



Challenger Diversified Property Group

Annual Report 2008

Challenger Diversified Property Group
comprising:

Challenger Diversified Property Trust 1
(ARSN 121 484 606)

Challenger Diversified Property Trust 2
(ARSN 121 484 713)

Responsible Entity
Challenger Listed Investments Limited
(ABN 94 055 293 644)
(AFSL 236887)

challenger 

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Important notice

Challenger Listed Investments Limited (ABN 94 055 293 644) (AFSL 236887) (CLIL) is the Responsible Entity of Challenger Diversified Property Trust 1 (ARSN 121 484 606) and Challenger Diversified Property Trust 2 (ARSN 121 484 713) which together form the Challenger Diversified Property Group (CDI).

CLIL, as the responsible entity of CDI, has prepared this Annual Report (Report) based on information available to it. The information in this Report should be regarded as general information only. Nothing contained in this Report constitutes investment, legal, tax or other advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Recipients should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision.

Any investment in CDI is subject to investment risk and other risks, including possible loss of income and principal invested. None of CLIL, Challenger Management Services Limited (ABN 29 092 382 842) (AFSL 234678) (CMSL), Challenger Financial Services

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Any forward looking statements included in this Report involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, CLIL. In particular, they speak only as of the date of these materials, they assume the success of CDI's business strategies, and they are subject to significant regulatory, business, competitive

and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and assumptions on which those statements are based. Given these uncertainties, recipients are cautioned not to place undue reliance on such forward looking statements.

Any past performance information provided in this Report is not a reliable indication of future performance.

CLIL does not receive any specific remuneration for any general advice which may be provided to you in this Report. However, CLIL and CMSL receive trustee and management fees as issuer and manager of CDI, respectively. For more details on fees, please refer to the Financial Report contained in this Report and additional information on the Australian Securities Exchange (ASX) website www.asx.com.au. Financial advisers may receive fees or commissions if they provide advice to you or arrange for you to invest in a Challenger product (including CDI). CLIL and its associates may have an interest in the financial products referred to in this Report and may earn fees or other benefits as a result of transactions in any such financial products.

Members of the Challenger Group and their officers and directors may hold securities in CDI from time to time.

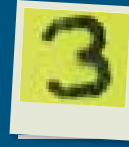
Highlights



First full financial year of trading since IPO in October 2006. Profit from operating activities (before write downs) of \$42.9 million and net profit after tax of \$36.0 million.



CDI delivered earnings per unit of 6.71 cents and distributions per unit of 8.45 cents – in line with FY08 guidance.



Distribution policy changed with CDI electing to pay distributions from profit from operating activities after providing for maintenance capital expenditure. Maintenance capex is forecast to be around \$2.6 million or 0.49 cents per unit in FY09.



CDI's distribution guidance for FY09 is 7.5 cents per unit, down from FY08 and is primarily as a result of the change in distribution policy and an increase in finance costs.



Total assets of \$890 million at 30 June 2008, up 10% on the prior year. Net tangible assets per unit of \$1.01.



Borrowings of \$308 million at 30 June 2008, with gearing ratio (debt/total assets) of 34.6%. CDI continues to operate with capacity within all financial covenants.



CDI maintains sound property portfolio fundamentals – WALE of 6.2 years and occupancy rate of 99.97%.



31% of CDI's property income is from Government tenants typically on long term leases. 31% of CDI's tenants are listed on the ASX; a further 26% are multi-nationals.



CDI is focussed on back-to-basics, concentrating on the management of the portfolio and realising the development potential of properties when the timing is appropriate to create value for CDI unitholders.

Investment strategy

Challenger Diversified Property Group (CDI) aims to provide investors with secure and sustainable income returns and the potential for capital growth via investment in a strong portfolio of core and value-add properties located in Australian and offshore markets, and to supplement these returns where possible through engagement in active, property-related activities.

Chair's letter

Dear unitholders

Since taking on the role of Chair of the board of Challenger Listed Investments Limited (CLIL), the responsible entity of Challenger Diversified Property Group (CDI), in December 2007, much has changed within the financial and capital markets across the globe.

The year ended 30 June 2008 has been described by commentators as the worst in a quarter of a century. We have witnessed the cumulative impact of the sub-prime fallout, a credit crisis, inflation spurred by rising oil prices, and rising interest rates in Australia.

The listed property trust (LPT) market was significantly impacted by these global and domestic issues, and investor confidence was dealt a further blow with the downfall of several high-profile domestic LPT participants. The S&P/ASX200 LPT accumulation index fell 36.4% across the year, while the S&P/ASX300 LPT accumulation index fell 37.7%. Relative to these indices, CDI outperformed with a fall of 29.46% across the year.

Whilst this fall in unit value is very disappointing, the results and performance of CDI in its first full year of operations were pleasing. Profit from operating activities (before writedowns) was \$42.9 million, and net profit after tax was \$36.0 million. CDI delivered a total distribution to unitholders of 8.45 cents per unit.

CDI management has issued a distribution guidance for FY09 of 7.5 cents per unit. This follows a change to its distribution policy, electing to pay distributions from profit from operating activities after providing for maintenance capital expenditure.

With the unit price of CDI closing at 60.5 cents per unit on 22 August 2008, the FY09 distribution represents a yield of 12.4% on the closing price.

The CDI management team and staff have worked diligently during the past year to further strengthen the underlying fundamentals of the properties. I congratulate the team and thank them for the hard work required to achieve such a result in this challenging environment.

CDI's portfolio consists of 33 quality properties with 91% by value located in Australia, and with occupancy at 99.97% and a weighted average lease expiry duration of 6.2 years.

CDI is in sound financial shape and is well-positioned with borrowings of \$307.9 million and a conservative gearing ratio (debt to total assets) of 34.6%. CDI continues to operate well within its financial covenants, and as no covenants linked to market capitalisation.

I encourage all unitholders to read the Fund Manager's report that follows, and to review the portfolio details and financial reports also contained in this document.

I would like to acknowledge the work of the CLIL Board. I am fortunate to have around me a team of highly experienced executive and non-executive Directors, focused on ensuring that CDI is positioned to maximise returns to its unitholders. Further details on the activities of the CLIL Board and its committees can be found in the expanded corporate governance section in this Annual Report.

Finally, I thank you for your continued support of CDI, and I look forward to reporting to you on the future performance of our Fund.

Brenda Shanahan
Chair



Fund Manager's report

Dear unitholder

In my first annual report as Fund Manager I am pleased to be able to report to unitholders on the financial performance and operations of Challenger Diversified Property Group (CDI) for the 2008 financial year (FY08).

In a difficult market, the fundamentals of our property portfolio continue to underpin our performance. Portfolio occupancy at financial year-end was 99.97%¹ with a WALE of 6.2 years². Property leases were weighted towards stable government and listed company tenants with these representing 62% of the portfolio. Strong tenant covenants add to the security of future cash flows, with 60% of tenants rated as investment grade³.

While our property fundamentals continue to generate a steady and sustainable cash flow, CDI's FY09 distribution guidance of 7.5 cents per unit⁴ incorporates a change in our distribution policy along with higher interest charges.

We have elected to pay distributions from profit from operating activities after providing for maintenance capital expenditure. FY09 maintenance capital is forecast to be around \$2.6 million or 0.49 cents per unit. Consequently, CDI's distribution guidance for FY09 is 7.5 cents per unit, primarily as a result of the change in policy and reflecting an increase in the cost of borrowings.

Financial performance

CDI, in its first full financial year of trading since IPO in October 2006, delivered a profit from operating activities before writedowns of \$42.9 million in FY08. Net operating income of \$64.6 million was generated during the period.

After taking into account the unrealised impact of fair value movements in investment properties of (\$7.2 million) and financial derivatives of \$1.8 million, the writedown to net realisable value of development properties (\$1.6 million), as well as income tax credits, net profit after tax for the period was \$36.0 million. Earnings per unit (EPU) was 6.71 cents and distributions per unit (DPU) totalled 8.45 cents, in line with guidance.

Distributions for the full year totalled 8.45 cents per unit.

Total and net assets

At 30 June 2008, total assets were \$890.0 million, up \$83.5 million or 10% on FY07. This increase followed settlement of the acquisition of Discovery House Stage 2, Enfield development costs, Smithfield purchase and development costs, plus acquisition of the remaining 40% interest in Rexel and Century City Walk.

Net assets at 30 June 2008 were \$545.1 million, down from \$552.1 million at 30 June 2007, primarily reflecting the impact of property revaluations during the period, which contributed to a 1.65 cents movement, taking net tangible assets (NTA) per unit from \$1.03 at 30 June 2007 to \$1.01 at 30 June 2008.

Capital management

Borrowings as at 30 June 2008 totalled \$307.9 million compared to \$208.1 million at 30 June 2007, with debt funding of acquisitions and developments during the year. CDI's gearing (debt/total assets) ratio at 30 June 2008 was 34.6% compared to 25.9% in 2007 and was well within the upper guidance range of 45%.

In November 2007, CDI syndicated its existing debt facility, extending the term maturity profile and increasing the limit to \$500 million. On 3 July 2008, CDI announced that it had agreed terms with its bankers to extend the date of expiry of tranche 1 (\$100 million).

CDI's weighted average cost of debt was 7.5% for Australian debt (\$222 million) and 5.0% for European debt (€53 million/\$87 million)⁵. The undrawn component of the facility was \$192.1 million, providing CDI with capacity to fund developments capable of adding value to unitholders.

The refinancing further extended the maturity profile of the facility by 21% from 1.9 years to 2.3 years. CDI's borrowings are hedged 81% against interest rate movements for an average weighted maturity of 3.4 years.

Euro denominated debt of \$87 million was 106% of the value of CDI's French properties, effectively providing a natural capital hedge. Also, CDI's foreign exchange hedges are in place for 100% of forecast distributions from the French assets for the next five years and 90% for years six and seven.

CDI operates within the financial covenants of the facility; there are no market capitalisation covenants.

Portfolio activity

The CDI portfolio comprises interests in 32 quality office, retail and industrial assets located in Australia and France. CDI also holds a cumulative 25-year leasehold interest in respect of Sydney's Domain car park. The portfolio is characterised by a high occupancy rate of 99.97%, WALE of 6.2 years, and quality

¹ By income; excludes areas under construction and includes holdover areas due to possible redevelopment.

² Weighted average lease term to expiry by income; excludes areas under construction.

³ S&P equivalents derived from independent and Challenger research.

⁴ Excludes any realised gains or losses, or asset sales

⁵ Spot rate AUD/EUR 0.6091.

tenants, with 62% of the portfolio leased by government agencies and listed companies. Around 60% of tenants are rated investment grade, providing a degree of comfort over the security of future rental cash flows.

Revaluations

Recognising the importance of up-to-date property valuations during a time of rapidly changing market conditions, all properties in the CDI portfolio were independently revalued as at 30 June 2008. This resulted in a writedown of \$27.0 million or 3% of gross portfolio value.

As a result of the revaluations, the weighted average market cap rate for the Australian portfolio has moved from 7.27% to 7.54%, while the French portfolio market cap rate moved from 5.91% to 6.38%.

Acquisitions and development projects

In line with CDI's 'core plus' portfolio strategy, CDI's management in the initial stages of FY08 focused on sourcing new value-add opportunities and progressing development projects in the passive and active trusts.

With the onset of the global credit crisis during FY08 and with pressure on domestic interest rates placing downside risks on property valuations, CDI moved to conserve capital by placing offshore expansion on hold, focusing on domestic value-add opportunities and reassessing development projects.

Acquisitions and development projects included:

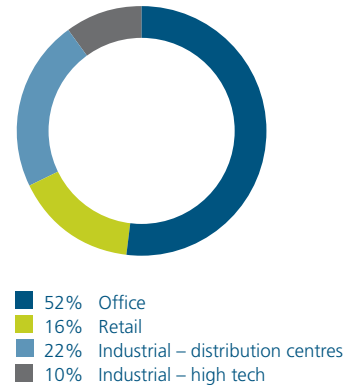
- acquisition of Discovery House Stage 2 – \$33.3 million;
- completion of the acquisition of Smithfield and development of warehouse – \$17.6 million incurred to date;

- completion of the land acquisition at Enfield and Stage 1 development – \$38.8 million incurred to date;
- leasing of the Domain car park and commencement of the proposed upgrade – forecast \$8 million;
- acquisition of the remaining 40% interest in Rexel and Century City Walk – \$17.4 million;
- commencement of the refurbishment of Century City Walk – forecast \$2.6 million;
- progressing planning initiatives on the Jam Factory redevelopment project.

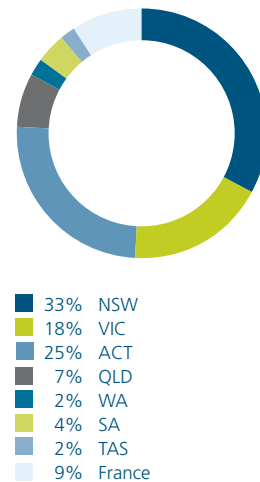
CDI settled on the acquisition of **Discovery House** in September 2007 following completion of work on extensions, one month ahead of program. The development was designed to meet Commonwealth 'A' grade office requirements and doubled NLA to 22,239 sqm. A new 15-year lease was entered into, extending the expiry from 2012 to 2022.

Construction of the new 4,820 sqm warehouse facility at **Smithfield** is anticipated to reach practical completion in mid August 2008 with the building complete and waiting final occupancy certification. Refurbishment of the existing 10,214 sqm warehouse is continuing. Industrial Commercial Property Solutions Pty Limited (ICPS) is undertaking the development on behalf of CDI and is obliged to deliver the project at an initial income yield on capitalised project costs of 7.5%. A strata subdivision of the two facilities was approved in May 2008 which could enable the sale of the facilities on an individual basis.

Sector diversification June 2008 (by value)

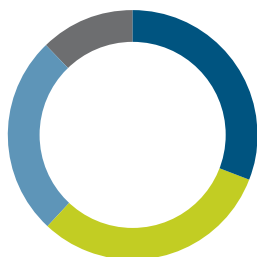


Geographic diversification June 2008 (by value)

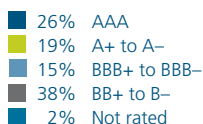


Fund Manager's report (continued)

Tenant diversification by corporate type (by income)



Tenant credit rating (by value) (S&P equivalents based on independent and Challenger research)



The **Enfield** project is targeting practical completion of the 13,450 sqm Stage 1 warehouse and benching and servicing of Stage 2 and Stage 3 land in late August 2008. ICPS is also the developer of this project and is providing up to 12 months rental from practical completion of each stage. The project continues to be actively marketed for leasing.

Domain Car Park leases and development deed were signed in May 2008 with the Royal Botanic Gardens Trust granting CDI a cumulative 25-year leasehold¹ interest with rights to manage the Domain car park and upgrade the existing facilities. The lease was secured without any upfront lease premium and provides a new income stream for CDI.

The Domain car park is a three-level, 1,144-bay car park located in close proximity to Sydney's mid-city CBD, Royal Botanic Gardens and Art Gallery. The car park is one of the largest in Sydney. Pedestrian access is via an underground moving walkway from Hyde Park and St Mary's Cathedral.

CDI appointed InterPark, an experienced car park operator, to manage and operate the Domain car park, and CDI has commenced upgrade works estimated at \$8 million to enhance functionality and service levels. Together with active management and marketing, an increase in occupancy levels is anticipated. Completion of the works is expected by June 2009.

Late in FY08, CDI acquired the remaining 40% interests in Rexel in North Ryde, NSW and Century City Walk in Glen Waverley, Victoria. Both properties were purchased at CDI's independent valuations – Rexel for \$7.9 million and Century City Walk for \$9.5 million.

CDI has committed \$2.6 million on repositioning **Century City Walk**, including refurbishment and expansion of the centre's entertainment offering, with Strike Bowling Bar as a new tenant on a 10-year lease.

Completion of the works and the centre relaunch is planned for November 2008. The refurbishment will provide greater diversification in the tenancy mix and extends the WALE for the property from 6.1 years at end FY07 to 7.7² years at end FY08. The purchase of the remaining 40% of Century City Walk allows CDI to take full advantage of this repositioning and anticipated increase in valuation post-completion.

The **Rexel** site is a key strategic holding in North Ryde given its close proximity to Lane Cove Road and the soon-to-open Chatswood-Epping rail link. This site, in close proximity to Macquarie Park station, offers potential for capital growth through future redevelopment.

The **Jam Factory** masterplan has progressed, incorporating a mixed-use development of the site while maintaining the strong retail offering. Key planning milestones are progressing with a view to submitting the planning application for approval. The scheme remains subject to ongoing commercial assessment.

During FY08, CDI considered the opportunity of undertaking a greenfield development of the **Raymond Terrace** sporting fields, converting them into a sub-regional shopping centre catering for the growing Port Stephens region. CDI has now elected to withdraw from the opportunity given the ongoing uncertainty in relation to market conditions and capitalisation rates over the short to medium term. In this environment, it was considered prudent to conserve capital.

¹ CDI has two leases – four years and 21 years. The latter is subject to CDI completing the upgrade works by 1 May 2012.

² Excludes areas under construction.

Leasing

During FY08, CDI re-leased 22,327 sqm of floor space (8% of the portfolio by income), enabling occupancy to rise to 99.97% and maintaining a healthy WALE of 6.2 years. Leasing activity includes:

The Forum, Cisco (St Leonards, NSW)

Following the successful renewal of Cisco’s lease over six floors in June 2007, the remaining four floors at Forum, Cisco have been leased to Flexirent and Medfin who previously occupied these floors as sub-tenants of Cisco. This has resulted in 100% occupancy being maintained and any downtime avoided.

In FY09, 5.2% of the portfolio leases by income will expire. The majority relates to Tetra Pak, representing 3.1% and expiring in May 2009. Marketing of the property has already commenced. The other major expiry is Borders tenancy at the Jam Factory, representing 1.1% of portfolio income and expiring in September 2008. Discussions are underway with Borders.

To further support CDI’s focus on operational management, the asset management team structure has recently been strengthened with the appointment of a dedicated senior leasing resource.

Outlook

Despite the challenging times confronting the listed property trust market, CDI has maintained a healthy balance sheet and sound portfolio fundamentals. Ongoing focus on these areas will continue in FY09.

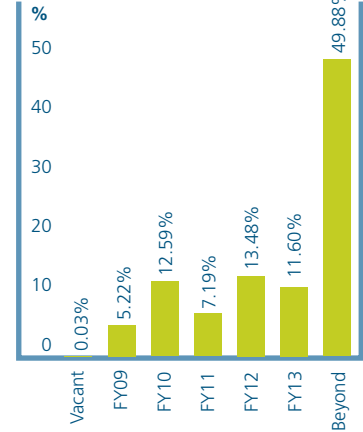
The quality of CDI’s portfolio, with its Australian focus and reliance on rental income underpinned by long leases and quality tenants, makes CDI a back-to-basics property trust investment.

Our approach is to manage the trust in a conservative manner in these challenging market conditions and focus on the basics of property ownership. An emphasis on conservative capital management, and our ability to control the pace and timing of our development book will put us in a good position moving forward. With this in mind, CDI is well placed to deliver on distribution guidance of 7.5 cents for FY09.

Thank you for your ongoing support of CDI. I look forward to reporting on CDI’s achievements and progress during the coming year.

Trevor Hardie
Fund Manager

Lease expiry profile (by income)



Portfolio summary

Property	Location	Net lettable area (sqm)	Occupancy at 30 June 2008 (by income) (%) ⁴	Weighted average lease expiry (by income) (years) ⁴	Date acquired	Purchase price (\$m)
Office portfolio						
Taylors House ¹	Waterloo, NSW	11,088	100	4.3	Oct 2006	25.4
The Forum, Cisco ¹	St Leonards, NSW	16,589	100	5.0	Oct 2006	69.3
The Forum, Verizon ¹	St Leonards, NSW	11,765	100	2.1	Oct 2006	45.6
ABS House ¹	Belconnen, ACT	31,050	100	8.7	Oct 2006	80.6
DIAC Building ¹	Belconnen, ACT	29,530	100	11.3	Oct 2006	62.0
Discovery House ¹	Woden, ACT	22,239	100	14.3	Oct 2006 ⁷	56.5
Makerston House ¹	Brisbane, QLD	14,675	100	2.9	Oct 2006	33.6
Elder House ¹	Adelaide, SA	14,086	100	7.8	Oct 2006	29.1
Executive Building ¹	Hobart, TAS	9,887	100	7.0	Oct 2006	16.3
Office portfolio total/average		160,908	100	7.5		418.4
Retail portfolio						
Kings Langley ¹	Kings Langley, NSW	4,142	100	9.9	Oct 2006	10.6
Century City Walk	Glen Waverley, VIC	8,378	100	7.7	Jun 2008 ²	23.8
Jam Factory ¹	South Yarra, VIC	20,155	99.7	5.0	Oct 2006	63.0
Innaloo Cinema Centre ¹	Innaloo, WA	11,549	100	9.1	Oct 2006	17.4
Retail portfolio total/average		44,224	99.8⁵	6.6⁵		105.3
Industrial portfolio						
Distribution centres						
Tetra Pak	Fairfield, NSW	24,108	100	0.9	Oct 2006	20.4
1-9 Toll Drive	Altona North, VIC	3,239	100	4.6	Oct 2006	3.3
2-10 Toll Drive	Altona North, VIC	6,244	100	4.6	Oct 2006	6.3
12-30 Toll Drive	Altona North, VIC	13,885	100	4.6	Oct 2006	13.4
Spotlight	Laverton North, VIC	20,723	100	3.9	Oct 2006	15.7
API Richlands	Richlands, QLD	9,625	100	1.5	Oct 2006	12.5
High tech						
Goodman Fielder ¹	North Ryde, NSW	13,652	100	1.5	Oct 2006	27.8
Heidelberg ¹	Waterloo, NSW	7,130	100	1.5	Oct 2006	9.6
Rexel	North Ryde, NSW	6,384	100	3.5	Jun 2008 ²	19.8
Kraft ¹	Port Melbourne, VIC	10,230	100	2.1	Oct 2006	16.5
Pacific Brands ¹	Port Melbourne, VIC	12,037	100	3.3	Oct 2006	12.6
Industrial portfolio total/average		127,257	100	2.5		147.3
Australian portfolio total/average		332,390	99.96⁵	6.2⁵		671
French portfolio						
						\$m
Arvinmeritor	Sully sur Loire	14,622	100	9.5	Jun 2007	25.8
Bricoman	Aulnay sous Bois, Paris	5,097	100	7.3	Jun 2007	20.3
Exel	Beziers	9,055	100	3.2	Jun 2007	16.0
GDF	Gennevilliers, Paris	7,404	100	3.7	Jun 2007	12.6
ATAC	Parcay-Meslay, Tours	5,494	100	4.3	Jun 2007	9.9
Primagaz	Toulouse	671	100	1.3	Jun 2007	3.1
French portfolio total/average		42,341	100	5.8		87.7
Total/average		374,731	99.97⁵	6.2⁵		758.7
Development portfolio						
Domain	Royal Botanic Gardens	1,144 car spaces	n/a	–	May 2008	n/a
Smithfield	Smithfield, NSW	n/a	n/a	n/a	Aug 2007	10.5 ⁸
Enfield	Enfield, NSW	n/a	n/a	n/a	Mar 2007	24.2 ⁸

¹ Property 60% owned by CDI.

² Initial 60% purchased October 2006, balance purchased 30 June 2008.

³ Valuation showing 100% ownership while only 60% held at that time.

⁴ Refer to property summaries for full details.

⁵ Exclusive of areas under development. Inclusive of hold over income due to position in of asset for potential redevelopment.

⁶ Movement excluding period Fx movement.

⁷ Discovery House stage 2 (40%) was acquired in September 2007, contracted at IPO.

⁸ Subsequent to acquisition of property development, expenditure has been incurred.

⁹ December 2007 Fx rate.

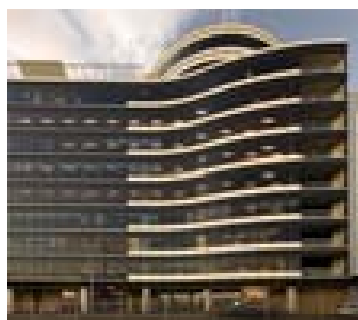
Prior valuation (\$m)	Prior market cap rate (%)	Latest valuation 30 June 2008 (\$m)	Latest market cap rate (%)	Valuation change (%)	Discount rate (%)	Terminal yield (%)	Book value 30 June 2008 (\$m)	Average gross passing rent (\$/sqm) ⁴	Average gross market rent (\$/sqm) ⁴
27.9	7.75	27.6	8.00	-1.1	8.75	8.25	27.6	392	381
75.0	6.65	70.8	7.15	-5.6	9.00	7.40	70.8	510	522
49.5	7.00	42.8	7.50	-13.6	9.00	8.00	42.8	509	507
93.2	7.00	90.4	7.25	-3.1	8.25	7.50	90.4	406	360
68.4	7.25	67.2	7.50	-1.8	8.75	8.00	67.2	304	360
63.0	6.50	60.6	7.00	-3.8	8.50	7.50	60.6	365	368
49.2	6.75	46.8	7.25	-4.9	9.00	7.75	46.8	379	501
32.2	7.25	31.2	7.75	-3.2	9.00	8.25	31.2	373	357
18.0	8.25	18.6	8.25	3.3	9.00	9.00	18.6	339	346
476.4	7.00	455.9	7.38	-4.3	8.73	7.79	455.9	387.5	400.8
11.7	6.25	10.2	7.25	-12.8	8.75	7.75	10.2	407	370
23.7 ³	8.50	23.7	8.50	0.1	9.50	9.00	23.7	373	382
63.0	7.75	66.0	7.75	4.8	9.02	8.50	66.0	501	465
21.3	7.50	21.3	7.50	0.0	9.00	7.75	21.3	325	328
119.7	7.71	121.2	7.81	1.3	9.09	8.40	121.2	417.6	402.8
20.4	9.00	18.0	9.00	-11.8	9.50	9.25	18.0	98	91
3.3	8.25	3.5	8.50	6.1	8.75	9.94	3.5	116	116
6.3	7.75	7.1	7.50	12.7	8.50	8.66	7.1	110	104
13.4	7.75	14.0	7.50	4.5	8.50	8.78	14.0	100	93
15.7	7.75	17.0	7.50	8.3	8.50	7.71	17.0	73	67
12.5	8.25	13.1	8.00	4.8	9.00	8.15	13.1	132	123
28.8	7.25	28.1	7.25	-2.5	8.75	7.75	28.1	271	280
10.5	6.75	9.9	7.25	-5.7	9.00	8.00	9.9	228	225
20.5 ³	7.75	19.8	7.75	-3.4	9.00	9.00	19.8	241	252
17.8	7.50	17.1	8.00	-3.9	9.00	8.50	17.1	267	267
13.6	7.50	13.5	7.75	-0.4	8.50	7.75	13.5	174	178
162.8	7.75	161.1	7.78	-1.0	8.85	8.37	161.1	138.3	135.2
758.9	7.27	738.2	7.54	-2.7	8.82	8.02	738.2	272	273.9
€m		€m					€m		
15.9	5.75	14.4	6.35	-9.4	-	-	14.4	131	122
12.2	4.86	11.3	5.25	-7.4	-	-	11.3	235	233
9.9	6.75	9.8	6.90	-0.9	-	-	9.8	146	128
7.7	6.35	7.2	7.00	-7.4	-	-	7.2	163	158
5.9	6.39	5.6	6.90	-5.1	-	-	5.6	127	124
1.9	6.25	1.7	7.00	-12.2	-	-	1.7	537	490
\$89.3 ⁹ /€53.6	5.91	\$82.1/€50.0	6.38	-6.7 ⁶	-	-	\$82.1/€50.0	158.2	149
848.2	7.13	820.3	7.42	-3.1 ⁶	8.82	8.02	820.3	254.3	254.5
n/a	n/a	-	-	n/a	-	-	0.6	n/a	n/a
n/a	n/a	16.0	n/a	n/a	n/a	n/a	16.0	n/a	n/a
n/a	n/a	38.8	n/a	n/a	n/a	n/a	38.8	n/a	n/a

Property summaries



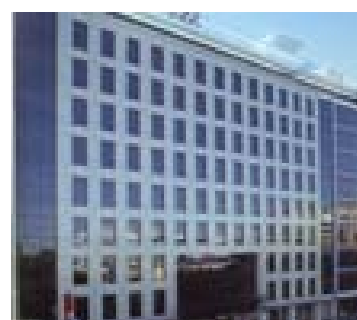
Taylors House

965 Bourke Street, Waterloo, NSW



The Forum, Cisco

201 Pacific Highway, St Leonards, NSW



The Forum, Verizon

203 Pacific Highway, St Leonards, NSW

Property details

Ownership interest	60%
Net lettable area	11,088 sqm
Car spaces	96
Occupancy	100%
WALE	4.3 years
Tenancy	Multi-tenant
Review type/s	Fixed annual reviews
Average gross passing rent ²	\$392 psm
Average gross market rent ²	\$381 psm
Date acquired	October 2006
Purchase price	\$25.4 million
Book value	\$27.6 million
Valuation	\$27.6 million
Valuation date	June 2008
Capitalisation rate	8.00%

Property description

The property is located in Waterloo, approximately five kilometres south of the Sydney CBD. The building was completed in January 2001, and comprises a ground floor retail area, four levels of office and college accommodation and basement parking for 96 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Taylors College	84.4%	FY 2013
Possum Furniture	7.7%	FY 2013

Property details

Ownership interest	60%
Net lettable area	16,589 sqm
Car spaces	304
Occupancy	100%
WALE	5.0 years
Tenancy	Multi-tenant
Review type/s	Mix of turnover-linked, CPI-linked and fixed reviews
Average gross passing rent ³	\$510 psm
Average gross market rent ³	\$522 psm
Date acquired	October 2006
Purchase price	\$69.3 million
Book value	\$70.8 million
Valuation	\$70.8 million
Valuation date	June 2008
Capitalisation rate	7.15%

Property description

The property is a landmark development located directly above the St Leonards railway station on Sydney's lower north shore, approximately six kilometres north of the North Sydney CBD. The 'A' grade building was completed in 2000 and comprises 20 retail tenancies, 10 floors of office accommodation and basement parking for 304 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Cisco Systems	45.2%	FY 2014
Flexi Rent	22.5%	FY 2015
Medfin	6.1%	FY 2013
Coles Supermarket	5.1%	FY 2016

Property details

Ownership interest	60%
Net lettable area	11,765 sqm
Car spaces	107
Occupancy	100%
WALE	2.1 years
Tenancy	Multi-tenant
Review type/s	Mixture of fixed, market and CPI-linked reviews
Average gross passing rent ³	\$509 psm
Average gross market rent ³	\$507 psm
Date acquired	October 2006
Purchase price	\$45.6 million
Book value	\$42.8 million
Valuation	\$42.8 million
Valuation date	June 2008
Capitalisation rate	7.50%

Property description

The property is a landmark development located directly above the St Leonards railway station on Sydney's lower north shore, approximately six kilometres north of the North Sydney CBD. The 'A' grade building was completed in 2000 and comprises seven retail tenancies, 10 floors of office accommodation and basement parking for 107 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Verizon	90.1%	FY 2010

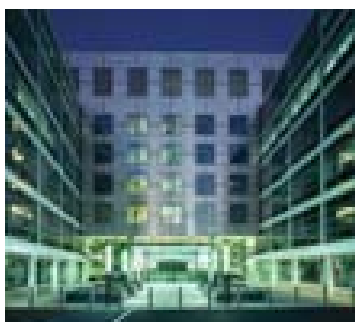
¹ % of gross income.

² Excludes car park and fitout rent.

³ Excludes car park and retail rent.

**ABS House**

45 Benjamin Way, Belconnen, ACT

**DIAC Building**

6 Chan Street, Belconnen, ACT

**Discovery House**

47 Bowes Street, Woden, ACT

Property details

Ownership interest	60%
Net lettable area	31,050 sqm
Car spaces	400
Occupancy	100%
WALE	8.7 years
Tenancy	Single-tenant
Review type/s	Fixed annual reviews
Average gross passing rent ²	\$406 psm
Average gross market rent ²	\$360 psm
Date acquired	October 2006
Purchase price	\$80.6 million
Book value	\$90.4 million
Valuation	\$90.4 million
Valuation date	June 2008
Capitalisation rate	7.25%

Property description

The property is located in Belconnen, approximately 10 kilometres north-west of the Canberra CBD. The 'A' grade building was completed in 2002 as the national headquarters for the Australian Bureau of Statistics (ABS), and comprises two seven-level office wings joined by a glazed roof atrium. The property provides basement parking for 60 vehicles and on-grade for 340 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Government	99%	FY 2017

Property details

Ownership interest	60%
Net lettable area	29,530 sqm
Car spaces	525
Occupancy	100%
WALE	11.3 years
Tenancy	Single-tenant
Review type/s	Fixed annual reviews
Average gross passing rent ³	\$304 psm
Average gross market rent ³	\$360 psm
Date acquired	October 2006
Purchase price	\$62.0 million
Book value	\$67.2 million
Valuation	\$67.2 million
Valuation date	June 2008
Capitalisation rate	7.50%

Property description

The property is located in Belconnen, approximately 10 kilometres north-west of the Canberra CBD. The 'A' grade building was completed in November 2004 as the national headquarters for the Department of Immigration and Citizenship (DIAC), and comprises two six-level office wings, basement parking for 100 vehicles and on-grade for approximately 425 vehicles. The site also includes vacant land available for development.

Major tenants

	% Leased ¹	Lease expiry
Government	97.8%	FY 2020

Property details

Ownership interest	60%
Net lettable area	22,239 sqm
Car spaces	239
Occupancy	100%
WALE	14.3 years
Tenancy	Single-tenant
Review type/s	Fixed annual reviews
Average gross passing rent ³	\$365 psm
Average gross market rent ³	\$368 psm
Date acquired	October 2006
Purchase price	\$56.5 million
Book value	\$60.6 million
Valuation	\$60.6 million
Valuation date	June 2008
Capitalisation rate	7.00%

Property description

The property is located in Woden, approximately 10 kilometres south of the Canberra CBD. The property comprises two stages, the first completed in 1997 and the second in 2007, when the building was extended and IP Australia renewed its lease for 15 years.

The whole building now comprises a well integrated design and construction between the new and old sections with contemporary accommodation and finishes. The total accommodation comprises 20,642 sqm of office, 1,441 sqm of storage, 156 sqm of retail (café), 180 basement car parks and 58 on-grade car parks.

Major tenants

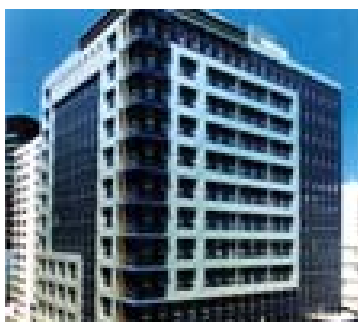
	% Leased ¹	Lease expiry
Government	100%	FY 2023

¹ % of gross income.

² Office only excluding storage, retail, car parking, fitout and additional area.

³ Office only excluding storage and car park.

Property summaries (continued)



Makerston House

30 Makerston Street, Brisbane, QLD



Elder House

27-39 Currie Street, Adelaide, SA



Executive Building

15 Murray Street, Hobart, TAS

Property details

Ownership interest	60%
Net lettable area	14,675 sqm
Car spaces	167
Occupancy	100%
WALE	2.9 years
Tenancy	Multi-tenant
Review type/s	Fixed annual reviews
Average gross passing rent ³	\$379 psm
Average gross market rent ³	\$501 psm
Date acquired	October 2006
Purchase price	\$33.6 million
Book value	\$46.8 million
Valuation	\$46.8 million
Valuation date	June 2008
Capitalisation rate	7.25%

Property description

The property is located on the western fringe of the legal precinct of the Brisbane CBD, approximately 65 metres south-west of the Brisbane Transit Centre. The building comprises a ground floor, two podium levels, 11 office floors and five levels of basement parking and storage.

Major tenants

	% Leased ¹	Lease expiry
Telstra	37.3%	FY 2011
Tourism Queensland	31.3%	FY 2013
QLD Police ²	12.9%	FY 2010 and 2013

Property details

Ownership interest	60%
Net lettable area	14,086 sqm
Car spaces	0
Occupancy	100%
WALE	7.8 years
Tenancy	Single-tenant
Review type/s	Fixed annual reviews
Average gross passing rent	\$373 psm
Average gross market rent	\$357 psm
Date acquired	October 2006
Purchase price	\$29.1 million
Book value	\$31.2 million
Valuation	\$31.2 million
Valuation date	June 2008
Capitalisation rate	7.75%

Property description

The property is located in the core of the Adelaide CBD, and incorporates the heritage section of the former Elder House constructed in 1900. The 'A' grade building comprises a ground level, six upper levels of office accommodation and a basement area, which were substantially refurbished and extended in 2001.

Major tenants

	% Leased ¹	Lease expiry
Futuris Corporation Limited	100%	FY 2016

Property details

Ownership interest	60%
Net lettable area	9,887 sqm
Car spaces	125
Occupancy	100%
WALE	7.0 years
Tenancy	Single-tenant
Review type/s	Market reviews
Average gross passing rent ⁴	\$339 psm
Average gross market rent ⁴	\$346 psm
Date acquired	October 2006
Purchase price	\$16.3 million
Book value	\$18.6 million
Valuation	\$18.6 million
Valuation date	June 2008
Capitalisation rate	8.25%

Property description

The property is located in the core of the Hobart CBD. The 'A' grade building was completed in March 1987 and comprises nine levels of modern office accommodation and two levels of parking for 125 vehicles.

Major tenants

	% Leased ¹	Lease expiry
The Crown in Right of the State of Tasmania	100%	FY 2015

¹ % of gross income.

² Two separate leases.

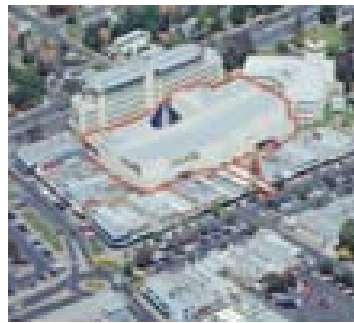
³ Excludes car park, telecommunications, storage and naming rent.

⁴ Excludes car park.



Kings Langley Shopping Centre

13 Ravenhill Street, Kings Langley, NSW



Century City Walk

285-287 Springvale Rd, Glen Waverley, VIC



Jam Factory

500 Chapel Street, South Yarra, VIC

Property details

Ownership interest	60%
Net lettable area	4,142 sqm
Car spaces	140
Occupancy	100%
WALE	9.9 years
Tenancy	Multi-tenant
Review type/s	Mix of turnover-linked, CPI-linked and fixed reviews
Average gross passing rent	\$407 psm
Average gross market rent	\$370 psm
Date acquired	October 2006
Purchase price	\$10.6 million
Book value	\$10.2 million
Valuation	\$10.2 million
Valuation date	June 2008
Capitalisation rate	7.25%

Property description

The property is located in Kings Langley, approximately 40 kilometres north-west of the Sydney CBD. The property is a neighbourhood shopping centre which comprises a Woolworths supermarket, a mezzanine area, nine specialty retail shops and on-site parking for 140 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Woolworths	68%	FY 2022
Commonwealth Bank of Australia	6.8%	FY 2012
Network Video	5.8%	FY 2011

Property details

Ownership interest	100%
Net lettable area	8,378 sqm
Car spaces	n/a
Occupancy ⁵	100%
WALE ⁵	7.7 years
Tenancy	Multi-tenant
Review type/s	Predominantly annual reviews linked to CPI
Average gross passing rent ³	\$373 psm
Average gross market rent ³	\$382 psm
Date acquired ²	June 2008
Purchase price ²	\$23.8 million
Book value	\$23.7 million
Valuation	\$23.7 million
Valuation date	June 2008
Capitalisation rate	8.50%

Property description

The property is located adjacent to the Novotel Hotel on Springvale Road, Glen Waverley, approximately 26 kilometres south-east of the Melbourne CBD. The building was completed in 1998 and comprises a 10-screen cinema centre, six restaurant and café tenancies and a bar and gaming area situated around a ground level pedestrian mall.

CDI has committed \$2.6 million in repositioning Century City Walk including a refurbishment and expansion of the centre's entertainment offering with Strike Bowling Bar as a new tenant on a 10-year lease.

Major tenants

	% Leased ¹	Lease expiry
Village Cinemas	52.7%	FY 2020
Century City Entertainment	22.2%	FY 2012

Property details

Ownership interest	60%
Net lettable area	20,155 sqm
Car spaces	970
Occupancy ⁶	99.7%
WALE ⁶	5.0 years
Tenancy	Multi-tenant
Review type/s	Predominantly annual reviews linked to CPI
Average gross passing rent ⁴	\$501 psm
Average gross market rent ⁴	\$465 psm
Date acquired	October 2006
Purchase price	\$63.0 million
Book value	\$66.0 million
Valuation	\$66.0 million
Valuation date	June 2008
Capitalisation rate	7.75%

Property description

The property is located on Chapel Street, South Yarra, approximately six kilometres south-east of the Melbourne CBD. Originally a manufacturing plant for jams and preserves, the property has been converted into a popular cinema and retail complex. The building comprises a 15-screen cinema complex, a retail precinct, level two office precinct and a five-level car park for 970 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Village Cinemas	31.4%	FY 2018
Car Park	19.0%	FY 2012
Borders Books Music and Cafe	11.2%	FY 2009

¹ % of gross income.

² Initial 60% purchased October 2006, balance purchased 30 June 2008.

³ Excludes income received from signage and ATMs.

⁴ Excludes income received from car park, ATMs, telecommunications and signage.

⁵ Exclusive of areas under development.

⁶ Inclusive of hold over income due to positioning of asset for potential redevelopment.

Property summaries (continued)



Innaloo Cinema Centre

57 Liege Street, Woodlands, Perth, WA



Tetra Pak

6 Foray Street, Fairfield, NSW



1-9 Toll Drive

1-9 Toll Drive, Altona North, VIC

Property details

Ownership interest	60%
Net lettable area	11,549 sqm
Car spaces	1,046
Occupancy	100%
WALE	9.1 years
Tenancy	Multi-tenant
Review type/s	Mix of CPI-linked and market reviews
Average gross passing rent	\$325 psm
Average gross market rent	\$328 psm
Date acquired	October 2006
Purchase price	\$17.4 million
Book value	\$21.3 million
Valuation	\$21.3 million
Valuation date	June 2008
Capitalisation rate	7.50%

Property description

The property is located in Innaloo, approximately 11 kilometres north-west of the Perth CBD. Originally a small cinema and drive-in complex, the property has undergone a staged redevelopment and today comprises a modern 16-screen cinema complex with on-site parking for in excess of 1,046 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Greater Union	78%	FY 2019
Sizzlers	5.9%	FY 2011

Property details

Ownership interest	100%
Net lettable area	24,108 sqm
Car spaces	n/a
Occupancy	100%
WALE	0.9 years
Tenancy	Single-tenant
Review type/s	Combination of CPI and market annual reviews
Average gross passing rent	\$98 psm
Average gross market rent	\$91 psm
Date acquired	October 2006
Purchase price	\$20.4 million
Book value	\$18.0 million
Valuation	\$18.0 million
Valuation date	June 2008
Capitalisation rate	9.00%

Property description

The property is located at Fairfield, approximately 29 kilometres west of the Sydney CBD, within close proximity of several major arterial roads including the Cumberland Highway, the M4 Motorway, Horsley Drive and Woodville Road. The property has been developed in various stages over the past 30 years, and today comprises two main manufacturing and warehouse buildings, commercial office facilities and a large parking area.

Major tenants

	% Leased ¹	Lease expiry
Tetra Pak Australia	100%	FY 2009

Property details

Ownership interest	100%
Net lettable area	3,239 sqm
Car spaces	42
Occupancy	100%
WALE	4.6 years
Tenancy	Single-tenant
Review type/s	CPI or fixed annual reviews
Average gross passing rent	\$116 psm
Average gross market rent	\$116 psm
Date acquired	October 2006
Purchase price	\$3.3 million
Book value	\$3.5 million
Valuation	\$3.5 million
Valuation date	June 2008
Capitalisation rate	8.50%

Property description

The property is located in Altona North, approximately 12 kilometres south-west of the Melbourne CBD. The site is currently utilised as a truck depot and comprises a single-level office, amenities and sleeping quarters building, a high clearance mechanic workshop and truck wash facility and a large four-bay undercover fuelling station. It also includes hardstand space and truck manoeuvring areas, landscaping and parking for 42 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Toll Transport	100%	FY 2013

¹ % of gross income.



2-10 Toll Drive

2-10 Toll Drive, Altona North, VIC



12-30 Toll Drive

12-30 Toll Drive, Altona North, VIC



Spotlight

217-215 Boundary Rd, Laverton North, VIC

Property details

Ownership interest	100%
Net lettable area	6,244 sqm
Car spaces	n/a
Occupancy	100%
WALE	4.6 years
Tenancy	Single-tenant
Review type/s	CPI or fixed annual reviews
Average gross passing rent	\$110 psm
Average gross market rent	\$104 psm
Date acquired	October 2006
Purchase price	\$6.3 million
Book value	\$7.1 million
Valuation	\$7.1 million
Valuation date	June 2008
Capitalisation rate	7.50%

Property description

The property is located in Altona North, approximately 12 kilometres south-west of the Melbourne CBD. The site includes a warehouse facility, office accommodation, hardstand space and canopied areas.

Major tenants

	% Leased ¹	Lease expiry
NQX	100%	FY 2013

Property details

Ownership interest	100%
Net lettable area	13,885 sqm
Car spaces	215
Occupancy	100%
WALE	4.6 years
Tenancy	Single-tenant
Review type/s	CPI or fixed annual reviews
Average gross passing rent	\$100 psm
Average gross market rent	\$93 psm
Date acquired	October 2006
Purchase price	\$13.4 million
Book value	\$14.0 million
Valuation	\$14.0 million
Valuation date	June 2008
Capitalisation rate	7.50%

Property description

The property is located in Altona North, approximately 12 kilometres south-west of the Melbourne CBD. The site includes a warehouse facility, office accommodation, hardstand space, a security gatehouse, canopied areas, weigh bridge, landscaping and parking for 215 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Toll Express	100%	FY 2013

Property details

Ownership interest	100%
Net lettable area	20,723 sqm
Car spaces	n/a
Occupancy	100%
WALE	3.9 years
Tenancy	Single-tenant
Review type/s	Fixed annual reviews
Average gross passing rent	\$73 psm
Average gross market rent	\$67 psm
Date acquired	October 2006
Purchase price	\$15.7 million
Book value	\$17.0 million
Valuation	\$17.0 million
Valuation date	June 2008
Capitalisation rate	7.50%

Property description

The property is located on Boundary Road, Laverton North, approximately 15 kilometres west of the Melbourne CBD. This is an established industrial area that is well serviced by major roads including Princes Freeway, which provides excellent access to the Western Ring Road, Westgate Freeway and Melbourne CityLink. The building was completed in November 1999 and comprises warehouse and office facilities which were purpose built for Spotlight Stores Pty Ltd.

Major tenants

	% Leased ¹	Lease expiry
Spotlight Stores Pty Ltd	100%	FY 2012

¹ % of gross income.

Property summaries (continued)



API Richlands

478 Freeman Road, Richlands, QLD



Goodman Fielder

75 Talavera Road, North Ryde, NSW



Heidelberg

50 O'Dea Avenue, Waterloo, NSW

Property details

Ownership interest	100%
Net lettable area	9,625 sqm
Car spaces	n/a
Occupancy	100%
WALE	1.5 years
Tenancy	Single-tenant
Review type/s	CPI or fixed annual reviews
Average gross passing rent	\$132 psm
Average gross market rent	\$123 psm
Date acquired	October 2006
Purchase price	\$12.5 million
Book value	\$13.1 million
Valuation	\$13.1 million
Valuation date	June 2008
Capitalisation rate	8.00%

Property description

The property is located in the established industrial suburb of Richlands, approximately 15 kilometres south-west of the Brisbane CBD. The building comprises a modern industrial facility with a high clearance warehouse and adjoining two-level office and laboratory accommodation.

Major tenants

	% Leased ¹	Lease expiry
Australian Pharmaceutical Industries	100%	FY 2010

Property details

Ownership interest	60%
Net lettable area	13,652 sqm
Car spaces	285
Occupancy	100%
WALE	1.5 years
Tenancy	Single-tenant
Review type/s	Combination of annual fixed and market reviews
Average gross passing rent ²	\$271 psm
Average gross market rent ²	\$280 psm
Date acquired	October 2006
Purchase price	\$27.8 million
Book value	\$28.1 million
Valuation	\$28.1 million
Valuation date	June 2008
Capitalisation rate	7.25%

Property description

The property is located within the Macquarie University Research Park at North Ryde, approximately 14 kilometres north-west of the Sydney CBD. The area is widely regarded as being the premier high technology industrial location in Australia. The building comprises office accommodation over seven levels, with basement parking for 250 vehicles, and on-grade parking for 35 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Goodman Fielder Services	100%	FY 2010

Property details

Ownership interest	60%
Net lettable area	7,130 sqm
Car spaces	101
Occupancy	100%
WALE	1.5 years
Tenancy	Single-tenant
Review type/s	Fixed annual reviews
Average gross passing rent	\$228 psm
Average gross market rent	\$225 psm
Date acquired	October 2006
Purchase price	\$9.6 million
Book value	\$9.9 million
Valuation	\$9.9 million
Valuation date	June 2008
Capitalisation rate	7.25%

Property description

The property is located on O'Dea Avenue in Waterloo, approximately five kilometres south of the Sydney CBD. The building comprises a ground floor showroom and office and upper level office accommodation arranged around a central atrium. It also includes a high clearance warehouse area and basement level parking for 101 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Heidelberg Graphic Equipment	100%	FY 2010

¹ % of gross income.

² Office only.



Rexel

6 Giffnock Avenue, North Ryde, NSW



Kraft

187 Todd Road, Port Melbourne, VIC



Pacific Brands

300 Lorimer Street, Port Melbourne, VIC

Property details

Ownership interest	100%
Net lettable area	6,384 sqm
Car spaces	133
Occupancy	100%
WALE	3.5 years
Tenancy	Single-tenant
Review type/s	Fixed annual reviews
Average gross passing rent	\$241 psm
Average gross market rent	\$252 psm
Date acquired	June 2008 ²
Purchase price	\$17.1 million ²
Book value	\$19.8 million
Valuation	\$19.8 million
Valuation date	June 2008
Capitalisation rate	7.75%

Property description

This is a key strategic holding approximately 12 kilometres north-west of the Sydney CBD within close proximity to Lane Cove Road and the new Chatswood-Epping rail link. Within 200 metres of Macquarie Park station, the site offers potential for capital growth through future redevelopment. The property comprises a two storey office building with an attached high clearance warehouse to the rear and on-grade parking for 133 vehicles.

Major tenants

	% Leased ¹	Lease expiry
Rexel Australia	100%	FY 2012

Property details

Ownership interest	60%
Net lettable area	10,230 sqm
Car spaces	360
Occupancy	100%
WALE	2.1 years
Tenancy	Single-tenant
Review type/s	CPI or fixed annual reviews
Average gross passing rent	\$267 psm
Average gross market rent	\$267 psm
Date acquired	October 2006
Purchase price	\$16.5 million
Book value	\$17.1 million
Valuation	\$17.1 million
Valuation date	June 2008
Capitalisation rate	8.00%

Property description

A modern commercial building located in a prime commercial/industrial high tech precinct on a corner allotment enjoying three street frontages in close proximity to the Melbourne CBD and major transport linkages (Westgate Freeway and CityLink Tollway). The property provides three levels of modern office accommodation, together with ancillary laboratory and warehouse/storage areas. 333 undercover car parks are provided on-site over two levels, plus visitor parking fronting Wirraway Drive.

Major tenants

	% Leased ¹	Lease expiry
Kraft Foods	100%	FY 2011

Property details

Ownership interest	60%
Net lettable area	12,037 sqm
Car spaces	204
Occupancy	100%
WALE	3.3 years
Tenancy	Single-tenant
Review type/s	Market or fixed annual reviews
Average gross passing rent	\$174 psm
Average gross market rent	\$178 psm
Date acquired	October 2006
Purchase price	\$12.6 million
Book value	\$13.5 million
Valuation	\$13.5 million
Valuation date	June 2008
Capitalisation rate	7.75%

Property description

A modern office/warehouse facility located in a prime commercial/industrial high tech precinct in close proximity to the Melbourne CBD and major transport linkages (Westgate Freeway and CityLink Tollway). The property provides two levels of quality office accommodation to the Lorimer Street frontage (plus three small upper mezzanine areas) behind which is a high clearance warehouse. There are also 204 open on-site car spaces and a paved heavy vehicle loading area to the rear of the site off Wirraway Drive.

Major tenants

	% Leased ¹	Lease expiry
Pacific Brands	100%	FY 2012

¹ % of gross income.

² Initial 60% purchased October 2006, balance purchased 30 June 2008.

Property summaries (continued)



Arvinmeritor

105 Route d'Orleans, Sully sur Loire, France



Bricoman

54 Avenue de Savigny, Aulnay sous Bois, Paris, France



Exel

Rue Charles Nicolle Villeneuve les Beziers, France

Property details

Ownership interest	100%
Net lettable area	14,622 sqm
Car spaces	n/a
Occupancy	100%
WALE	9.5 years
Tenancy	Single-tenant
Review type/s	Annual reviews to INSEE Construction Cost Index
Average gross passing rent	€80 psm (\$131 psm)
Average gross market rent	€74 psm (\$122 psm)
Date acquired	June 2007
Purchase price	€15.4 million (\$25.8 million)
Book value	€14.4 million (\$23.7 million)
Valuation	€14.4 million (\$23.7 million)
Valuation date	June 2008
Capitalisation rate	6.35%

Property description

The property is a modern factory and office headquarters located approximately 50 kilometres east of Orleans and 160 kilometres south of Paris. The property is leased to Arvinmeritor, a major European car component manufacturer.

Major tenants

	% Leased ¹	Lease expiry
Arvinmeritor	100%	FY 2018

Property details

Ownership interest	100%
Net lettable area	5,097 sqm
Car spaces	285
Occupancy	100%
WALE	7.3 years
Tenancy	Single-tenant
Review type/s	Annual reviews to INSEE Construction Cost Index
Average gross passing rent	€143 psm (\$235 psm)
Average gross market rent	€142 psm (\$233 psm)
Date acquired	June 2007
Purchase price	€11.8 million (\$20.3 million)
Book value	€11.3 million (\$18.6 million)
Valuation	€11.3 million (\$18.6 million)
Valuation date	June 2008
Capitalisation rate	5.25%

Property description

The property is a modern retail warehouse located in a suburban centre approximately 19 kilometres to the north-east of central Paris in a high tech industrial precinct. The property is leased to Bricometer, a hardware retailer.

Major tenants

	% Leased ¹	Lease expiry
Bricoman	100%	FY 2016

Property details

Ownership interest	100%
Net lettable area	9,055 sqm
Car spaces	n/a
Occupancy	100%
WALE	3.2 years
Tenancy	Single-tenant
Review type/s	Annual reviews to INSEE Construction Cost Index
Average gross passing rent	€89 psm (\$146 psm)
Average gross market rent	€78 psm (\$128 psm)
Date acquired	June 2007
Purchase price	€9.6 million (\$16.0 million)
Book value	€9.8 million (\$16.1 million)
Valuation	€9.8 million (\$16.1 million)
Valuation date	June 2008
Capitalisation rate	6.90%

Property description

The property is a modern chillstore/logistics facility located in Beziers prime logistics estate adjacent to the A9 – the main east/west road link between Spain, France and Italy. The property is leased to Exel, a major French logistics and distribution operator.

Major tenants

	% Leased ¹	Lease expiry
Exel	100%	FY 2012

¹ % of gross income.



GDF

140 Rue Marcel Paul, Gennevilliers, Paris, France

Property details

Ownership interest	100% (Leasehold until 2047)
Net lettable area	7,404 sqm
Car spaces	n/a
Occupancy	100%
WALE	3.7 years
Tenancy	Single-tenant
Review type/s	Annual reviews to INSEE Construction Cost Index
Average gross passing rent	€99 psm (\$163 psm)
Average gross market rent	€96 psm (\$158 psm)
Date acquired	June 2007
Purchase price	€7.6 million (\$12.6 million)
Book value	€7.2 million (\$11.7 million)
Valuation	€7.2 million (\$11.7 million)
Valuation date	June 2008
Capitalisation rate	7.00%

Property description

The property is a modern industrial warehouse facility located in the established North Paris mixed commercial area of Zac de Louvresses. The property is leased to GDF, a major French gas supplier and distributor.

Major tenants

	% Leased ¹	Lease expiry
GDF	100%	FY 2012



ATAC

ZI du Papillon, Parçay-Meslay, Tours, France

Property details

Ownership interest	100%
Net lettable area	5,494 sqm
Car spaces	n/a
Occupancy	100%
WALE	4.3 years
Tenancy	Single-tenant
Review type/s	Annual reviews to INSEE Construction Cost Index
Average gross passing rent	€77 psm (\$127 psm)
Average gross market rent	€76 psm (\$124 psm)
Date acquired	June 2007
Purchase price	€5.9 million (\$9.9 million)
Book value	€5.6 million (\$9.2 million)
Valuation	€5.6 million (\$9.2 million)
Valuation date	June 2008
Capitalisation rate	6.90%

Property description

The property is a modern chillstore/logistics facility centrally located in a prime logistics park in Tours, the regional centre of the Indie et Loire. The property is leased to ATAC, a major French logistics and distribution operator.

Major tenants

	% Leased ¹	Lease expiry
ATAC	100%	FY 2013



Primagaz

ZI de Thibaud, 8 Rue Doulaclouew, Toulouse, France

Property details

Ownership interest	100%
Net lettable area	671 sqm
Car spaces	n/a
Occupancy	100%
WALE	1.3 years
Tenancy	Single-tenant
Review type/s	Annual reviews to INSEE Construction Cost Index
Average gross passing rent	€327 psm (\$537 psm)
Average gross market rent	€299 psm (\$490 psm)
Date acquired	June 2007
Purchase price	€1.8 million (\$3.1 million)
Book value	€1.7 million (\$2.8 million)
Valuation	€1.7 million (\$2.8 million)
Valuation date	June 2008
Capitalisation rate	7.00%

Property description

The property is a modern office/high tech facility within an established industrial zone south of Toulouse city centre with frontage to the A46 – 10 kilometres south of the city's ring road. The property is leased to Primagaz, a major French gas supplier and distributor.

Major tenants

	% Leased ¹	Lease expiry
Primagaz	100%	FY 2010

¹ % of gross income.

Property summaries (continued)



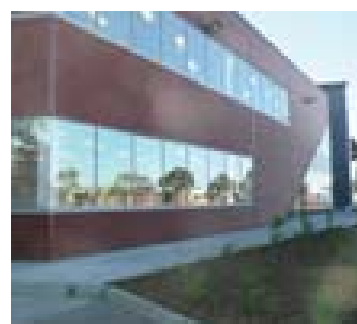
Domain

Royal Botanic Gardens, Sydney, NSW



Enfield

34-48 Cosgrove Road, Enfield, NSW



Smithfield

13 Cooper Street, Smithfield, NSW

Property details

Ownership interest Leasehold

Property description

In May 2008, CDI signed two leases and a development deed with the Royal Botanic Gardens Trust (BGT) to manage and upgrade the Domain car park. CDI has two leases – four years and 21 years. The latter is subject to CDI completing the upgrade works by 1 May 2012. The Domain car park is a three-level 1,144-bay car park located in close proximity to Sydney's mid-city CBD, Royal Botanic Gardens and Art Gallery of NSW. The car park is one of the largest car parks in Sydney. Pedestrian access is via an underground moving walkway from Hyde Park and St Mary's Cathedral. CDI plans to commit around \$8 million in upgrade works to improve and enhance the functional and visual aspects of the car park. CDI has appointed InterPark Australia Pty Ltd (InterPark) to manage and operate the Domain car park.

Property details

Ownership interest 100%

Property description

In January 2007, CDI entered into a Development Deed with Walker Corporation, (which has since been assigned to Industrial Commercial Property Solutions Pty Ltd (ICPS)), for the construction of 45,450 sqm of warehouse facilities over three stages on the 83,650 sqm site acquired at 34-48 Cosgrove Road, Enfield.

Stage 1 comprises the construction of a 13,450 sqm warehouse on a speculative basis. Development approval was received in September 2007 and the project team is targeting to achieve practical completion by end August 2008. The marketing campaign for the project continues, Stage 2 and Stage 3 will not commence until an Agreement for Lease or Lease has been entered into for Stage 1 or a pre-commitment is entered into for Stage 2 or Stage 3. In this regard ICPS will provide a 12-month rental guarantee for each stage and tenant incentives offered will be at the cost of ICPS.

Property details

Ownership interest 100%

Property description

Smithfield was acquired by CDI in August 2007 and comprises a refurbishment of the existing 10,000 sqm warehouse and the construction of an additional 4,820 sqm warehouse on surplus land at the rear of the site.

CDI has entered into a Development Agreement with Industrial Commercial Property Solutions Pty Ltd (ICPS) as Developer and Mirvac Limited as Guarantor to deliver the project to achieve an investment return for CDI which represents an initial income yield on capitalised project costs of 7.5%.

Construction of the new warehouse facility is anticipated to reach practical completion in mid August 2008 and refurbishment of the existing building continues.

ICPS has an ongoing obligation to use reasonable endeavours to lease the facilities and has appointed Savills and Jones Lang LaSalle as managing agents for the new facility.

About Challenger

Challenger Financial Services Group (Challenger) is a diversified financial services company listed on the Australian Securities Exchange.

With a business model that provides products and services to meet a broad range of financial needs, Challenger manages activities that span mortgage management, funds management and asset management. At 30 June 2008, Challenger's assets and loans under management and administration totalled \$69.7 billion.

Asset Management

Through its annuity products, Challenger has built a strong reputation in the retirement income market. Challenger is the largest provider of annuities in Australia and manages more than \$5 billion in assets for approximately 45,000 annuitants.* Offering competitive rates, Challenger's annuities are backed by a diversified portfolio of high quality assets across infrastructure, real estate and fixed income.

The Asset Management team is now applying the expertise and investment disciplines developed in these asset classes to an expanding range of specialised funds. On behalf of institutional and retail investors, Challenger manages a further \$5 billion plus of assets via a range of listed and unlisted vehicles.

Recognised as an innovative and performance focused manager, Challenger has attracted a highly skilled team with expertise in both the creation and management of specialised funds. To complement these skills, it has also invested to attract industry professionals with asset origination and management capabilities across the core asset classes. Located in both Sydney and London, these teams have highly skilled resources with deep industry relationships and a proven track record in securing assets which deliver value.

Challenger has a strong co-investment philosophy, and has invested alongside investors in all of its specialised funds. This alignment of manager and investor is further enhanced by the use of performance fees that reward relative rather than absolute performance.

* As at 30 June 2008.

Corporate governance statement

The Responsible Entity's approach to corporate governance

The Board of the Responsible Entity (the Responsible Entity) recognises its duties and obligations to stakeholders to implement and maintain a robust system of corporate governance. The Responsible Entity believes that the adoption of good corporate governance adds real value to stakeholders and enhances investor confidence.

The Responsible Entity determines the most appropriate corporate governance arrangements for Challenger Diversified Property Group (CDI), taking into consideration Australian and international standards. This statement reflects the Responsible Entity's corporate governance system as at August 2008.

This statement reports against the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' released in August 2007. As required by the ASX Listing Rules, this statement sets out the extent to which CDI has followed the Principles or, where appropriate, indicates a departure from them with an explanation.

Principle 1 Lay solid foundations for management and oversight

The role of the Responsible Entity and delegations

The role of the Responsible Entity is to manage CDI in the unitholders' best interests in accordance with CDI's constitution and the Corporations Act 2001 (Cth) (Corporations Act). The Responsible Entity is accountable to unitholders for the activities and performance of CDI by overseeing the development of sustainable fund value within an appropriate framework of risk, and regard for all stakeholder interests. The Responsible Entity has identified the key functions which it has reserved for itself. These duties are outlined below and set out

in the Board Charter, a copy of which is available on CDI's website:

- approval of the strategy and annual budgets of the Trusts;
- approval of accounting policies and financial reports of the Trusts;
- approval of corporate governance structure and monitoring the performance and effectiveness of the corporate governance policies and procedures;
- oversight of the establishment and maintenance of effective risk management policies and processes;
- evaluation and approval of acquisitions and investments and other corporate actions of the Trusts that are outside the authority delegated to the Investment Committees;
- the power to issue units in a Scheme;
- the issuance of a Product Disclosure Statement;
- monitoring the performance of the Manager; and
- the evaluation of the performance of the Board, Board Committees and individual Directors.

The Board has established Committees to assist in carrying out its responsibilities and to consider certain issues and functions in detail. The Board Committees are discussed in Principle 2 below.

Non-executive Directors are issued with formal letters of appointment governing their role and responsibilities. The responsibilities of the Chair and the Directors are also set out in the Board Charter.

Management responsibility

The Corporations Act empowers the Responsible Entity to engage agents on its behalf; however, it remains fully responsible for the actions of those agents. The Responsible Entity has

appointed Challenger Management Services Limited to manage CDI. Challenger Management Services Limited and the Responsible Entity are wholly owned subsidiaries of Challenger Life Holdings Limited, which is wholly owned by Challenger Financial Services Group Limited (CFSG).

The Board has delegated CDI's Fund Manager the authority and powers necessary to implement the strategies approved by the Board for CDI and to manage the business affairs of CDI within the policies and specific delegation limits specified by the Board from time to time.

CDI's constitution governs, among other things, how CDI will operate, how the Responsible Entity remuneration will be calculated and the rights of unitholders. The Responsible Entity must also prepare and lodge a compliance plan with the Australian Securities and Investments Commission (ASIC). The compliance plan sets out the mechanism the Responsible Entity has in place to ensure compliance with CDI's constitution and the Corporations Act.

Relationship with Challenger Financial Services Group

The corporate governance structure adopted by the Responsible Entity reflects its role as the responsible entity of CDI. In several ways, this will be different to the corporate governance structure of a listed company.

CFSG has expertise in developing and managing specialist investment funds in areas of property and infrastructure. The Responsible Entity makes extensive use of the resources available within CFSG in managing CDI.

The resources provided to assist the Responsible Entity to fulfil its role include the services of senior executives and responsible officers.

CFSG, in consultation with the Responsible Entity, may also appoint appropriately skilled Independent Directors and executives to ensure that CDI continues to be managed to maximise returns to unitholders within CDI's stated strategy and mandate.

Executive performance assessment

The performance of the Chief Executive, Asset Management and senior executives is reviewed at least annually against appropriately agreed and documented performance objectives and measures, consistent with the Performance Management framework that applies to all Challenger employees. All Challenger Group employees are also assessed against the Challenger Corporate Principles (refer Principle 3 below).

Performance evaluations for the Chief Executive, Fund Manager and senior executives have taken place in respect of the 2008 reporting period in accordance with the above process.

Principle 2 Structure the Board to add value

Membership of the Board

The Board comprises Directors who possess an appropriate range of skills, experience and expertise to:

- have a proper understanding of, and competence to deal with, the current and emerging issues of the business;
- exercise independent judgement;
- encourage enhanced performance of the Trust; and
- effectively review and challenge the performance of management.

The Responsible Entity's constitution provides for a minimum of three Directors and a maximum of 12 Directors. The table below summarises the current composition of the Board. Background details of each Director are set out in the Directors' report.

Name	Position	Independent	First appointed
Brenda Shanahan	Chair	Yes	2007
Russell Hooper	Non-executive Director	Yes	2005
Ian Martens	Non-executive Director	Yes	2003
Geoff McWilliam	Non-executive Director	Yes	2006
Ian Moore	Non-executive Director	Yes	2005
Brendan O'Connor	Executive Director	No	2008
Rob Woods	Executive Director	No	2004

The roles of Chair and Chief Executive are not exercised by the same person.

Nomination and appointment of new Directors

The Responsible Entity is a wholly owned subsidiary of CFSG. As a result, the Board has not appointed a formal nominations committee. This represents a departure from the ASX Principles. The Directors are appointed by CFSG, having regard to maintaining a majority of Independent Directors and to ensuring an appropriate balance of skills, experience and competence on the Board. All new Directors are provided with an appropriate induction into the Responsible Entity's business.

Review of Board performance

The Board Charter sets out the requirement for a formal review of the Board's performance at least every two years. A formal review of the Board's performance was conducted in March 2008. Each Director completed an extensive questionnaire, and responses were reviewed by the Chair and Company Secretary. The outcomes of the review were provided for discussion by the Board. The review indicated that the Board is performing soundly.

Independent Directors

The Responsible Entity has adopted an Independence Policy that states that an Independent Director should be independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board regularly considers and assesses the independence of each Director in light of the interests and information which Directors disclose. In accordance with the Corporations Act, Directors are required to advise the Responsible Entity of any material personal interests they have in a matter.

Corporate governance statement (continued)

In assessing independence, the Board will have regard to whether the Director has any of the following relationships with the Responsible Entity:

1. is a substantial shareholder (as defined by section 9 of the Corporations Act) of the Responsible Entity, or is a director or officer of, or otherwise associated directly with, a substantial shareholder of the Responsible Entity;
2. is employed, or has previously been employed in an executive capacity, by a Challenger Group company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
3. has within the last three years been a principal of a material professional adviser or a material consultant to the Responsible Entity or another Challenger Group company, or an employee materially associated with the service provided;
4. is a material supplier or customer of the Responsible Entity or other Challenger Group company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
5. has a material contractual relationship with the Responsible Entity or another Challenger Group company other than as a director.

The Responsible Entity will state its reasons if it considers a Director to be independent notwithstanding the existence of a relationship of the kind referred to in paragraphs 1-5 above. The Responsible Entity has considered Mr Hooper's position as an independent director of CFSG and

Challenger Life No.2 Limited, and determined him to be an Independent Director of the Responsible Entity by reason that Mr Hooper is cognisant of potential conflict situations and has demonstrated that he is able to exercise independent judgement. While participating in board meetings, Mr Hooper takes appropriate governance steps such as abstaining from voting or leaving the meeting for any matters where a conflict of interest exists in respect of him being a director of another Challenger Group company. While Mr Hooper derives a portion of his income from Challenger Group directorships, the Responsible Entity is satisfied that he has sufficient financial independence from the Challenger Group.

In accordance with the ASX Corporate Governance Guidance for Independence, there is a majority of Independent Directors on the Board.

Conflicts of interest

In accordance with the Board Charter and the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must declare such an interest and may only be present when the matter is being considered at the Board's discretion. Directors with a material interest may not vote on any matter in which they have declared a personal interest.

Meetings of the Board

During the year, the Board generally meets approximately every six weeks. In addition, the Board may meet whenever necessary to deal with specific matters needing attention between scheduled meetings. The Chief Executive Asset Management, in consultation with the Chair, establishes the meeting agendas

to ensure adequate coverage of strategic, financial and material risk areas throughout the year. The Fund Manager and senior management are invited to attend Board meetings and are available for contact by Non-executive Directors between meetings. The Non-executive Directors hold a private session without any executive involvement at least annually.

Board access to information and advice

All Directors have unrestricted access to the Responsible Entity's records and information. The Company Secretary provides Directors with guidance on corporate governance issues and developments and on all other matters reasonably requested by the Directors and monitors compliance with the Board Charter. The Board or each individual Director has the right to seek independent professional advice at the Responsible Entity's expense to assist them in discharging their duties. Whilst the Chair's prior approval is required, it may not be unreasonably withheld or delayed.

Board Committees

To assist it in undertaking its duties, the Board has established the following Committees:

- the Audit and Compliance Committee;
- the Property Investment Committee; and
- the Infrastructure Investment Committee.

Each Committee has its own charter. A copy of the Audit and Compliance Committee Charter is available on CDI's website at www.challenger.com.au/cdi

The charters specify the composition, responsibilities, duties, reporting obligations, meeting arrangements, authority and resources available to the Committees and the provisions for review of the charter. Details of Directors' membership of each Committee and their attendance at meetings throughout the period are set out below.

Directors' meetings

Director	Board		Audit and Compliance Committee		Property Investment Committee		Infrastructure Investment Committee*	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brenda Shanahan	13	12	4	4				
Russell Hooper	16	14	5	5	11	10	8	7
Ian Martens	16	16	9	9				
Geoff McWilliam	16	15			11	11		
Ian Moore	16	16	9	9			8	8
Brendan O'Connor	8	8						
Rob Woods	16	16					8	7
Peter Brook	8	7						
Stephen Gerlach	4	4						

* Not applicable to CDI.

Investment Committees

The Board has established the Property Investment Committee and the Infrastructure Investment Committee to assist the Board to review and monitor investments by the Trusts, including CDI.

The Committees each consist of at least three members, including two Non-executive Directors, one of whom will act as Chair, and relevant executives of the Challenger Group.

In accordance with their respective charter, the Committees are responsible for:

- reviewing and approving fund investments within the authority delegated by the Board;
- monitoring and reporting of market, liquidity and credit risk exposure;
- monitoring of investment policies and limits; and
- reporting on the above to the Board.

Principle 3 Promote ethical and responsible decision-making

The Responsible Entity's commitment to ethical and responsible decision-making is reflected in the internal policies and procedures, underpinned by the Challenger Corporate Principles of:

- Commercial ownership
- Compliance
- Creative customer solutions
- Working together; and
- Integrity.

Code of Conduct

Challenger has adopted a Code of Conduct which applies to all Directors, executives, management and employees of the Challenger Group. The Code of Conduct articulates the standards of honest, ethical and law-abiding behaviour expected by Challenger. Employees are actively encouraged to bring any problems to the attention of management or the Board, including activities or behaviour

which may not comply with the Code of Conduct, other policies and procedures in place, or other regulatory requirements or laws. A copy of the Code can be found at www.challenger.com.au/cdi

Political donations policy

Challenger Group has adopted a policy of not making political donations in any country or jurisdiction of operation.

Staff Trading Policy

Directors and staff of the Challenger Group are subject to restrictions under the law relating to dealing in securities, including the securities issued by the Challenger Group and listed funds, if they are in possession of insider information. The Board has approved the Challenger Group's Staff Trading Policy which prescribes the manner in which staff can trade in the securities issued by the Challenger Group. A summary of the policy is available on CDI's website. The policy applies to all Directors and staff and places restrictions and reporting requirements, including limiting trading to specific trading

Corporate governance statement (continued)

windows and in a specified manner. Those staff designated as potentially having access to insider information are required to seek prior approval to trade in other securities. The policy prohibits margin lending over the Challenger Group securities, including CDI.

Principle 4 Safeguard integrity in financial reporting

Integrity of financial reporting

The Board has the responsibility to ensure truthful and factual presentation of CDI's financial position. The Board has established an Audit and Compliance Committee to assist the Board to focus on issues relevant to the integrity of CDI's financial reporting. In accordance with its Charter, the Audit and Compliance Committee must have at least three members and is comprised of all Non-executive Directors and a majority of independent members. The Committee is chaired by an Independent Director, who is not Chair of the Board. The background details of the Audit and Compliance Committee members are set out in the Directors' report. The Committee typically meets at least six times a year and additional meetings are scheduled as required. The members' names and attendance at meetings are set out on page 25 of the corporate governance statement.

The Committee oversees the financial reporting process, the system of internal control and risk management, the audit process and the Responsible Entity's processes for monitoring compliance with laws and regulations. The Committee also assists the Board in discharging its responsibilities under the Compliance Plan adopted by the Responsible Entity. The Committee works on behalf of the Board with the external auditor and reviews non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence.

A copy of the Audit and Compliance Committee Charter is available on CDI's website.

Declaration by the Fund Manager and Chief Financial Officer

The Fund Manager and Chief Financial Officer periodically provide formal assurance statements to the Board that:

- the Fund's financial statements present a true and fair view of the Fund's financial condition and operational results; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

Independent external audit

The Board requires the independent external audit to:

- provide stakeholders with assurance over the true and fair view of the financial reports; and
- ensure accounting practices comply with applicable accounting rules and policies.

CDI's independent external auditor is Ernst & Young (E&Y). External auditors are required to rotate the engagement partner assigned to the Challenger Group on a five-year basis. Under this policy, the lead audit engagement partner assigned to the Challenger Group rotated at the conclusion of the 2007 financial reporting period.

The external auditor will be invited to attend general meetings of CDI and be available to answer questions in relation to the conduct of its audit.

Principle 5 Make timely and balanced disclosure

Continuous Disclosure Policy

The Responsible Entity is committed to ensuring all investors have equal and timely access to material

information concerning CDI and that CDI announcements are factual and presented in a clear and objective manner.

The Board has approved and implemented a Continuous Disclosure Policy. The policy is designed to ensure compliance with the Corporations Act and ASX Listing Rules continuous disclosure requirements. The Responsible Entity has a Continuous Disclosure Committee which is responsible for:

- making decisions on what should be disclosed publicly under the Continuous Disclosure Policy;
- maintaining a watching brief on information; and
- ensuring disclosure is made in a timely and efficient manner.

Principle 6 Respect the rights of investors

The Responsible Entity recognises the importance of enhancing our relationship with investors by:

- communicating effectively; and
- providing ready access to clear and balanced information about CDI.

As set out in Principle 5, it is CDI's policy that material information concerning the Fund will be announced to the market in a timely and objective manner. Following release to the market, the Responsible Entity publishes annual and half-yearly reports, announcements, media releases and other relevant information on its website at www.challenger.com.au/cdi. Internet web-casting is provided for market briefings to encourage participation from all stakeholders, regardless of their location. CDI also encourages greater use of electronic media by providing investors with greater access to the electronic receipt of reports and meeting notices. CDI also provides a facility

to ask questions about the Fund and have them answered directly via electronic means.

The Responsible Entity is not required to hold annual general meetings for CDI; however, it may convene general meetings from time to time. Where the Responsible Entity convenes a general meeting for CDI, unitholders are encouraged to attend and participate in such meetings. The Responsible Entity will provide unitholders with details of any proposed meeting well in advance of the relevant date.

Principle 7 Recognise and manage risk Risk management and compliance

The management of risks is fundamental to the Fund's business and to building unitholder value. The Responsible Entity recognises the broad range of risks which apply to CDI as a participant in the property industry, including, but not limited to, market risk, funding and liquidity risk, credit risk, investment, strategic and business risk, reputation, licence (compliance) and operational risk. The Responsible Entity is responsible for determining the Fund's risk management strategy. Management is responsible for implementing the Responsible Entity's strategy and for developing policies and procedures to identify, manage and mitigate risks across the whole of CDI's operations.

The Responsible Entity has adopted a Risk Management Framework. The Responsible Entity utilises centralised risk management functions to support business managers to manage and mitigate risks across the Fund. Operational, licence (compliance), credit, market, funding and liquidity risks are driven through centralised teams providing both scale and knowledge concentration benefits. The central functions have direct line of sight into the businesses, with

reporting and oversight for functions within the businesses focused on their specific activities. Management are accountable for strategic, investment and business risk management within the delegated authority framework established by the Challenger Group Board. The framework is underpinned with a robust set of policies, delivery plans and procedures.

The framework and policies are developed and approved by management, reviewed and approved by the Responsible Entity's Audit and Compliance Committee, and then made available to all staff of the Challenger Group. The Challenger Group Risk Management functions have day to day responsibility for monitoring the implementation of the framework and policy, with regular reporting provided to the Responsible Entity's Audit and Compliance Committee on the adequacy and effectiveness of management controls for material business risk. The Committees provide reporting to the Board on compliance with the framework and policies. A summary of the Challenger Group Risk Framework can be found at the Fund's website.

The Responsible Entity's Audit and Compliance Committee reviews the effectiveness of the risk management and internal control system on an annual basis.

Internal Audit

The Responsible Entity has appointed PricewaterhouseCoopers (PwC) to provide Internal Audit services for CDI. The Audit and Compliance Committee oversees the scope of the Internal Audit and monitors the progress of the internal audit work program. The Committee receives reports from Internal Audit at least quarterly and monitors management's responsiveness to internal audit findings and recommendations. The internal audit function is

independent of the external auditor. The internal audit function reports directly to the Audit and Compliance Committee.

Assurance

During the period, the Board has received formal assurance from the Fund Manager and Chief Financial Officer, that:

- CDI's financial statements present a true and fair view of the financial condition and operational results; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

This assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.

Principle 8 Remunerate fairly and responsibly

Remuneration

The Responsible Entity is entitled to be paid fees under the terms of the constitution for managing CDI. The details of fees paid in the period are set out in the notes to the financial statements on page 82.

All executives involved in the management of CDI are employees of the Challenger Group and are not remunerated by CDI.

As CDI does not pay any remuneration directly to executives of the Responsible Entity, the Responsible Entity considers that the requirement to disclose its remuneration policies, to establish a remuneration committee and to distinguish the nature of executive remuneration from that of non-executives are not relevant to CDI. In addition, CDI does not have equity

Corporate governance statement (continued)

based executive remuneration in operation and thus the disclosure required by Principle 8 is not relevant to CDI. These represent departures from the ASX Principles.

Management Fees

Management Fees and Performance Fees are payable to Challenger Management Services Limited in accordance with the management agreement. The details of fees paid in the period are set out in the notes to the financial statements on page 82.

Non-executive Director fees

Non-executive Directors are paid an annual fee for their service on the Board and all Committees of the Board. Non-executive Directors are not entitled to participate in incentive schemes. There are no termination payments to Non-executive Directors on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration. All Non-executive Director remuneration is paid by the Responsible Entity and is not an expense of CDI.

The staff trading policy prohibits any executive staff or staff member from entering into a transaction that is designed or intended to hedge that component of their unvested remuneration which is constituted by Challenger securities.

Directors' report

The Directors of Challenger Listed Investments Limited (CLIL), the Responsible Entity of the Challenger Diversified Property Trust 1 (CDPT1) and Challenger Diversified Property Trust 2 (CDPT2), collectively known as the Challenger Diversified Property Group (herein known by its ASX code 'CDI'), submit their report together with the financial report for CDI, for the year ended 30 June 2008.

Principal activities

The principal activity of CDPT1 (passive trust) during the period was investment in an office, retail and industrial property portfolio, with CDPT2 (active trust), pursuing property development activities and investment in an operating business.

Trust Information

CDI consists of two stapled Australian registered managed investment schemes: CDPT1 and CDPT2. Each unit consists of one unit in CDPT1 and one unit in CDPT2. Units are stapled together so that one cannot be transferred, or otherwise dealt with, without the other.

Challenger Diversified Property Trust 1 has been nominated the parent entity to CDI.

CLIL, the Responsible Entity of CDI, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 15, 255 Pitt Street, Sydney NSW 2000.

Directors' summary

The following persons held office as Directors of CLIL during the year and up to the date of this report:

- Brenda Shanahan – *Chair* (appointed 5 December 2007)
- Peter Brook (resigned 12 March 2008)
- Stephen Gerlach (resigned 5 December 2007)
- Russell Hooper
- Ian Martens
- Geoff McWilliam
- Ian Moore
- Brendan O'Connor (appointed 12 March 2008)
- Robert Woods

Directors

Brenda Shanahan

BComm, FAICD

Chair

Independent, Non-executive Director



Ms Shanahan is a Graduate of Melbourne University in Economics and Commerce and a Fellow of the Institute of Directors. She has a research and institutional background in finance in Australia and overseas economies and share markets. She has held executive positions in stock broking, investment management and an actuarial firm.

Ms Shanahan is a non-executive director of JM Financial Group Limited and non-executive Chairman of Clinovel Pharmaceuticals Ltd. Ms Shanahan is a former director of Challenger Financial Services Group Limited. Ms Shanahan is currently Chair of both St Vincent's Health and St Vincent's Medical Research Institute in Melbourne.

Ms Shanahan is a member of the CLIL Audit and Compliance Committee.

Directors' report (continued)

Directors

Russell Hooper

FAICD, FCPA, FFin

Independent, Non-executive Director



Mr Hooper has extensive experience in financial services, including over 13 years at St. George Bank Limited and Advance Bank Limited, where he held senior management positions in life insurance, wealth management and listed investment trusts, including the role of Chief General Manager, Funds Management.

Mr Hooper is also a director of Challenger, Challenger Life and Century Australia Investments Limited, and was previously a director of (and Chairman of the Audit Committee for) Commonwealth Insurance Limited, a subsidiary of the Commonwealth Bank. Mr Hooper is a Fellow of the Australian Institute of Company Directors, the Australian Society of Certified Practising Accountants and the Financial Services Institute of Australasia.

Mr Hooper is a member of the CLIL Property Investment Committee and the CLIL Infrastructure Investment Committee.

Ian Martens

FCA, FAICD

Independent, Non-executive Director



Mr Martens is a chartered accountant and was senior partner at BDO Chartered Accountants (SA), where he is now a consultant. Throughout his career, Mr Martens has advised a broad range of public and private companies on financial measurement and reporting, strategy development and evaluation and merger and acquisitions activities.

Mr Martens retired as Chairman of RAA Insurance Ltd in March 2008 and is currently a director of RAA Investments Pty Ltd and the Royal Automobile Association of SA Inc.

Mr Martens is Chairman of the CLIL Audit and Compliance Committee.

Geoff McWilliam

BE (Civil)

Independent, Non-executive Director



Mr McWilliam has had an extensive career in the Australian property investment industry. Most recently, Mr McWilliam spent 10 years building the Commonwealth Bank's property funds management division, Colonial First State Property. As head of this business, he was responsible for the management and performance of over \$16 billion in listed and unlisted property funds. Prior to this, Mr McWilliam spent 23 years with Lend Lease Corporation in a variety of senior management roles.

Mr McWilliam is a director of Lend Lease Funds Management Limited, Lend Lease Asian Retail Investments Limited, Lend Lease Real Estate Investments Limited, St Laurence Limited (NZ), Dunmore Lang College Limited, the Gandel Group Limited and the Dusseldorp Skills Forum Incorporated, and is a Fellow of the Australian Property Institute.

Mr McWilliam is Chairman of the CLIL Property Investment Committee.

Directors

Ian Moore

BA, FIA, FIAA

Independent, Non-executive Director



Mr Moore has extensive experience in investment banking and structured finance. Mr Moore was Head of Corporate Finance at Bankers Trust Investment Bank where he was responsible for all forms of corporate debt, project debt and asset backed debt financings.

Mr Moore is currently a director of Artesian Capital Management and a Fellow of the Institute of Actuaries of Australia and the Institute of Actuaries in London.

Mr Moore is a member of the CLIL Audit and Compliance Committee and Chairman of the CLIL Infrastructure Investment Committee.

Brendan O'Connor

BBus, CA, GAICD

Executive Director



Mr O'Connor is the Chief Financial Officer for Challenger's Asset Management division. Mr O'Connor joined Challenger in June 2006, and is responsible for overseeing the financial management and reporting for the Asset Management division's specialist funds, including the Challenger Diversified Property Group. Mr O'Connor has over 13 years' experience in financial services including senior finance roles within Westpac Banking Corporation.

Robert Woods

BComm

Executive Director



Mr Woods is Chief Executive, Asset Management at Challenger. In this role, Mr Woods is responsible for managing Challenger's \$10 billion portfolio of investments in direct property, infrastructure and fixed income. The Asset Management business manages assets for third party investors, policyholders and shareholders, generating spread and fee based income.

Prior to joining Challenger, Mr Woods was a founder of Zurich Capital Markets Asia, where he was responsible for the alternative asset business. Prior to this, Mr Woods spent 11 years with Bankers Trust in investment banking.

Mr Woods is a member of the CLIL Infrastructure Investment Committee.

Directors' report (continued)

Key Management Personnel

Trent Alston

BBuild (Hons), GMQ, AMP
Head of Real Estate



Mr Alston joined Challenger in February 2006. As head of Real Estate, Mr Alston is responsible for Challenger's property funds management and investment strategy, and for the management and performance of all Challenger wholesale property vehicles.

Prior to joining Challenger, Mr Alston spent seven years at Colonial First State, most recently in the role of General Manager, Wholesale Funds in the property division. In this role, Mr Alston was responsible for the management and performance of a portfolio of unlisted funds and client mandates valued at in excess of \$8.0 billion.

Mr Alston has over 20 years' experience in the property investment industry, including roles in property funds management, corporate real estate, development and project management with Colonial First State and Lend Lease.

Trevor Hardie

BBus, MBA, AAPI
Diploma in Real Estate Management
Fund Manager, CDI



Mr Hardie joined Challenger in 1999 and was recently appointed as Fund Manager for CDI. In this role, Mr Hardie has specific responsibility for the ongoing management of CDI. This includes responsibility for strategy, financial and investment performance and transaction evaluation and execution.

Prior to his appointment as Fund Manager, Mr Hardie was Portfolio Manager for CDI, responsible for maximising the financial and physical outcomes from the CDI property portfolio. Mr Hardie has held a number of senior roles within Challenger's property division including General Manager of Challenger Income Property Trust (previously Village Entertainment Property Trust), Head of Property Asset Management, and most recently Head of Property for Challenger Life. Prior to joining Challenger, Mr Hardie was the National Development Manager for Centro Properties, with responsibility for shopping centre development and acquisitions.

Mr Hardie has 26 years' experience in the property investment industry, including roles in funds management, asset management and property development.

Tim Evans

BBus, CA
Assistant Fund Manager, CDI



Mr Evans joined Challenger in December 2004 in the role of Senior Performance Analyst for the Asset Management division. In April 2008, he was appointed to the role of Assistant Fund Manager with specific responsibility for forecasting and monitoring Fund performance through the development and maintenance of the Fund model and assessing and reviewing the feasibility of capital management alternatives and strategic projects. From February 2007 to April 2008 he was the Senior Property Analyst for both the Challenger Diversified Property Group (CDI) and Challenger Kenedix Japan Trust (CKT).

Prior to joining Challenger, Mr Evans spent two years at MLC including a position as an analyst in the Management Services team with responsibilities for annual results announcements, quarterly board reporting and competitor analysis.

Mr Evans has 12 years' experience in the finance and accounting industry including six years with PricewaterhouseCoopers with roles in accounting, advisory, tax and audit.

Company secretary**Chris Robson**

BA, LLB (Hons), LLM
*General Counsel and
Group Company Secretary*



Mr Robson is a qualified solicitor and is the Group Company Secretary and General Counsel of the Challenger Financial Services Group. He is also a non-independent director of certain subsidiaries of the Challenger Group. His responsibilities include leading the legal and company secretariat teams within the Business Services division of the Challenger Group.

Suzie Koeppenkastrop

BComm, LLB, LLM
Company Secretary



Ms Koeppenkastrop is a qualified solicitor and head of the company secretariat team at Challenger. Ms Koeppenkastrop has over 13 years' experience in legal and company secretarial roles in the financial services industry.

Directors' report (continued)

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of CLIL support and have adhered to substantially all of the ASX Corporate Governance Principles and Recommendations. The corporate governance statement is contained in the corporate governance section of the Annual Report.

Review and results of operations including significant changes in state of affairs

The consolidated profit after tax for the year to 30 June 2008 attributable to unitholders of CDI was \$36.03 million (2007: \$61.38 million). The following table provides an analysis of the result:

Note	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
	64,660	39,482	58,741	39,096
	42,930	31,856	44,806	31,918
	(1,636)	–	–	–
	–	–	(9,713)	–
	41,294	31,856	35,093	31,918
	34	–	34	–
	(98)	(107)	38	(139)
(a)	(5,443)	29,631	4,488	29,631
	35,787	61,380	39,653	61,410
	245	(1)	–	–
	36,032	61,379	39,653	61,410
	4.22	1.60	4.22	1.60
	4.23	3.88	4.23	3.88

¹ Following adjustments to underlying property values held by controlled entities, CDPT1 has recorded an impairment loss on receivables from controlled entities.

(a) Fair value movements comprises the following:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
	1,805	2,356	1,805	2,356
	(7,248)	27,275	2,683	27,275
	(5,443)	29,631	4,488	29,631

Distributions

On 19 June 2008 CDI announced an estimated distribution to the ASX of 4.23 cents per unit. The distribution amount of \$22.8 million will be paid on 28 August 2008.

An interim distribution of 4.22 cents per unit (\$22.7 million) was paid on 28 February 2008.

	CDPT1 Consolidated (CDI) Year ended 30 June 2008	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007	CDPT1 Parent Year ended 30 June 2008	CDPT1 Parent 12 Sept 2006 to 30 June 2007
Interim stapled distribution paid for the period ended 31 December 2007 – paid on 28 February 2008 (cents per unit)	4.22	1.60	–	–
Final stapled distribution declared for the period ended 30 June – to be paid on 28 August 2008 (cents per unit)	4.23	3.88	–	–
Total distribution	8.45	5.48	–	–

Earnings per unit

The calculation of the basic earnings per stapled security is calculated using the profit attributable to the stapled unitholders of CDI and the time weighted average number of ordinary stapled units outstanding during the year.

The diluted earnings per stapled unit is not the same as basic earnings per stapled unit as ordinary stapled units are issued in lieu of management and performance fees subsequent to year end.

The following reflects the income and unit data used in the calculations of basic and diluted earnings per unit computations:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007	CDPT1 Parent Year ended 30 June 2008	CDPT1 Parent 12 Sept 2006 to 30 June 2007
Net profit attributable to unitholders (\$'000)	36,032	61,379	39,653	61,410
Time weighted average number of ordinary units for basic earnings per unit	536,931,057	536,931,057	535,639,881	535,639,881
Number of ordinary units for diluted earnings per unit	540,589,473	540,589,473	536,605,543	536,605,543
Basic earnings per ordinary unit attributable to stapled unitholders (cents)	6.71	11.46	–	–
Diluted earnings per ordinary unit attributable to stapled unitholders (cents)	6.67	11.35	–	–
Basic earnings per ordinary unit attributable to CDPT1 unit holders (cents)	–	–	7.02	11.46
Diluted earnings per ordinary unit attributable to CDPT1 unitholders (cents)	–	–	7.02	11.44

Stapled units on issue

538,260,533 (2007: 536,007,765) stapled units of CDI were on issue at 30 June 2008. During the period, 2,252,768 (2007: 536,007,765) stapled units were issued and no stapled units were withdrawn.

Trust assets

At 30 June 2008, CDI held assets to a total value of \$890.0 million (2007: \$806.5 million). The basis for valuation of the assets is disclosed in Note 2 to the financial statements.

Directors' report (continued)

Fees paid to the Responsible Entity and associates

The table below discloses all fees paid by CDI to Challenger Listed Investments Limited (CLIL) and Challenger Management Services Limited (CMSL) under the CDI Constitutions and to CMSL under the management agreement with CLIL.

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
(a) Management fees paid or payable to CLIL from CDI under the CDI Trust Constitutions and Management Agreement entered into with CMSL, paid in units in CDI, equating to 5% of the base management fee.	144	71	140	71
(b) Management fees paid or payable to CMSL from CDI under the CMSL Management Agreement entered into with CLIL, paid in units in CDI, equating to 95% of the base management fees plus all other fees payable.	2,727	1,353	2,656	1,353
(c) Performance fees paid or payable to CMSL from CDI under the CMSL Management Agreement entered into with CLIL, paid in units in CDI.	2,225	–	2,225	–
Total management fees paid or payable at balance date	5,096	1,424	5,021	1,424

During the year, transaction fees of \$424,442 (2007: Nil) have been paid to CMSL under the Management Agreement. These have been capitalised as part of investment property acquisitions and developments.

2,252,768 (2007: 384,334) CDI units were issued during the year in respect of management fees payable. Units for fees payable for the six-month period ended 30 June 2008 will be issued two months after 30 June 2008.

Total expenses paid by CDI to reimburse CMSL for the period ended 30 June 2008 in respect of costs paid on behalf of CDI were \$4,411,949 (2007: \$4,024,825).

All transactions were at arm's length.

Further details of fees paid to the Responsible Entity and associates are set out in the related party note (Note 27).

Interests held in CDI by the Responsible Entity and its associates

The following related entity of CLIL holds interests of 5% or more in CDI:

- Challenger Life No.2 Limited – 39.56% (213,040,497 units)

Challenger Life No.2 Limited (CL2) and CLIL are wholly owned subsidiaries of Challenger Financial Services Group Limited.

No CDI units were held at year end by CMSL (2007: 365,118) and CLIL (2007: 19,216) in relation to the units issued for management fees payable during the year. Both entities sold units issued to CL2.

Balance Sheet management

CDI's policy is to effectively manage its working capital to ensure it has sufficient available funds to pay its current liabilities as and when they fall due. Between distribution payment dates CDI management utilises surplus operating cash flow to repay interest bearing borrowings and maximise unitholder returns. Under the terms and conditions of the finance facility these funds are available to be redrawn for distribution and working capital requirements.

Further details on available finance facilities as at 30 June 2008 are set out in the interest bearing loans and borrowings note (Note 20).

Significant events after the balance date**Refinance of external debt**

Subsequent to year end, CDI concluded its refinance negotiations with Westpac Banking Corporation (WBC) and Commonwealth Bank of Australia (CBA), refinancing \$100 million due for repayment in October 2008. This tranche was repaid on 16 July 2008 and is available for use under new tranches maturing between October 2009 and August 2011.

Except for the above, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect:

- CDI's operations in future financial years; or
- the results of those operations; or
- CDI's state of affairs in future financial years.

Likely developments and expected results

Further information on likely developments on the operation of CDI and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to CDI. The key investment objectives of CDI are outlined in the PDS.

Environmental regulation and performance

CDI owns properties which are subject to environmental regulations under both Commonwealth and State legislation. The Directors are satisfied that adequate systems were in place for the management of the environmental responsibilities and the compliance with various legislative, regulatory and licence requirements.

Indemnification and insurance of Directors and officers

The Responsible Entity has insured the Directors and Officers against liabilities incurred in their role as Directors and officers of the Responsible Entity. The Responsible Entity is prohibited by the insurance contract itself from disclosing the nature of the liabilities covered and the amount of the premium. The auditors of CDI are not indemnified out of the assets of CDI.

Fund Manager and CFO declaration

The Fund Manager and Chief Financial Officer have given a declaration to the Board of Directors that in their opinion the financial records of CDI have been properly maintained in accordance with section 286 of the Corporations Act 2001, and the financial statements and notes for the financial period ended 30 June 2008 comply with accounting standards and give a true and fair view.

Rounding of amounts in the Directors' report and the financial report

CDPT1 and CDPT2 are registered trusts that are of the kind referred to in Class Order 98/0100, issued by ASIC, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditor, Ernst & Young, as set out on page 38.

This report is made in accordance with a resolution of Directors of Challenger Listed Investments Limited.

**Brenda Shanahan**

Chair

Sydney

13 August 2008

Auditor's independence declaration



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Auditor's Independence Declaration to the Directors of Challenger Listed Investments Limited as Responsible Entity for Challenger Diversified Property Trust 1

In relation to our audit of the financial report of Challenger Diversified Property Trust 1 and its controlled entities for the financial year ended 30 June 2008 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.

A stylized, handwritten signature of the Ernst & Young firm, written in blue ink.

Ernst & Young

A handwritten signature of Mark O'Sullivan, written in blue ink.

Mark O'Sullivan
Partner
13 August 2008

Income statement

For the year ended 30 June 2008

	Notes	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Property income					
Rental income		70,072	44,017	64,076	43,624
Other property income		7,317	4,334	6,611	4,334
Less: Property-related expenses	4	(12,729)	(8,869)	(11,946)	(8,862)
Net property income		64,660	39,482	58,741	39,096
Operating business income					
Revenue from operating business activities		721	–	–	–
Less: Expenses from operating business activities		(818)	–	–	–
Net (loss) from operating business	5	(97)	–	–	–
Other income					
Interest income	6	435	178	6,164	448
Total other income		435	178	6,164	448
Other trust expenses					
Finance costs	6	(15,174)	(5,853)	(14,028)	(5,706)
Responsible Entity's and Manager's fees	27(d)	(5,096)	(1,424)	(5,021)	(1,424)
Writedown to net realisable value of development property	17	(1,636)	–	–	–
Impairment of receivables from controlled entities	12	–	–	(9,713)	–
Operating expenses	7	(1,798)	(527)	(1,050)	(496)
Profit from operating activities		41,294	31,856	35,093	31,918
Net realised gains from sale of investment property		34	–	34	–
Unrealised foreign exchange gain/(loss)		(98)	(107)	38	(139)
Fair value movements					
Net gain on revaluation of financial derivatives	25	1,805	2,356	1,805	2,356
Net gain/(loss) on revaluation of investment property	18	(7,248)	27,275	2,683	27,275
Net profit before tax		35,787	61,380	39,653	61,410
Income tax (expense)/credit	8	245	(1)	–	–
Net profit after income tax		36,032	61,379	39,653	61,410
Net profit attributable to:					
Unitholders of CDPT1		36,032	61,379	39,653	61,410
Unitholders of CDPT2		–	–	–	–
		36,032	61,379	39,653	61,410
Basic earnings per ordinary unit					
attributable to stapled unitholders (cents)		6.71	11.46	–	–
Diluted earnings per ordinary unit					
attributable to stapled unitholders (cents)		6.67	11.35	–	–
Basic earnings per ordinary unit					
attributable to CDPT1 unitholders (cents)		–	–	7.02	11.46
Diluted earnings per ordinary unit					
attributable to CDPT1 unitholders (cents)		–	–	7.02	11.44
Distributions paid per ordinary unit					
to stapled unitholders (cents)		8.45	5.48	–	–

The above Income Statement should be read in conjunction with the accompanying notes.

Distribution statement

For the year ended 30 June 2008

	Note	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Net profit attributable to unitholders of CDI		36,032	61,379	39,653	61,410
<i>Earnings per unit (cents)</i>		6.71	11.46	–	–
Adjusted for:					
Fair value movements on investment properties		7,248	(27,275)	(2,683)	(27,275)
Writedown to net realisable value of development property		1,636	–	–	–
Impairment of receivables from controlled entities		–	–	9,713	–
Fair value movements on derivatives		(1,805)	(2,356)	(1,805)	(2,356)
Realised gains on sale of investment properties		(34)	–	(34)	–
Net straight-lining of rental income		(3,084)	(2,947)	(3,189)	(2,947)
Unrealised foreign exchange (gain)/loss		98	–	(38)	–
Amortisation of borrowing costs		487	–	487	–
Responsible Entity's and Manager's fees payable in units		5,096	1,424	5,021	1,424
Deferred tax credit		(245)	–	–	–
Transfer (to)/from reserves		9,397	(31,154)	7,472	(31,154)
Total realised income available for distribution		45,429	30,225	47,125	30,256
<i>Less: Undistributed income carried forward</i>		–	(858)	(1,696)	(889)
Distribution to unitholders	9	45,429	29,367	45,429	29,367
<i>Distribution per unit (cents)</i>		8.45	5.48	8.45	5.48

The above Distribution Statement should be read in conjunction with the accompanying notes.

Balance sheet

As at 30 June 2008

	Notes	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Current assets					
Cash and cash equivalents	11	7,540	7,517	3,201	1,672
Trade and other receivables	12	777	4,069	18,917	643
Other assets	13	1,596	623	1,401	623
Development properties	17	16,000	–	–	–
Total current assets		25,913	12,209	23,519	2,938
Non-current assets					
Trade and other receivables	12	–	–	43,145	47,243
Other financial assets	14	–	–	2,195	3
Derivative financial instruments	25	4,161	2,356	4,161	2,356
Property, plant and equipment	15	587	–	–	–
Investment properties under development	16	38,776	26,315	38,776	26,315
Investment properties	18	820,261	765,629	738,130	678,121
Deferred tax assets	8	275	–	–	–
Total non-current assets		864,060	794,300	826,407	754,038
Total assets		889,973	806,509	849,926	756,976
Current liabilities					
Trade and other payables	19	14,129	25,549	12,370	19,491
Provision for distribution	21	22,768	20,797	22,768	20,797
Income tax payable		14	1	–	–
Interest bearing liabilities	20	98,193	128,365	97,438	127,930
Total current liabilities		135,104	174,712	132,576	168,218
Non-current liabilities					
Interest bearing liabilities	20	209,746	79,747	168,674	36,731
Total non-current liabilities		209,746	79,747	168,674	36,731
Total liabilities		344,850	254,459	301,250	204,949
Net assets		545,123	552,050	548,676	552,027
Unitholders' equity					
Contributed equity	22	522,463	520,038	522,409	519,984
Undistributed income		858	858	2,585	889
Reserves	23	21,802	31,154	23,682	31,154
Total equity attributable to stapled unitholders		545,123	552,050	548,676	552,027
Attributable to:					
<i>Unitholders of CDPT1 (parent)</i>					
Contributed equity		522,409	519,984	522,409	519,984
Undistributed income		1,054	856	2,585	889
Reserves		23,239	31,154	23,682	31,154
Unitholders of CDPT2		(1,579)	56	–	–
Total equity attributable to stapled unitholders		545,123	552,050	548,676	552,027
Net tangible assets attributable to unitholders (\$)		1.01	1.03	1.02	1.03

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2008

2008 – Consolidated CDPT1 (CDI)	Attributable to stapled unitholders of CDPT1 (CDI)			
	Units on issue \$'000	Undistributed income \$'000	Reserves \$'000	Total \$'000
Total opening equity balance	520,038	858	31,154	552,050
Net profit after tax	–	36,032	–	36,032
Total recognised income and expense for the period	520,038	36,890	31,154	588,082
Units issued	2,425	–	–	2,425
Transfers from reserves	–	9,397	(9,397)	–
Distributions to stapled unitholders	–	(45,429)	–	(45,429)
Currency translation differences	–	–	45	45
Minority interest	–	–	–	–
Total closing equity balance	522,463	858	21,802	545,123

2007 – Consolidated CDPT1 (CDI)	Attributable to stapled unitholders of CDPT1 (CDI)			
	Units on issue \$'000	Undistributed income \$'000	Reserves \$'000	Total \$'000
Total opening equity balance	–	–	–	–
Net Profit after tax	–	61,379	–	61,379
Total recognised income and expense for the period	–	61,379	–	61,379
Units issued	536,031	–	–	536,031
Equity issue costs paid	(15,993)	–	–	(15,993)
Currency translation differences	–	–	–	–
Transfers to reserves	–	(31,154)	31,154	0
Distributions to stapled unitholders	–	(29,367)	–	(29,367)
Minority interest	–	–	–	–
Total closing equity balance	520,038	858	31,154	552,050

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

2008 – CDPT1 Parent	Attributable to unitholders of CDPT1 Parent			
	Units on issue \$'000	Undistributed income \$'000	Reserves \$'000	Total \$'000
Total opening equity balance	519,984	889	31,154	552,027
Net profit after tax	–	39,653	–	39,653
Total recognised income and expense for the period	519,984	40,542	31,154	591,680
Units issued	2,425	–	–	2,425
Transfers to reserves	–	7,472	(7,472)	–
Distributions to stapled unitholders	–	(45,429)	–	(45,429)
Currency translation differences	–	–	–	–
Minority interest	–	–	–	–
Total closing equity balance	522,409	2,585	23,682	548,676

2007 – CDPT1 Parent	Attributable to unitholders of CDPT1 Parent			
	Units on issue \$'000	Undistributed income \$'000	Reserves \$'000	Total \$'000
Total opening equity balance	–	–	–	–
Net profit after tax	–	61,410	–	61,410
Total recognised income and expense for the period	–	61,410	–	61,410
Units issued	535,977	–	–	535,977
Equity issue costs paid	(15,993)	–	–	(15,993)
Currency translation differences	–	–	–	–
Transfers to reserves	–	(31,154)	31,154	–
Distributions to stapled unitholders	–	(29,367)	–	(29,367)
Minority interest	–	–	–	–
Total closing equity balance	519,984	889	31,154	552,027

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Cash flow statement

For the year ended 30 June 2008

	Notes	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Cash flows from operating activities					
Rental income received		84,989	48,983	74,186	48,983
Operating business income		793	–	–	–
Interest received		435	244	883	244
Interest paid		(15,415)	(2,742)	(14,535)	(2,742)
Payments to suppliers		(25,165)	(13,166)	(17,753)	(13,117)
Net cash inflow from operating activities	11(a)	45,637	33,319	42,781	33,368
Cash flows from investing activities					
Purchase of development and investment properties		(73,101)	(440,986)	(62,677)	(440,986)
Property acquisition costs		(1,092)	(9,762)	(1,124)	(9,762)
Development and capital expenditure		(25,496)	(2,485)	(15,852)	(2,485)
Proceeds from sale of investment property		34	–	34	–
Costs paid on acquisition of subsidiary/investment		–	(1,958)	–	–
Acquisition of subsidiary/investment		–	(43,477)	–	–
Net cash outflow from investing activities		(99,655)	(498,668)	(79,619)	(453,233)
Cash flows from financing activities					
Proceeds from issue of units		–	326,730	–	326,730
Issue costs paid		–	(15,993)	–	(15,993)
Loans to controlled entities		–	–	(17,298)	(45,176)
Distributions paid		(43,458)	(8,570)	(43,458)	(8,570)
Repayment of borrowings		(34,488)	(45,753)	(31,995)	(14,569)
Proceeds from borrowings		131,987	216,452	131,118	179,115
Net cash inflow from financing activities		54,041	472,866	38,367	421,537
Net increase in cash and cash equivalents		23	7,517	1,529	1,672
Cash and cash equivalents at the beginning of the period		7,517	–	1,672	–
Cash and cash equivalents at the end of the period	11	7,540	7,517	3,201	1,672

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

Notes to the financial statements

For the year ended 30 June 2008

Note 1 – Trust information

The financial report for the period ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity dated 13 August 2008.

Challenger Diversified Property Group (herein known by its ASX code 'CDI') was formed on 12 September 2006 by stapling the units of CDPT1 and CDPT2, and is publicly traded on the Australian Securities Exchange (ASX).

The principal activity of CDPT1 during the period was investment in an office, retail and industrial property portfolio, with CDPT2, pursuing property development activities and investment in an operating business.

Note 2 – Summary of significant accounting policies

The accounting policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of this report.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Constitutions, Corporations Act 2001 and Australian Accounting Standards.

The financial report has been prepared based on a business combination by the parent entity, and in recognition of the fact that the units issued by CDPT1 and CDPT2 have been stapled and cannot be traded separately. CDPT1 and CDPT2 are included as part of equity attributable to equity holders of the stapled group, in accordance with AASB Interpretation 1002: *Post-Date-of-Transition Stapling Arrangements*.

For the purposes of statutory reporting the parent entity is CDPT1. The consolidated balance sheet and consolidated income statement comprises the financial position and performance of CDPT1 and its controlled entities and CDPT2 and its controlled entities, collectively known as CDI.

The financial report has been prepared on an historical cost basis, except for investment property and derivative financial instruments that have been measured at fair value.

The accounting policies adopted in preparing these consolidated financial statements have been consistently applied by CDI unless otherwise specified.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

CDI has adopted AASB 7: *Financial Instruments; Disclosures* and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of CDI.

The financial report is presented in Australian Dollars unless otherwise stated.

A summary of significant accounting policies of CDI is disclosed below.

(b) New reporting standards issued and/or applied during the year

The following standards, interpretations and amendments as deemed relevant to CDI were available for early adoption but have not been applied by CDI in these financial statements:

- AASB 8: *Operating Segments*. This is applicable for annual reporting periods beginning on or after 1 April 2009. The standard requires the Group to adopt the 'management approach' to disclosing information about reportable segments. The current Group segment report is not significantly different to management presentations and so no major change is expected from the introduction of this standard in the 2009 accounts.
- AASB 101: *Presentation of Financial Statements* and AASB 2007-08: *Amendments to Australian Accounting Standards arising from AASB 101*. These are applicable for annual reporting periods beginning on or after 1 January 2009. The standard requires the presentation of a statement of comprehensive income which replaces the Income Statement and makes changes to the Statement of Changes in Equity. Any changes made with respect to a prior period adjustment or reclassification in the financial statement will require a third Balance Sheet as at the beginning of the comparative periods to be disclosed. The Group will need to reformat its Income Statement and Statement of Changes in Equity for its 30 June 2010 financial statements.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 2 – Summary of significant accounting policies (continued)

(b) New reporting standards issued and/or applied during the year (continued)

- AASB 3: *Business Combinations* and AASB 127: *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting standards arising from AASB 3 and AASB 127* (effective from 1 July 2009). The revisions to the standards apply prospectively to business combinations and will be effective for the 30 June 2010 financial year end. The main changes under the standards are that:
 - acquisition-related costs are recognised as an expense in the Income Statement in the period they are incurred;
 - earn-outs and contingent considerations will be measured at fair value at the acquisition date, however, remeasurement in the future will be recognised in the Income Statement;
 - step acquisitions, impacting equity interests held prior to control being obtained, are remeasured to fair value, with gains and losses being recognised in the Income Statement. Similarly, where control is lost, any difference between the fair value of the residual holding and its carrying value is recognised in the Income Statement; and
 - while control is retained, transactions with minority interests would be treated as equity transactions.

(c) Basis of consolidation

CDPT1 has applied AASB 127: *Consolidated and Separate Financial Statements* and AASB Interpretation 1002 to the stapling of CDPT1 and CDPT2.

The financial statements of the controlled entity are prepared for the same reporting period as CDPT1 and CDPT2, 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-group transactions, have been eliminated in full.

Controlled entities are consolidated from the date on which the parent obtains control and cease to be consolidated from the date on which control is transferred out of CDI. Where loss of control of a controlled entity occurs, the consolidated financial statements include the results for the part of the reporting period during which CDI had control.

(d) Comparatives

CDI was registered on 12 September 2006. As a result, the financial report for the prior period from 12 September 2006 to 30 June 2007 represents CDI's first full year financial reporting period.

Where necessary comparative figures have been reclassified to conform with changes in presentation in these financial statements.

(e) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to CDI and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable.

Rental revenue from operating leases is recognised on a straight-line basis over the lease term.

Contingent rental revenue is recognised as income in the financial year which it is earned.

Fixed rental increases which do not represent direct compensation for the underlying cost increases or capital expenditure are recognised on a straight-line basis over the term of the lease until the next market review date.

Lease incentives granted are recognised in the Income Statement as an integral part of rental income.

Interest income is recognised as the interest accrues using the effective interest method.

Incidental revenues (and related costs) derived from an investment property undergoing construction or development, but not directly related to bringing an asset to the location and working condition of an investment property, are recognised in the Income Statement as they are earned.

Distribution income is recognised when CDI's right to receive the payment is established.

(f) Expense recognition

Expenses are brought to account on an accruals basis.

Expenses incurred under an operating lease are recognised on a straight-line basis over the term of the lease.

Responsible entity and manager fees payable to the Responsible Entity and Manager are recognised as expenses when the services are received. Settlement of these fees is by way of issue of new units, within two months of the period end commencing from 31 December 2006. These units are entitled to the distributions in the distribution period after their issue. Fees relating to specific events or transactions are expensed upon completion or occurrence of a relevant service or event.

Property expenditure, including rates, taxes, insurance, and other costs associated with the upkeep of a building, are brought to account on an accruals basis. Repair costs are expensed when incurred. Other amounts that improve the condition of the investment are capitalised.

Recovery of outgoings as specified in lease agreements are accrued on an estimated basis and adjusted at period end.

(g) Income tax

Under current income tax legislation, CDPT1 will not be subject to income tax provided all of its unitholders are presently entitled to the income of CDPT1 each year. Any taxable income of CDPT1, including any taxable capital gains derived from the sale of an asset, is fully distributed to unitholders.

CDPT2 is a public trading trust under Division 6C of Part III of the 1936 Tax Act. CDPT2 owns all the shares in Challenger Diversified Property Development Pty Ltd (CDPD), which carries on development and other business activities. Both CDPT2 and CDPD are subject to tax at the corporate tax rate on their taxable income.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Notes to the financial statement (continued)

For the year ended 30 June 2008

Note 2 – Summary of significant accounting policies (continued)

(h) Distributions

In accordance with CDI's Constitutions, CDI fully distributes its distributable income to unitholders by cash. In addition to the distributable income, as provided for in CDI's Constitutions, CDI may distribute a portion of capital. Distributions determined by the Responsible Entity are paid every six months for the periods ended 31 December and 30 June where distributable income exists.

A provision for distribution is recognised where the distribution has been declared prior to the balance date.

(i) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise of cash at bank and short-term deposits with an original maturity of three months or less.

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.

(j) Trade and other receivables

Trade receivables, which generally have 15-30 day terms, are recognised and carried at original invoice amount less an allowance for impairment. An impairment provision is recognised when there is objective evidence that CDI will not be able to collect the debts. Individual debts that are known to be uncollectible are written off when identified.

Intercompany receivables are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest is charged on these receivables at arm's length rates under the terms of applicable agreements.

After initial recognition, interest bearing receivables are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

(k) Depreciation

In accordance with Accounting Standard AASB 140: *Investment Property*, investment properties are not depreciated. Taxation allowances for buildings or plant and equipment depreciation are claimed by CDI and are declared as tax advantaged and are included as tax deferred components of distributions.

(l) Development properties

Development properties held as inventory are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Cost includes cost of acquisition, development costs, holding costs and directly attributable interest on borrowed funds where the development is a qualifying asset. Capitalisation of borrowing costs ceases during extended periods in which active development is interrupted. When a development is completed and ceases to be a qualifying asset, borrowing costs and other costs are expensed as incurred.

(m) Property, plant and equipment

Recognition and measurement

Property, plant and equipment (excluding land and buildings) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Land and buildings are carried at a revalued amount, if it can be measured reliably, being fair value at the date of the revaluation less any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at reporting date. Revaluation increments are credited directly, the asset revaluation reserve. Revaluation decrements are debited directly to the Income Statement except to the extent of any credit balance in the asset revaluation reserve.

When the construction or development of a self constructed investment property is classified as property, plant and equipment it is stated at cost until construction or development is complete, at which time it is classified as investment property.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Reclassification to investment property

Property that is being constructed or developed for future use as investment property is accounted for as property, plant and equipment and stated at cost until development is complete at which time it is reclassified as investment property.

Depreciation

With the exception of freehold land and development assets, depreciation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment or leasehold improvements. Land is not depreciated.

The residual value, useful life and depreciation method applied to an asset are reassessed each reporting date.

(n) Investment properties

Initially, investment properties are measured at cost including all transaction costs. Subsequent to initial recognition the investment property is stated at fair value. The fair value represents the amount at which the 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, in accordance with Australian Valuation Standards. Gains or losses arising from changes in the fair value of the investment property are included in the income statement in the year in which it arises.

Independent valuations of investment properties are obtained at least once every two years from suitably qualified valuers, unless the Directors determine that a valuation is to be obtained in the intervening period. Such valuations are reflected in the financial statements of CDI. The valuations have been completed in accordance with AASB 140: *Investment Property* and the fair value definitions. The Directors of the Responsible Entity make reference to these independent valuations when assessing the fair value of investment properties 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 with gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Given the current market climate, CDI's management have exercised discretion and obtained external valuations of the entire investment property portfolio at 30 June 2008.

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

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

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, and during development includes financing charges, related professional fees incurred and other directly attributable transaction costs.

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

Development properties

Where a property is undergoing investment redevelopment, the cost of redevelopment is added to its previously stated fair value. The carrying amounts of redevelopment properties are reviewed to determine whether they are in excess of their recoverable amount at each reporting date. If the carrying amount of a redevelopment property exceeds its recoverable amount, the property is written down to the lower amount. CDI's policy is to revalue development properties to their fair value.

(o) Leases

Leases are classified as either operating leases or finance leases at the date of inception of the lease.

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all of the risks and benefits incident to ownership of leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the Group will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over the lease term.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 2 – Summary of significant accounting policies (continued)

(o) Leases (continued)

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the term of the lease on the same basis as the lease income.

Incentives may be provided to tenants to enter into an operating lease. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fit-outs. The incentive is amortised over the term of the lease as a reduction in rental income. The unamortised carrying amount of the incentive is reflected in the carrying value of the investment property.

Leasing fees that are directly associated with the negotiation and execution of a lease agreement (including commissions, legal fees and costs of preparing and processing documentation) are capitalised as part of the carrying value of the property and recognised as an expense over the lease term, on the same basis as rental income.

Leasing fees in relation to the initial leasing of the investment property after a redevelopment are capitalised to the carrying value of the property as a cost of bringing the investment property to completion and intended use.

(p) Goods and services tax (GST)

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST to the extent that the GST is recoverable from the Australian Taxation Office. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset, or as an expense, as applicable.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to the Australian Taxation Office is included in the Balance Sheet as a receivable or payable.

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

(q) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to CDI prior to the end of the financial year that are unpaid and arise when CDI becomes obliged to make future payments in respect of the purchase of the goods and services.

(r) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired.

(s) 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 investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by CDI.

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

(u) Earnings per unit (EPU)

Basic EPU is calculated as net profit attributable to ordinary equity holders of the parent entity, divided by the time weighted average number of ordinary units adjusted for any bonus element. Diluted EPU is calculated as net profit attributable to ordinary equity holders of the parent entity divided by the weighted average number of ordinary units adjusted for the effects of all dilutive potential ordinary units.

(v) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

Geographically, CDI is a listed property trust that operates in more than one segment, being Australia and Europe. CDI invests in office, retail and industrial property that represent reportable segments under AASB 114: *Segment Reporting*.

(w) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Other than the estimation of fair values described in Note 18 and the process for determining fair value of investment properties as described in Note 2(n) there are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next annual reporting period.

(x) Impairment of assets

CDI assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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 indication exists, 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, 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.

(y) Derivative financial instruments and hedging

CDI uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as effective cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward exchange and interest rate contracts is calculated by an internal investment management system which generates a fair market value based on market source data. The fair market value is compared to the counterparty valuation. The fair value of interest rate swap contracts is determined by reference to the market for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the Income Statement.

CDI has elected not to undertake the hedge accounting treatment available under AASB 139 for its derivative financial instruments and treats any changes in fair value of derivatives directly through its Income Statement.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 2 – Summary of significant accounting policies (continued)

(z) Foreign currency translation

Translation of foreign currency transactions

The functional and presentation currency of CDI and its Australian subsidiaries is the Australian Dollar.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the Income Statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the Income Statement.

A non-monetary item that is measured in terms of historical cost in a foreign currency is translated using the exchange rate at the date of the transaction.

A non-monetary item that is measured at fair value in a foreign currency is translated using the exchange rates at the date when the fair value was determined.

Translation of financial reports of overseas operations

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of CDI at the rate of exchange ruling at the balance sheet date and the Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the Income Statement.

Exchange rates used

The following exchange rates are used in translating foreign currency transactions, balances and financial statements:

	Year ended 30 June 2008 €	12 Sept 2006 to 30 June 2007 €
Weighted average exchange rate	0.6112	0.6278
Spot rate at the balance date	0.6091	0.6282

(aa) Rounding of amounts

CDPT1 is a registered trusts that are of a kind referred to in Class Order 98/0100, issued by ASIC, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Note 3 – Financial risk management

The Group's activities expose it to a variety of financial risks:

- market risk (including currency risk and interest rate risk);
- credit risk; and
- liquidity risk.

The Responsible Entity believes that the management of financial risks is fundamental to CDI's operations and to building unitholder value. The Board is responsible for CDI's risk management strategy and management is responsible for implementing the Board's strategy and for developing policies and procedures to identify, manage and mitigate risks across CDI's operations.

The Responsible Entity as a subsidiary of Challenger Financial Services Group (CFSG) is subject to periodic review by the CFSG internal audit function.

The Board has adopted the CFSG Operational Risk Framework and formal policies in respect of compliance and operational risk management. Risks at both the Responsible Entity and CDI level are managed through the CFSG Operational Risk Framework and include:

- regulatory and reporting risks;
- financial risks (such as liquidity, interest rate, currency and investment);
- legal risks (such as contract enforceability, covenants);
- operational risks (such as people, processes, infrastructure, technology); and
- reputation risk (such as investor relations, media management).

At the time of approving the financial statements of CDI, the Board requires representation letters from management addressing risk management and internal compliance and controls relevant to risk.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of CDI's business. Derivative financial instruments are used to hedge exposures to fluctuations in foreign exchange rates and in interest rates. Instruments used include forward foreign exchange contracts and interest rate swap contracts.

All derivative financial instruments held within CDI are stated at fair value with any gains or losses arising from changes in fair value being taken directly to the Income Statement for the year. CDI has elected not to undertake the hedge accounting treatment available under AASB 139 for its derivative financial instruments.

Financial risks impact the financial assets and liabilities of CDI. CDI's principal financial instruments, other than derivatives, comprise cash and cash equivalents, receivables, payables and interest bearing liabilities.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instruments are disclosed in Note 2.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises (amongst others) various types of risk including interest rate risk (due to fluctuations in interest rates) and currency risk (due to fluctuations in foreign exchange rates).

i. Currency risk

The consolidated entity's exposure to foreign currency risk relates primarily to revenue, expenses, investment properties, borrowings, other assets and other liabilities that are denominated in Euros. CDI manages these exposures by borrowing in foreign currency to implement a natural capital hedge.

Natural capital hedge

CDI has a policy to implement a natural capital hedge of 100% of investments in foreign currency denominated assets by borrowing in the same foreign currency to insulate against movements in exchange rates, both favourable and unfavourable. At 30 June 2008 CDI has naturally hedged 109% (2007: 100%) of its foreign currency exposure.

Economic income hedge

CDI has a policy to undertake foreign exchange hedging (using financial instruments) of the expected distributions from the European portfolio to insulate against movements in exchange rates, both favourable and unfavourable. The policy is to arrange foreign exchange hedges on a rolling basis equivalent to 80-100% of CDI's estimated distributions for five years and up to 90% for years six to 10. The Responsible Entity has hedged 100% of estimated distributions for the first five years and 90% of estimated distributions for years six and seven. CDI has not entered into any income hedges for years eight to 10.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 3 – Financial risk management (continued)

(a) Market risk (continued)

ii. Interest rate risk

Interest rate risk is the risk to CDI's earnings arising from movements in the interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between the different yield curves and the volatility of the interest rates.

Financial instruments with floating rate interest expose CDI to cash flow interest rate risk.

It is CDI's policy to manage the impact of interest rate movements on its debt servicing capacity, profitability and business requirements by entering into interest rate derivatives.

The purpose of using derivative financial instruments is to minimise financial risk from movements in interest rates. CDI's exposure to interest rate risk arises predominantly from liabilities bearing variable interest rates.

Hedging activity is performed using interest rate swaps. A swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified intervals known as payment or settlement dates.

CDI's policy is to enter into interest rate derivatives to effectively hedge between 60% to 80% of its borrowings over the life of the underlying lease from exposure to movements in interest rates. These derivative instruments are fair valued with changes recognised in the Income Statement.

At 30 June 2008 CDI has entered into interest rate derivatives to effectively hedge 67% of its exposure to movements in interest rates. The contracts require settlement of net interest receivable or payable on a quarterly basis.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. CDI aims to ensure that at all times it has appropriate credit risk management in place and that the Board and senior management are appropriately informed of the Group's credit risks.

CDI's approach to credit management utilises a credit risk framework to ensure that the following principles are adhered to:

- independence from the fund manager;
- appropriate segregation practices in place to avoid conflicts of interest;
- credit exposures are systematically controlled and monitored;
- credit exposures are regularly reviewed in accordance with existing credit procedures;
- credit personnel are appropriately qualified and experienced; and
- credit exposures include such exposures arising from derivative transactions.

CDI makes primary use of both external and internal ratings. Internal ratings are expressed on the basis of S&P rating definitions. Where an external rating is available (predominantly from Standard & Poor's, Moody's or Fitch), the internal rating will ordinarily be no greater than the lowest external rating assigned.

The credit risk in respect of derivative transactions is mitigated by entering into trades with counterparties with A rating or above.

CDI minimises concentration of credit risk in relation to trade receivables by providing leases to a number of different tenants who are considered creditworthy third parties. It is CDI's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, rent receivable balances are monitored on an ongoing basis to ensure the Group's exposure to bad debts is managed through normal payment terms and review of any rental in arrears.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from either:

- the inability to recover or settle financial assets at their face values or at all; or
- a counterparty failing on repayment of a contractual obligation; or
- the inability to generate cash inflows as anticipated.

CDI aims to ensure that it has sufficient liquidity to meet its obligations on a short-term and medium-term basis. In setting the level of sufficient liquidity, CDI considers new asset purchases and equity origination in addition to current contracted obligations. In summary CDI considers:

- minimum cash requirements;
- cash flow forecasts;
- acquisition and disposal pipeline; and
- cash mismatches by maturity.

Note 4 – Property-related expenses

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Property-related expenses comprise:				
Rates and property-related taxes	3,318	2,306	3,357	2,306
Maintenance, repairs, consumables and other property expenses	7,645	5,112	6,944	5,112
Property management fees	1,274	1,088	1,184	1,082
Insurance expenses	492	363	461	362
Total property-related expenses	12,729	8,869	11,946	8,862

Note 5 – Operating business

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Revenue from operating business comprises:				
Car parking revenue	721	–	–	–
Operating business expenses comprise:				
Rent payment under operating lease	(384)	–	–	–
Straight-line rental expense	(105)	–	–	–
Rates and property-related taxes	(124)	–	–	–
Maintenance, repairs, consumables and other property expenses	(159)	–	–	–
Property management fees	(45)	–	–	–
Insurance expenses	(1)	–	–	–
	(818)	–	–	–
Net income from operating business	(97)	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 6 – Financing income and expense

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Interest income on bank deposits	435	178	332	177
Interest income from controlled entities ¹	–	–	5,832	271
Finance income	435	178	6,164	448
Interest and loan amortisation costs paid or payable to external parties	17,865	6,037	15,993	5,910
Interest paid or payable under finance lease	323	19	–	–
<i>Less:</i>				
– Interest capitalised to property development included as work in progress	(1,049)	–	–	–
– Interest capitalised to investment properties under development	(1,965)	(203)	(1,965)	(204)
Finance expense	15,174	5,853	14,028	5,706
Net finance income/(expense)	(14,739)	(5,675)	(7,864)	(5,258)
Capitalisation rate				
The rate used to capitalise finance costs to qualifying assets was	7.79%	6.72%	7.79%	6.72%

¹ Interest income from controlled entities consists of:

- interest charged by CDPT1 on development loans with CDPT2; and
- interest charged on intercompany balance between CDPT1 and European controlled entities.

Note 7 – Operating expenses

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Operating expenses comprise:				
Consultant and legal fees	670	82	507	82
Auditor's remuneration	217	170	159	170
Accounting and company secretarial	435	–	–	–
Valuation fees	278	88	203	88
Trust investor relations, ASX and registry fees	198	187	181	156
Total operating expenses	1,798	527	1,050	496

Note 8 – Income tax

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
(a) Income tax expense				
Income tax expense/(credit)	(245)	1	–	–
(b) Reconciliation of income tax expense				
Profit before income tax	35,777	61,380	49,331	61,410
Tax at 30%	10,733	18,414	14,799	18,423
Non-assessable/deductible amounts	(10,978)	(18,413)	(14,799)	(18,423)
Income tax expense	(245)	1	–	–

Income tax expense consists of:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Income Statement				
<i>Current income tax</i>				
Current income tax expense – European entities	30	1	–	–
<i>Deferred income tax</i>				
Deductible development expenditure	(275)	–	–	–
Income tax benefit reported in the Income Statement	(245)	1	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 9 – Distributions paid and proposed

The following distributions were paid or payable for the year ended 30 June 2008:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
(a) Distributions declared and paid during the year to unitholders				
Interim stapled distribution for the period 1 July 2007 to 31 December 2007 (2008: 4.22 cents per unit paid on 28 February 2008, 2007: 1.60 cents per units paid on 27 February 2007)	22,661	8,570	22,661	8,570
(b) Distributions proposed and recognised as a liability				
Final stapled distribution for the period 1 January 2008 to 30 June 2008 (2008: 4.23 cents per unit payable on 28 August 2008, 2007: 3.88 cents per unit paid on 30 August 2007)	22,768	20,797	22,768	20,797
Total distribution (2008: 8.45 cents per unit, 2007: 5.48 cents per unit)	45,429	29,367	45,429	29,367

Note 10 – Earnings per stapled unit

The calculation of the basic earnings per stapled security is calculated using the profit attributable to the stapled unitholders of CDI and the time weighted average number of ordinary stapled units outstanding during the year.

The diluted earnings per stapled unit is not the same as basic earnings per stapled unit as ordinary stapled units are issued in lieu of management and performance fees subsequent to year end.

The following reflects the income and unit data used in the calculations of basic and diluted earnings per unit computations:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Basic earnings per ordinary unit attributable to stapled unitholders (cents)	6.71	11.46	–	–
Diluted earnings per ordinary unit attributable to stapled unitholders (cents)	6.67	11.35	–	–
Basic earnings per ordinary unit attributable to CDPT1 unitholders (cents)	–	–	7.02	11.46
Diluted earnings per ordinary unit attributable to CDPT1 unitholders (cents)	–	–	7.02	11.44
Net profit attributable to unitholders (\$'000)	36,032	61,379	39,653	61,410
Time weighted average number of ordinary units for basic earnings per unit	536,931,057	536,931,057	535,639,881	535,639,881
Time weighted average number of ordinary units for diluted earnings per unit	540,589,473	540,589,473	536,605,543	536,605,543

Note 11 – Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at year end:

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Cash at bank and on hand	7,540	7,517	3,201	1,672
Total cash and cash equivalents	7,540	7,517	3,201	1,672

Cash at bank and on hand included \$2.94 million held within CDPT2 as a bank guarantee provided to Botanic Gardens Trust under the terms of the Domain Car Park lease.

(a) Reconciliation of operating profit to the net cash flows from operations

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Net profit after tax	36,032	61,379	39,653	61,410
<i>Adjustments for:</i>				
Amortisation of borrowing costs	487	116	487	116
Straight-line revenue	(3,084)	(2,947)	(3,189)	(2,947)
Unrealised (gain)/loss from investment property	7,248	(27,275)	(2,683)	(27,275)
Writedown of development property to net realisable value	1,636	–	–	–
Impairment of receivables from controlled entities	–	–	9,713	–
Unrealised gain/(loss) from financial derivatives	(1,805)	(2,356)	(1,805)	(2,356)
Unrealised foreign exchange loss	98	–	(38)	–
Responsible Entity's and Manager's fees payable in units	5,096	407	5,021	407
Net realised gains from sale of investment property	(34)	–	(34)	–
Change in assets and liabilities				
Decrease/(Increase) in trade and other receivables	3,292	(6,907)	(5,338)	(2,999)
(Increase)/Decrease in other assets	(973)	624	(778)	5,278
(Decrease)/Increase in trade and other payables	(2,094)	10,277	1,772	–
(Decrease)/Increase in deferred tax asset	(275)	1	–	1,734
(Decrease)/Increase in income tax payable	13	–	–	–
Net cash flows from operating activities	45,637	33,319	42,781	33,368
(b) Non-cash and investing activities				
Purchase of properties by issue of units	–	208,893	–	208,893

(c) Disclosure of financing facilities

Refer to Note 20.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 12 – Trade and other receivables

		CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
	Notes				
Current					
Trade receivables ¹		264	1,655	241	337
Other receivables		513	2,414	438	32
Interest receivable – controlled entities	27(f)	–	–	1,921	274
Interest bearing loan receivable – controlled entities	27(f)	–	–	18,689	–
Allowance for impairment loss on interest bearing loans receivable ²	27(f)	–	–	(2,372)	–
		777	4,069	18,917	643
Non-current					
Interest bearing loan receivable – controlled entities	27(f)	–	–	50,486	47,243
Allowance for impairment loss on interest bearing loans receivable ²	27(f)	–	–	(7,341)	–
		–	–	43,145	47,243
Total trade and other receivables		777	4,069	62,062	47,886

¹ Trade receivables are non-interest bearing and are generally on 15-30 day terms. A provision for impairment loss is recognised when there is objective evidence that a receivable is impaired. There was no impairment loss in the consolidated entity during the financial year. An impairment loss on related party receivables of \$9.7 million (2007: Nil) has been recognised in the parent at 30 June 2008.

² Receivables from controlled entities are comprised of:

- Interest bearing development facilities issued by the parent to CDPT2 to fund projects such as Smithfield and Domain. The Smithfield facility has been classified as current at 30 June 2008 and has been impaired following writedown of the underlying development property.
- Interest bearing intercompany facilities denominated in Euro to European controlled entities. These facilities have been classified as non-current at balance date and have been impaired following revaluation decrement booked against the underlying property investment.

Movements in the provision for impairment loss were as follows:

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Opening balance	–	–	–	–
Change for the year	–	–	(9,713)	–
Closing balance	–	–	(9,713)	–

Details of related party receivables are set out in Note 27.

Note 13 – Other assets

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Prepayments	1,596	623	1,401	623

Note 14 – Other financial assets

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Investment in controlled entities – at cost	–	–	2,195	3

Investment costs represent payments made by CDPT1 on behalf of the Malta subsidiary in respect to acquisition costs on the French Properties.

Note 15 – Other financial assets

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Property, plant and equipment				
Leasehold improvements – at cost	587	–	–	–
Carrying amount at end of period	587	–	–	–
Reconciliation of carrying amount				
Carrying amount at beginning of period	–	–	–	–
Add/(less):				
– Additions	587	–	–	–
Carrying amount at end of period	587	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 16 – Investment property under development

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Investment property under development				
Investment property under development – at cost	38,776	26,315	38,776	26,315
Carrying amount at end of period	38,776	26,315	38,776	26,315
Reconciliation of carrying amount				
Carrying amount at beginning of period	26,315	–	26,315	–
<i>Add/(less):</i>				
– Acquisitions	–	24,351	–	24,575
– Development expenditure	10,496	1,761	10,496	1,536
– Interest capitalised to investment properties under development	1,965	203	1,965	204
Carrying amount at end of period	38,776	26,315	38,776	26,315

Note 17 – Development property

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Development property				
Development property – at net realisable value	16,000	–	–	–
Carrying amount at end of period	16,000	–	–	–
Reconciliation of carrying amount				
Carrying amount at beginning of period	–	–	–	–
<i>Add/(less):</i>				
– Acquisitions	10,466	–	–	–
– Development expenditure	6,121	–	–	–
– Interest capitalised to property development included in work in progress	1,049	–	–	–
– Writedown to net realisable value of development property	(1,636)	–	–	–
Carrying amount at end of period	16,000	–	–	–

Work in progress represents costs incurred on development properties held in CDPT2 at the lower of cost and net realisable value, being fair value less estimated selling costs.

As at 30 June 2008, an estimated net realisable value assessment was undertaken by an independent valuer and a writedown of \$1.64 million was recognised.

Note 18 – Investment property

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Investment property				
Investment properties held by parent entity at fair value	738,130	678,122	738,130	678,121
Investment properties held by controlled entities at fair value	82,131	87,507	–	–
Carrying amount at end of period	820,261	765,629	738,130	678,121
Reconciliation of carrying amount				
Carrying amount at beginning of period	765,629	–	678,121	–
<i>Add/(less):</i>				
– Acquisitions	51,691	650,101	51,691	650,101
– Capital expenditure (including straight-line asset)	5,588	745	5,635	745
– Additions through acquisition of controlled entity	1,857	87,508	–	–
– Net gains/(loss) from fair value adjustments to investment properties	(7,248)	27,275	2,683	27,275
– Foreign currency translation differences	2,744	–	–	–
Carrying amount at end of period	820,261	765,629	738,130	678,121

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 18 – Investment property (continued)

	CDI ownership %	Acquisition date	Original acquisition cost \$'000	Latest external valuation date	Valuer	Valuation amount \$'000	CDPT1 Consolidated (CDI) Carrying value 30 June 2008 \$'000	CDPT1 Consolidated (CDI) Carrying value 30 June 2007 \$'000
Australia								
Office								
ABS House, Belconnen, ACT	60%	23-Oct-06	81,815	30-Jun-08	CBRE	90,360	90,360	87,900
The Forum, Cisco, St Leonards, NSW	60%	23-Oct-06	70,318	30-Jun-08	CBRE	70,800	70,800	69,353
The Forum, Verizon, St Leonards, NSW	60%	23-Oct-06	46,270	30-Jun-08	CBRE	42,750	42,750	45,625
DIAC (formerly 'DIMA') Building, Belconnen, ACT	60%	23-Oct-06	62,911	30-Jun-08	Colliers	67,200	67,200	68,400
Makerston House, Brisbane, QLD	60%	24-Oct-06	34,106	30-Jun-08	JLL	46,800	46,800	45,000
Elder House, Adelaide, SA	60%	24-Oct-06	29,528	30-Jun-08	JLL	31,200	31,200	32,220
Taylor's House, Waterloo, NSW	60%	23-Oct-06	25,753	30-Jun-08	Colliers	27,600	27,600	27,900
Discovery House, Woden, ACT ¹	100%	23-Oct-06	56,841	30-Jun-08	Colliers	60,600	60,600	24,607
Executive Building, Hobart, TAS	60%	16-Oct-06	16,539	30-Jun-08	M3 Property	18,600	18,600	18,000
Office total			424,081			455,910	455,910	419,005
Retail								
Jam Factory, South Yarra, VIC	60%	16-Oct-06	63,926	30-Jun-08	Savills	66,000	66,000	63,139
Innaloo Cinema Centre, Innaloo, WA	60%	24-Oct-06	17,656	30-Jun-08	CBRE	21,300	21,300	17,401
Century City Walk, Glen Waverley, VIC ²	100%	16-Oct-06 & 30-Jun-08	24,508	30-Jun-08	Savills	23,700	23,700	14,269
Kings Langley, Kings Langley, NSW	60%	23-Oct-06	10,715	30-Jun-08	JLL	10,200	10,200	10,560
Retail total			116,805			121,200	121,200	105,369
Industrial – Distribution Centres								
Tetra Pak, Fairfield, NSW	100%	23-Oct-06	20,700	30-Jun-08	CBRE	18,000	18,000	20,462
Spotlight, Laverton North, VIC	100%	16-Oct-06	15,931	30-Jun-08	Colliers	17,000	17,000	15,700
12-30 Toll Drive, Altona North, VIC	100%	16-Oct-06	13,597	30-Jun-08	Colliers	14,000	14,000	13,400
API Richlands, Richlands, QLD	100%	24-Oct-06	12,684	30-Jun-08	Colliers	13,070	13,070	12,500
2-10 Toll Drive, Altona North, VIC	100%	16-Oct-06	6,393	30-Jun-08	Colliers	7,100	7,100	6,300
1-9 Toll Drive, Altona North, VIC	100%	16-Oct-06	3,348	30-Jun-08	Colliers	3,500	3,500	3,300

	CDI ownership %	Acquisition date	Original acquisition cost \$'000	Latest external valuation date	Valuer	Valuation amount \$'000	CDPT1 Consolidated (CDI) Carrying value 30 June 2008 \$'000	CDPT1 Consolidated (CDI) Carrying value 30 June 2007 \$'000
Industrial – High-Tech								
Goodman Fielder, North Ryde, NSW	60%	23-Oct-06	28,249	30-Jun-08	Colliers	28,080	28,080	28,800
Kraft, Port Melbourne, VIC	60%	16-Oct-06	16,742	30-Jun-08	CBRE	17,070	17,070	17,760
Pacific Brands, Port Melbourne, VIC	60%	16-Oct-06	12,785	30-Jun-08	CBRE	13,500	13,500	13,560
Heidelberg, Waterloo, NSW	60%	23-Oct-06	9,740	30-Jun-08	Colliers	9,900	9,900	9,665
Rexel, North Ryde, NSW ³	100%	30-Nov-06 & 30-Jun-08	17,771	30-Jun-08	Colliers	19,800	19,800	12,300
Industrial total			157,940			161,020	161,020	153,747
Total properties – Australia – held by parent			698,826			738,130	738,130	678,121
Europe								
Rue Charles Nicolle, Villeneuve les Beziers	100%	06-Jun-07	15,982	30-Jun-08	Knight Frank	16,106	16,106	15,982
Avenue de Savigny, Aulnay sous Bois	100%	06-Jun-07	20,258	30-Jun-08	Knight Frank	18,618	18,618	20,258
105 Route d'Orleans, Sully sur Loire	100%	06-Jun-07	25,755	30-Jun-08	Knight Frank	23,708	23,708	25,755
140 Rue Marcel Paul, Gennevilliers	100%	06-Jun-07	12,562	30-Jun-08	Knight Frank	11,739	11,739	12,562
ZI du Papillon, Parcay-Meslay	100%	06-Jun-07	9,860	30-Jun-08	Knight Frank	9,194	9,194	9,860
ZI de Thibaud 8 Rue Doulaclouew, Toulouse	100%	06-Jun-07	3,090	30-Jun-08	Knight Frank	2,766	2,766	3,090
Total properties – Europe – held by controlled entity			87,507			82,131	82,131	87,507
Total properties			786,333			820,261	820,261	765,629

¹ In September 2007, CDI acquired 60% of Discovery House Stage 2 from CL2.

² In June 2008, CDI acquired the remaining 40% of Century City Walk from CL2.

³ In June 2008, CDI acquired the remaining 40% of Rexel from CL2.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation. In determining fair value, the independent valuers or the Directors have discounted the expected net cash flows applicable to each property to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

Assets pledged as security

First mortgages have been granted as security for bank loans (Note 20) over investment property. The carrying value pledged as security is \$82.131 million (2007: \$87.507 million). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 19 – Trade and other payables

Note	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Current				
Trade creditors and accruals	6,365	8,602	5,710	3,373
Interest payable	3,039	3,046	2,899	2,919
Amount payable to related parties	27(f) 3,695	13,121	3,651	13,121
Other	1,030	780	110	78
Total trade and other payables	14,129	25,549	12,370	19,491

Note 20 – Interest bearing loans and borrowings

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Current				
Obligations under finance lease	755	433	–	–
Bank loans – secured	2,627	44,971	2,627	44,969
Bank loans – unsecured	95,078	83,000	95,078	83,000
Less: Unamortised borrowing costs	(267)	(39)	(267)	(39)
	98,193	128,365	97,438	127,930
Non-current				
Obligations under finance lease	5,027	5,681	–	–
Bank loans – secured	78,321	37,335	42,276	–
Bank loans – unsecured	126,599	37,000	126,599	37,000
Less: unamortised borrowing costs	(201)	(269)	(201)	(269)
	209,746	79,747	168,674	36,731
Total interest bearing liabilities	307,939	208,112	266,112	164,661

Obligations under finance leases are set out in Note 29.

CDI has entered into a multi-option syndicated finance facility with Westpac Banking Corporation Limited (WBC) and Commonwealth Bank of Australia Limited (CBA). The facility comprises several tranches. For Australian denominated loans (AUD 221.68 million), interest on the facility is calculated at the bank bill swap rate, plus a margin with reference to the gearing of CDI. For Euro denominated loans (EUR 49.31 million or AUD 80.95 million at 30 June 2008), interest on the facility is calculated at EURIBOR, plus a margin with reference to the gearing of CDI. CDI has entered into interest rate swaps to mitigate the effect of unfavourable movements in interest rates. The swaps provide CDI with the right to receive interest at variable rates and to pay at fixed rates.

The loan facility comprises a secured component and an unsecured component. In relation to the unsecured component, CDI has not granted security over its properties but provided a number of negative undertakings, including undertaking not to create or allow encumbrance over its properties.

The secured component relates to the funding of property acquisitions in France. Part of the funding for that acquisition was provided by WBC to CDI's controlled entities in France and part of the funding was provided by WBC and CBA to CDPT1. Security was granted by way of mortgages of shares in, and of debts between, entities established to acquire the French properties.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
<i>Total facilities:</i>				
Bank loans	500,000	350,000	460,000	294,493
<i>Facilities used at reporting date:</i>				
Bank loans	302,625	214,416	266,580	177,080
<i>Facilities unused at reporting date:</i>				
Bank loans	197,375	135,584	193,420	117,413

Finance facilities maturity dates

The following table sets out the carrying value, by maturity, of CDI's outstanding financing facilities as at the balance date:

CDPT1 Consolidated (CDI) Year ended 30 June 2008	<1 year \$'000	>1-2 years \$'000	>2-3 years \$'000	>3-4 years \$'000	>4 years \$'000	Total \$'000	Interest rate %
Bank loans	97,704	98,099	36,045	70,777	–	302,625	7.53%
Facilities unused	2,296	1,901	153,955	39,223	–	197,375	
Total facilities	100,000	100,000	190,000	110,000	–	500,000	

CDPT1 Consolidated (CDI) Year ended 30 June 2007	<1 year \$'000	>1-2 years \$'000	>2-3 years \$'000	>3-4 years \$'000	>4 years \$'000	Total \$'000	Interest rate %
Bank loans	127,971	–	74,335	–	–	202,306	5.92%
Bank guarantee	12,110	–	–	–	–	12,110	
Facilities unused	4,414	–	81,170	50,000	–	135,584	
Total facilities	144,495	–	155,505	50,000	–	350,000	

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 20 – Interest bearing loans and borrowings (continued)

Finance facilities maturity dates (continued)

CDPT1 Parent Year ended 30 June 2008	<1 year \$'000	>1-2 years \$'000	>2-3 years \$'000	>3-4 years \$'000	>4 years \$'000	Total \$'000	Interest rate %
Bank loans	97,704	98,099	–	70,777	–	266,580	7.82%
Facilities unused	2,296	1,901	150,000	39,223	–	193,420	
Total facilities	100,000	100,000	150,000	110,000	–	460,000	

CDPT1 Parent Year ended 30 June 2007	<1 year \$'000	>1-2 years \$'000	>2-3 years \$'000	>3-4 years \$'000	>4 years \$'000	Total \$'000	Interest rate %
Bank loans	127,970	–	37,000	–	–	164,970	5.92%
Bank guarantee	12,110	–	–	–	–	12,110	
Facilities unused	4,413	–	63,000	50,000	–	117,413	
Total facilities	144,493	–	100,000	50,000	–	294,493	

Subsequent to year end, CDI concluded its refinance negotiations with WBC and CBA. Refer to subsequent events (Note 30) for further details.

Effective interest rate risk

Information regarding the effective interest rate risk of the interest bearing loans and borrowings is set out in notes to the financial statements, financial instruments (Note 25).

Note 21 – Provision for distribution

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Distribution payable	22,768	20,797	22,768	20,797
Distribution to unitholders				
Opening balance at beginning of the period	20,797	–	20,797	–
Distributions paid and proposed during the year	45,429	29,367	45,429	29,367
Payment of distribution				
– Final distribution 30 June 2007	(20,797)	–	(20,797)	–
– Interim distribution 31 December 2007	(22,661)	(8,570)	(22,661)	(8,570)
Balance at end of year	22,768	20,797	22,768	20,797

Distributions payable represent a final distribution of 4.23 cents per unit for the period ended 30 June 2008.

Note 22 – Contributed equity

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Issued units opening balance	520,038	–	519,984	–
Ordinary units issued – CDPT1 99.99 cents per unit	2,420	535,977	2,420	535,977
Ordinary units issued – CDPT2 0.01 cents per unit	0	54	–	–
	522,458	536,031	522,404	535,977
Interest in CDPT2			–	–
Costs associated with the issue of units	5	(15,993)	5	(15,993)
Issued units closing balance	522,463	520,038	522,409	519,984

	Number of securities '000	Number of securities '000	Number of securities '000	Number of securities '000
Ordinary units on issue at the beginning of the period	536,008	–	536,008	–
Ordinary units issued	2,253	536,008	2,253	536,008
Total stapled securities on issue at the end of the year	538,261	536,008	538,261	536,008

All units in CDI are fully paid and ranked equally with each other in all respects.

Capital management

CDI manages its capital to ensure the Trust will be able to continue as a going concern while maximising optimal returns to unitholders through the optimisation of debt and equity balances. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The capital structure of CDI consists of debt which includes borrowings disclosed in Note 20, cash and cash equivalents disclosed in Note 11, issued capital disclosed above and reserves and undistributed income disclosed in Note 23. CDI's management reviews the capital structure regularly and balances its overall capital structure through payment of distributions, new unit issues and unit buy-backs as well as the drawing of new debt or repayment of existing debt.

Hedging is utilised to minimise risk exposure. Details of hedges are contained in Note 25.

Capital risk is monitored against policies, guidelines and externally imposed covenants:¹

CDI policy	30 June 2008	30 June 2007	
Gearing	Targeted gearing limit of 35-45%	35%	26%
Interest rate risk	To effectively hedge the interest on 60%-80% of drawn debt	67%	91%
Foreign currency risk	Income hedges		
	– Distribution next five years: 80%-100%	100%	100%
	– Distribution years six to 10: up to 90%	90%	90%
Capital hedging	– Maintain a natural capital hedge against a minimum of 100% of the total value of assets invested offshore	109%	100%

¹ During the current and prior year, the financial covenants under the borrowing facilities were complied with.

CDI management's policy is to effectively manage its cash flow from operating activities by using surplus cash between distribution payment dates to repay debt. The debt facilities are revolving with the facility documentation specifically including the capability to draw down funds for distribution and working capital requirements.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 23 – Reserves and undistributed income

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Unrealised gains reserve	21,757	31,154	23,682	31,154
Foreign currency translation reserve	45	–	–	–
	21,802	31,154	23,682	31,154

Unrealised gains reserve

The unrealised gains reserve represents unrealised movements that have not been distributed.

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Movements in reserve:				
Opening balance at beginning of the period	(31,154)	–	(31,154)	–
<i>Transfers gain/loss from undistributed income:</i>				
Fair value movements on investment properties	7,248	(27,275)	(2,683)	(27,275)
Writedown to net realisable value of development property	1,636	–	–	–
Impairment of receivables from controlled entities	–	–	9,713	–
Fair value movements on derivatives	(1,805)	(2,356)	(1,805)	(2,356)
Realised gains on sale of investment properties	(34)	–	(34)	–
Straight-lining of rental income	(3,084)	(2,947)	(3,189)	(2,947)
Unrealised FX (gain)/loss	98	–	(38)	–
Amortisation of borrowing costs	487	–	487	–
Responsible Entity's and Manager's fees payable in units	5,096	1,424	5,021	1,424
Deferred tax credit	(245)	–	–	–
Transfers from/(to) Distribution Statement	9,397	(31,154)	7,472	(31,154)
Balance at end of year	(21,757)	(31,154)	(23,682)	(31,154)

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiaries.

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Movements in reserve				
Opening balance at beginning of the period	–	–	–	–
Gain/(loss) on translation of foreign operation	45	–	–	–
Balance at end of year	45	–	–	–

Note 24 – Segment information

Primary segment reporting – business segments

The primary reporting format for CDI is business segments being office, retail, industrial property and an operating business.

Business segment	Office 30 June 2008 \$'000	Retail 30 June 2008 \$'000	Industrial 30 June 2008 \$'000	Operating business 30 June 2008 \$'000	Total 30 June 2008 \$'000
Year ended 30 June 2008					
Property income					
Rental income	36,572	11,995	18,316	721	67,604
Straight-line revenue	2,686	219	283	–	3,188
Other property income	3,222	2,200	1,896	–	7,318
Segment revenue	42,480	14,414	20,495	721	78,110
Less: Property-related expenses	(6,405)	(3,828)	(2,496)	(713)	(13,442)
Less: Straight-line expense	–	–	–	(105)	(105)
Segment result	36,075	10,586	17,999	(97)	64,563
Interest income	–	–	–	–	435
Finance costs	–	–	–	–	(15,174)
Responsible Entity's and Manager's fees	–	–	–	–	(5,096)
Writedown to net realisable value of development property	–	–	(1,636)	–	(1,636)
Other expenses	–	–	–	–	(1,798)
Profit from operating activities					41,294
Net gain on revaluation of financial derivatives	–	–	–	–	1,805
Net gain/(loss) from investment property revaluations	105	1,911	(9,264)	–	(7,248)
Net gain from sale of investment property	–	–	34	–	34
Unrealised FX gain/(loss)	–	–	–	–	(98)
Income tax	–	–	–	–	245
Net profit after tax	36,180	12,497	7,133	(97)	36,032
Segment assets					
Property asset	455,910	139,818	279,308	482	875,518
Trade and other receivables	1,902	1,378	1,382	80	4,742
Unallocated assets	–	–	–	–	9,713
Total assets	457,812	141,196	280,690	562	889,973
Segment liabilities					
Trade and other payables	(902)	(8,331)	(7,579)	(109)	(16,922)
Unallocated liabilities	–	–	–	–	(327,928)
Total liabilities	(902)	(8,331)	(7,579)	(109)	(344,850)

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 24 – Segment information (continued)

Primary segment reporting – business segments (continued)

Business segment	Office 12 Sept 2006 to 30 June 2007 \$'000	Retail 12 Sept 2006 to 30 June 2007 \$'000	Industrial 12 Sept 2006 to 30 June 2007 \$'000	Total 12 Sept 2006 to 30 June 2007 \$'000
Period ended 30 June 2007				
Rental and other property income	23,991	7,553	9,133	40,677
Straight-line revenue	2,322	231	394	2,947
Other property income	2,176	1,299	1,252	4,727
Segment revenue	28,489	9,083	10,779	48,351
<i>Less: Property-related expenses</i>	<i>(4,410)</i>	<i>(2,928)</i>	<i>(1,531)</i>	<i>(8,869)</i>
Segment result	24,079	6,155	9,248	39,482
Interest income	–	–	–	247
Finance costs	–	–	–	(5,904)
Responsible Entity's and Manager's fees	–	–	–	(1,424)
Other expenses	–	–	–	(652)
Profit from operating activities	–	–	–	31,749
Net gain on revaluation of financial derivatives	–	–	–	2,356
Net gain/(loss) from investment property revaluations	24,616	(1,797)	4,456	27,275
Income tax	–	–	–	(1)
Net profit after tax	48,695	4,358	13,704	61,379
Segment assets				
Property asset	419,005	125,627	247,312	791,944
Trade and other receivables	893	605	945	2,443
Unallocated assets	–	–	–	12,122
Total assets	419,898	126,232	248,257	806,509
Segment liabilities				
Trade and other payables	(848)	(1,171)	(12,710)	(14,729)
Unallocated liabilities	–	–	–	(239,730)
Total liabilities	(848)	(1,171)	(12,710)	(254,459)

Secondary segment reporting – geographical segments

Geographically, CDI operates in two segments, being Australia and Europe.

Geographical segment	Australia	Europe	Total
Year ended 30 June 2008	30 June 2008	30 June 2008	30 June 2008
	\$'000	\$'000	\$'000
Rental income	61,608	5,996	67,604
Straight-line revenue	3,189	–	3,189
Other property income	6,612	705	7,317
Segment revenue	71,409	6,701	78,110
Less: Property, related expenses	(12,659)	(783)	(13,442)
Less: Straight-line expense	(105)	–	(105)
Segment result	58,645	5,918	64,563
Interest income	381	54	435
Finance costs	(10,943)	(4,231)	(15,174)
Responsible Entity's and Manager's fees	(4,628)	(468)	(5,096)
Writedown to net realisable value of development property	(1,636)	–	(1,636)
Other expenses	(1,199)	(599)	(1,798)
Profit from operating activities	40,620	674	41,294
Net realised gains from sale of investment property	34	–	34
Unrealised FX gain/(loss)	(98)	–	(98)
Net gain from investment property revaluations	2,682	(9,930)	(7,248)
Net gain from revaluation of financial derivatives	1,243	562	1,805
Income tax	245	–	245
Net profit after tax	44,726	(8,694)	36,032
Segment assets			
Property asset	793,387	82,131	875,518
Trade and other receivables	11,855	2,600	14,455
Total assets	805,242	84,731	889,973
Segment liabilities			
Trade and other payables	(31,569)	(5,342)	(36,911)
Interest bearing liabilities	(221,209)	(86,730)	(307,939)
Total liabilities	(252,778)	(92,072)	(344,850)

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 24 – Segment information (continued)

Secondary segment reporting – geographical segments (continued)

Geographical segment	Australia 12 Sept 2006 to 30 June 2007 \$'000	Europe 12 Sept 2006 to 30 June 2007 \$'000	Total 12 Sept 2006 to 30 June 2007 \$'000
Period ended 30 June 2007			
Rental income	40,677	393	41,070
Straight-line revenue	2,947	–	2,947
Other property income	4,334	–	4,334
Segment revenue	47,958	393	48,351
<i>Less: Property-related expenses</i>	<i>(8,863)</i>	<i>(6)</i>	<i>(8,869)</i>
Segment result	39,095	387	39,482
Interest income	247	–	247
Finance costs	(5,639)	(265)	(5,904)
Responsible Entity's and Manager's fees	(1,395)	(29)	(1,424)
Other expenses	(600)	(52)	(652)
Profit from operating activities	31,708	41	31,749
Net gain from investment property revaluations	27,275	–	27,275
Net gain from revaluation of financial derivatives	2,356	–	2,356
Income tax	(1)	–	(1)
Net profit after tax	61,338	41	61,379
Segment assets			
Property asset	704,437	87,507	791,944
Trade and other receivables	6,657	7,908	14,565
Total assets	711,094	95,415	806,509
Segment liabilities			
Trade and other payables	(39,204)	(7,143)	(46,347)
Interest bearing liabilities	(119,780)	(88,332)	(208,112)
Total liabilities	(158,984)	(95,475)	(254,459)

Note 25 – Financial instruments

Derivative financial instruments

The following table sets out CDI's outstanding derivative financial instruments at balance date:

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Current assets				
Interest rate swaps at fair value	1,666	363	1,666	363
Foreign currency income hedges at fair value	17	25	17	25
	1,683	388	1,683	388
Non-current assets				
Interest rate swaps at fair value	2,463	1,853	2,463	1,853
Foreign currency income hedges at fair value	15	115	15	115
	2,478	1,968	2,478	1,968
	4,161	2,356	4,161	2,356

The following table sets out a summary of unrealised gain/(loss) on revaluation of financial derivatives:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Fair value movements				
– Interest rate swaps	1,913	2,216	1,913	2,216
– Foreign currency income hedges	(108)	140	(108)	140
Fair value movements (per Income Statement)	1,805	2,356	1,805	2,356

Interest rate risk

At 30 June 2008 CDI has entered into interest rate derivatives to effectively hedge 67% (2007: 91%) of its exposure to movements in interest rates.

The consolidated and parent notional and fair value for 2008 and 2007 are presented in the table below:

Year	Notional contract value	Fair value movements	Net fair value assets	Weighted average interest rate	Maturity profile					
					< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
2008	206,806	1,913	4,129	7.0%	–	48,000	142,388	–	16,418	–
2007	188,491	2,216	2,216	6.2%	–	–	128,000	60,491	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 25 – Financial instruments (continued)

Interest rate risk (continued)

CDPT1 Consolidated (CDI) and CDPT1 Parent	Movement in variable	Profit/ (loss) 2008 \$'000	Equity 2008 \$'000	Profit/ (loss) 2007 \$'000	Equity 2007 \$'000
Interest rate movement – derivative financial instruments	+1% –1%	3,792 (3,865)	– –	4,565 (4,672)	– –

The analysis below shows the impact on profit and loss after tax and equity of a movement in interest rates against interest bearing liabilities.

CDPT1 Consolidated (CDI)	Movement in variable	Profit/ (loss) 2008 \$'000	Equity 2008 \$'000	Profit/ (loss) 2007 \$'000	Equity 2007 \$'000
Interest rate movement – interest bearing liabilities	+1% –1%	(958) 958	– –	(138) 138	– –

CDPT1 Parent	Movement in variable	Profit/ (loss) 2008 \$'000	Equity 2008 \$'000	Profit/ (loss) 2007 \$'000	Equity 2007 \$'000
Interest rate movement – interest bearing liabilities	+1% –1%	(937) 937	– –	– –	– –

Interest rate sensitivity of 1% (100 basis points) equates to reasonable movement in bank bill swap rate.

Currency risk

CDI manages its exposure to currency risk by maintaining a natural foreign exchange hedge between Euro denominated assets and borrowings.

CDI has also entered into income hedges to effectively hedge 100% of its expected distribution for the European group for five years and 90% of expected distributions in years six and seven.

Income hedges

The notional and fair value for 2008 and 2007 are presented in the table below:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Notional contract value	5,138	5,973	5,138	5,973
Fair value movements	(108)	140	(108)	140
Fair value (assets)	32	140	32	140

	Trust sells Euro €'000 2008	Average exchange rate 2008	Trust sells Euro €'000 2007	Average exchange rate 2007
Maturity				
Less than one year	620	0.5825	497	0.5950
One to two years	745	0.5705	620	0.5825
Two to three years	837	0.5595	745	0.5705
Three to four years	198	0.5480	837	0.5595
Four to five years	–	–	198	0.5480
Greater than five years	482	0.5295	482	0.5295

Consolidated entity

Foreign currency translation on consolidation is taken directly through to foreign currency translation reserve.

Parent entity

The parent entity is exposed to foreign exchange risk on Euro denominated intercompany, bank accounts and interest bearing liabilities which are unhedged against movements in the Euro exchange rate. Any gains or losses arising from changes in foreign currency are reflected in the Income Statement.

Sensitivity analysis

The analysis below shows the impact on profit and loss after tax and equity of a movement in foreign currency exchange rates against the Australian Dollar on the Euro exposure on translation of European controlled entities at balance date.

	Movement in variable against A\$ (%)	Profit/ (loss) 2008 \$'000	Equity 2008 \$'000	Profit/ (loss) 2007 \$'000	Equity 2007 \$'000
CDPT1 Consolidated (CDI)					
Euro	+10	163	0	6	0
	–10	(199)	0	(7)	0

The analysis below shows the impact on profit and loss after tax and equity of a movement in exchange rates against the fair value of foreign currency hedges.

	Movement in variable against A\$ (%)	Profit/ (loss) 2008 \$'000	Equity 2008 \$'000	Profit/ (loss) 2007 \$'000	Equity 2007 \$'000
CDPT1 Consolidated (CDI) and CDPT1 Parent					
Euro	+10	373	–	416	–
	–10	(456)	–	(508)	–

The analysis below shows the summary impact on profit and loss after tax and equity of a movement in foreign exchange rate on translation of Euro denominated balances held by parent entity.

	Movement in variable against A\$ (%)	Profit/ (loss) 2008 \$'000	Equity 2008 \$'000	Profit/ (loss) 2007 \$'000	Equity 2007 \$'000
CDPT1 Consolidated (CDI) and CDPT1 Parent					
Euro	+10	(490)	–	(111)	–
	–10	599	–	136	–

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 25 – Financial instruments (continued)

Credit risk

CDI's approach to credit management utilises a credit risk framework as referred to in Note 3.

The credit risk in respect of derivative transactions is spread among two counterparties, within specified limits, each with an S&P rating of AA or higher.

Tenants are credit risk assessed with reference to internal and external ratings. The concentration of tenant credit risk for approximately 60% of the portfolio is BBB- or higher. As at 30 June 2008, the largest tenant (Commonwealth Government of Australia) comprises 26.6% of the property portfolio. At 30 June, there are no trade debtor impairments for CDI (2007: Nil).

The following tables provide an ageing analysis of CDI's trade debtors at balance date:

	Neither past due nor impaired \$'000	Past due but not impaired		Past due and impaired \$'000	Total \$'000
		0-3 months \$'000	> 3 months \$'000		
CDPT1 Consolidated (CDI)					
30 June 2008					
Trade receivables	–	203	61	–	264
30 June 2007					
Trade receivables	–	684	971	–	1,655
CDPT1 Parent					
30 June 2008					
Trade receivables	–	180	61	–	241
30 June 2007					
Trade receivables	–	291	46	–	337

Liquidity risk

The following tables summarise the maturity profile of CDI's financial assets and liabilities.

CDPT1 Consolidated (CDI) 2008	Notes	Carrying amount as per Balance Sheet \$'000	Contractual amount \$'000	<1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	>5 years \$'000
Financial assets									
<i>Non-derivative financial assets</i>									
Cash and cash equivalents	11	7,540	7,540	7,540	–	–	–	–	–
Trade and other receivables	12	777	777	777	–	–	–	–	–
Other assets	13	1,596	1,596	1,596	–	–	–	–	–
<i>Derivative financial assets</i>									
Interest rate swaps	25	4,129	4,129	1,666	1,576	887	–	–	–
Foreign exchange contracts	25	32	5,137	1,064	1,305	1,495	362	–	911
Total financial assets		14,074	19,179	12,643	2,881	2,382	362	–	911
Financial liabilities									
<i>Non-derivative financial liabilities</i>									
Trade and other payables	19	14,129	14,129	14,129	–	–	–	–	–
Interest bearing liabilities	20	307,939	338,526	113,104	136,340	12,070	72,858	755	3,399
Total financial liabilities		322,068	352,655	127,233	136,340	12,070	72,858	755	3,399
Net financial assets (liabilities)		(307,994)	(333,476)	(114,590)	(133,460)	(9,688)	(72,496)	(755)	(2,488)

CDPT1 Consolidated (CDI) 2007	Notes	Carrying amount as per Balance Sheet \$'000	Contractual amount \$'000	<1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	>5 years \$'000
Financial assets									
<i>Non-derivative financial assets</i>									
Cash and cash equivalents	11	7,517	7,517	7,517	–	–	–	–	–
Trade and other receivables	12	4,069	4,069	4,069	–	–	–	–	–
Other assets	13	623	623	623	–	–	–	–	–
<i>Derivative financial assets</i>									
Interest rate swaps	25	2,217	2,217	363	1,029	644	181	–	–
Foreign exchange contracts	25	140	5,971	835	1,064	1,305	1,494	362	911
Total financial assets		14,566	20,397	13,407	2,093	1,949	1,675	362	911
Financial liabilities									
<i>Non-derivative financial liabilities</i>									
Trade and other payables	19	25,549	25,549	25,549	–	–	–	–	–
Interest bearing liabilities	20	208,112	223,466	135,691	5,356	76,561	732	732	4,394
Total financial liabilities		233,661	249,015	161,240	5,356	76,561	732	732	4,394
Net financial assets (liabilities)		(219,095)	(228,618)	(147,833)	(3,263)	(74,612)	943	(370)	(3,483)

The contractual amount of interest bearing liabilities at year end represents the undiscounted future principal and interest payments until expiry of the facility terms. Payments are calculated using weighted average cost of debt at year end.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 25 – Financial instruments (continued)

Liquidity risk (continued)

CDPT1 Parent 2008	Notes	Carrying amount as per Balance Sheet \$'000	Contractual amount \$'000	<1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	>5 years \$'000
Financial assets									
<i>Non-derivative financial assets</i>									
Cash and cash equivalents	11	3,201	3,201	3,201	–	–	–	–	–
Trade and other receivables	12	62,062	71,775	21,289	–	–	–	–	50,486
Other assets	13	1,401	1,401	1,401	–	–	–	–	–
Other financial assets	14	2,195	2,195	–	–	–	–	–	2,195
<i>Derivative financial assets</i>									
Interest rate swaps	25	4,129	4,129	1,666	1,576	887	–	–	–
Foreign exchange contracts	25	32	5,137	1,064	1,305	1,495	362	–	911
Total financial assets		73,020	87,838	28,621	2,881	2,382	362	–	53,592
Financial liabilities									
<i>Non-derivative financial liabilities</i>									
Trade and other payables	19	12,370	12,370	12,370	–	–	–	–	–
Interest bearing liabilities	20	266,112	291,643	110,510	104,709	4,322	72,102	–	–
Total financial liabilities		278,482	304,013	122,880	104,709	4,322	72,102	–	–
Net financial assets (liabilities)		(205,462)	(216,175)	(94,259)	(101,828)	(1,940)	(71,740)	–	53,592

CDPT1 Parent 2007	Notes	Carrying amount as per Balance Sheet \$'000	Contractual amount \$'000	<1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	>5 years \$'000
Financial assets									
<i>Non-derivative financial assets</i>									
Cash and cash equivalents	11	1,672	1,672	1,672	–	–	–	–	–
Trade and other receivables	12	47,886	47,886	643	–	–	–	–	47,243
Other assets	13	623	623	623	–	–	–	–	–
Other investments	14	3	3	–	–	–	–	–	3
<i>Derivative financial assets</i>									
Interest rate swaps	25	2,217	2,217	363	1,029	644	181	–	–
Foreign exchange contracts	25	140	5,971	835	1,064	1,305	1,494	362	911
Total financial assets		52,541	58,372	4,136	2,093	1,949	1,675	362	48,157
Financial liabilities									
<i>Non-derivative financial liabilities</i>									
Trade and other payables	19	19,491	19,491	19,491	–	–	–	–	–
Interest bearing liabilities	20	164,662	172,739	132,646	2,311	37,783	–	–	–
Total financial liabilities		184,153	192,230	152,137	2,311	37,783	–	–	–
Net financial assets (liabilities)		(131,612)	(133,858)	(148,001)	(218)	(35,834)	1,675	362	48,157

Fair values

All assets and liabilities recognised in the Balance Sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in applicable notes.

Note 26 – Net asset backing

	CDPT1 Consolidated (CDI) 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 30 June 2007 \$'000	CDPT1 Parent 30 June 2008 \$'000	CDPT1 Parent 30 June 2007 \$'000
Basic net asset backing (\$)	1.01	1.03	1.02	1.03

Basic net asset backing is calculated by dividing the equity attributable to CDI by the number of ordinary units on issue. The number of units used in the calculation of net asset backing is 538,260,533 (2007: 536,007,765).

Note 27 – Related party disclosures

(a) Responsible Entity

The Responsible Entity of CDI is Challenger Listed Investments Limited (CLIL), a wholly owned subsidiary of Challenger Life Holdings Pty Limited.

(b) Subsidiaries

The consolidated financial statements include the financial statements of CDI and the subsidiaries listed in the following table:

Name	Parent	Country of incorporation	% equity interest	
			2008	2007
Challenger Diversified Property Trust 2	CDPT1	Australia	100	100
Challenger Diversified Property Development Pty Limited	CDPT2	Australia	100	100
CDPG Australia Pty Limited	CDPT2	Australia	100	100
CDPG France SAS	CDPT1	France	100	100
CDPG France II SAS	CDPT1	France	100	100
CDPG Luxembourg Holdings S.a.r.l.	CDPT1	Luxembourg	100	100
CDPG Luxembourg S.a.r.l.	CDPT1	Luxembourg	100	100
CDPG Luxembourg II S.a.r.l.	CDPT1	Luxembourg	100	100
CDPG Malta Limited	CDPT1	Malta	100	100

The ultimate parent of CDI Group is Challenger Diversified Property Trust 1.

(c) Details of Key Management Personnel

Directors

The Directors of CLIL, the Responsible Entity of CDI, are considered to be Key Management Personnel.

- Brenda Shanahan – *Chair* (appointed 5 December 2007)
- Peter Brook (resigned 12 March 2008)
- Stephen Gerlach (resigned 5 December 2007)
- Russell Hooper
- Ian Martens
- Geoff McWilliam
- Ian Moore
- Brendan O'Connor (appointed 12 March 2008)
- Robert Woods

During the year ended 30 June 2008, Directors were paid \$694,733 (2007: \$639,150) in respect of their directorship of the Responsible Entity. This amount includes all fees paid to the Directors of CLIL in respect of their Responsible Entity Board and Committee duties for all Funds, including CDI and three other listed funds (ASX: CWT, CKT and CIF).

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 27 – Related party disclosures (continued)

(c) Details of Key Management Personnel (continued)

Key Management Personnel

In addition to the Directors noted above, the following were considered Key Management Personnel during the year with the authority for the strategic direction and management of CDI:

- Trent Alston¹ Head of Real Estate
- Bevan Towning Head of Specialised Funds (resigned 18 April 2008)
- Trevor Hardie² Fund Manager, CDI (appointed on 28 March 2008)
- Carmel Hourigan Fund Manager, CDI (resigned 28 March 2008)
- CLIL Responsible Entity, CDI

¹ Trent Alston has been in the role of Head of Real Estate since IPO.

² During the year, Trevor Hardie was promoted to Fund Manager from the role of CDI portfolio manager, a position he has held since IPO.

Compensation of the Key Management Personnel of CDI

Compensation paid directly to CLIL in the form of fees is disclosed in Note 27(d).

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

(d) Management fees

CLIL provides strategic and compliance management to CDI and outsources management, custodial and administrative functions to associated entities that are wholly owned by Challenger Financial Services Group Limited (CFSGL). It is entitled to a fee under the CDI Constitutions.

Challenger Management Services Limited (CMSL) provides custodial and management services to CDI in accordance with the CMSL Management Services Agreement ('Management Agreement').

The total base management fee payable is calculated as 0.5% per annum of the monthly gross asset value of CDI. The fee is reduced to 0.3% per annum (for properties acquired at IPO) for the period to June 2008 and is payable in units of CDI. The fee is calculated and accrued monthly and paid half-yearly.

All costs associated with custodial and management services are paid for by CMSL. CMSL is entitled to recover all out of pocket expenses included in the Management Agreement. CLIL is entitled to recover costs from CDI under the Constitutions.

CMSL is entitled to transaction fees in respect of developments, leasing, providing debt and acquiring offshore assets.

Transactions between CLIL, CMSL and CDI result from normal arm's length dealings. CLIL is an Australian Financial Services Licence holder.

The table shown below discloses all fees paid by CDI to CLIL and CMSL under the CDI Constitutions and to CMSL under the Management Agreement with CLIL.

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
(a) Management fees paid or payable to CLIL from CDI under the CDI Trust Constitutions and Management Agreement entered into with CMSL, paid in units in CDI, equating to 5% of the base management fee.	144	71	140	71
(b) Management fees paid or payable to CMSL from CDI under the CMSL Management Agreement entered into with CLIL, paid in units in CDI, equating to 95% of the base management fees plus all other fees payable.	2,727	1,353	2,656	1,353
(c) Performance fees paid or payable to CMSL from CDI under the CMSL Management Agreement entered into with CLIL, paid in units in CDI.	2,225	–	2,225	–
Total management fees paid or payable at balance date	5,096	1,424	5,021	1,424

During the year, transaction fees of \$424,442 (2007: Nil) have been paid to CMSL under the Management Agreement. These have been capitalised as part of investment property acquisitions and developments.

2,252,768 (2007: 384,334) CDI units were issued during the year in respect of management fees payable for 12 months to 31 December 2007. Units for fees payable for the six-month period ended 30 June 2008 will be issued two months after 30 June 2008.

Total expenses paid by CDI to reimburse CMSL for the period ended 30 June 2008 in respect of costs paid on behalf of CDI were \$4,411,949 (2007: \$4,024,825).

All transactions were at arm's length.

(e) Units held in CDI by Directors and Key Management Personnel

As at the balance date, the following related parties held the following related interests in CDI:

	Balance at beginning of the year No. of units	Change during the year No. of units	Balance at end of the year No. of units
CLIL Directors			
R Hooper	150,000	100,000	250,000
I Martens	60,000	–	60,000
G McWilliam	140,000	60,000	200,000
Key Management Personnel			
T Alston	268,586	–	268,586
T Hardie	20,000	–	20,000
Total	638,586	160,000	798,586

Challenger Life No.2 Limited – 39.56% (213,040,497 units).

No CDI units were held at year end by CMSL (2007: 365,118) and CLIL (2007: 19,216) in relation to the units issued for management fees payable during the year. Both entities sold units issued to CL2.

Notes to the financial statements (continued)

For the year ended 30 June 2008

Note 27 – Related party disclosures (continued)

(f) Transactions with related parties

Transactions between CDI and its controlled entities during the period ended 30 June 2008 included the following:

- interest charged by CDPT1, totalling \$4.0 million (2007: \$0.27 million); and
- loans advanced by CDPT1, totalling \$21.93 million (2007: \$45.18 million).

As at the date of this report, the following related party receivables and payables were applicable to CDI and its controlled entities.

		CDPT1 Consolidated (CDI)	CDPT1 Consolidated (CDI)	CDPT1 Parent	CDPT1 Parent
	Note	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2008 \$'000	30 June 2007 \$'000
Receivables					
Interest receivable		–	–	1,921	274
Interest bearing loan receivable		–	–	69,175	47,243
Allowance for impairment loss on interest bearing loan receivable		–	–	(9,713)	–
	12	–	–	61,383	47,517
Payables					
Non-interest bearing payables	19	3,695	13,121	3,651	13,121

Interest bearing loan receivable represents facilities issued by the parent to controlled entities (CDPT2 and Europe). These loans are secured and accrue weighted average interest at 8.69%. At 30 June 2008 these loans have been impaired due to movements in underlying property values on independent revaluation.

Amounts payable are unsecured and non-interest bearing.

Note 28 – Auditors' remuneration

The auditor of Challenger Diversified Property Group is Ernst & Young.

	CDPT1 Consolidated (CDI)	CDPT1 Consolidated (CDI)	CDPT1 Parent	CDPT1 Parent
	Year ended 30 June 2008 \$'000	12 Sept 2006 to 30 June 2007 \$'000	Year ended 30 June 2008 \$'000	12 Sept 2006 to 30 June 2007 \$'000
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	217	149	159	145
Assurance-related	–	25	–	25
Amounts received or due and receivable by auditors other than Ernst & Young for:				
Accounting services provided to the consolidated entity	224	15	–	–
	441	189	159	170

Note 29 – Commitments and contingencies

(a) Leasing commitments

Operating lease commitments – CDI as lessor

All investment properties owned by CDI are leased to third parties under operating leases at 30 June 2008 and measured at fair value as the properties are held to earn rentals. Lease terms vary between tenants and some leases include percentage rental payments based on sales volume.

Future minimum rental revenues receivable under non-cancellable operating leases at 30 June 2008 are as follows:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Within one year	56,935	59,146	50,857	53,458
After one year but not more than five years	144,533	166,677	125,653	146,038
More than five years	97,430	124,100	92,605	116,988
	298,898	349,923	269,115	316,484

Operating lease commitments – CDI as lessee

During the year ended 30 June 2008, CDI entered into a four year operating lease over the Domain Car Park with Botanical Gardens Trust (BGT). Under the terms of the lease \$384,000 (2007: Nil) was recognised as an expense in the Income Statement. A further 21-year lease over the Domain Car Park is available to CDI conditional on completion of commitments under the Development Deed.

Future minimum lease payments under non-cancellable operating leases at 30 June 2008 are as follows:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Within one year	2,388	–	–	–
After one year but not more than five years	9,591	–	–	–
	11,979	–	–	–

Finance lease commitments – CDI as lessee

CDI has a finance lease in relation to one of the French properties (Aulnay), a property with a carrying value of \$18.618 million (2007: \$20.257 million) held by its controlled entity in France. The lease contract expires in March 2018.

Future minimum lease payments under finance leases at 30 June 2008 are as follows:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Within one year	755	732	–	–
After one year but not more than five years	2,266	2,929	–	–
More than five years	2,907	3,052	–	–
Total minimum lease payments	5,928	6,713	–	–
Less amounts representing finance charges	(146)	(599)	–	–
Present value of minimum lease payments	5,782	6,114	–	–

Notes to the financial statement (continued)

For the year ended 30 June 2008

Note 29 – Commitments and contingencies (continued)

(b) Capital expenditure commitments

Capital expenditure commitments are outlined in the table below and have been made by CDI on the existing property portfolio. These commitments primarily relate to development projects for Enfield, Smithfield, Century City Walk and Domain Car Park ¹. Capital commitments are financed by available facilities.

Future minimum capital commitments at 30 June 2008 are as follows:

	CDPT1 Consolidated (CDI) Year ended 30 June 2008 \$'000	CDPT1 Consolidated (CDI) 12 Sept 2006 to 30 June 2007 \$'000	CDPT1 Parent Year ended 30 June 2008 \$'000	CDPT1 Parent 12 Sept 2006 to 30 June 2007 \$'000
Within one year	7,724	59,432	7,607	18,510
After one year but not more than five years	5,771	17,969	5,771	17,969
More than five years	6,904	–	6,904	–
	20,399	77,401	20,282	36,479

¹ Under the terms of the lease, CDPT2 has entered into a development deed with BGT. Under the terms of the deed it is estimated CDI will incur between \$8 and \$9 million development expenditure. No contractual commitments have been entered into with third parties at reporting date.

Contingencies

As at balance date there are no material contingent liabilities or contingent assets.

Note 30. Events subsequent to balance date

Refinance of external debt

Subsequent to year end, CDI concluded its refinance negotiations with Westpac Banking Corporation and Commonwealth Bank of Australia, refinancing the \$100 million due for repayment in October 2008. This tranche was repaid on 16 July 2008 and is available for use under new tranches maturing between October 2009 and August 2011.

Except for the above, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect:

- CDI's operations in future financial years; or
- the results of those operations; or
- CDI's state of affairs in future financial years.

Statement by the Directors of the Responsible Entity of CDI

On the financial report of the Challenger Diversified Property Group

In accordance with a resolution of the Directors of Challenger Listed Investments Limited (the Responsible Entity of Challenger Diversified Property Trust 1 and Challenger Diversified Property Trust 2, collectively known as the Challenger Diversified Property Group (herein known by its ASX code 'CDI')), I state that:

1. In the opinion of the Directors:
 - (a) The financial statements and notes of CDI are in accordance with CDI Constitutions and the Corporations Act 2001, including:
 - (i) giving a true and fair view of CDI as at 30 June 2008 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) There are reasonable grounds to believe that CDI will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2008.

On behalf of the Board



Brenda Shanahan

Chair

Sydney

13 August 2008

Independent auditor's report to the unitholders of CDI



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Independent auditor's report to the unitholders of Challenger Diversified Property Trust 1

We have audited the accompanying financial report of Challenger Diversified Property Trust 1, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the directors of Challenger Listed Investments Limited, the Responsible Entity of the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which follows the directors' report.



Auditor's Opinion

In our opinion:

1. the financial report of Challenger Diversified Property Trust 1 is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of Challenger Diversified Property trust 1 and the consolidated entities at 30 June 2008 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in blue ink, appearing to read 'Mark O'Sullivan'.

Ernst & Young

A handwritten signature in blue ink, appearing to read 'Mark O'Sullivan'.

Mark O'Sullivan
Partner
Sydney
13 August 2008

Unitholder information

ASX listing

Challenger Diversified Property Group (CDI) is listed on the Australian Securities Exchange (ASX). The Fund's units trade under the code 'CDI'. Unit prices are published daily in major Australian metropolitan newspapers, and are also accessible from the CDI website.

The CDI website

The CDI website www.challenger.com.au/cdi contains important information about the Fund, including unit prices, announcements, annual reports and an overview of each asset in the CDI portfolio.

Unitholder enquiries

If you have queries relating to your unitholding or wish to provide a change of address, Tax File Number, instructions for payment of distributions or annual report elections, please contact the Registry as follows:

Challenger Diversified Property Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Telephone: 1800 649 099
Telephone (outside Australia):
+61 2 8280 7612
Facsimile: +61 2 9287 0303

If you have any questions relating to the management of the Fund, please contact Challenger on +61 2 9994 7000, or send an email to cdi@challenger.com.au.

Distributions

CDI pays distributions six-monthly for the periods ending 30 June and 31 December. Distribution payments can be paid by:

- direct credit to a nominated Australian financial institution account; or
- a cheque mailed to your registered unitholding address.

Annual Taxation Statements

The taxable income shown on your Annual Taxation Statement is taxable in the year of entitlement rather than the year of receipt. This means that taxable income included in distributions paid in February 2008 and August 2008 is assessable in the taxation year ended 30 June 2008.

An Annual Taxation Statement is sent to unitholders in August each year. This statement includes important taxation information and should be retained by unitholders to assist in the completion of their taxation return.

Unitholder complaints

If you are dissatisfied with a service or process relating to your investment, please let us know. Complaints can be made either verbally or in writing by contacting:

Complaints Manager
Challenger Diversified Property Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Telephone: 1800 649 099
Telephone (outside Australia):
+61 2 8280 7612
Facsimile: +61 2 9287 0303

The Responsible Entity has a documented internal dispute and resolution policy in line with the Australian Standard for Complaint Handling ISO 10002_2006.

If you are not happy with how the complaint has been handled, you may contact the Financial Ombudsman Service (FOS), of which the Responsible Entity is a member. This is an independent body and is approved by ASIC to consider complaints. The contact details for FOS are:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Tel: 1300 780 808
www.fos.org.au

Substantial unitholdings as at 18 August 2008

	Effective date	Number of units	% issued capital
APN Funds Management Limited	11-12-2007	70,911,300	13.21
Challenger Financial Services Group Limited	23-10-2006	208,893,199	39.00
Barclays Group	14-05-2008	27,769,028	5.16

Top 20 unitholders as at 18 August 2008

Number	Name	Number of units	% issued capital
1	Challenger Property Noms P/L	208,893,199	38.81%
2	RBC Dexia Investor Services Australia Nominees Pty Limited	68,276,006	12.68%
3	J P Morgan Nominees Australia Limited	44,626,730	8.29%
4	HSBC Custody Nominees (Australia) Limited	40,847,081	7.59%
5	National Nominees Limited	35,991,182	6.69%
6	ANZ Nominees Limited	17,485,254	3.25%
7	RBC Dexia Investor Services Australia Nominees Pty Limited	11,603,714	2.16%
8	UBS Wealth Management Australia Nominees Pty Ltd	10,420,621	1.94%
9	Citicorp Nominees Pty Limited	9,232,429	1.72%
10	RBC Dexia Investor Services Australia Nominees Pty Limited	7,463,631	1.39%
11	RBC Dexia Investor Services Australia Nominees Pty Limited	6,865,213	1.28%
12	RBC Dexia Investor Services Australia Nominees Pty Limited	5,145,234	0.96%
13	AMP Life Limited	4,771,830	0.89%
14	Perpetual Trustees Consolidated Limited	4,494,763	0.84%
15	Cogent Nominees Pty Limited	4,418,294	0.82%
16	Australian Executor Trustees Limited	3,480,241	0.65%
17	Citicorp Nominees Pty Limited	3,365,747	0.63%
18	Cogent Nominees Pty Limited	3,154,366	0.59%
19	Trust Company of Australia Limited	2,635,295	0.49%
20	M F Custodians Ltd	1,839,408	0.34%
	Total	495,010,238	91.96%

Spread of unitholders as at 18 August 2008

Holding	Number of unitholders	Number of units fully paid	%
1 to 1,000	19	11,607	0.00
1,001 to 5,000	99	388,717	0.07
5,001 to 10,000	226	1,979,209	0.37
10,001 to 50,000	616	15,810,328	2.94
50,001 to 100,000	73	5,679,205	1.06
100,001 and over	70	514,391,467	95.57
Total	1,103	538,260,533	100.00

At 18 August 2008 there were 13 unitholders each holding less than a marketable parcel of 813 ordinary units.

Voting rights

On a show on hands, each member of CDI, being a holder of units (Member) has one vote. On a poll, each Member has one vote for each dollar of the value of the total units in CDI held by that Member.

Additional information

The following disclosures are made in accordance with the listing rules of Australian Securities Exchange Limited (ASX), and waivers to these listing rules granted to the Responsible Entity at the time of the listing of CDI on the ASX.

Co-Owners' Agreements

The Challenger Group entity which was vendor of each property (other than the distribution centres, the French properties, Rexel and Century City Walk) and the Responsible Entity own their interest (either freehold or leasehold) in those properties as tenants in common 40% as to a member of the Challenger Group and 60% as to the Responsible Entity. The Co-Owners' Agreements regulate the affairs of the owners for those properties including dealings/acquisition rights and voting rights.

Dealings/acquisition rights: The Co-Owners' Agreement envisages the following scenarios where the ownership of each of the properties may change:

- **By way of a permitted transfer** – in this instance, each co-owner is permitted to deal with a whole or part of its interests in the property where the other party to the dealing is a member of that co-owner's group;
- **By way of a dealing where first rights of refusal have been fully complied with first** – the co-owner that wishes to deal with its interest in the property to a third party must first offer to sell to the other co-owner. If the co-owner does not accept the offer to sell, then the co-owner may offer the interest to any person on terms and conditions no more favourable. If at any time there is a co-owner who is not a member of the Challenger Group or CDI and the co-owner who is a member

of the Challenger Group wishes to deal with their interest in the property, then they must first offer to sell to the co-owner who is a member of CDI before offering to a third party co-owner. Equally, if the co-owner who is a member of the CDI wishes to deal with their interest they must first offer to sell to the co-owner who is a member of the Challenger Group before offering the property to the third party co-owner;

- **Non-application** – the first rights of refusal do not apply if the Challenger Group entity transfers its interest in the property to a member of Challenger Group where it is the responsible entity or trustee of a trust and there is a change in the responsible entity or trustee from the member of the Challenger Group to a third party;
- **If a default occurs** – if a co-owner defaults under the agreement, then at any time within three months of the default occurring and subsisting the non-defaulting co-owner may give notice that it (or its nominee, being part of that co-owner's group) wants to exercise its right to purchase the defaulting co-owner's interest in the property. If at any time there is a co-owner who is not a member of the Challenger Group or CDI then, if the defaulting owner is a CDI member the third party co-owner may not exercise its right to purchase the defaulting co-owner's interest in the property unless any co-owner who is a CDI member has elected not to do so. Equally, if the defaulting co-owner is a Challenger Group member, the third party co-owner may not exercise its right to purchase the defaulting co-owner's interest in the property unless any co-owner who is a CDI member has elected not to do so;
- **Change in control** – as long as the Challenger Group entity retains a 19.9% interest in the property, if there is a change in control of either of the CDI trusts or a change in control is likely to occur, then within six months of a change in control occurring, that Challenger Group entity may serve a notice on the Responsible Entity, requiring the Responsible Entity to transfer all or some of its or its subsidiary's interest in the property to a member of its co-owners' group;
- **Non-application** – the change in control provisions cease to apply when the beneficial interest of the Responsible Entity's interest in the property is no longer held by a member of CDI, or the other co-owner ceases to hold an interest of 19/9% or more in the property;
- **Change in control** – of CDI means:
 - (a) the Responsible Entity ceasing to be the responsible entity for either of the CDI trusts, unless the replacement or additional responsible entity is a member of the Challenger Group;
 - (b) the winding up of either of the CDI trusts being commenced for any reason, including as a result of:
 - i. the unitholders of either of the CDI trusts resolving to wind up the trust; or
 - ii. the responsible entity for the time being of either of the CDI trusts being required to wind up the trust under the trust deed or applicable law; or

iii. the responsible entity for the time being of either of the CDI trusts ceasing to be authorised under the relevant trust deed or constitution or at law to own the trust property in its name or to perform its obligations under the Co-Owners' Agreement;

- **Price** – the price at which the Responsible Entity's interest in the properties will be transferred if there is a change of control is determined by a valuer, who is appointed to determine the fair value, in accordance with an agreed procedure which contemplates additional valuers being appointed if there is a dispute as to the value of the property. The same process will be used to determine the amount payable if there is a default except that any damages incurred by a non-defaulting co-owner will be deducted from the amount paid to the defaulting co-owner;
- **Prior written consent** – either co-owner may, with the prior written consent of the other co-owner, deal with a whole or part of its interests in the property.

Voting: The agreements establish a co-owners' committee which allows each co-owner to have an equal vote in the operation and management of each property, until a co-owner deals with a third party when voting will become proportional to the co-owner's percentage ownership of the relevant property. Members of the same co-owners' group will, however, only have one vote. If a co-owner transfers their entire interest to a third party then voting remains equal and if a co-owner transfers a partial interest to a third party then voting will be in accordance with the co-owner percentage ownership.

If the co-owners' committee is unable to agree on an issue in dispute it may be referred to the chief executive officers of the co-owner for resolution.

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Directory

Challenger Diversified Property Group (CDI)

Comprising:

Challenger Diversified Property Trust 1
ARSN 121 484 606
Challenger Diversified Property Trust 2
ARSN 121 484 713

Australian Securities Exchange (ASX) code

CDI

Responsible Entity

Challenger Listed Investments Limited
ABN 94 055 293 644
AFSL 236887

Directors of the Responsible Entity

Brenda Shanahan (Chair)
Russell Hooper
Ian Martens
Geoff McWilliam
Ian Moore
Brendan O'Connor
Robert Woods

Company Secretary

Christopher Robson
Suzie Koeppenkastrop

Manager

Challenger Management Services Limited
ABN 29 092 382 842
Level 15
255 Pitt Street
Sydney NSW 2000
Telephone: +61 2 9994 7000
Facsimile: +61 2 9994 7777
Email: cdi@challenger.com.au
Website: www.challenger.com.au/cdi

Registry

Link Market Services Limited
Locked Bag A14
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