	240,000	0.35
Total	57,463,351	84.33