

**Rubicon Asset Management Limited**  
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28 March 2008

The Manager  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir / Madam,

**Rubicon Europe Trust Group (ASX: REU)**

Find attached the Annual Report for Rubicon Europe Trust Group which will be distributed to unitholders today.

Yours faithfully,

Rubicon Asset Management Limited  
as responsible entity for Rubicon Europe Trust I and Rubicon Europe Trust II  
(together, Rubicon Europe Trust Group)



Company Secretary

Encl.

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Annual Report

31 December 2007

ARSN 116 584 626

ARSN 116 584 439



partnership / determination / ingenuity

Rubicon Europe Trust Group



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Rubicon Asset Management Limited (ACN 095 433 720) (Manager, Rubicon, we, our, us) is the responsible entity of Rubicon Europe Trust I (ARSN 116 584 626) and Rubicon Europe Trust II (ARSN 116 584 439) (together, Rubicon Europe Trust Group (REU)).

Investments in REU are not deposits with or other liabilities of the Manager, or any Allco Finance Group company and are subject to investment risk, including possible delays in repayment and loss of income or principal invested. None of the Manager or any member company of the Allco Finance Group guarantees the performance of REU or the repayment of capital from REU or any particular rate of return.

This report does not contain investment advice nor is it an offer to invest in units of REU. The report has been prepared without taking into account the personal objectives, financial situation or needs of particular individuals. Before acting, we recommend potential investors speak to a financial and/or other professional adviser.

Past performance information included in this report is not an indication of future performance.

Due care and attention have been exercised in the preparation of forecast information. However, forecasts by their nature are subject to uncertainty and contingencies and actual results may vary from any forecasts provided.

Rubicon is entitled to fees for acting in the capacity of responsible entity. Allco Finance Group Limited, its related bodies corporate and officers and directors of those entities, may hold units in REU from time to time.

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## MESSAGE FROM THE EXECUTIVE CHAIRMAN

### Dear Unitholders,

We present the annual report for Rubicon Europe Trust Group (REU) for the year ended 31 December 2007.

REU achieved a net operating profit (distributable earnings)<sup>1</sup> for the year of \$43.5 million, representing an increase of 94% on the previous year. Cash distributions of 10.1 cents per stapled unit were declared and paid in respect of the year ended 31 December 2007, an increase of 12% on the prior year.

During the year REU successfully completed a portfolio acquisition in Austria and delivered upon the development plan for the Hermes Plaza in Belgium:

- > On 23 March 2007, REU acquired a portfolio of two "A" class health and medical centre properties ("Medicent") located in Innsbruck and Salzburg, Austria. The Medicent acquisition cost was €58 million, and upon purchase was revalued to €60.2 million
- > The second building of the Hermes Plaza, the Hewlett Packard building, was completed on 14 August 2007. On completion this 100% indirect interest in the Hermes Plaza development acquired for €18.9 million was revalued at €42 million

As at 31 December 2007, REU owned a:

- > €672.5 million (\$1,121 million) portfolio of eight properties, representing 66.9% of total assets
- > €312.9 million (\$521.7 million) CRE loan portfolio, which comprises eight loans and covers 507 properties valued €4.9 billion, representing 31.2% of total assets

At the asset level, the portfolio continues to perform in line with expectations. However, the rapid and unanticipated dislocation in global credit markets and associated volatility in equity markets has had a material impact on the operations, financial position and outlook for the Trust. In particular, the unanticipated effective closure of the real estate CDO market has meant that it is not possible in the current environment to refinance the short term CRE loan warehouse facility through the issue of a CRE CDO, as the original funding strategy contemplated.

As a result, the Board of the Responsible Entity has resolved to seek to implement the following initiatives to improve significantly REU's liquidity profile and risk profile:

- > Reduction of short term debt to the greatest extent possible over the near term
- > Reduction of contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible and appropriate over the near term
- > Full retention of earnings over the next 12-18 months
- > Implementation of an asset sale program of sufficient scale to reduce the gearing level of the Trust to 45%-55% and free up approximately \$50 million of equity to buy back securities

The scale of the asset sale program is expected to be in the range of \$500 million to \$700 million over the next 12-18 months. It is anticipated that the earnings of REU would reduce by 10% to 20% if these initiatives are successfully implemented.

REU anticipates the full repayment of the CB-16 CRE loan in March 2008, which will generate net cash proceeds of €16.2 million (\$27.1 million) after repaying the warehouse facility loan amount advanced against that asset.

1) Refer to page seven for the calculation of distributable earnings

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Over time, the intention is to reduce REU's exposure to CRE loan assets through a combination of repayment by borrowers and the sale of loan assets.

We believe these measures are appropriate for the current credit climate. Further information has been set out in the Directors' Report on page 32.

Thank you for your continued support.

Yours faithfully



Gordon Fell  
Executive Chairman

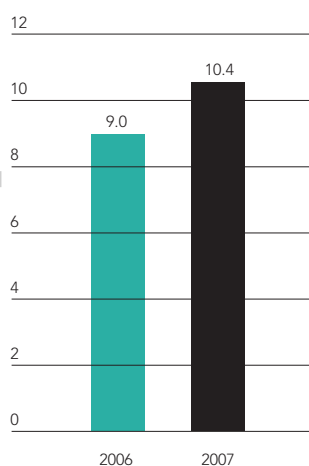
17 March 2008



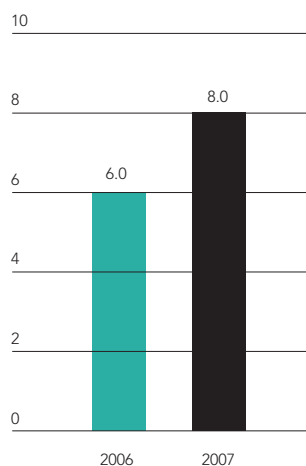
## HIGHLIGHTS

- > Achieved net operating profit of \$43.5 million – an increase of 94% from 2006
- > Distributions paid of 10.1 cents – an increase of 12%
- > Positive revaluation of the real estate portfolio by €32.6 million – an increase of 4.8%
- > Increased gross assets by 75% to \$1.675 billion
- > Acquisition of Medicent portfolio in Austria for €58 million – valued at €60.2 million
- > Completion of the Hewlett Packard building at Hermes Plaza on schedule – valued at €42 million

WALT (YRS)

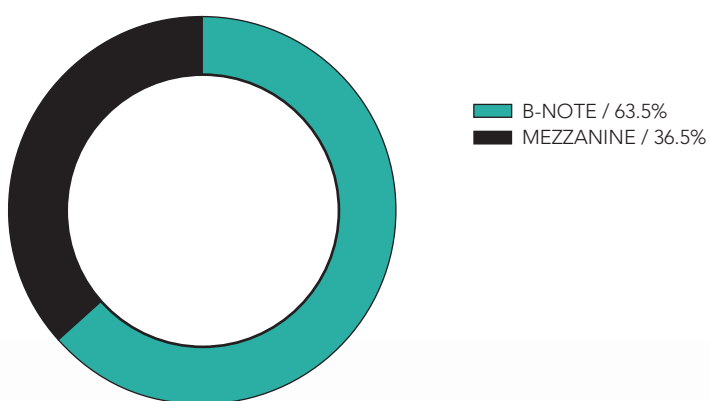


NUMBER OF ASSETS

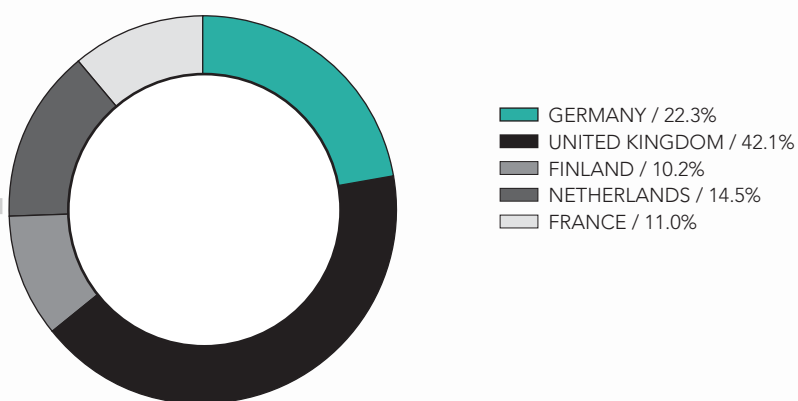


> Diversified CRE Loan portfolio established – 507 underlying assets with a total appraised value of €4,876 million

### LOANS BY ASSET TYPE



### LOANS BY REGION



# REVIEW AND RESULTS OF OPERATIONS

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## FINANCIAL HIGHLIGHTS

Set out below are the financial highlights for the year ended 31 December 2007:

	31 DEC 07	31 DEC 06	% CHANGE
NET PROPERTY INCOME (\$'000)	56,988 <sup>1</sup>	43,314 <sup>1</sup>	+31%
CRE LOAN INCOME (\$'000)	32,160	0	N/A
NET OPERATING PROFIT ATTRIBUTABLE TO UNITHOLDERS (\$'000)	43,522	22,450	+94%
EPU (ADJUSTED) <sup>2</sup>	9.9 CENTS	9.3 CENTS	+7%
DPU	10.1 CENTS	9.0 CENTS <sup>3</sup>	+12%
GROSS ASSETS (\$'000)	1,675,030	958,682	+75%
NET TANGIBLE ASSETS PER UNIT	\$1.14	\$1.19	- 4%
GEARING	63.8%	60.3%	+6%

1) Includes \$5 million (2006: \$1.8 million) of property income recorded as a fair value adjustment under IFRS

2) Based on net operating profit and weighted average number of units on issue

3) Excludes 0.38 cents of distribution relating to the period ended 31 December 2005

Key points to note are:

- > Net operating profit increased to \$43.5 million; and
- > REU paid cash distributions totaling 10.1 cents per stapled unit which were 100% tax deferred (for the period to 30 June 2007).

### Reconciliation between net profit and cash distribution

	2007 \$'000	2006 \$'000
<b>NET PROFIT ATTRIBUTABLE TO UNITHOLDERS PER INCOME STATEMENT</b>	69,320	49,294
ADD BACK		
GAIN IN FAIR VALUE OF PROPERTY INVESTMENTS <sup>1</sup>	(55,743)	(56,521)
NET LOSS/(GAIN) ON RE-MEASUREMENT OF DERIVATIVES TO FAIR VALUE <sup>1</sup>	282	(3,713)
REALISED LOSS ON CLOSE OUT OF CAPITAL HEDGES	2,661	-
NET UNREALISED FOREIGN EXCHANGE GAINS <sup>2</sup>	2,529	-
DEFERRED TAX EXPENSE <sup>3</sup>	10,447	28,758
AMORTISED BORROWING COSTS <sup>4</sup>	2,667	2,837
AMORTISED EXPENSES BASED ON EFFECTIVE INTEREST METHOD	3,173	-
FINANCE COSTS AND LEGAL COSTS FUNDED BY BORROWINGS	3,184	-
LEASE GUARANTEE <sup>5</sup>	5,002	1,795
<b>DISTRIBUTABLE INCOME</b>	43,522	22,450
SPECIAL DISTRIBUTION <sup>6</sup>	5,631	-
TRANSFER FROM UNDISTRIBUTED INCOME	866	1,813
<b>DISTRIBUTION</b>	50,019	24,263
BASIC DISTRIBUTABLE INCOME PER UNIT (CENTS PER UNIT)	10.09	9.38
DILUTED DISTRIBUTABLE INCOME PER UNIT (CENTS PER UNIT)	10.09	9.38

1) Unrealised fair value movements, non-cash in nature

2) Includes unrealised gains on Euro and GBP denominated income earned during the year but transferred to Australia after 31 December 2007

3) Being potential tax expense to be incurred in the event of a disposal of all property investments

4) Amortised costs are non-cash in nature

5) Income earned from lease guarantees for Hermes Plaza & Campus Carrée properties that is appropriate for distribution but not included in income.

6) Being the March quarter distribution at 2.375 cents per unit paid to new units issued in March 2007

**Occupancy and leasing activity**

Total portfolio occupancy by area remains high at 98.6%, with the total net lettable area increasing by 9.3% to 194,543sqm. In addition, Nike signed a new 18 year lease at their headquarters in the Netherlands, almost two years before their first lease expired. In Medicent, Salzburg, four new leases have been executed exceeding passing rents by 4%.

**Revaluations**

All REU's properties were independently valued through 2007, producing an increase in book value of €32.6 million with a resultant movement in the average capitalization rate from approximately 6.5% to approximately 5.5%.

**Borrowings**

REU's debt position comprises approximately €648 million of debt with a remaining term of 4.8 years and a weighted all in interest rate of 5.36%<sup>1</sup>. During January 2008, REU renegotiated the €39.0 million construction facility associated with the Hermes Plaza development to a term facility, and so as at the date of this report, REU has 12% (€78.4 million) of its debt maturing over the 12 month period ending 31 December 2008. If the CRE warehouse facility provider were to provide 364 days notice, 36% (€233.6 million) of the outstanding debt would mature in the next 12 months. For further information please refer to note 14.

As at 31 December 2007, 100% of REU's real estate debt has been fixed for a remaining term of 5.4 years at an average interest rate of 4.42%.

REU's debt profile is set out

	€(MILLION)	REMAINING TERM (YRS)	INTEREST RATE
REAL ESTATE	364.4	5.4 YEARS	4.42%
SUBORDINATED DEBT SECURITIES	50.0	14.3 YEARS	6.75%
CRE LOAN WAREHOUSE FACILITY	155.4	2.2 YEARS <sup>2</sup>	6.44%
\$ CORPORATE FACILITY	78.2	0.8 YEARS	BBSY + 2.0%
<b>TOTAL / WEIGHTED AVERAGE</b>	<b>648.0</b>	<b>4.8 YEARS</b>	<b>5.36%<sup>1</sup></b>

1. Based on 1 month LIBOR of 4.68%

2. While this facility has approximately 2.2 years before expiry, it is cancellable with 364 days notice. No cancellation notice has been received from the facility provider

### Foreign exchange hedging strategy

REU operates internationally and is exposed to foreign exchange risk from fluctuations in Euro and British Pound Sterling against the Australian dollar.

Historically, the foreign exchange exposure to equity investments has been hedged fully (for a period of five to eight years) using a combination of forward foreign exchange contracts and foreign currency option agreements. The arrangements involved a target of hedging approximately 100% of the equity capital, against an appreciation in the Australian dollar above a weighted average rate of approximately A\$1.00 = €0.67. The foreign exchange fluctuation risk for the commercial real estate loan book was hedged by matching Euro/GBP debt funding with the currency of the assets. This means that any foreign currency fluctuations in the commercial real estate loan asset are offset by the corresponding movements in foreign currency liabilities and any net equity invested in the loans is hedged back into Australian dollars. To mitigate the cost of this hedging, the arrangements also involved a target of hedging 100% of the equity capital against a depreciation of the Australian dollar below approximately A\$1.00 = €0.55. The net effect of these equity capital hedging arrangements is that the invested equity capital has historically been exposed to movements in the foreign exchange rates within the collar structure but upside and downside risk is eliminated outside collar structure. No cash would exchange should REU's capital hedges expire at a point where the Australian dollar is trading within the range of the collar. The capital hedges do not expire in the next four years.

In addition, REU's income is received primarily in Euro and GBP. These Euro and GBP are converted to Australian dollars before distributions are paid. Historically, REU's policy has been to implement long term forward foreign exchange contracts at levels that are intended to ensure that, during that period, distributions for Unit holders are not impacted by movement in exchange rates.

In response to the rapid and unanticipated dislocation in global credit markets and the associated volatility in equity markets which have had a material impact on the operations, financial position and outlook for REU, REU is seeking to reduce the contingent funding requirements associated with foreign exchange hedging arrangements to the greatest extent possible and appropriate over the near term. This is achieved by progressively unwinding the above hedges, where possible and appropriate.

On unwinding of some or all of the hedges, REU will then be more exposed to any movements in the AUD:EUR and AUD:GBP or foreign exchange rate. Should there be any retracing from the Australian dollar's recent highs returns in Australian dollar terms would improve, likewise, in the event the Australian dollar moves higher returns would be affected negatively.

Once all or some of the foreign exchange hedges are unwound REU will have limited exposure to the risk of margin calls due to adverse exchange rate fluctuations.

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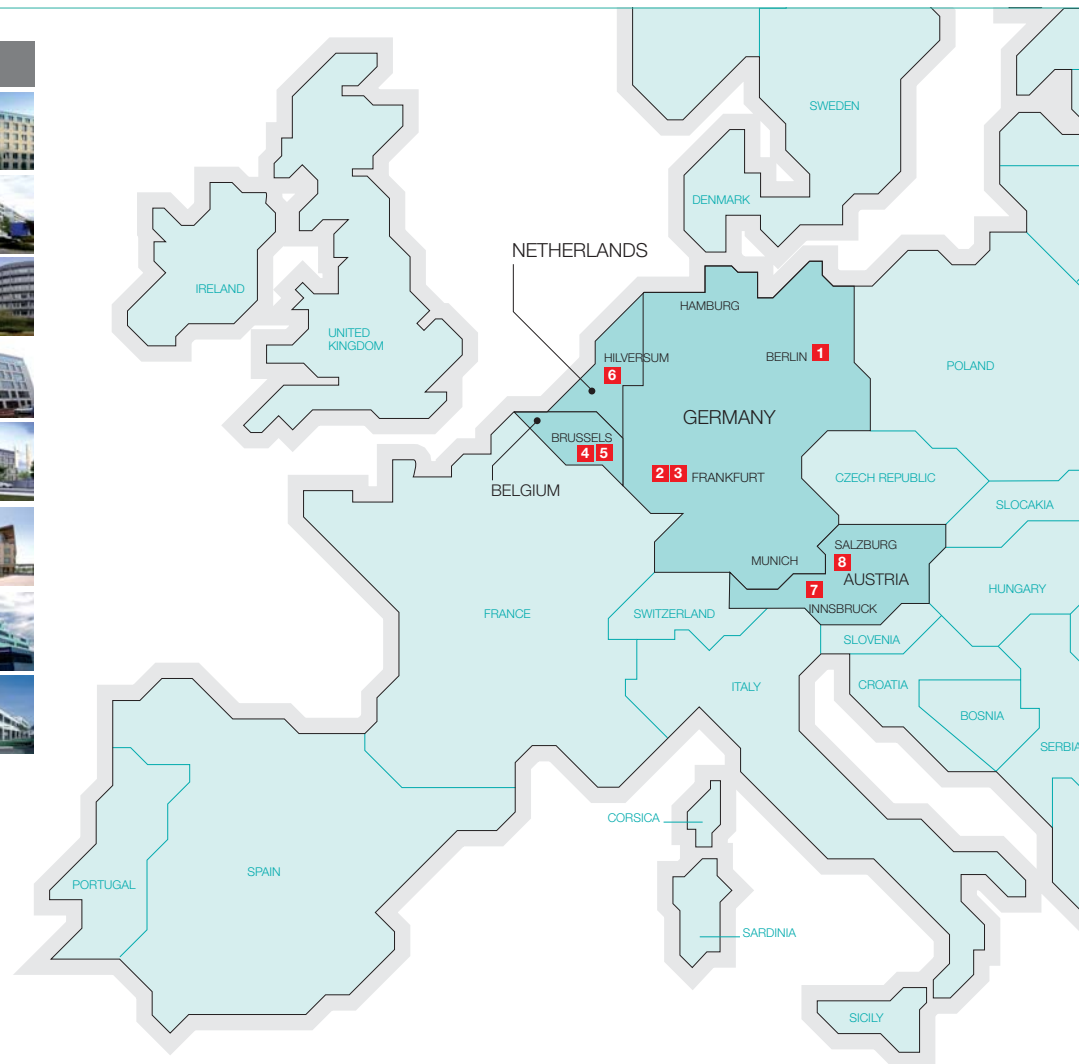
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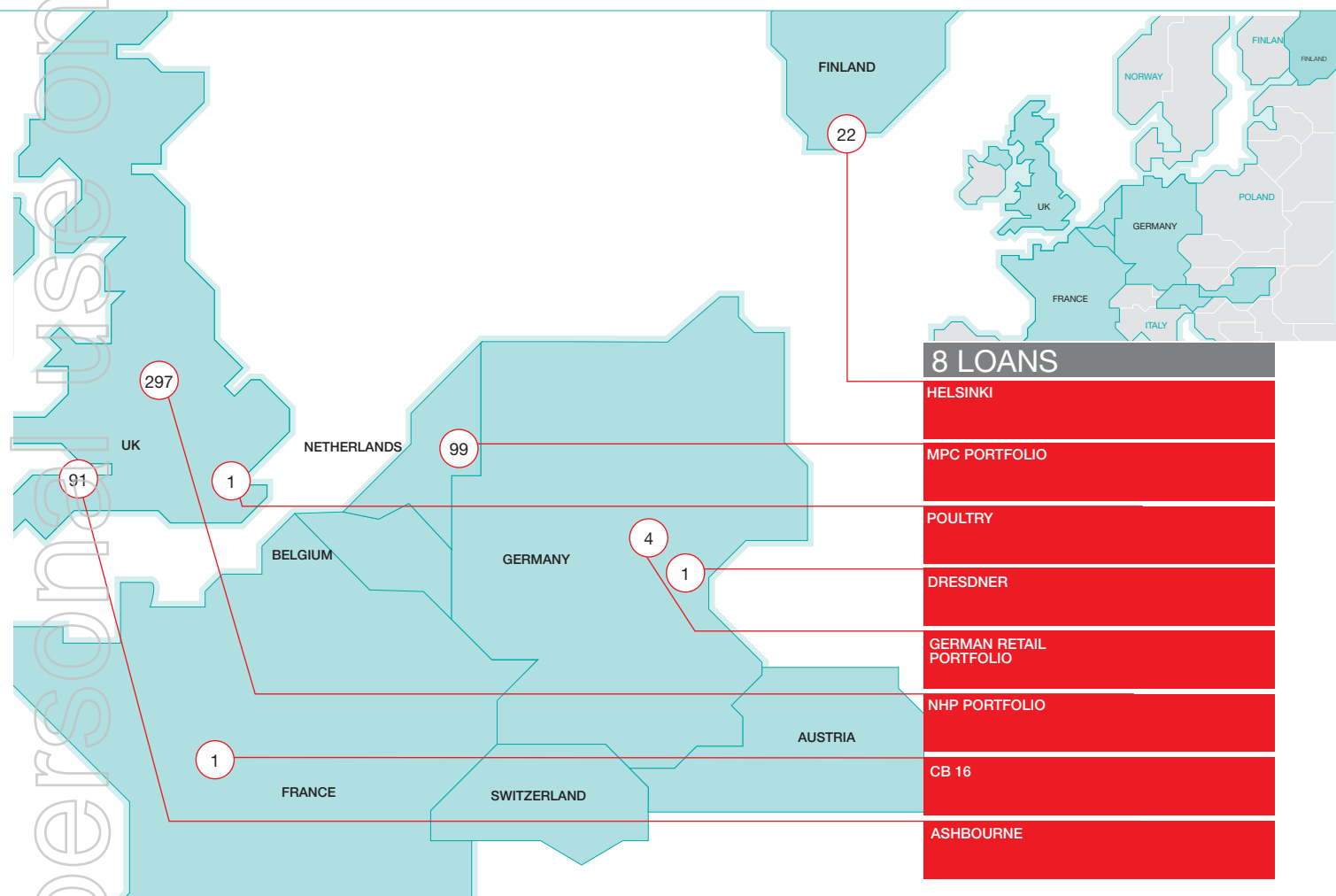
### 8 PROPERTIES

- 01 STETTINER  
CARRÉE  
BERLIN**
- 02 CAMPUS  
CARRÉE  
FRANKFURT**
- 03 OLOF-PALME  
STRASSE  
FRANKFURT**
- 04 HONEYWELL  
BRUSSELS**
- 05 HEWLETT  
PACKARD  
BRUSSELS**
- 06 NIKE HQ  
NETHERLANDS**
- 07 MEDICENT  
INNSBRUCK  
AUSTRIA**
- 08 MEDICENT  
SALZBURG  
AUSTRIA**



THE REAL ESTATE PORTFOLIO

	DEC 07	DEC 06	% VARIANCE
GROSS PROPERTY VALUE	€671.1M	€581.0M	15.60%
OWNERSHIP INTEREST	96.50%	96.50%	
NUMBER OF PROPERTIES	8	6	33.33%
NET LETTABLE AREA	194,543 SQM	178,091 SQM	9.30%
GEOGRAPHIC MARKETS	5	4	25.00%
OCCUPANCY	98.60%	98.00%	0.60%
WALT (BY INCOME)	10.4 YEARS	9.0 YEARS	15.60%
LARGEST PROPERTY AS % OF PORTFOLIO	27.40%	30.30%	(9.60%)



### THE CRE LOAN PORTFOLIO

	DEC 07	JUN 07	FEB 07 PDS <sup>1</sup>
NUMBER OF INVESTMENTS	8	8	4
NUMBER OF UNDERLYING ASSETS	507	516	401
TOTAL INVESTMENT	€308.6M	€305.5M	€ 187.0M
AVERAGE INVESTMENT (PER LOAN)	€38.6M	€41.2M	€ 46.8M
AVERAGE INVESTMENT (PER ASSET)	€0.6M	€0.6M	€ 0.5M
TOTAL APPRAISED VALUE OF UNDERLYING REAL ESTATE <sup>2</sup>	€4,876M	€5,136M	€ 3,659M
WEIGHTED AVERAGE FIRST AND LAST DOLLAR LTV RATIO	77.3% - 86.4%	77.4% - 83.1%	82.6% - 89.9%
WEIGHTED AVERAGE INTEREST COVER	1.15X	1.19X	1.10X
WEIGHTED AVERAGE TERM			
- EXCLUDING EXTENSIONS OPTIONS	2.5 YEARS	3.0 YEARS	3.0 YEARS
- INCLUDING EXTENSIONS OPTIONS	3.5 YEARS	4.0 YEARS	3.6 YEARS
WEIGHTED AVERAGE CASH YIELD <sup>3</sup>	8.8%	8.7%	9.3%

1) Excluding St Lazare

2) Valuation obtained at loan establishment and adjusted for asset sales where applicable

3) Based on purchase price (excluding other acquisition costs)

PROPERTY SUMMARY

ASSET	LOCATION	NLA (SQM)	OCCUPANCY (% NLA)	OWNERSHIP INTEREST	VALUATION (€M) <sup>1</sup>
STETTINER CARRÉE	BERLIN	61,575	100.0%	95.0%	184.0
CAMPUS CARRÉE,	FRANKFURT	31,878	94.8%	95.0%	118.4
OLOF-PALME STRASSE	FRANKFURT	29,218	100.0%	95.0%	120.6
HONEYWELL	BRUSSELS	8,377	100.0%	100.0%	20.0
HEWLETT PACKARD <sup>3</sup>	BRUSSELS	16,456	80.4%	100.0%	42.0
HERMES PLAZA LAND <sup>4</sup>	BRUSSELS	N/A	N/A	100.0%	22.2
NIKE HQ	HILVERSUM	31,539	100.0%	100.0%	103.7
MEDICENT <sup>6</sup>	SALZBURG	8,318	91.0%	100.0%	32.1
MEDICENT <sup>6</sup>	INNSBRUCK	7,182	95.8%	100.0%	28.1
<b>TOTAL</b>		<b>194,543</b>	<b>98.6%</b>	<b>96.8%</b>	<b>671.1</b>

1) Based on 100% interest

2) Based on valuation and ownership interest

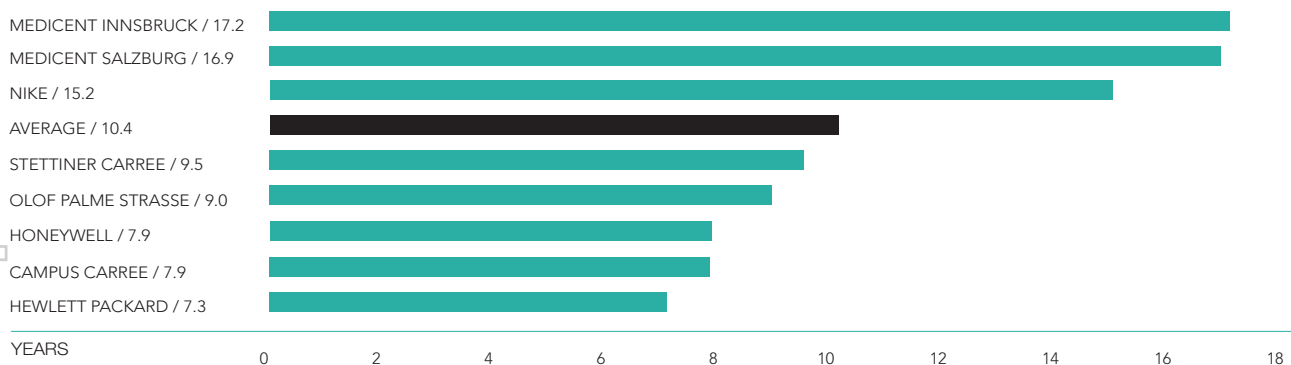
3) Hewlett Packard provisionally accepted the optional space in August 2007. Vendor guarantee on optional space until August 2010

4) Being the balance of land for future development of approximately 34,200 square metres. Income guarantee @ 6.5% on acquisition from vendor until July 2011

5) 8.4 years assuming all breaks are exercised

6) Vendor income guarantee over all space (including vacancy) until March 2010

WEIGHTED AVERAGE REMAINING LEASE TERM (BY INCOME)



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ACQUISITION PRICE (€M) <sup>1</sup>	CURRENT YIELD %	WALT (YRS)	REU PORTFOLIO (% OF) <sup>2</sup>	MAJOR TENANTS
155.0	5.5%	9.5	26.9%	DEUTSCHE BAHN (100%)
107.0	5.3%	7.9	17.3%	HOCHTIEF CONSTRUCTION (51.8%)
100.0	5.5%	9.0	17.6%	PWC (100%)
17.9	5.9%	7.9	3.1%	HONEYWELL (100%)
40.6	6.4%	8.6	6.5%	HEWLETT PACKARD (80.4%)
11.2	N/A	3.6	3.4%	NA
90.4	5.4%	15.2	16.0%	NIKE (100%)
	6.2%	16.9	4.9%	HOLMES PLACE (55.3%)
	6.2%	17.2	4.3%	HOLMES PLACE (52.5%)
	<b>5.6%</b>	<b>10.4</b>	<b>100.0%</b>	

CRE LOAN SUMMARY

ASSET	COUNTRY	NUMBER OF PROPERTIES	VALUE OF PROPERTY	OCCUPANCY	LOAN AMOUNT
1 MPC PORTFOLIO	NETHERLANDS	93	€1,032M	85.0%	€44.3M
2 NHP PORTFOLIO	UK	297	£1,338M	90.0%	£52.2M
3 GERMAN RETAIL PORTFOLIO	GERMANY	4	€515M	97.0%	€36.5M
4 POULTRY	UK	1	£85M	NM	£18.0M
5 ASHBOURNE	UK	91	£418M	92.8%	£25.0M
6 DRESDNER - B1					€12.0M
DRESDNER - B2	GERMANY	1	€216M	100.0%	€11.0M
DRESDNER - B3					€10.0M
7 CB16 LA DEFENSE - B2					€12.9M
CB16 LA DEFENSE - B3	FRANCE	1	€250M	100.0%	€12.4M
CB16 LA DEFENSE - B4					€8.7M
8 DD HELSINKI - M1					€16.0M
DD HELSINKI - M2	FINLAND	19	€357M	97.8%	€15.4M
<b>TOTAL / WEIGHTED AVERAGE<sup>3</sup></b>		<b>507</b>	<b>€4,875M</b>	<b>93.7%</b>	<b>€308.6M</b>

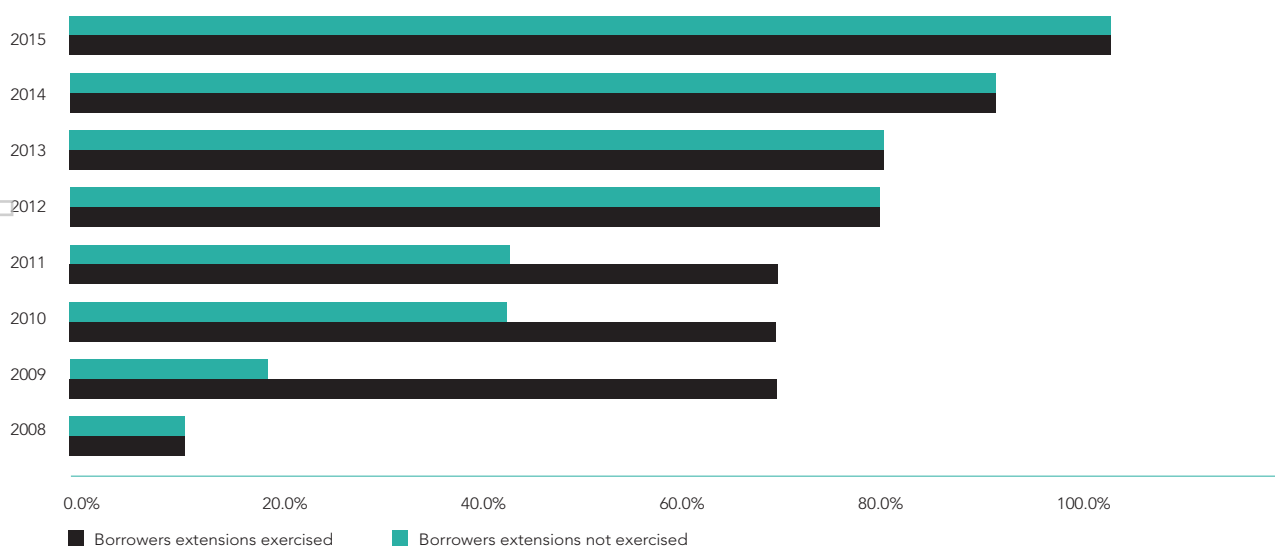
1) Based on 3 month UK Libor and Euribor rates as at 31 December 2007

2) Remaining term assumes Borrower exercises extension options

3) Based on an exchange rate of £1.00 = €1.3610

4) Highest loan to value against the current loan collateral

REU'S CRE LOAN PORTFOLIO CUMULATIVE MATURITY PROFILE



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% OF LOAN PORTFOLIO	LTVe <sup>4</sup>	COUPON	TERM (YRS) <sup>2</sup>	AVERAGE INVESTMENT (PER PROP)
14.3%	89.3%	E+ 3.5%	4.0	€0.5M
23.0%	87.6%	L+ 5.5%	2.0	£0.2M
11.8%	92.1%	E+ 4.1%	4.0	€9.1M
7.9%	86.5%	L+ 3.2%	1.0	£18.0M
11.0%	80.0%	L+ 3.0%	7.7	£0.3M
3.9%	79.9%	E+ 2.5%	6.3	
3.6%	85.0%	E+ 4.0%	6.3	€33M
3.2%	89.6%	E+ 5.0%	6.3	
4.2%	80.0%	E+ 3.0%	0.3	
4.6%	84.9%	E+ 3.5%	0.3	€34M
2.8%	88.4%	E+ 4.2%	0.3	
5.2%	71.8%	E+ 2.2%	4.0	
5.0%	76.1%	E+ 2.7%	4.0	€1.7M
<b>100.0%</b>	<b>86.4%</b>	<b>8.9%<sup>1</sup></b>	<b>3.5</b>	

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**GORDON FELL / EXECUTIVE CHAIRMAN**

Gordon is the Executive Chairman - Real Estate at Allco Finance Group Limited (ASX: AFG). He was an executive director of AFG and the founder and Executive Chairman of the Rubicon Group which he established in 2001. Prior to that, he was the Joint Chief Executive of Ord Minnett, an independent Australian investment bank which was acquired in 2000 by Chase Manhattan (now JP Morgan). Prior to that, he was Head of Corporate Finance at Ord Minnett. Before joining Ord Minnett he was a Director of Schroders Australia Corporate Finance and a management consultant with McKinsey & Company. Gordon holds a Bachelor of Science (Honours) and Bachelor of Laws (Honours) from the University of Sydney. He received a Doctor of Philosophy from Oxford University, where he was a Rhodes Scholar. He is the Chairman of Opera Australia, a Trustee of Sydney Grammar School and a director of The Smith Family.

**MATTHEW COOPER / EXECUTIVE DIRECTOR**

Matthew is the COO - Real Estate at Allco Finance Group Limited (ASX: AFG). Matthew has over 19 years experience in investment banking, funds management and accounting. Previously he was a director within the investment banking team of Ord Minnett. Prior to that, he was with UBS Warburg Corporate Finance, spending six years with the Bank. Matthew holds a Bachelor of Commerce from Victoria University (New Zealand). He received a Master of Applied Finance from Macquarie University and is a Chartered Accountant (New Zealand).

**PETER BARNES / NON-EXECUTIVE DIRECTOR**

Peter was an Executive Director and Managing Director of development company CRI Australia for 20 years prior to spending three years as a development and property consultant with Ernst & Young and Urbis JHD. Peter is an Independent Director of Macquarie Goodman Wholesale Fund, Chairman of the Investment Committee of the FKP Core Plus Fund, a member of the Investment Committee of the Charter Hall Core Fund and the Head of Property, Commonwealth Bank Institutional Bank. He is a Fellow of the Australian Property Institute and holds a Bachelor of Commerce from the University of New South Wales.

**RAY KELLERMAN / NON-EXECUTIVE DIRECTOR**

Previously, Ray worked for 10 years at Perpetual Trustees Australia before establishing his own compliance consulting and advisory business in 2001. Ray currently acts as a compliance committee member, audit and risk committee member and director for a number of major fund managers and financial institutions including Credit Suisse Asset Management Australia, MMC Asset Management, Macquarie Bank, Suncorp, IAG and Allco. Ray holds a Bachelor of Economics and Laws, a Master of Business Administration, and a diploma from the Securities Institute of Australia. He is also an associate of the Australian Compliance Institute.

**DAVID SIMPSON / NON-EXECUTIVE DIRECTOR**

David has over 20 years experience as a corporate lawyer, specialising in large scale mergers and acquisitions, both public and private, and international offerings of debt and equity securities. He was a partner in Freshfields Bruckhaus Deringer (Freshfields), one of the world's largest law firms and before that a partner in one of Australia's leading law firms, Allen Allen & Hemsley (now Allens Arthur Robinson) (Allens). From 1991 to 2004 he was based in Asia as a corporate lawyer in Indonesia from 1991 to 1997 and Singapore from 1997 to 2004. He was the managing partner of both the Allens and the Freshfields offices in Singapore and has worked on some of the largest transactions in South Asia. David holds a Bachelor of Economics and Bachelor of Laws (Honours) from the University of Sydney and a Master of Laws from Cambridge University.

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## Introduction

As noted in the “Corporate Governance Principles and Recommendations” published by the ASX Corporate Governance Council, corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.

## Purpose

Rubicon Asset Management Limited (“Rubicon”) is committed to achieving and demonstrating the highest standards of accountability and transparency, and sees the continued development of a cohesive set of corporate governance policies and practices as fundamental to its successful growth.

This Corporate Governance Statement outlines Rubicon’s corporate governance policies and practices in its capacity as the responsible entity for Rubicon Europe Trust I and Rubicon Europe Trust II (collectively known as REU).

## RUBICON’S APPROACH TO CORPORATE GOVERNANCE

### Framework and approach to corporate governance

Rubicon has a cohesive set of values and behaviours that underpin everyday activities, and seek to ensure transparency, fair dealing, and protection of unitholder interests.

The Rubicon Board (“Board”) is committed to best practice governance standards and compliance with legal requirements to protect each unitholder’s interest. In pursuing this commitment, the Board monitors developments in best practice corporate governance, and reviews and improves its governance practices.

### ASX best practice recommendations

In developing Rubicon’s corporate governance policies, the Board has been guided by the “Corporate Governance Principles and

Recommendations” published by the ASX Corporate Governance Council.

This Corporate Governance Statement sets out the extent to which Rubicon follows the Best Practice Recommendations. Where Rubicon has not followed a recommendation, the recommendation is identified and reasons are given for not following it.

## PRINCIPLE 1 / LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for ensuring that the foundations for management and oversight of Rubicon and REU are established and appropriately documented.

### Role of the Board

The Board has adopted a formal charter (Board Charter) that clearly defines matters reserved for the Board and those that the Board has delegated to:

- > the Audit, Risk Management and Compliance Committee (“ARMCC”), which is comprised of the three independent directors;
- > the Related Party Committee (“RPC”) which is comprised of the three independent directors; and
- > management.

In accordance with the Corporations Act 2001 (Cth) (“Act”), the directors must act in the best interests of unitholders and, if there is a conflict between the unitholders’ interests and Rubicon’s interests, the directors must give priority to the unitholders’ interests. Additionally, REU has compliance plans that set out the measures that Rubicon uses to ensure compliance with the Act and REU’s Constitutions.

The Board is responsible for the overall management of REU, including the determination of their strategic direction with the aim of increasing unitholders’ wealth through the performance of REU. The role of the Board includes:

- > providing strategic direction and deciding upon REU’s business strategies and objectives;
- > monitoring the operational and financial position and performance of REU;
- > identifying the principal risks faced by REU and

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monitoring the effectiveness of systems designed to provide reasonable assurance that these risks are being managed; and

- > overseeing and evaluating the performance of key personnel in the context of REU's strategies and objectives, approving other key executive appointments, and planning for executive succession.

As part of an effective organisational structure, the Board has delegated certain of its responsibilities to the ARMCC and RPC and day to day management to management.

The responsibilities of the ARMCC in relation to REU include reviewing:

- > the scope and quality of the external audit;
- > the financial reporting procedures, including accounting policies;
- > financial management, including management of REU's funding, hedging, liquidity and insurance coverage;
- > REU's internal financial control systems, risk management policies and risk management systems;
- > compliance with REU's Compliance Plans obligations, Constitutions and the Act; and
- > business practices and policies.

The members of the ARMCC are:

RAY KELLERMAN (CHAIRMAN);  
DAVID SIMPSON; and  
PETER BARNES.

The responsibility of the RPC in relation to REU is to review contracts, transactions or other dealings between REU and any other related party to ensure that the terms of such transactions are no more favourable than would reasonably be expected of transactions negotiated on an arm's length basis and that such transactions occur within a normal business relationship.

Any situation that arises which may give rise to a perceived or actual conflict of interest will be referred to the RPC.

As a result of the acquisition of Rubicon Holdings (Aust) Limited, the ultimate holding company of Rubicon became Allco Finance Group Limited ("Allco") from 19 December 2007. From this date all transactions involving related parties are considered by both the Rubicon RPC and the Allco Related Party Committee.

The members of the Rubicon RPC are:

DAVID SIMPSON (CHAIRMAN);  
RAY KELLERMAN; and  
PETER BARNES.

The members of the Allco Related Party Committee are independent directors of Allco.

The Board has delegated to management responsibility for:

- > developing and implementing REU's strategies and making recommendations on strategic initiatives;
- > taking steps to ensure that REU's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- > taking steps to ensure that unitholders and the market are fully informed of all material developments;
- > maintaining an effective risk management framework and keeping the Board and ARMCC fully informed about material risks;
- > managing day-to-day operations in accordance with directions from the Board; and
- > negotiating agreements and contracts with third parties to provide services to REU.

#### **Process for evaluating the performance of senior executives**

Rubicon does not have any senior executives. All management functions are performed by executives of Allco. Performance evaluation of these executives is subject to Allco's own policy and procedures.

A summary of the Board Charter, ARMCC Charter and RPC Charter are available on Rubicon's website at [www.rubiconasset.com.au/corporate\\_gov.asp](http://www.rubiconasset.com.au/corporate_gov.asp).

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### Composition of the Board

The members of the Board as at the date of this report are:

NAME	POSITION	FIRST APPOINTED
GORDON FELL	EXECUTIVE CHAIRMAN	2001
MATTHEW COOPER	EXECUTIVE DIRECTOR	2002
RAY KELLERMAN	NON EXECUTIVE INDEPENDENT DIRECTOR	2005
DAVID SIMPSON	NON EXECUTIVE INDEPENDENT DIRECTOR	2005
PETER BARNES	NON EXECUTIVE INDEPENDENT DIRECTOR	2006

Details of the experience and expertise of the Directors are set out in the Directors' Report.

Directors are considered to be independent if they are an external director for the purposes of section 601JA of the Act.

The current composition of the Board demonstrates its commitment to possess a broad range of skills, expertise and experience from a range of backgrounds.

The Board undertakes an annual performance review where it considers the appropriate mix of skills it requires to maximise its effectiveness in contributing to REU.

The Board regularly reviews its overall performance, as well as the performance of the ARMCC, RPC and directors. These matters are specifically reserved for consideration by the Board under the Board Charter.

The executive directors are responsible for establishing and facilitating an induction program for new directors and making sufficient information and advice available at the earliest opportunity to allow them to participate fully and actively in board decision making.

### Meetings of the Board

Each director is required to approve all important documents concerning Rubicon and REU, such as a Product Disclosure Statement or compliance plans.

The Board meets formally at least four times a year and whenever necessary to deal with specific matters requiring attention between the scheduled meetings.

### Conflicts of interest

The Board is conscious of its obligation to ensure that directors avoid conflicts (both real and apparent) between their duties to REU, Rubicon and their own interests.

Any director with a material personal interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, may not participate in boardroom discussions or vote on matters on which they face a conflict. Additionally, the Staff Financial Products Dealing Policy sets out dealing guidelines for directors and employees.

### Access to information and advice

All directors have unrestricted access to records and information of Rubicon and REU and receive regular detailed financial and operational reports from the management. Additionally, any director is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at Rubicon's expense on any matter connected with the discharge of their responsibilities.

### Audit, Risk Management and Compliance Committee

The ARMCC, which comprises the three independent directors, is governed by terms of reference formally approved by the Board and is responsible for monitoring compliance with the Act, and REU's Constitutions and compliance plans.

### Nomination Committee

A Nomination Committee will generally be responsible for assessing competencies of Board members, reviewing Board succession plans, evaluating Board performance and making recommendations for the appointment and removal of directors. However, the ASX Corporate Governance Council recognises that efficiencies from having the Nomination Committee in the examination of selection and appointment practices may not be apparent to smaller boards.

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The Board has elected not to establish a Nomination Committee on the basis that it is only a relatively small Board and is able to efficiently carry out the functions which would otherwise be delegated to a Nomination Committee.

However, as a result of the acquisition of Rubicon Holdings (Aust) Limited, the ultimate holding company of Rubicon, by Allco on 19 December 2007, the Nomination Committee of Allco (which consists of all of Allco's directors and acting according to its Charter), assists with the nomination of directors to the Board following consultation with the Rubicon directors to ensure a consensus of views in terms of a candidate's suitability. Allco's Nomination Committee Charter will be made available to any unitholder of REU upon request to the Company Secretary.

**Departure from ASX Best Practice Recommendations:**

**2.2 – the chairperson of the board should be an independent director**

**2.3 – the roles of chairperson and chief executive officer should not be exercised by the same individual**

The chairperson is an Executive Director rather than an independent director. However, the Board believes that its current composition is appropriate for the following reasons:

- > the directors have extensive experience in and understanding of the industry in which REU and Rubicon operate;
- > appropriate conflict of interest policies are in place to ensure material personal interests are disclosed and dealt with;
- > the ARMCC, which is comprised of the three independent directors, is responsible for monitoring Rubicon's compliance with all laws and regulations in its capacity as responsible entity of REU; and
- > any director is entitled to seek independent professional advice, at Rubicon's expense, on any matter connected with the discharge of his responsibilities.

**PRINCIPLE 3 / PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

**Code of Conduct**

The Code of Conduct requires that all directors and employees observe high standards of corporate and individual behaviour, and that they act in an ethical and professional manner. The objectives of the Code of Conduct include ensuring that employees, suppliers, clients and competitors can be assured that Rubicon will conduct its affairs in accordance with ethical values and practices.

The Code of Conduct requires directors and employees to, among other things:

- > avoid conflicts between their personal interests and those of Rubicon and REU;
- > not take advantage of opportunities arising from their position for personal gain or in competition with Rubicon; and
- > comply with the company policies.

The Code of Conduct requires directors and employees to report any actual or potential breach of the law, Code of Conduct or other company policies. Rubicon promotes and encourages ethical behaviour, and protects whistleblowers.

The Board has a commitment to transparency which is reflected in the ethical aspects of internal corporate governance. The codes of ethics and values which are represented are incorporated into the organisational management process. These codes of ethics and values are part of the planning process of management and the Board and part of the performance measurement and control systems for both management and the Board. These codes and policies are firmly entrenched in all training and development programs at every level within Rubicon.

Rubicon recognises that it has a number of legal and other obligations to its non-unitholder stakeholders, including clients and the wider community.

In accordance with the Code of Conduct, Rubicon aims to provide a work environment in which all employees can excel regardless of race, religion, age, disability, gender, sexual preference or marital status.

In accordance with the Code of Conduct and the Market Disclosure Policy, Rubicon is committed to delivering to the market accurate, timely and up-to-date information so that, in relation to REU, the entire investment community operates on an informed and equal basis. These principles of fairness, honesty and propriety are essential elements of the various policies Rubicon has adopted.

A summary of the Code of Conduct is available on Rubicon's website at [www.rubiconasset.com.au/corporate\\_gov.asp](http://www.rubiconasset.com.au/corporate_gov.asp).

#### **Dealing guidelines**

All staff members (employees, officers and directors including non-executive directors and external committee members) are subject to the Staff Financial Products Dealing Policy. According to the policy, they are prevented from trading in the securities of REU, as well as other Allco Group entities, except for permitted trading periods following the release of the relevant half year and annual reports or other public offer documents, and only if the relevant person is not in possession of any inside information in relation to the entity.

For those employees engaging in the Rubicon hedge fund business, specific clearance is required from a Rubicon executive director prior to the execution of trades in any listed shares, units or derivatives thereon. In addition, these employees are required to maintain a register of interest in listed shares, units or derivatives thereon and provide a copy of the register to Rubicon on a quarterly basis. These registers are checked against statements / confirmations issued by third parties.

#### **PRINCIPLE 4 / SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

The Board is committed to four basic principles:

- > that the financial reports of REU present a true and fair view;
- > that the accounting methods used by REU and Rubicon are comprehensive and relevant, and comply with applicable accounting rules and policies;
- > that the external auditor is independent and serves unitholders' interests by ensuring that unitholders know REU's true financial positions; and
- > that Australian and international developments are monitored, and practices reviewed accordingly.

#### **Audit, Risk Management and Compliance Committee**

The Board has delegated to management responsibility for ensuring that REU's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board.

To assist the Board and the ARMCC to discharge their respective responsibilities, the Executive Chairman and the Executive Director are required to provide the Board with a written representation that:

- > the REU's financial records have been properly maintained in accordance with section 286 of the Act;
- > the financial statements and notes for REU give a true and fair view of its financial condition and operational results and comply with the accounting standards;
- > the representation is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- > Rubicon's risk management and internal compliance system is operating efficiently and effectively in all material respects.

The members of the ARMCC are:

RAY KELLERMAN (CHAIRMAN);  
DAVID SIMPSON; and  
PETER BARNES.

who are the non-executive directors of Rubicon.

The number of ARMCC meetings held during the financial year and attendance by the members is contained in the Directors' Report in this Annual Report.

#### External auditor

The external auditor has been appointed to audit the REU's financial accounts and compliance plans.

To promote independence, the Board has established an Audit Independence Policy which requires that:

- > the audit firm is prohibited from having a financial interest in any entity with a controlling interest in Rubicon or REU;
- > the audit firm engagement team in any given year cannot include a person who has been an officer of Rubicon during that year;
- > the audit firm, its partners and its employees involved in REU's audit and their immediate family members are prohibited from having material indirect investments or a business relationship with Rubicon or REU unless the relationship is clearly insignificant; and
- > the external auditor attends all ARMCC meetings, at which REU's financial statements are reviewed and recommended to the Board for approval.

Additionally, the external auditor is prohibited from carrying out the following types of non-audit services:

- > preparation of accounting records and financial statements;
- > financial information technology systems design and implementation;
- > appraisal or valuation services and other corporate finance activities;
- > internal audit services;

- > temporary or permanent staff assignments, or performing any decision making, supervisory or ongoing monitoring or management functions;
- > broker or dealer, investment adviser or investment banking; or
- > actuarial services.

#### PRINCIPLE 5 / MAKE TIMELY AND BALANCED DISCLOSURES

Rubicon is committed to ensuring that all unitholders have equal and timely access to material and price-sensitive information concerning REU and Rubicon in an objective, complete, factual, balanced and timely manner, unless it falls within the scope of the limited exemptions contained in Listing Rule 3.1A. In this regard, Rubicon has adopted a policy to ensure compliance with the continuous disclosure obligations in the Act, ASX Corporate Governance Council's Principle 5 and the ASX Listing Rules.

The ARMCC is responsible for monitoring all company disclosure practices and for making recommendations to the Board on updating the policy in response to changes in internal structure and legislative, regulatory and technology developments.

Rubicon has put in place mechanisms with a view to ensuring compliance with the ASX Listing Rules such that all unitholders of REU have equal and timely access to material information about REU, for example, financial performance.

Rubicon immediately notifies the market via an announcement to the ASX of any information concerning REU that a reasonable person would expect to have a material effect on the price or value of the units in REU. Rubicon publicly releases all price sensitive information through the ASX before disclosing it elsewhere.

All external communications by Rubicon are reviewed before issue with the aim of ensuring:

- > factual accuracy;
- > no omission of material information; and
- > they are timely and expressed in a clear and objective manner.

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At all times when interacting with external individuals, investors, stock broking analysts, the media and market participants, directors and employees must adhere to the principles set out in this policy.

A summary of the Market Disclosure Policy can be obtained from the Rubicon website at [www.rubiconasset.com.au/corporate\\_gov.asp](http://www.rubiconasset.com.au/corporate_gov.asp).

#### PRINCIPLE 6 / RESPECT THE RIGHTS OF UNITHOLDERS

##### Communications with unitholders

Consistent with the Market Disclosure Policy, Rubicon is committed to communicating with unitholders in an effective and timely manner so as to provide them with ready access to information relating to REU and Rubicon. In this regard, Rubicon maintains an extensive website ([www.rubiconasset.com.au](http://www.rubiconasset.com.au)) which provides access to:

- > information regarding the Board and REU;
- > all announcements and media releases (including copies of full year and half year financial reports and current Product Disclosure Statements), which are posted to the website promptly following the release; and
- > access to REU's registry's website, including the facility for unitholders to view their holdings and amend their particulars.

All information to be given by Rubicon at analyst briefings is first released to the ASX to ensure that the market operates on an equal basis.

Unitholders are encouraged to attend and participate in general meetings of REU. Rubicon will provide unitholders with details of any proposed meetings well in advance of the relevant dates.

The external auditor attends all ARMCC meetings at which REU's financial statements are reviewed and recommended to the Board for approval.

The external auditor will attend any Annual General Meetings and be available to answer questions from unitholders about the conduct of the audit and the preparation and content of the auditor's report. This allows unitholders an opportunity to ask questions of the auditor and reinforces the auditor's accountability to unitholders.

#### PRINCIPLE 7 / RECOGNISE AND MANAGE RISK

##### Risk Management Plan and Risk and Control Profile

The Risk Management Plan sets out the policies, controls and procedures for identifying and managing risk. The Risk and Control Profile sets out the top ten risks and the controls that management has employed to manage those risks. Rubicon has specifically recognised the following major risk areas for REU and Rubicon:

- > market risks, being the potential for losses arising from changes in economic and market conditions, adverse movements in the level and volatility of market rates, including property rental and vacancy rates, interest rates and exchange rates;
- > operational risks, being the risk of inadequate or failed internal processes, people and systems or from external events;
- > compliance risks, being the risk of failure to comply with all applicable legal and regulatory requirements;
- > debt financing risks, being the risk of failure to refinance debt at rates equal or better than the current rate or the risk of debt covenants being breached; and
- > liquidity risk, being the risk that, as a result of REU's operational, financial, debt or hedging liquidity requirements, REU:
  - will not have sufficient funds to settle a transaction on the due date; or
  - will be forced to sell an asset at a value which is less than what a willing but not anxious seller might receive.

The Board is responsible for approving the overall risk management framework in addition to monitoring and reviewing the performance of management. Executive management is responsible for implementing the Board approved risk management strategy and for developing policies, controls, processes and procedures to identify and manage risks in all of REU's activities.

These risk categories are interlinked and, therefore, an integrated approach has been adopted to manage them. This includes monitoring compliance with, and the effectiveness of, the controls identified in the Risk and Control Profile.

The Executive Chairman and the Executive Director are required to provide the Board with written representations that:

- > the REU's financial records have been properly maintained in accordance with section 286 of the Act;
- > the financial statements and notes for REU give a true and fair view of its financial condition and operational results and comply with the accounting standards;
- > the representation is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- > Rubicon's risk management and internal compliance system is operating efficiently and effectively in all material respects.

#### PRINCIPLE 8 / REMUNERATE FAIRLY AND RESPONSIBLY

##### Executive Directors' remuneration

Remuneration and other terms of employment for the Executive Directors are formalised in service agreements. The terms of remuneration are designed to align their compensation with the interests of the shareholders by including performance-related bonuses. These payments are linked to the achievement of individual objectives which are relevant to meeting Rubicon's overall goals. A major part of bonus payments has been related to growth in Rubicon's earnings.

On 1 February 2008, employees of Rubicon became employees of Allco. Key executives of Allco (including the executive directors of Rubicon) are paid by Allco in accordance with Allco's Remuneration Policy. Their remuneration is dependent on the performance of Allco and the division to which they are assigned. The remuneration earned by some executives may in certain circumstances be linked to the performance

of REU. This remuneration is not met from the assets of REU other than through the fees paid by REU to Rubicon for its services.

##### Non-executive directors' remuneration

Non-executive directors are paid an annual fee for their service on the Board and committees, which is determined and approved by the Board. Non-executive directors do not receive retirement benefits (other than statutory superannuation), options or bonus payments.

##### Employees' remuneration

On 1 February 2008, employees of Rubicon became employees of Allco and they are paid by Allco in accordance with Allco's Remuneration Policy.

##### Departure from ASX Best Practice Recommendation 8.1: The board should establish a remuneration committee

A Remuneration Committee will generally be responsible for ensuring that the remuneration policies and outcomes strike an appropriate balance between the interests of REU's unitholders and rewarding and motivating executives and employees in order to secure the long-term benefits of their energy and loyalty. However, the ASX Corporate Governance Council recognises that efficiencies from having the remuneration committee may not be apparent to smaller boards.

The Board has elected not to establish a remuneration committee on the basis that it is only a relatively small board and is able to efficiently carry out the functions which would otherwise be delegated to a remuneration committee.

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**ASX listing**

Rubicon Europe Trust Group is listed on the ASX. The ASX code under which REU's ordinary units are traded is "REU". Daily unit prices can be found on the ASX website.

**Distributions**

Having distributions paid directly into a nominated account is a quick and convenient way of receiving payments and provides investors with immediate access to funds deposited into their account.

Investors can manage their direct credit of distributions<sup>1</sup> online at the Registry's website

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**Contact us**

Investors can access information about REU and provide feedback in several ways:

**By post** Level 2,

287-289 New South Head Road  
Edgecliff, NSW 2027 Australia

**By phone** +612 9302 2100

**By fax** +612 9302 2150

**By email** [enquiries@rubiconasset.com.au](mailto:enquiries@rubiconasset.com.au)

**By internet** [www.rubiconasset.com.au](http://www.rubiconasset.com.au) for the Manager and Responsible Entity  
[www.rubiconeurope.com.au](http://www.rubiconeurope.com.au) for REU

**where you will find:**

- > media releases;
- > performance and unit price information;
- > information about distributions<sup>1</sup> and access to your holding information (via a link to the unit registry's website); and
- > unit price and information on the investment vehicles that the Manager controls.

<sup>1</sup>) As set out in the Directors' Report on page 32, no distributions are anticipated to be paid during the next 12-18 months.

### Contact the unit registry

Contact Link Market Services Limited (Link Market Services) for information or to make changes in relation to your holding (such as changes of address, holding balance etc):

**By post** Locked Bag A14

SYDNEY SOUTH NSW 1235

**By phone** 1800 812 642 (within Australia)

+612 8280 7423 (outside Australia)

**By fax** +612 9287 0303

**By email** [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

**By internet** Manage information about your holding by visiting Link Market Services' unit registry website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Login by using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) along with your surname and postcode, you can then:

- > update your address (individual issuer sponsored investors only);
- > update your bank account details (individuals only);
- > confirm your TFN or ABN;
- > check unit prices;
- > view your transaction and distribution history details; and
- > download a variety of instruction forms.

### Investor complaints

Rubicon and Link Market Services are members of an independent dispute resolution scheme, the Financial Industry Complaints Service (FICS). Investors wishing to register a complaint should address the complaint initially to:

Investor Relations Manager  
Rubicon Asset Management Limited  
Level 2, 287-289 New South Head Road  
Edgecliff, NSW 2027  
Australia

or

Complaints Manager  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia

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**RUBICON EUROPE TRUST I  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

The directors of Rubicon Asset Management Limited ("Rubicon"), as Responsible Entity for Rubicon Europe Trust I ("the Trust" or "RET I"), present their report together with the consolidated financial report of Rubicon Europe Trust Group ("REU" or the "Group") being the Trust and its controlled entities for the year ended 31 December 2007. On 19 December 2007, Allco Finance Group Limited completed the acquisition of all of the shares of Rubicon Holdings (Aust) Limited (the ultimate parent entity of Rubicon) that it did not already own.

**Directors**

The following persons held office as directors of the Responsible Entity during the financial year up to the date of this report.

Non-Executive:

- > Peter Anthony Barnes
- > Raymond John Kellerman
- > David John Simpson

Executive:

- > Gordon Edward Christopher Fell (Chairman)
- > Matthew Raymond Cooper

**Principal activities**

The principal activity of the Group during the financial year was investment in commercial real estate and commercial real estate loans (CRE loans) in Europe.

**Total value of scheme assets**

The total value of the assets of the Group as at 31 December 2007 was \$1,675.0 million (31 December 2006: \$958.7 million).

**Distributions**

Distributions of 10.1 cents per unit totaling \$50,018,650 (2006: \$24,262,785) were paid by the Group for the year ended 31 December 2007.

Interim distributions paid per unit were 2.375 cents paid on 15 May 2007 (for the quarter ended 31 March 2007), 2.575 cents paid on 15 August 2007 (for the quarter ended 30 June 2007), 2.575 cents paid on 15 November 2007 (for the quarter ended 30 September 2007) and 2.575 cents paid on 15 February 2008 (for the quarter ended 31 December 2007).

Units issued during the financial year were 237,110,776.

A provision for the final distribution of \$12,711,510 has been recognised in the financial statements.

As discussed below, the Group is not expected to pay distributions over the next 12-18 months.

**Review of operations**

The Group increased its portfolio of commercial real estate during the financial year. On 23 March 2007, the Group acquired a portfolio of two Class A health and medical centre properties ("Medicent") located in Innsbruck and Salzburg, Austria. The acquisition cost was €58.0 million (\$96.7 million) and upon purchase the properties were revalued to €60.2 million (\$100.3 million). In addition, the Hewlett Packard building in Hermes Plaza, Brussels, Belgium was completed on 14 August 2007 and was revalued to €42.0 million (\$70 million). The Group also negotiated the extension of the lease on the Nike European Headquarters from 5 years to 15 years.

During the financial year, the Group also formed Rubicon Finance Europe SA ("RFE") to invest in CRE loans. In April 2007, RFE acquired an initial portfolio of CRE loans and further CRE loans were acquired during the financial year, funded by a combination of long term subordinated debt securities, a short term warehouse debt facility and equity.

As at 31 December 2007, the Group owned:

- > €672.5 million (\$1,121million) portfolio of 8 properties, representing 66.9% of total assets
- > €312.9 million (\$521.7 million) CRE loan portfolio, which comprises eight loans and covers 507 properties valued €4.9 billion, representing 31.2% of total assets

At the asset level, the property portfolio and the CRE loan assets continue to perform in line with expectations. However, the rapid and unanticipated dislocation in global credit markets and associated volatility in equity markets has had a material impact on the operations, financial position and outlook for the Group.

As a result, the Board of the Responsible Entity has resolved to seek to implement the following initiatives to improve significantly the Group's liquidity position and risk profile:

- > Reduction of short term debt to the greatest extent possible over the near term
- > Reduction of contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible and appropriate over the near term
- > Full retention of earnings over the next 12-18 months
- > Implementation of an asset sale program of sufficient scale to reduce the gearing level of the Group to 45% - 55% and free up, up to \$50 million of equity to buy back securities

The scale of the asset sale program is expected to be in the range of \$500 million to \$700 million over the next 12-18 months. It is anticipated that the earnings of the Group would reduce by 10% to 20% if these initiatives are successfully implemented.

The Group anticipates the full repayment of the CB-16 CRE loan in March 2008, which will generate net cash proceeds of €16.2 million (\$27.1 million) after repaying the warehouse facility loan amount advanced against that asset.

As at 31 December 2007, the Group's gearing (calculated as interest bearing liabilities less cash divided by total assets less cash) was 63.8%. This compares with 60.6% as at 30 June 2007. The objective as noted above is to reduce the current level of gearing in the Group to the new targeted range of 45% to 55%.

On 31 October 2007, the Group announced an on-market buy-back of stapled securities up to a maximum of 10% of issued capital of the Group's listed stapled securities as part of a capital management program. The period of buy-back is between 30 November 2007 and 1 October 2008. During the period to 31 December 2007, the Group bought 2,125,000 stapled securities for the total amount of \$1,414,802. Since 31 December 2007, the Group has bought back 1,350,000 units for the total amount of \$683,645. The level of any future buy-back activity will, in part, be driven by the liquidity position of the Group.

In the opinion of the Board of the Responsible Entity, the primary risks faced by the Group in the current operating environment are:

- > CRE loan warehouse facility risk
- > Refinancing risk
- > Debt covenants risk

### CRE loan warehouse facility risk

The Group's existing €275 million (\$458.4 million) CRE loan warehouse facility is drawn to approximately €155 million (\$259.1 million) and has a three year term expiring in March 2010. As previously communicated to the market, this facility is cancellable with 364 days notice. While the facility has approximately 2.1 years left before expiry, and no cancellation notice has been received from the facility provider, the facility is classified as a current liability in the balance sheets (notwithstanding that the facility may not actually be repayable in less than one year).

Under the CRE loan warehouse facility, the facility provider has the right, at its complete discretion, to mark to market the value of the CRE loan collateral securing the facility and, if the assessed value of the collateral has fallen, call for partial repayment of the facility within five business days. The warehouse facility provider has marked down the value of the CRE loan collateral by €45.7 million (\$76.2 million) and has required repayment of advances against that collateral of €22.9 million (\$38.2 million). As a result, the warehouse facility amount outstanding has reduced from what would have otherwise been €178.4 million to €155.5 million. A margin call of €1.5 million was met by Rubicon Finance Europe (RFE) in February 2008.

The Group's own assessment of the market value of the CRE loan portfolio indicates a negative mark to market adjustment of €37.1 million (\$61.8 million) or 11.9% of the cost of the CRE loan portfolio, which equates to less than 3.6% of the Group's total assets. Consistent with the strategy of holding the loans on a yield to maturity basis, the Group's accounting policy for the CRE loan portfolio is to record them at cost less any specific provisions for impairment. As at 31 December 2007, the Group has not been required to make any provision for doubtful debts in relation to the CRE loan portfolio.

The CRE loan portfolio has been, in part, deliberately match funded with €50.0 million (\$83.3 million) of long term subordinated debt securities. The current review indicates a mark to market gain on these debt securities of €10 million (\$16.7 million) or 14.2% of the value of the debt. Note that these mark to market adjustments are not included in the Group's income statement.

### Refinancing risk

For the 12 months from the date of this report, the Group has a corporate debt facility of approximately \$150 million (which is currently drawn to approximately \$130.4 million) which will require refinancing in September 2008. While the Board of the Responsible Entity believes that this corporate debt facility could be successfully renegotiated and refinanced in the ordinary course of business, particularly in light of the reduction in the overall gearing level of the Group planned to be implemented, there is a heightened risk of this not being satisfactorily achieved due to the current serious dislocation in global credit markets.

As at the date of this report, the Group is in compliance with all necessary debt covenants where a breach would lead to an event of default. The CRE loan portfolio, however, has a concentration of approximately 34.6% in respect of drawings against healthcare assets against a requirement of 17.5% originally required to be achieved by October 2007. Under the terms of the CRE loan warehouse facility, the facility provider may request that a margin payment be made with 5 business day notice (on an equivalent basis to the margin payments described above) to reduce this concentration to 17.5% which would be approximately €32 million (\$53.3million). As at the date of this report, the CRE loan warehouse facility provider has not elected to do this and has provided no indication that it intends to do so.

### Debt covenants for CRE loan warehouse facility

As at the date of this report, the Group is in compliance with all necessary debt covenants where a breach would lead to an event of default. The CRE loan portfolio, however, has a concentration of approximately 34.6% in respect of drawings against healthcare assets against a requirement of 17.5% originally required to be achieved by October 2007. Under the terms of the CRE loan warehouse facility, the facility provider may request that a margin payment be

made with 5 business day notice (on an equivalent basis to the margin payments described above) to reduce this concentration to 17.5% which would be approximately €32 million (\$53.3million). As at the date of this report, the CRE loan warehouse facility provider has not elected to do this and has provided no indication that it intends to do so.

## Results

The performance of the Trust and its controlled entities, as represented by the results of their operations for the financial year was as follows:

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Net property income	51,986	41,519	-	-
Commercial real estate interest income	28,987	-	-	-
Net profit attributable to the Unitholders of the stapled units	69,320	49,294	30,468	17,748
Distribution paid and payable	50,019	24,263	50,019	24,263
Distributions (cents per unit)	10.10	9.38	10.10	9.38

### *Fair value of property investments*

In accordance with the Group's property investment accounting policy, the Group revised the fair value of the property investments during the year and reviewed the fair value again as at 31 December 2007. The table below summarises the carrying value pre and post revaluation for the property investments held at 31 December 2007.

	Carrying value pre-valuations EUR €'000	Carrying value post-valuations EUR €'000	Carrying value pre-valuations AUD \$'000	Carrying value post-valuations AUD \$'000
Property investments	598,576	672,504	997,793	1,121,026

### *Fair value of commercial real estate loans*

	Fair value EUR €'000	Carrying value EUR €'000	Fair value AUD \$'000	Carrying value AUD \$'000
Commercial real estate loans	275,457	312,985	459,172	521,729

## Units on issue

The movement in stapled units on issue during the financial year is set out below:

	Consolidated	
	31 Dec 2007	31 Dec 2006
Units on issue at the beginning of the year	258,665,080	258,665,080
Units issued during the year	237,110,776	-
On-market unit buy-back announced 31 October 2007	(2,125,000)	-
Units on issue at the end of the year	493,650,856	258,665,080

## Information on the current directors

### Gordon Edward Christopher Fell

Gordon is the Executive Chairman - Real Estate at Allco Finance Group Limited (ASX: AFG) as well as an executive director of AFG. Previously, he was the founder and Executive Chairman of the Rubicon Group which he established in 2001. Prior to that, he was the Joint Chief Executive of Ord Minnett, an independent Australian investment bank which was acquired in 2000 by Chase Manhattan (now JP Morgan). Prior to that, he was Head of Corporate Finance at Ord Minnett. Before joining Ord Minnett he was a Director of Schroders Australia Corporate Finance and a management consultant with McKinsey & Company. Gordon holds a Bachelor of Science (Honours) and Bachelor of Laws (Honours) from the University of Sydney. He received a Doctor of Philosophy from Oxford University, where he was a Rhodes Scholar. He is a director of Allco Finance Group Limited (ASX: AFG), the Chairman of Opera Australia, a Trustee of Sydney Grammar School and a director of The Smith Family.

### Matthew Raymond Cooper

Matthew is the COO - Real Estate at Allco Finance Group Limited (ASX: AFG). Matthew has over 19 years experience in investment banking, funds management and accounting. Previously he was a director within the investment banking team of Ord Minnett. Prior to that, he was with UBS Warburg Corporate Finance, spending six years with the Bank. Matthew holds a Bachelor of Commerce from Victoria University (New Zealand). He received a Master of Applied Finance from Macquarie University and is a Chartered Accountant (New Zealand).

### Peter Anthony Barnes

Peter was an Executive Director and Managing Director of development company CRI Australia for 20 years prior to spending three years as a development and property consultant with Ernst & Young and Urbis JHD. Peter is an Independent Director of Macquarie Goodman Wholesale Fund, Chairman of the Investment Committee of the FKP Core Plus Fund, a member of the Investment Committee of the Charter Hall Core Fund and the Head of Property, Commonwealth Bank Institutional Bank. He is a Fellow of the Australian Property Institute and holds a Bachelor of Commerce from the University of New South Wales.

### Raymond John Kellerman

Previously, Ray worked for 10 years at Perpetual Trustees Australia before establishing his own compliance consulting and advisory business in 2001. Ray currently acts as a compliance committee member, audit and risk committee member and director for a number of major fund managers and financial institutions including Credit Suisse Asset Management Australia, MMC Asset Management, Macquarie Bank, Suncorp, IAG and Allco. Ray holds a Bachelor of Economics and Laws, a Master of Business Administration, and a diploma from the Securities Institute of Australia. He is also an associate of the Australian Compliance Institute.

### David John Simpson

David has over 20 years experience as a corporate lawyer, specialising in large scale mergers and acquisitions, both public and private, and international offerings of debt and equity securities. He was a partner in Freshfields Bruckhaus Deringer (Freshfields), one of the world's largest law firms and before that a partner in one of Australia's leading law firms, Allen Allen & Hemsley (now Allens Arthur Robinson) (Allens). From 1991 to 2004 he was based in Asia as a corporate lawyer in Indonesia from 1991 to 1997 and Singapore from 1997 to 2004. He was the managing partner of both the Allens and the Freshfields offices in Singapore and has worked on some of the largest transactions in South Asia. David holds a Bachelor of Economics and Bachelor of Laws (Honours) from the University of Sydney and a Master of Laws from Cambridge University.

**Directors' interests in stapled units**

The relevant interests of each director of the Responsible Entity in REU units held as at balance date are set out below:

	Stapled units held 31 Dec 2007	Stapled units held 31 Dec 2006
Gordon Edward Christopher Fell *	-	5,850,000
Matthew Raymond Cooper	-	55,000
Peter Anthony Barnes	-	-
Raymond John Kellerman	<b>16,667</b>	10,000
David John Simpson	<b>70,000</b>	70,000

\* including units held through schemes (as set out below) managed by Rubicon Asset Management Limited in which Gordon Edward Christopher Fell had a relevant interest.

During May 2007, Gordon Edward Christopher Fell and Matthew Raymond Cooper had sold 1,666,667 and 91,667 REU units respectively for a consideration of \$1,708,333 and \$93,959 to Rubicon Strategic Trust, which Rubicon Asset Management Limited is the trustee for. In addition, Rubicon M&A Fund and Rubicon Asia Special Events Master Fund, Limited, where Rubicon Asset Management Limited is the responsible entity/manager, had sold 3,700,000 and 1,150,000 REU units respectively for a consideration of \$3,755,500 and \$1,167,250 to Rubicon Strategic Trust. These transactions were completed on normal commercial terms and conditions.

Gordon Edward Christopher Fell continued to have relevant interest in REU units up to 19 December 2007 through his relevant interest in Rubicon Asset Management Limited, the trustee for Rubicon Strategic Trust.

As a result of the acquisition of the remaining stake of Rubicon Holdings (Aust) Limited by Allco Finance Group Limited on 19 December 2007, Gordon Edward Christopher Fell ceased to have relevant interest in REU units and Allco Finance Group Limited became the substantial unitholder in these REU units.

The number of units in the Trust held by Rubicon Asset Management Limited, its affiliates and other schemes managed by Rubicon Asset Management Limited are set out below:

**2007**

Unitholder	Number of stapled units held	Interest held %	Number of stapled units acquired	Number of stapled units disposed	Distributions paid/payable by the Group \$'000
Rubicon M&A Fund	-	-	-	3,700,000	88
Rubicon Asia Special Events Master Fund, Limited	-	-	-	1,150,000	27
Rubicon Strategic Trust	46,608,334	9.44%	46,608,334	-	3,663

**2006**

Unitholder	Number of stapled units held	Interest held %	Number of stapled units acquired	Number of stapled units disposed	Distributions paid/payable by the Group \$'000
Rubicon M&A Fund	3,700,000	1.43%	-	-	347
Rubicon Asia Special Events Master Fund, Limited	1,150,000	0.44%	-	-	108

**Meetings of directors**

The number of directors' meetings (including meetings of Board appointed committees) and the number of meetings attended by each of the directors of the Responsible Entity during the year were:

Director	Eligible to attend	Full meetings of directors		Audit, Risk Management & Compliance Committee Meetings		Related Party Committee Meetings	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Gordon Edward Christopher Fell	7	7	-	-	-	-	
Matthew Raymond Cooper	7	7	9	9	-	-	
Peter Anthony Barnes	7	7	9	9	3	3	
Raymond John Kellerman	7	7	9	9	3	3	
David John Simpson	7	7	9	9	3	3	

**Significant changes in state of affairs**

Other than the matters discussed above including the review of operations, the directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future years.

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**Matters subsequent to the end of the financial year**

Rubicon Europe Trust Group's relationship with Allco Finance Group Limited

Rubicon Asset Management Limited ("RAML") the responsible entity of the Group is a wholly owned subsidiary of Allco Finance Group Limited ("AFGL"). The Executive Directors and management team of the trust are employees of AFGL.

The Group receives the benefit and is reliant upon, a number of management, administration and other services from RAML, Rubicon Capital Pty Limited and Rubicon Advisory Limited, entities related to AFGL. RAML and it's related entities also originate property investment proposals for the Group assist with the arrangement of financing for the Group and its underlying property and loan structures and provide proposals to the Group in relation to potential assets sales from time to time.

On 25 February 2008, AFGL released its results for the half year ended 31 December 2007. The financial report and the independent auditor's review report to the members of AFGL contain disclosure of significant events after balance date which may cast significant doubt about AFGL's ability to continue as a going concern.

In the event of AFGL does not continue as a going concern; management and administration services to the Trust may be impacted. Should RAML be replaced as Responsible Entity or undergo a change of control without prior approval of lenders, this could lead to an acceleration of debt repayments.

**Planned initiatives**

The rapid and unanticipated dislocation in global credit markets and associated volatility in equity markets has had a material impact on the operations, financial position and outlook for the Group and the entities it controlled as at year end. In particular, the unanticipated effective closure of the real estate CDO market has meant that it is not possible in the current environment to refinance the short term CRE loan warehouse facility through the issue of a CRE CDO, as the original RFE funding strategy contemplated.

As a result, the Board of the Responsible Entity will seek to implement the following initiatives to improve significantly the Group's liquidity profile and risk profile:

- > Reduction of short term debt to the greatest extent possible over the near term
- > Reduction of contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible and appropriate over the near term
- > Full retention of earnings over the next 12-18 months
- > Implementation of an asset sale program of sufficient scale to reduce the gearing level of the Trust to 45% - 55% and free up, up to \$50 million of equity to buy back securities

Other than the matters above and through-out the directors' report, since the end of the year, the directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in their report or the financial statements that has significantly or may significantly affect operations of the Trust, the results of those operations, or state of the Group's affairs in future financial periods. The above matters have not been adjusted for in the financial report as at 31 December 2007.

**Likely development and expected results of operations**

Information as to the likely developments in operations and the expected result of these operations has not been included because the directors believe it is likely to result in unreasonable prejudice to the Group.

**Indemnification and insurance of officers and auditors**

During the financial year ended 31 December 2007, the Responsible Entity paid insurance premiums in relation to an investment manager’s insurance policy providing insurance cover to both the Trust and the officers of the Manager. The Trust reimburses the Manager a proportion of the premium based on the benefit it receives under the policy. So long as the officers of the Manager act in accordance with the Trust Constitution and the Corporation Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

**Fees paid to and interests held in the Trust by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in Notes 2 and 23 of the financial statements.

No fees were paid out of Trust property to the directors of the Responsible Entity during the financial year.

The interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 23 of the financial statements.

**Environmental regulation**

To the best of the directors’ knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations in each jurisdiction where the Trust operates.

**Auditor’s independence**

*Non-audit services*

The Responsible Entity of the Trust may decide to employ the auditor on assignments additional to the statutory audit duties where the auditor’s expertise and experience with the Trust are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the financial year are disclosed in Note 4 to the financial statements.

*Officers who were Partners of the Auditor for the financial year*

No current officers have been partners of PricewaterhouseCoopers at a time when that firm was the auditor of the Trust.

*Audit, Risk Management and Compliance Committee*

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk Management and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 5 to the income statement, did not compromise the auditor independence requirements of the Corporation Act 2001 for the following reasons :

- (i) all non-audit services have been reviewed by the Audit, Risk Management & Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditors; and
- (ii) none of the services undermine the general principles relating to auditor independence as set out in APES 110, Code of Ethics for Professional Accountants, including reviewing or auditing the auditor’s own work, acting in a management or a decision making capacity for the Trust, acting as advocate for the Trust or jointly sharing economic risk and rewards.

*Auditor's independence declaration*

The Group's auditor has provided a written declaration under section 307C of the Corporations Act 2001 that to the best of his knowledge and belief, there have been no contraventions of:

- > the auditor's independence requirements of the Corporations Act 2001 in relation to the audit; and
- > the applicable Australian code of professional conduct in relation to the audit.

The declaration is provided on page 43 and forms part of this Directors' Report.

**Rounding of amounts to the nearest thousand dollars**

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

Sydney, 29 February 2008

Signed in accordance with a resolution of the directors:



Gordon Edward Christopher Fell  
Chairman  
Rubicon Asset Management Limited

AUDITOR'S INDEPENDENCE DECLARATION

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PRICEWATERHOUSECOOPERS

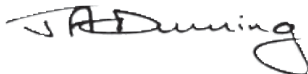
PRICEWATERHOUSECOOPERS  
ABN 52 780 433 757  
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**Auditor's Independence Declaration**

As lead auditor for the audit of Rubicon Europe Trust I for the year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Rubicon Europe Trust I and the entities it controlled during the period.



JA Dunning  
Partner  
Sydney 29 February 2008  
PricewaterhouseCoopers

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**INCOME STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated		Parent	
		31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Property revenue</b>					
Property rental income		58,466	46,270	-	-
Property expenses		(6,480)	(4,751)	-	-
<b>Net property revenue</b>		<b>51,986</b>	<b>41,519</b>	-	-
<b>Commercial real estate interest income</b>		<b>28,987</b>	-	-	-
<b>Other Income</b>					
Fair value adjustments to property investments		57,197	59,385	-	-
Net foreign exchange gains		32,199	4,269	14,725	580
Distribution from controlled entities		-	-	3,600	924
Distribution from investment in redeemable preference units		-	-	18,343	23,348
Gain on re-measurement of derivatives to fair value		-	3,713	-	1,707
Other operating income		-	890	-	-
<b>Total other income</b>		<b>89,396</b>	<b>68,257</b>	<b>36,668</b>	<b>26,559</b>
<b>Total income</b>		<b>170,369</b>	<b>109,776</b>	<b>36,668</b>	<b>26,559</b>
<b>Expenses</b>					
Manager's fee	2	(5,577)	(3,071)	(2,248)	(67)
Fair value adjustments to investment in controlled entities		-	-	(3,368)	(3,267)
Loss on re-measurement of derivatives to fair value		(27,145)	-	(9,630)	-
Other operating expenses	3	(4,249)	(1,568)	(1,463)	(721)
<b>Total expenses</b>		<b>(36,971)</b>	<b>(4,639)</b>	<b>(16,709)</b>	<b>(4,055)</b>
<b>Operating profit before financing costs</b>		<b>133,398</b>	<b>105,137</b>	<b>19,959</b>	<b>22,504</b>
Interest income		826	470	21,228	269
Finance costs		(51,783)	(23,654)	(10,719)	(5,025)
<b>Net finance costs</b>		<b>(50,957)</b>	<b>(23,184)</b>	<b>10,509</b>	<b>(4,756)</b>
<b>Net profit before tax</b>		<b>82,441</b>	<b>81,953</b>	<b>30,468</b>	<b>17,748</b>
Income tax expense	5	(10,743)	(28,758)	-	-
<b>Net profit for the year</b>		<b>71,698</b>	<b>53,195</b>	<b>30,468</b>	<b>17,748</b>
<b>Profit/(loss) attributable to:</b>					
Equity holders of the parent - RET I	1(ac)	55,456	44,365	-	-
Equity holders of the other stapled entity - RET II	1(ac)	13,864	4,929	-	-
<b>Stapled security holders</b>		<b>69,320</b>	<b>49,294</b>	-	-
Net profit attributable to minority interest	20	2,378	3,901	-	-
<b>Net profit for the year</b>		<b>71,698</b>	<b>53,195</b>	<b>30,468</b>	<b>17,748</b>
<b>Earnings per unit to unitholders</b>					
Basic earnings per unit (cents per unit)	6	13.99	19.06	11.19	17.15
Diluted earnings per unit (cents per unit)	6	13.99	19.06	11.19	17.15

The above income statements are to be read in conjunction with the accompanying notes.  
Refer to Note 6 for the reconciliation between net profit attributable to unitholders and distributable income.

**BALANCE SHEETS**  
AS AT 31 DECEMBER 2007

	Note	Consolidated		Parent	
		31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	21	12,005	9,873	255	1,278
Receivables	7	14,671	3,129	18,027	880
Commercial real estate loans	8	56,675	-	-	-
Prepayments		65	89	39	29
Derivative financial instruments		5,534	3,314	5,535	1,805
<b>Total current assets</b>		<b>88,950</b>	<b>16,405</b>	<b>23,856</b>	<b>3,992</b>
<b>Non current assets</b>					
Commercial real estate loans	8	465,054	-	-	-
Property investments	9	1,121,026	900,042	-	-
Property under construction	10	-	42,235	-	-
Loan to controlled entities		-	-	368,459	51,061
Investment in controlled entities	11	-	-	53,503	53,553
Investment in redeemable preference units	12	-	-	166,786	215,889
<b>Total non current assets</b>		<b>1,586,080</b>	<b>942,277</b>	<b>588,748</b>	<b>320,503</b>
<b>Total assets</b>		<b>1,675,030</b>	<b>958,682</b>	<b>612,604</b>	<b>324,495</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables	13	20,041	47,046	8,201	18,375
Derivative financial instruments		2,502	-	-	-
Current income tax liabilities		374	-	-	-
Borrowings*	14	452,432	115,096	129,993	87,716
Provisions		241	414	-	-
Distribution payable	15	12,712	5,820	12,712	5,820
<b>Total current liabilities</b>		<b>488,302</b>	<b>168,376</b>	<b>150,906</b>	<b>111,911</b>
<b>Non current liabilities</b>					
Borrowings	14	607,063	467,206	80,310	-
Deferred tax liabilities	16	43,696	32,692	-	-
<b>Total non current liabilities</b>		<b>650,759</b>	<b>499,898</b>	<b>80,310</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,139,061</b>	<b>668,274</b>	<b>231,216</b>	<b>111,911</b>
<b>Net assets</b>		<b>535,969</b>	<b>290,408</b>	<b>381,388</b>	<b>212,585</b>
<b>Equity</b>					
<b>Equity attributable to equity holders of the parent - RET I</b>					
Contributed equity	17	410,054	221,700	410,054	221,700
Reserve	18	(5,049)	3,487	-	-
Undistributed income	19	34,756	21,729	(28,666)	(9,115)
<b>RET I unitholders' interest</b>		<b>439,761</b>	<b>246,916</b>	<b>381,388</b>	<b>212,585</b>
<b>Equity attributable to equity holders of the other stapled entity - RET II</b>					
Contributed equity	17	71,722	24,633	-	-
Reserve	18	(1,262)	388	-	-
Undistributed income	19	8,689	2,414	-	-
<b>RET II unitholders' interest</b>		<b>79,149</b>	<b>27,435</b>	<b>-</b>	<b>-</b>
<b>Rubicon Europe Trust Group stapled unitholders' interest</b>	1(ac)	<b>518,910</b>	<b>274,351</b>	<b>381,388</b>	<b>212,585</b>
Minority interest	20	17,059	16,057	-	-
<b>Total equity</b>		<b>535,969</b>	<b>290,408</b>	<b>381,388</b>	<b>212,585</b>

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

\* This amount includes \$259.1 million for the CRE loan warehouse facility which is a three year term facility expiring in March 2010. While this facility has approximately 2.2 years before expiry, it is cancellable with 364 days notice. No cancellation notice has been received from the facility provider.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated		Parent	
		31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Total equity at the beginning of the year</b>		<b>290,408</b>	260,263	<b>212,585</b>	219,987
Exchange differences on translation of foreign operations	18	(10,186)	3,357	-	-
<b>Net income recognised directly in equity</b>		<b>(10,186)</b>	3,357	-	-
Net profit for the year attributable to stapled security holders/unitholders		<b>69,320</b>	49,294	<b>30,468</b>	17,748
<b>Total recognised income and expenses for the year</b>		<b>59,134</b>	52,651	<b>30,468</b>	17,748
Transactions with unitholders in their capacity as unitholders:					
Contributions of equity, net of transaction costs	17	<b>235,444</b>	(986)	<b>188,354</b>	(887)
Distributions provided for or paid	15	<b>(50,019)</b>	(24,263)	<b>(50,019)</b>	(24,263)
<b>Total transactions with unitholders</b>		<b>185,425</b>	(25,249)	<b>138,335</b>	(25,150)
Transactions with minority interest:					
Contributions of equity, net of transaction costs	20	<b>(108)</b>	(414)	-	-
Share of net profit for the year	20	<b>2,378</b>	3,901	-	-
Distributions provided for or paid	20	<b>(1,181)</b>	(1,219)	-	-
Foreign currency translation reserve	20	<b>(87)</b>	475	-	-
		<b>1,002</b>	2,743	-	-
<b>Total equity at the end of the year</b>		<b>535,969</b>	290,408	<b>381,388</b>	212,585
Total recognised income and expenses for the year is attributable to:					
Equity holders of REU		<b>59,134</b>	52,651	<b>30,468</b>	17,748
Minority interest		<b>2,291</b>	4,376	-	-
<b>Total income and expenses for the year</b>		<b>61,425</b>	57,027	<b>30,468</b>	17,748

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

**CASH FLOW STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated		Parent	
		31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Cash flows from operating activities</b>					
Property rental income received		58,880	47,847	-	-
Property expenses paid		(8,806)	(7,736)	-	-
Lease guarantee received		4,034	1,795	2,715	516
Distribution received		-	-	30,958	20,998
Realised foreign exchange gain		8,467	3,507	3,732	498
Commercial real estate loan interest received		23,396	-	-	-
Interest income received from controlled entity		-	-	13,652	-
Other income		365	688	-	574
Interest income received		824	467	677	269
Finance costs paid		(41,114)	(16,288)	(9,884)	(2,474)
Loss on close out of capital hedges		(2,661)	-	(2,661)	-
Other operating expenses paid		(8,848)	(1,198)	(8,340)	(1,070)
<b>Net cash inflow/(outflow) from operating activities</b>	22	<b>34,537</b>	<b>29,082</b>	<b>30,849</b>	<b>19,311</b>
<b>Cash flows from investing activities</b>					
Investment in controlled entity		-	-	(989)	(49,758)
Investment in notes issued by controlled entity		-	-	(268,811)	-
Payment for capital expenditure on property investments		(64,366)	(27,595)	(986)	-
Payment for CRE loan investments		(529,988)	-	-	-
Proceeds from repayment for CRE loan investments		14,985	-	5,844	-
Payment for property investments		(94,247)	(183,961)	-	-
Payment for acquisition costs on CRE loan investments		(10,477)	-	(10,477)	-
Payment for acquisition costs on property investments		(3,370)	(16,476)	(3,318)	(6,875)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(687,463)</b>	<b>(228,032)</b>	<b>(278,737)</b>	<b>(56,633)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of new units		245,517	-	196,414	-
Proceeds from redemption of redeemable preference units		-	-	49,103	-
Payment for unit buy-back		(1,415)	-	(1,132)	-
Payment of issue costs		(8,784)	(3,773)	(8,784)	(954)
Proceeds from equity contribution from minority interest		660	-	-	-
Repayment of equity contribution to minority interest		(105)	-	-	-
Proceeds from borrowings		696,811	280,524	215,360	139,447
Repayment of borrowings		(219,242)	(51,473)	(172,904)	(51,473)
Payment of CRE loan establishment costs		(2,565)	-	(2,565)	-
Loan to controlled entities		-	-	(64,399)	(32,434)
Loan from controlled entities		-	-	80,310	-
Payment of debt arrangement fees		(4,677)	(4,103)	(1,706)	(1,716)
Distribution paid to unitholders		(43,127)	(18,443)	(43,127)	(18,443)
Distribution paid to minority interest		(1,191)	(898)	-	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>661,882</b>	<b>201,834</b>	<b>246,570</b>	<b>34,427</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,956</b>	<b>2,884</b>	<b>(1,318)</b>	<b>(2,895)</b>
Cash and cash equivalents at the beginning of the year		9,873	7,526	1,278	4,190
Effects of exchange rate changes on cash and cash equivalents		(6,824)	(537)	295	(17)
<b>Cash and cash equivalents at the end of the year</b>	21	<b>12,005</b>	<b>9,873</b>	<b>255</b>	<b>1,278</b>

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report covers Rubicon Europe Trust I ("the Trust") as a consolidated entity. The Trust was established pursuant to the Constitution dated 7 October 2005 and was registered as a managed investment scheme with the Australian Securities & Investments Commission ("ASIC") on 21 October 2005.

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

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

The financial statements were authorised for issue by the directors on 29 February 2008.

### (a) Basis of preparation

The general purpose financial report has been prepared in accordance with the requirements of the Group's Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

#### (i) Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Rubicon Europe Trust I comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

#### (ii) Early adoption of standards

The Group has elected not to early adopt any accounting standards.

#### (iii) Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property investments and derivative financial instruments held at fair value.

#### (iv) Critical accounting estimates

The preparation of financial statements in conformity with AIFRS may require the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Trust's accounting policies. Other than the estimation of fair values described in note 1(k), 1(j) and 1(r) and assumptions relating to deferred tax liabilities, no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next annual reporting period.

#### (v) Going concern

The financial report for the Trust and the entities it controlled as at year end (the "Group") has been prepared on a going concern basis following the directors of the Responsible Entity reviewing its going concern status. The review was undertaken as in the opinion of the directors of the Responsible Entity the rapid and unanticipated dislocation in global credit markets and associated volatility in equity markets has had a material impact on the operations, financial position and outlook for the Group. The primary matters faced by the Group in the current operating environment are:

- > CRE warehouse facility repayment
- > Refinancing risk
- > Debt covenants for CRE loan warehouse facility
- > Rubicon Europe Trust Group's relationship with Allco Finance Group Limited
- > Planned initiatives execution risk

### CRE loan warehouse facility repayment

The Group's existing €275 million (\$458.4 million) CRE loan warehouse facility (also known as the Credit Suisse revolving credit facility) is drawn to approximately €155 million (\$259.1 million) and has a three year term expiring in March 2010. As previously communicated to the market, this facility is cancellable with 364 days notice. While the facility has approximately 2.2 years left before expiry, and no cancellation notice has been received from the facility provider; the facility is disclosed as a current liability in the Group's balance sheets (notwithstanding that the facility may not actually be repayable in less than one year).

Under the CRE loan warehouse facility, the facility provider has the right, at its complete discretion, to mark to market the value of the CRE loan collateral securing the facility and, if the assessed value of the collateral has fallen, call for partial repayment of the facility within five business days.

If there are calls for partial repayment of the facility, the Group may not be able to replace the facility with alternative funding, and/or meet its margin call commitments which would entitle the facility provider to request immediate repayment of the drawn amount.

### Refinancing risk

For the 12 months from the date of this report, the Group has a corporate debt facility of approximately \$150 million (which is currently drawn to approximately \$130.4 million) which will require refinancing in September 2008. While the Board of the Responsible Entity believes that this corporate debt facility could be successfully renegotiated and refinanced in the ordinary course of business, particularly in light of the reduction in the overall gearing level of the Group planned to be implemented, there is a heightened risk of this not being satisfactorily achieved due to the current serious dislocation in global credit markets.

### Debt covenants for CRE loan warehouse facility

As at the date of this report, the Group is in compliance with all necessary debt covenants where a breach would lead to an event of default. The CRE loan portfolio, however, has a concentration of approximately 34.6% in respect of drawings against healthcare assets against a requirement of 17.5% originally required to be achieved by October 2007. Under the terms of the CRE loan warehouse facility, the facility provider may request that a margin payment be made with 5 business day notice (on an equivalent basis to the margin payments described above) to reduce this concentration to 17.5% which would be approximately €32 million (\$53.3million). As at the date of this report, the CRE loan warehouse facility provider has not elected to do this and has provided no indication that it intends to do so.

### Rubicon Europe Trust Group's relationship with Allco Finance Group Limited

Rubicon Asset Management Limited ("RAML") the responsible entity of the Group is a wholly owned subsidiary of Allco Finance Group Limited ("AFGL"). The Executive Directors and management team of the Trust are employees of AFGL.

The Group receives the benefit and is reliant upon, a number of management, administration and other services from AFGL, RAML, Rubicon Capital Pty Limited and Rubicon Advisory Limited, entities related to AFGL. RAML and its related entities also originate property investment proposals for the Trust, assist with the arrangement of financing for the Trust and its underlying property and loan structures and provide proposals to the Trust in relation to potential assets sales from time to time.

On 25 February 2008, AFGL released its results for the half year ended 31 December 2007. The financial report and the independent auditor's review report to the members of AFGL contain disclosure of significant events after balance date which may cast significant doubt about AFGL's ability to continue as a going concern.

In the event AFGL does not continue as a going concern, management, administration and other services to the Group may be impacted. Should RAML be replaced as Responsible Entity or undergo a change of control without prior approval of lenders, this could lead to an acceleration of debt repayment.

NOTE 1. SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (CONTINUED)

**Planned initiatives execution risk**

The directors of the Responsible Entity will seek to implement the following initiatives to improve significantly the Group's liquidity profile and risk profile:

- > Reduction of short term debt to the greatest extent possible over the near term
- > Reduction of contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible and appropriate over the near term
- > Full retention of earnings over the next 12-18 months
- > Implementation of an asset sale program of sufficient scale to reduce the gearing level of the Group to 45% - 55% and free up, up to \$50 million of equity to buy back securities

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern. The Trust may be unable to continue realising its assets and discharging its liabilities in the normal course of business.

**(b) Principles of consolidation**

Under AIFRS, Rubicon Europe Trust I will be deemed to have acquired Rubicon Europe Trust II to form the stapled group. Under this arrangement, Rubicon Europe Trust I will consolidate Rubicon Europe Trust II.

The consolidated financial statements of the Trust incorporate the assets and liabilities of the Trust's controlled entities as at 31 December 2007, and their results for the financial year then ended. The effects of all transactions between entities in the consolidated entity have been eliminated in full.

Where control of an entity is obtained during a year, its results are included in the income statements from the date on which control commences. Where control of an entity ceases during a year, its results are included for that part of the year during which control existed.

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

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

**(c) Revenue recognition**

Revenue is recognised at fair value of the consideration received net of the amount of goods and services tax (GST) or value added tax (VAT) payable to taxation authorities.

*Rent*

Rental income is recognised in the income statements on a straight line basis over the lease term.

*Recoverable outgoings*

Revenues associated with tenant reimbursements are recognised in the period in which the expenses are incurred based upon the tenant lease provision.

*Commercial real estate interest income*

Interest income is brought to account on an accruals basis using the effective interest rate method and, if not received at the balance date, is reflected in the balance sheets as a receivable.

*Interest income*

Interest income is brought to account on an accruals basis using the effective interest rate method and, if not received at the balance date, is reflected in the balance sheet as a receivable.

*Distribution income*

Income from dividends and distributions are recognised when declared.

**(d) Expenses**

Expenses are brought to account on an accrual basis and, if not paid at the balance date, are referred in the balance sheets as a payable.

*Manager's fees*

Asset management fees payable to the Responsible Entity are recognised as an expense when the services are received and for the performance fee component in accordance with the Trust Constitution when performance criteria for the fee is met.

*Net finance costs*

Net finance costs comprise interest expense on borrowings calculated using the effective interest rate method. Interest income is recognised in the income statement as it accrues, using the effective interest method.

**(e) Borrowing costs**

Borrowing costs incurred in establishing loan facilities are capitalised and amortised over the term of facilities.

Borrowing costs incurred in drawing funds under a loan are transaction costs which are offset against the proceeds of the loan and are included in the effective interest rate calculation.

Other borrowing costs are expensed as incurred.

**(f) Income tax**

Under current Australian income legislation, the Trust is not liable to income tax provided its taxable income (including assessable realised capital gains) is fully distributed to unitholders, by way of cash or reinvestment.

Temporary differences between the carrying values of assets in the balance sheet and their associated tax cost base, principally due to property revaluations and tax depreciation, give rise to a deferred tax liability which is recognised in the balance sheet and the corresponding tax expense in the income statement.

While accounting for the deferred taxation due to tax depreciation gives rise to a taxation expense in the consolidated income statement, it will not impact on the cash flows from operations and hence the cash distributions paid to unitholders. The deferred tax liability is restricted to the excess of tax depreciation over tax losses.

The relevant tax rates applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability are as follows:

Austria: 25.00%

Belgium : 33.99%

Germany: 15.825%

Luxembourg: 29.63%

The Netherlands : 25.47%

**(g) Foreign currency translation***(i) Functional and presentation currency*

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

*(ii) Transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the date the fair value was determined.

*(iii) Foreign controlled entities*

Foreign controlled entities assets and liabilities are translated into Australian dollar at rates of exchange current at the prevalent reporting date, while their income and expenditure are translated at the average of rates ruling during the year. Exchange differences arising on translation are recorded in the foreign currency translation reserve.

NOTE 1. SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (CONTINUED)

**(h) Cash and cash equivalents**

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

**(i) Receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, which is based on the invoiced amount less any impairment losses.

Trade receivables are generally due for settlement within 30 days of recognition. Impairment is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due and according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "other operating expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

**(j) Commercial real estate (CRE) loans**

CRE loans are initially recorded at fair value which is based on the original purchase price plus any related transaction costs. CRE loans are subsequently measured at amortised cost, using the effective interest method less any impairment losses with impairment reviewed on an on-going basis.

CRE loans which are known to be uncollectible are written off. Where there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the loan, a provision for doubtful CRE loans is established. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows. The amount of the provision is recognised in the income statement.

The fair value of CRE loans is estimated using discounted cash flows. The process involves obtaining feedback from CRE loan market participants in respect of the general CRE loan market and the Trust's loan specific information. The credit spreads are adjusted based on reviews of general debt market and the specific information which includes, among other things, the level of repositioning risk still outstanding in the asset, the state of the real estate market, the LVR of the loan, the occupancy level of the property, the weighted average lease tenor and the current and projected interest cover of the loan. The spreads are added to the base index to discount the expected future cash flows of the loan assets in order to arrive at the fair value.

**(k) Property investments**

Property investments are investments in properties which are held either to earn rental income or for capital appreciation or for both. Property investments are stated at fair value. An external valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio on a rolling three year basis, or more regularly if required. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the annual rentals to arrive at the property valuation. Valuations reflect, where appropriate, type of tenants, future rent reviews and market conditions. Any change in any of these factors could have a significant impact on the value of the Trust's property investments.

Any gain or loss from a change in fair value is recognised in the income statement.

All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the balance sheet. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.

#### **(l) Property under construction**

Property under construction is stated at the aggregate of the property acquisition and construction contract costs. During the period of construction the asset will be carried at the lower of cost or the value that the directors believe is recoverable. The recoverable amount considers cash outflows necessary to complete asset.

The recoverable amount of an asset is the higher of the fair value of the asset less selling costs, and the value in use.

Property under construction is subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The expected net cash flows included in determining recoverable amounts of the non-current asset are discounted to their present values using a market-determined, risk-adjusted discount rate.

At completion of construction of a building, the non-current asset is reclassified as an investment property and independently revalued.

#### **(m) Investment in redeemable preference units**

The investment in redeemable preference units is stated at the subscription amount.

#### **(n) Derivatives and other financial instruments**

The Group has entered into fixed rate funding and interest rate swap agreements to mitigate exposure to increasing interest rates. Historically, the Group has entered into foreign currency contracts to hedge against the risk to income and the initial capital investment of adverse movements in exchange rates. Derivative financial instruments are not held for speculative purposes.

Derivatives must be recognised at fair value on inception. Changes in the fair value of any derivative instruments are recognised immediately in the income statement.

#### **(o) Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues and expenses are recognised net of GST and VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Tax Office ("ATO") or foreign taxation authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of GST or VAT. The net amount of GST and VAT recoverable from, or payable to, the tax authorities is included as a current asset or current liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from or payable to the taxation authorities are included in the cash flow statement.

#### **(p) Leasing fees**

Leasing fees incurred are capitalised and amortised over the lease periods to which they relate.

NOTE 1. SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (CONTINUED)

**(q) Lease incentives**

Prospective lessees may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain costs such as fit out costs or relocation costs.

The costs of incentives are recognised as a reduction of rental income on a straight-line basis from the earlier of the date which the tenant has effective use of the premises or the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of property investments.

**(r) Fair value estimation of financial assets and liabilities**

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

The fair value of financial instruments traded in active markets is based on quoted market price at balance date. The quoted market price used for financial assets held by the Trust is the current bid price, the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques including dealer quotes for similar instruments and discounted cash flows. In particular, the fair value of forward exchange rate contracts is determined using forward exchange market rates at the balance date.

The fair value of CRE loans is estimated using discounted cash flows. The process involves obtaining feedback from CRE loan market participants in respect of the general CRE loan market and the Trust's loan specific information. The credit spreads are adjusted based on reviews of general debt market and the specific information which includes, among other things, the level of repositioning risk still outstanding in the asset, the state of the real estate market, the LVR of the loan, the occupancy level of the property, the weighted average lease tenor and the current and projected interest cover of the loan. The spreads are added to the base index to discount the expected future cash flows of the loan assets in order to arrive at the fair value.

Interests held by the Trust in controlled entities are measured at cost in the parent entity's financial report and is determined based on the net tangible asset backing.

**(s) Payables**

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust and are stated at cost. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

**(t) Distributions**

In accordance with the Trust's constitution, the Trust distributes its distributable income to unitholders by cash or equivalents. Distributions are provided for when they are approved by the Board of Directors of the Responsible Entity and announced. As discussed in Note 1, the Trust does not expect to pay a distribution over the next 12-18 months.

**(u) Provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(v) Borrowings**

Borrowings are initially recognised at fair value less attributable transaction costs.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**(w) Contributed equity**

Ordinary units are classified as equity. Redeemable preference units are classified as liabilities.

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

When the Group reacquires its own ordinary units as the result of unit buy-back, those units are deducted from equity and are cancelled. No gain or loss is recognised in the income statement and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

**(x) Equity transaction costs**

Transaction costs arising on the issue of equity are recognised directly in equity as a reduction of the proceeds of units to which the costs relate.

**(y) Reserves**

In accordance with the Trust Constitution, amounts may be transferred from reserves to fund distributions.

**(z) Earnings per stapled unit**

Basic earnings per stapled unit is determined by dividing net profit attributable to the Trust by the weighted average number of stapled units on issue during the year.

Diluted earnings per unit is determined by dividing net profit attributable to the Trust by the weighted average number of units on issue and dilutive potential units on issue during the year.

**(aa) Segment reporting**

Segment income, expenditure, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of cash, receivables (net of allowances) and investments. Any asset used jointly by segments are allocated based on reasonable estimates of usage.

**(ab) Rounding**

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**(ac) Stapling arrangement**

The stapling arrangement of the Trust is of a kind referred to in AASB Interpretation 1002 "Post-Date-of-Transition Stapling Arrangements". In accordance with the Interpretation and the Stapling Deed dated 1 November 2005, results and equity of the Trust were allocated between RET I and RET II in the ratio of 9 to 1.

The new units issued by RET I and RET II in March 2007 and the results for the period have been allocated in the ratio of 8 to 2 based on their net asset values.

**(ad) Minority interests**

Minority interests in the results and equity in the subsidiaries are shown separately in the income statement and balance sheet respectively.

NOTE 1. SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (CONTINUED)

**(ae) New accounting standards and  
interpretations not yet adopted**

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the consolidated entity in these financial statements:

AASB 101 Presentation of Financial Statements (effective from 1 January 2009). The impacts of the revised AASB 101 are to eliminate much of the Australian content, including the Australian illustrative formats of income statement, balance sheet and statement of equity which entities were previously "encouraged" to adopt in preparing their financial statements. In addition to this, the standard introduces disclosures about the level of an entity's capital and how it manages capital.

AASB 8 Operating Segments (effective from 1 January 2009). This standard will require the entity to adopt the "management approach" to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures to that used in preparing the income statement and balance sheet, in which case reconciliations of certain items will be required.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The application of these standards will not affect the amount recognised in the financial statements.

NOTE 2. MANAGER'S FEE

The Manager is Rubicon Asset Management Limited, a wholly owned subsidiary of Allco Finance Group Limited, a company incorporated in Australia.

In accordance with Rubicon Europe Trust I and Rubicon Europe Trust II constitutions, Rubicon Asset Management Limited and/or Rubicon Advisory Limited is entitled to receive the following fees:

**(a) Base management fee**

A base management fee up to 0.45% per annum (exclusive of GST) of the Trust's direct and indirect proportionate interest in properties and other assets. The base management fee is payable monthly in arrears.

**(b) Performance fee**

Rubicon Asset Management Limited and/or Rubicon Advisory Limited is entitled to a performance fee if REU increases in market value in any six month period ended 30 June or 31 December exceeds that of the S&P/ASX 200 Property Accumulation Index (Index). The performance fee is payable in either cash or stapled units and the entitlement is calculated as follows:

- > 5% of the total increased REU unitholders' value relative to the index; plus
- > 15% of the total increased REU unitholders' value relative to 2% above the index.

The Manager is required to earn back any underperformance accrued in previous periods prior to being entitled to a performance fee.

There is a cap on the total of the base management fee and performance fee of 1.0% per annum of the value of REU's direct or indirect proportionate interest in properties and other assets at the end of each financial year or greater period from the time the excess accrued. If the combined amount of fees is above 1.0% per annum, the excess will be carried forward into the following year. Fees carried forward will be paid before any performance fee earned in the then current period is paid. Where REU outperforms for a period of three years or more from the accrual of the performance fee, the accrued balance will be paid at the end of that period. This payment of outstanding fees will not be capped. Accordingly, it is feasible that the aggregate of the base management fee and performance fee could exceed 1.0% of REU's assets after three years of cumulative out performance.

No performance fees were paid during the year.

### (c) Manager's fee calculation

The total manager's fee for the financial year is detailed as follows:

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Base management fee	5,577	3,071	2,248	67
<b>Total management fees</b>	<b>5,577</b>	<b>3,071</b>	<b>2,248</b>	<b>67</b>

### NOTE 3. OTHER OPERATING EXPENSES

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Professional fees	800	292	134	-
Insurance	127	65	105	46
Legal	720	123	-	21
Custodian fee	234	128	187	115
Registry fee	119	66	98	55
Printing and supplies	110	80	90	66
Audit fees	719	218	426	151
Travel and subscription costs	147	49	118	44
Marketing and office expenses	310	131	225	102
Other	963	416	80	121
	<b>4,249</b>	<b>1,568</b>	<b>1,463</b>	<b>721</b>

NOTE 4. AUDITOR'S REMUNERATION

During the financial year, the auditor of the trust, PricewaterhouseCoopers, earned the following remuneration:

(a) Assurance services

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under Corporations Act 2001	528	168	426	151
Related practices of PricewaterhouseCoopers Australian firm	191	50	-	-
<b>Total remuneration for audit services</b>	<b>719</b>	<b>218</b>	<b>426</b>	<b>151</b>
<i>Other assurance services</i>				
PricewaterhouseCoopers Australian firm				
Due diligence services	303	43	242	54
Related practices of PricewaterhouseCoopers Australian firm	-	17	-	-
<b>Total remuneration for other assurance services</b>	<b>303</b>	<b>60</b>	<b>242</b>	<b>54</b>
<b>Total remuneration for assurance services</b>	<b>1,022</b>	<b>278</b>	<b>668</b>	<b>205</b>

(b) Taxation services

PricewaterhouseCoopers Australian firm				
International tax consulting, tax advice on mergers and acquisition and capital raising	871	898	783	808
Tax compliance services, including review of company tax returns	165	-	134	-
Related practices of PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of tax returns.	186	70	-	-
<b>Total remuneration for taxation services</b>	<b>1,222</b>	<b>968</b>	<b>917</b>	<b>808</b>

## NOTE 5. INCOME TAX EXPENSE

### (a) Income tax expense

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Current tax</b>				
Australian income tax expense	38	-	-	-
Austrian income tax expense	4	-	-	-
Belgian income tax expense	137	-	-	-
German income tax expense	(9)	(1)	-	-
Luxembourg income tax expense	126	-	-	-
	<b>296</b>	<b>(1)</b>	-	-
<b>Deferred Tax</b>				
Deferred Belgian tax expense	9,327	9,604	-	-
Deferred Dutch tax expense	2,877	524	-	-
Deferred German tax expense	(3,085)	18,631	-	-
Deferred Austrian tax expense	1,328	-	-	-
	<b>10,447</b>	<b>28,759</b>	-	-
<b>Total</b>	<b>10,743</b>	<b>28,758</b>	-	-

### (b) Reconciliation of income tax expense

Profit/(loss) before tax for the year	82,441	81,953	30,468	17,748
Tax at the Australian rate of 30%	24,732	24,586	9,140	5,324
Tax effect of amounts that are not assessable	(23,818)	(24,590)	(9,140)	(5,324)
Tax effect of amounts that are assessable	(914)	4	-	-
Australian income tax expense	38	-	-	-
Austrian income tax expense	4	-	-	-
Belgian income tax expense	137	-	-	-
German income tax expense	(9)	(1)	-	-
Luxembourg income tax expense	126	-	-	-
Belgian deferred tax on difference between the original Belgian tax cost base and the fair value of property investments	9,327	9,604	-	-
Dutch deferred tax on difference between the original Dutch tax cost base and the fair value of property investments	2,877	524	-	-
German deferred tax on difference between the original German tax cost base and the fair value of property investments	(3,085)	18,631	-	-
Austrian deferred tax on difference between the original Austrian tax cost base and the fair value of property investments	1,328	-	-	-
	<b>10,743</b>	<b>28,758</b>	-	-

NOTE 6. EARNINGS PER STAPLED UNIT

	2007	Consolidated	2006
Basic earnings per unit (cents per unit)	13.99		19.06
Diluted earnings per unit (cents per unit)	13.99		19.06
Earnings used in the calculation of basic earnings per unit and diluted earnings per unit	\$'000	69,320	49,294
Weighted number of units used in the calculation of basic earnings per unit and basic distributable income per unit*	495,649,829		258,665,080
Weighted number of units used in the calculation of diluted earnings per unit and diluted distributable income per unit*	495,649,829		258,665,080

\* The 237.1 million new units issued in March 2007 have been included for the whole year in this calculation as they received a special distribution at 2.375 cents per unit relating to the March quarter.

Calculation of distributable income (unaudited)

	2007 \$'000	Consolidated	2006 \$'000
Net profit attributable to unitholders per income statement	69,320		49,294
Add back			
Gain in fair value of property investments	(55,743)		(56,521)
Net loss/(gain) on re-measurement of derivatives to fair value	282		(3,713)
Realised loss on close out of capital hedges	2,661		-
Net unrealised foreign exchange gains*	2,529		-
Deferred tax expense	10,447		28,758
Amortised borrowing costs	2,667		2,837
Amortised expenses based on effective interest method	3,173		-
Finance costs and legal costs funded by borrowings	3,184		-
Lease guarantee	5,002		1,795
Distributable income	43,522		22,450
Special distribution**	5,631		-
Transfer from undistributed income	866		1,813
<b>Distribution</b>	<b>50,019</b>		<b>24,263</b>

\* Includes unrealised gains on Euro and GBP denominated income earned during the year but transferred to Australia after 31 December 2007.

\*\* Being the March quarter distribution at 2.375 cents per unit paid to new units issued in March 2007.

Basic distributable income per unit (cents per unit)	10.09		9.38
Diluted distributable income per unit (cents per unit)	10.09		9.38
Earnings used in the calculation of basic distributable income per unit and diluted distributable income per unit	50,019		24,263

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## NOTE 7. RECEIVABLES

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Rent receivable	5,184	1,722	-	-
Interest receivable	8,687	-	-	-
Intergroup receivable	-	-	17,478	585
Minority interest receivable	-	676	-	-
Sundry debtors	657	262	293	200
Withholding tax receivable	-	-	133	-
VAT / GST receivable	143	469	123	95
	<b>14,671</b>	<b>3,129</b>	<b>18,027</b>	<b>880</b>

## NOTE 8. COMMERCIAL REAL ESTATE LOANS\*

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Current assets				
Commercial real estate loans	56,675	-	-	-
Non Current assets				
Commercial real estate loans	465,054	-	-	-

\* Includes total net capitalised acquisition costs of \$7.3 million.

The Group's commercial real estate loans are backed with a pledge of ownership interest in unrated special purpose borrowing vehicles. One commercial real estate loan is due to mature in March 2008.

The Credit Suisse Revolving Facility Agreement is secured against the CRE loan assets. Please read in conjunction with Note 14.

NOTE 9. PROPERTY INVESTMENTS

Properties	Acquisition date	Cost including all additions and acquisition costs €'000	Independent valuation date	Independent valuation amount €'000	Independent valuer	Consolidated book value 31 Dec 2007 €'000	Consolidated book value 31 Dec 2006 €'000
Stettiner Carree, Berlin, Germany	14-Dec-05	155,963	15-Feb-07	184,000	(1)	184,000	176,300
Campus Carree, Frankfurt, Germany	14-Dec-05	109,023	15-Feb-07	118,420	(1)	119,779	113,300
Olof-Palme Strasse, Frankfurt, Germany	14-Dec-05	100,621	15-Feb-07	120,600	(1)	120,600	116,300
Nike European Headquarters, Colosseum 1, Hilversum, The Netherlands	15-Aug-06	98,584	15-Feb-07	103,700	(1)	103,700	98,910
Honeywell Building, Hermes Plaza, Diegem, Brussels, Belgium	13-Jul-06	21,739	17-Dec-07	20,000	(1)	20,000	19,900
Hewlett Packard Building, Hermes Plaza, Diegem, Brussels, Belgium	13-Jul-06	43,334	17-Dec-07	42,000	(1)	42,000	-
Land, Hermes Plaza, Brussels, Belgium	13-Jul-06	11,312	17-Dec-07	22,240	(1)	22,240	12,975
Medicent Salzburg, Salzburg, Austria	23-Mar-07	30,900	31-Jan-07	32,090	(2)	32,093	-
Medicent Innsbruck, Innsbruck, Austria	23-Mar-07	27,100	31-Jan-07	28,090	(2)	28,092	-
<b>Total property investments (€'000)</b>		<b>598,576</b>		<b>671,140</b>		<b>672,504</b>	537,685
<b>Total property investments (\$'000)</b>		<b>997,793</b>		<b>1,118,753</b>		<b>1,121,026</b>	900,042

- 1) Valuer: Paul Wolfenden, MRICS, DTZ Debenham Tie Leung Limited  
 2) Valuer: Timo Tschammler, MRICS, DTZ Debenham Tie Leung Limited  
 Exchange rate \$1 = Euro 0.5999

All property investments above act as security for borrowings (see note 14).

## NOTE 9. PROPERTY INVESTMENTS (CONTINUED)

### Reconciliation of carrying amount of property investments:

A summary of the basis of the carrying amount of property investments including those held through controlled entities is set out below:

	Consolidated		Consolidated	
	31 Dec 07 €'000	31 Dec 06 €'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Carrying amount - opening	537,685	372,900	900,042	603,105
Acquisitions	58,000	124,489	96,683	208,385
Capitalised subsequent expenditure	(676)	7,843	(1,127)	13,129
Amortisation of lease incentives	(76)	(27)	(126)	(46)
Transfer from property under construction	43,334	-	72,411	-
Net gain from fair value adjustments	34,237	32,480	57,197	59,386
Foreign currency translation differences	-	-	(4,054)	16,083
<b>Carrying amount - closing</b>	<b>672,504</b>	<b>537,685</b>	<b>1,121,026</b>	<b>900,042</b>

## NOTE 10. PROPERTY UNDER CONSTRUCTION

### Property description

#### Hermes Plaza, Diegem, Brussels, Belgium

	Consolidated		Consolidated	
	31 Dec 07 €'000	31 Dec 06 €'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Carrying amount - opening	25,231	-	42,235	-
Acquisition and construction costs	18,202	25,132	30,342	42,069
Capitalised interest	(99)	99	(166)	166
Reclassification to investment property	(43,334)	-	(72,411)	-
<b>Carrying amount - closing</b>	<b>-</b>	<b>25,231</b>	<b>-</b>	<b>42,235</b>

The Hewlett Packard building located at Hermes Plaza, Diegem, Brussels, Belgium was completed 14 August 2007.

No interest expense has been capitalised as part of the construction costs.

## NOTE 11. INVESTMENT IN CONSOLIDATED ENTITIES

	Country of incorporation	Ownership interest 2007 %	Parent Entity Carrying Amount 2007 \$'000	Ownership interest 2006 %	Parent Entity Carrying Entity 2006 \$'000
<b>Direct control</b>					
Rubicon Europe Trust II*	Australia	100%	79,149	100%	27,435
Rubicon Luxembourg Trust	Australia	100%	-	100%	-
Rubicon Hilversum Trust	Australia	100%	-	100%	-
			<b>79,149</b>		<b>27,435</b>

NOTE 11. INVESTMENT IN CONSOLIDATED ENTITIES (CONTINUED)

	Country of incorporation	Ownership interest 2007 %	Parent Entity Carrying Amount 2007 \$'000	Ownership interest 2006 %	Parent Entity Carrying Amount 2006 \$'000
<b>Indirect control</b>					
Colosseum Hilversum Unit Trust	Jersey	100%	53,503	100%	53,553
			<b>53,503</b>		<b>53,553</b>
<b>Indirect control through Rubicon Europe Trust II</b>					
Rubicon Europe Trust III	Australia	100%	-	100%	-
Rubicon Europe Pty Limited	Australia	100%	-	100%	-
Tiago Assets GmbH	Germany	100%	-	100%	-
Rubicon 1. Beteiligungs GmbH	Germany	100%	-	100%	-
Rubicon Asset GmbH and Co. KG	Germany	100%	-	100%	-
Tiago German Properties GmbH and Co. KG	Germany	95%	-	95%	-
WA Property Management Holding Sarl & Co. KG	Germany	100%	-	0%	-
REU Lux 1 Sarl	Luxembourg	100%	-	100%	-
REU Lux 2 Sarl	Luxembourg	100%	-	100%	-
Rubicon Finance Europe SA	Luxembourg	100%	-	0%	-
Rubicon Finance Europe II SA	Luxembourg	100%	-	0%	-
Rubicon Finance Lux Sarl	Luxembourg	100%	-	0%	-
Rubicon Austria 1 Lux Sarl	Luxembourg	100%	-	0%	-
WA Property Management Holding Sarl	Luxembourg	100%	-	0%	-
Immo Water Weyde SA	Belgium	100%	-	100%	-
Airport Border SA	Belgium	100%	-	100%	-
Objekt Innsbrucker Bundesstrasse Verwaltungs GmbH	Austria	100%	-	0%	-
Objekt Innrain Immobilien GmbH	Austria	100%	-	0%	-
Objekt Innsbrucker Bundesstrasse Verwaltungs GmbH & Co. KG	Austria	100%	-	0%	-
Objekt Innrain Immobilien GmbH & Co. KG	Austria	100%	-	0%	-
			-		-

\* Under AIFRS Rubicon Europe Trust I is deemed to have acquired Rubicon Europe Trust II to form the stapled Rubicon Europe Trust Group. Under this arrangement Rubicon Europe Trust I will consolidate Rubicon Europe Trust II.

NOTE 12. INVESTMENT IN REDEEMABLE PREFERENCE UNITS

Redeemable Preference Units (RPU) are integral to REU's structure and are eliminated on consolidation. At balance date 166,785,996 RPU (2006: 215,889,000) were on issue.

RPU are held by RET I. The terms and conditions of the RPU are as follows:

- (i) The RPU are fully paid preferred units in RET III. They may be issued and may be redeemed for cash.
- (ii) RPU have no voting rights in relation to RET III.
- (iii) Each RPU ranks equally with all other RPU and in priority to ordinary units of RET III. The RPU are entitled to receive a cumulative compounding distribution out of RET III, on a 6 monthly basis and in priority to any distributions paid on the ordinary units.
- (iv) The RPU will be entitled to a distribution amount calculated as a percentage of the subscription price for those units, being equal to a margin set by the Manager, above the bank bill base rate.

## NOTE 13. PAYABLES

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Current</b>				
Interest payable on bank loans *	9,465	5,355	624	1,093
Debt establishment fee payable	-	565	-	565
Distribution payable to minority interest	302	300	-	-
Withholding tax payable	-	94	-	94
GST / VAT payable	4,429	2,604	-	-
Asset management fees payable	630	257	361	-
Intergroup payable	-	-	6,668	(3,273)
Trade creditors and accruals	5,215	37,859	548	19,896
Sundry creditors	-	12	-	-
	<b>20,041</b>	<b>47,046</b>	<b>8,201</b>	<b>18,375</b>

\* Refer to Note 14.

## NOTE 14. BORROWINGS

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Current</b>				
Secured bank loans*	454,850	115,354	130,430	87,974
Capitalised borrowing costs	(2,418)	(258)	(437)	(258)
<b>Total current borrowings</b>	<b>452,432</b>	<b>115,096</b>	<b>129,993</b>	<b>87,716</b>
<b>Non current</b>				
Secured bank loans	534,727	477,005	-	-
Senior unsecured debt securities	83,347	-	-	-
Intergroup loans	-	-	80,310	-
Capitalised borrowing costs	(11,011)	(9,799)	-	-
<b>Total non current borrowings</b>	<b>607,063</b>	<b>467,206</b>	<b>80,310</b>	<b>-</b>

\* This amount includes \$259.1 million for the CRE loan warehouse facility which is a three year term facility expiring in March 2010. While this facility has approximately 2.2 years before expiry, it is cancellable with 364 days notice. No cancellation notice has been received from the facility provider.

NOTE 14. BORROWINGS (CONTINUED)

Set out below is a summary of the Group's debt facilities (excluding capitalised borrowing costs) as at 31 December 2007:

Lender	Facility (€ '000)	Term (Years)	Balance (€ '000)	Contractual Expiry	Interest Rate	Security
<b>Secured bank loans - current</b>						
Credit Suisse*	275,000	3	155,440	March 2010	(i) EURIBOR plus weighted average margin 1.75% p.a. for EURO denominated CRE loans (ii) LIBOR plus weighted average margin 1.78% p.a. for GBP denominated CRE loans	Secured over the CRE loan assets.
ING**	39,000	1	39,000	January 2008	Floating at the EURIBOR rate plus 0.65% margin per annum	Hermes Plaza, Belgium and the shares of Immo Water Weyde SA and Airport Border SA, Belgium.
Helaba Landesbank Hessen-Thüringen***	180	1	180		Fixed at 5.08% per annum	Medicent Salzburg and Medicent Innsbruck, Austria
<b>Secured bank loans - current (€ '000)</b>	<b>314,180</b>		<b>194,620</b>			
<b>Secured bank loans - current (\$ '000)</b>	<b>523,721</b>		<b>324,420</b>			
National Australia Bank	150,000	1	130,430	September 2008	Floating at the three month BBSY rate with a 2.0% margin per annum and a 0.4% per annum fee on undrawn balance	Limited recourse only to Rubicon Europe Trust I, Rubicon Europe Trust II, Rubicon Europe Trust III and Rubicon Europe Pty Limited.
<b>Total secured bank loans - current (\$ '000)</b>	<b>673,721</b>		<b>454,850</b>			

\* The unused balance on this facility can only be used to acquire CRE loans.

\*\* The ING construction loan facility of €39 million was refinanced to a term facility of €43.4 million on 3 January 2008 with a seven year term expiring in January 2015. The interest rate of the ING term facility is floating at the EURIBOR rate plus 0.85% margin per annum.

\*\*\* 1% repayment of loan balance of €36 million annually commencing 1 July 2008 until 31 March 2017.

Lender	Facility (€ '000)	Term (Years)	Balance (€ '000)	Contractual Expiry	Interest Rate	Security
<b>Secured bank loans - non current</b>						
Deutsche Bank AG	217,200	7	217,200	January 2013	Fixed at 4.107% per annum	Stettiner Carree, Campus Carree and Olof-Palme Strasse, Germany
Deutsche Bank AG	67,762	5	67,762	August 2011	Fixed at 4.595% per annum	Nike European Headquarters, the Netherlands
Helaba Landesbank Hessen-Thüringen	35,820	10	35,820	March 2017	Fixed at 5.08% per annum	Medicent Salzburg and Medicent Innsbruck, Austria
<b>Total secured bank loans - non current (€ '000)</b>	<b>320,782</b>		<b>320,782</b>			
<b>Total secured bank loans - non current (\$ '000)</b>	<b>534,727</b>		<b>534,727</b>			
<b>Total secured bank loans (\$ '000)</b>	<b>1,208,448</b>		<b>989,577</b>			
<b>Senior unsecured debt securities - non current</b>						
Merrill Lynch International	3,000	15	3,000	April 2022	Fixed at 6.749% per annum until April 2017 for the first 10 years. Then floating at EURIBOR plus a margin of 2.4% per annum for the remaining 5 years.	Senior unsecured
Taberna Europe CDO I P.L.C.	47,000	15	47,000	April 2022	Fixed at 6.749% per annum until April 2017 for the first 10 years. Then floating at EURIBOR plus a margin of 2.4% per annum for the remaining 5 years.	Senior unsecured
<b>Total unsecured debt securities - non current (€ '000)</b>	<b>50,000</b>		<b>50,000</b>			
<b>Total unsecured debt securities - non current (\$ '000)</b>	<b>83,347</b>		<b>83,347</b>			
<b>Total borrowings (\$'000)</b>	<b>1,291,795</b>		<b>1,072,924</b>			

NOTE 14. BORROWINGS (CONTINUED)

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Financing facilities</b>				
The Group has access to the following lines of credit:				
Total bank loan facilities	1,208,448	642,286	150,000	100,000
Utilised at reporting date	989,577	592,359	130,430	87,974
<b>Unused facilities at reporting date*</b>	<b>218,871</b>	<b>49,927</b>	<b>19,570</b>	<b>12,026</b>

\* The unused balance includes €119.56 million (\$199.3 million) undrawn CRE loan warehouse facility from Credit Suisse which can only be used to acquire CRE loans and \$19.57 million undrawn facility from National Australia Bank.

NOTE 15. DISTRIBUTIONS PAID AND PAYABLE

	Consolidated 2007		Consolidated 2006	
	Cents per unit	\$'000	Cents per unit	\$'000
31 March 2007 (paid)	2.375	11,775	2.630	6,803
30 June 2007 (paid)	2.575	12,766	2.250	5,820
30 September 2007 (paid)	2.575	12,766	2.250	5,820
31 December 2007 (payable)	2.575	12,712	2.250	5,820
<b>Total distributions</b>	<b>10.10</b>	<b>50,019</b>	<b>9.38</b>	<b>24,263</b>

NOTE 16. DEFERRED TAX LIABILITIES

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
The balance comprises temporary differences attributable to:				
Tax depreciation	7,088	4,639	-	-
Property investments	38,940	27,655	-	-
Re-measurement of derivatives to fair value	(396)	398	-	-
Tax losses carried forward	(1,936)	-	-	-
	<b>43,696</b>	<b>32,692</b>	<b>-</b>	<b>-</b>

## NOTE 17. CONTRIBUTED EQUITY

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Number of units on issue</b>				
Rubicon Europe Trust I	493,650,856	258,665,080	493,650,856	258,665,080
Rubicon Europe Trust II	493,650,856	258,665,080	-	-
<b>Value of units on issue</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rubicon Europe Trust I	428,081	232,799	428,081	232,799
Rubicon Europe Trust II	74,687	25,866	-	-
<b>Closing balance</b>	<b>502,768</b>	<b>258,665</b>	<b>428,081</b>	<b>232,799</b>
<b>Movement in contributed equity</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance	246,333	247,319	221,701	222,587
Units issued Rubicon Europe Trust I	196,414	-	196,414	-
Units issued Rubicon Europe Trust II	49,104	-	-	-
Units bought back on-market and cancelled	(1,415)	-	(1,132)	-
Less transaction costs	(8,659)	(986)	(6,929)	(886)
<b>Closing balance *</b>	<b>481,777</b>	<b>246,333</b>	<b>410,054</b>	<b>221,701</b>

\* The aggregated contributed equity of RET I \$ 410,054K and RET II \$ 71,723K amounted to \$ 481,777K as at 31 December 2007.

On 6 March 2007 and 22 March 2007, a total of 172,444,506 stapled \$1.03 units were issued by the Group. On 6 March 2007, 64,666,270 stapled \$1.05 units were issued by the Group.

On 31 October 2007, the Group announced an on-market buy-back of stapled securities up to a maximum of 10% of issued capital of the Group's listed stapled securities as part of a capital management program. The period of buy-back is between 30 November 2007 and 1 October 2008. During the period to 31 December 2007, the Group bought 2,125,000 stapled securities for the total amount of \$1,414,802.

The stapled units consist of one Rubicon Europe Trust I unit stapled to one Rubicon Europe Trust II unit. The units in the underlying trusts cannot be traded separately.

As stipulated in Trusts' Constitutions, each unit represents a right to an individual share in the trusts and does not extend to a right to the underlying assets of the trusts. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the trusts.

On a poll, each unitholder has one vote for each stapled unit held. On a show of hands, each unitholder has one vote.

NOTE 18. RESERVE

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>(a) Foreign currency translation reserves</b>				
Balance at the beginning of the year	4,362	530	-	-
Foreign currency translation differences	(10,186)	3,357	-	-
Minority interest foreign currency translation differences	(87)	475	-	-
<b>Balance at the end of the year</b>	<b>(5,911)</b>	<b>4,362</b>	<b>-</b>	<b>-</b>
<b>This is reconciled as follows:</b>				
Foreign currency translation differences*	(6,311)	3,875	-	-
Minority interest foreign currency translation differences	400	487	-	-
	<b>(5,911)</b>	<b>4,362</b>	<b>-</b>	<b>-</b>

\* The aggregated foreign currency translation reserves of RET I (\$ 5,049K) and RET II (\$ 1,262K) amounted to (\$ 6,311K) as at 31 December 2007.

**(b) Nature and purpose of reserves**

**(i) Foreign currency translation reserve**

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve as described in note 1(g).

**(ii) Minority interest foreign currency translation reserve**

The minority interest's share of the exchange rate differences arising on translation of foreign controlled entities are taken to the minority interest foreign currency translation reserve.

NOTE 19. UNDISTRIBUTED INCOME

Undistributed income at the beginning of the year	24,144	(887)	(9,115)	(2,600)
Net profit attributable to unitholders	69,320	49,294	30,468	17,748
Distributions provided for or paid	(50,019)	(24,263)	(50,019)	(24,263)
<b>Undistributed income at the end of the year *</b>	<b>43,445</b>	<b>24,144</b>	<b>(28,666)</b>	<b>(9,115)</b>

\* The aggregated undistributed income of RET I \$ 34,756K and RET II \$ 8,689K amounted to \$ 43,445K as at 31 December 2007.

NOTE 20. MINORITY INTEREST IN CONTROLLED ENTITIES

Minority interest at the beginning of the year	16,057	13,314	-	-
Minority interest capital contribution	(108)	(414)	-	-
Net profit attributable to minority interest	2,378	3,901	-	-
Distributions provided for or paid	(1,181)	(1,219)	-	-
Foreign currency translation movement	(87)	475	-	-
<b>Minority interest at the end of the year</b>	<b>17,059</b>	<b>16,057</b>	<b>-</b>	<b>-</b>

## NOTE 21. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
Cash as at 31 December 2007 as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash	11,943	8,760	193	165
Deposits at call	62	1,113	62	1,113
<b>Cash and cash equivalents in the cash flow statement</b>	<b>12,005</b>	<b>9,873</b>	<b>255</b>	<b>1,278</b>

## NOTE 22. CASH FLOW RECONCILIATION

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Reconciliation of net profit to net cash flow from operating activities</b>				
Net profit for the year	71,698	53,195	30,468	17,748
<i>Adjustment for non cash items</i>				
Net loss/(gain) on re-measurement of derivatives to fair value	282	(3,713)	(3,729)	(1,805)
Net foreign exchange loss/(gain)	172	(4,149)	-	-
Rent free income	(143)	(128)	-	-
Lease guarantee received	4,034	-	2,715	516
Distribution received	-	-	-	924
Capitalised acquisition cost	3,173	308	-	-
Rent free amortisation	126	46	-	-
Borrowing costs amortisation	2,729	3,290	379	1,458
Finance and legal costs funded by borrowings	3,183	-	-	-
Fair value adjustments to property investments	(57,197)	(59,385)	-	-
Fair value adjustments to controlled entities	-	-	3,368	3,267
<b>Net cash provided by operating activities before change in assets and liabilities</b>	<b>28,057</b>	<b>(10,536)</b>	<b>33,201</b>	<b>22,108</b>
<i>Changes in assets and liabilities during the year</i>				
Increase in receivables	(11,542)	(5,414)	(2,571)	(4,005)
Decrease/(Increase) in prepayments	24	568	(9)	(29)
Increase in payables	6,915	15,691	523	1,221
Increase/(Decrease) in deferred tax provision	11,004	28,758	-	-
Increase/(Decrease) in current income tax provision	374	-	-	-
Unrealised foreign exchange gain	(295)	15	(295)	15
<b>Net cash flows from operating activities</b>	<b>34,537</b>	<b>29,082</b>	<b>30,849</b>	<b>19,311</b>

NOTE 23. RELATED PARTY DISCLOSURES

**Responsible entity**

The Responsible Entity (RE) and Manager of Rubicon Europe Trust I is Rubicon Asset Management Limited (ACN 095 433 720), a wholly owned subsidiary of Rubicon Holdings (Aust) Limited (Rubicon Holdings). The ultimate parent of Rubicon Holdings is Allco Finance Group Limited (ACN 077 721 129).

The registered office of the Responsible Entity and the Trust is Level 2, 287-289 New South Head Road, Edgecliff, NSW 2027, Australia.

**Directors**

The names of persons who were directors of Rubicon Asset Management Limited at any time during the financial year are as follows:

Gordon Edward Christopher Fell

Matthew Raymond Cooper

Raymond John Kellerman

David John Simpson

Peter Anthony Barnes

**Related party transactions**

	Consolidated		Parent	
	31 Dec 07 \$'000	31 Dec 06 \$'000	31 Dec 07 \$'000	31 Dec 06 \$'000
<b>Amounts paid and payable to related parties</b>				
Asset origination fee - Rubicon Advisory Limited	6,585	2,040	6,585	366
Equity bridging finance fee - Rubicon Capital Pty Limited	-	1,200	-	1,200
Interest expense - Rubicon Capital Pty Limited	-	559	-	559
Debt establishment fee - Rubicon Advisory Limited	1,947	565	1,947	-
Sub-underwriting fee - Rubicon Advisory Limited	700	-	700	-
Base management fee - Rubicon Asset Management Limited / Rubicon Advisory Limited	5,577	3,071	2,248	67
Donation of interest earned on application monies - Rubicon Foundation Pty Limited	65	-	65	-
<b>Aggregate amounts paid and payable to the related parties at balance date</b>	<b>14,874</b>	<b>7,435</b>	<b>11,545</b>	<b>2,192</b>

The asset origination fees, for identifying and undertaking due diligence on the acquisitions of Medicent, Austria, Honeywell building, Belgium and eight commercial real estate loan assets, of 1% of the purchase price of the acquired assets were paid to Rubicon Advisory Limited.

Debt establishment fees of up to 0.5% of the amount of property debt finance raised is payable by the Group to Rubicon Advisory Limited.

The basis of the management and performance fees paid and payable to the manager is set out in Note 2.

All transactions were on an arm's length basis.

## Directors' interests in stapled units

The number of units held directly, indirectly or beneficially by directors and their director related entities are set out below:

	Stapled units held 2007	Stapled units held 2006
Gordon Edward Christopher Fell *	-	5,850,000
Matthew Raymond Cooper	-	55,000
Peter Anthony Barnes	-	-
Raymond John Kellerman	<b>16,667</b>	10,000
David John Simpson	<b>70,000</b>	70,000

\* including units held through schemes (as set out below) managed by Rubicon Asset Management Limited in which Gordon Edward Christopher Fell has relevant interest.

During May 2007, Gordon Edward Christopher Fell and Matthew Raymond Cooper had sold 1,666,667 and 91,667 REU units respectively for a consideration of \$1,708,333 and \$93,959 to Rubicon Strategic Trust, which Rubicon Asset Management Limited is the trustee for. In addition, Rubicon M&A Fund and Rubicon Asia Special Events Master Fund, Limited, where Rubicon Asset Management Limited is the responsible entity/manager, had sold 3,700,000 and 1,150,000 REU units respectively for a consideration of \$3,755,500 and \$1,167,250 to Rubicon Strategic Trust. These transactions were completed on normal commercial terms and conditions.

Gordon Edward Christopher Fell continued to have relevant interest in REU units up to 19 December 2007 through his relevant interest in Rubicon Asset Management Limited, the trustee for Rubicon Strategic Trust.

As a result of the acquisition of the remaining stake of Rubicon Holdings (Aust) Limited by Allco Finance Group Limited on 19 December 2007, Gordon Edward Christopher Fell ceased to have relevant interest in REU units and Allco Finance Group Limited became the substantial unitholder in these REU units.

The number of units in the Trust held by Rubicon Asset Management Limited, its affiliates and other schemes managed by Rubicon Asset Management Limited, are as follows:

### 31 December 2007

Unit holder	Number of stapled units held	Interest held %	Number of stapled units acquired	Number of stapled units disposed	Distributions paid/payable by the Group \$'000
Rubicon M&A Fund	-	-	-	3,700,000	88
Rubicon Asia Special Events Master Fund, Limited	-	-	-	1,150,000	27
Rubicon Strategic Trust	<b>46,608,334</b>	<b>9.44%</b>	<b>46,608,334</b>	-	<b>3,663</b>

### 31 December 2006

Unit holder	Number of stapled units held	Interest held %	Number of stapled units acquired	Number of stapled units disposed	Distributions paid/payable by the Group \$'000
Rubicon M&A Fund	3,700,000	1.43%	-	-	347
Rubicon Asia Special Events Master Fund, Limited	1,150,000	0.44%	-	-	108

**NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES**

The key management personnel of the Rubicon Europe Trust Group and its controlled entities during the year is Rubicon Asset Management Limited (the Responsible Entity) and the directors.

**(a) Directors**

The directors of the Responsible Entity are set out in Note 23.

**(b) Executives**

There were no executives employed by the Trust or its controlled entities at any time during the financial year.

**(c) Remuneration of directors**

*(i) Executive directors*

The executive directors of the Responsible Entity were employees of the Responsible Entity up to 19 December 2007 on which they became employees of Allco Finance Group Limited. This is the result of the acquisition of Rubicon Holdings (Aust) Limited by Allco Finance Group Limited on 19 December 2007. The Board is responsible for overseeing remuneration and human resources policies and practices of the Group. The Board consists of a majority independent directors.

The remuneration practices have been structured to be competitive and to ensure the Rubicon Group can attract and retain the talent needed to achieve both short and long term success, while maintaining a strong focus on teamwork, individual performance and the interest of the shareholders.

Total remuneration is delivered through base salary and annual performance bonus.

*(ii) Non-executive directors*

Non-executive directors are employees of the Responsible Entity and are paid an annual fee for their services on the Board and Audit, Risk Management and Compliance Committee and Related Party Committee of the Board. The total remuneration paid to non-executive directors during the year is set out in the remuneration table below. The amount paid to non-executive directors is reviewed from time to time and approved by the Board. Non-executive directors are not provided with retirement benefits other than statutory superannuation and do not receive options or bonus payments.

*(iii) Remuneration of directors*

The remuneration of each director of Rubicon Asset Management Limited is set out in the following table. The remuneration amounts have been calculated by estimating time spent during the year by each of the directors working on matters relevant to the Group, including preparing for and attending board meetings.

2007 Name	Primary		Post-employment			Equity	
	Cash salary & fees \$'000	Cash bonus \$'000	Non-monetary benefits \$'000	Options \$'000	Retirement benefits \$'000	Options \$'000	Total \$'000
<b>Directors</b>							
Gordon Edward Christopher Fell	91	2,192	-	-	6	-	<b>2,289</b>
Matthew Raymond Cooper	46	729	-	-	6	-	<b>781</b>
Peter Anthony Barnes	23	-	-	-	2	-	<b>25</b>
Raymond John Kellerman	23	-	-	-	2	-	<b>25</b>
David John Simpson	23	-	-	-	2	-	<b>25</b>
<b>Total</b>	<b>206</b>	<b>2,921</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>3,145</b>

2006 Name	Primary		Post-employment			Equity	
	Cash salary & fees \$'000	Cash bonus \$'000	Non-monetary benefits \$'000	Options \$'000	Retirement benefits \$'000	Options \$'000	Total \$'000
<b>Directors</b>							
Gordon Edward Christopher Fell	91	895	-	-	6	-	992
Matthew Raymond Cooper	46	298	-	-	6	-	350
Peter Anthony Barnes	7	-	-	-	1	-	8
Raymond John Kellerman	25	-	-	-	2	-	27
David John Simpson	22	-	-	-	2	-	24
<b>Total</b>	<b>191</b>	<b>1,193</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>1,401</b>

#### (d) Options and loans

There were no loans or options granted as part of directors' remuneration in respect to their position as director of the Responsible Entity.

#### (e) Other transactions with the Group

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

#### NOTE 25. NET TANGIBLE ASSETS

	31 Dec 2007 \$'000	Consolidated 31 Dec 2006 \$'000
Net tangible assets	535,969	290,408
Less minority interest	(17,059)	(16,057)
Add deferred tax liability	43,696	32,692
Net tangible assets attributable to unitholders	562,606	307,043
Total number of stapled units on issue	493,650,856	258,665,080
Net tangible asset backing per unit (\$)	1.14	1.19

## NOTE 26. FINANCIAL RISK MANAGEMENT

The Group undertakes transactions in a range of financial instruments including:

- > cash and cash equivalents
- > receivables
- > commercial real estate loans
- > investments in real estate
- > payables
- > working capital debt
- > real estate debt
- > CRE debt
- > subordinated debt
- > derivatives

These activities expose the Group to a variety of financial risks including market risk (including currency risk, interest rate risk and other property market risks), credit risk and liquidity risk.

Risk management is carried out by the operating units of the Group under policies approved by its Board of Directors.

Derivative financial instruments that the Group uses to hedge risks such as interest rate and foreign currency movements include:

- > interest rate swaps
- > foreign currency forward contracts
- > foreign currency option agreements

### (a) Capital risk management

The Responsible Entity's (RE's) objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions to unit holders, return capital to unit holders, issue new or buy-back existing units or sell assets to reduce debt. As set out in Note 1, the Group does not expect to pay a distribution over the next 12-18 months.

On 31 October 2007, the Group announced an on-market buy-back of stapled securities up to a maximum of 10% of issued capital of the Group's listed stapled securities as part of a capital management program. The period of buy-back is between 30 November 2007 and 1 October 2008. During the period to 31 December 2007, the Group bought 2,125,000 stapled securities for the total amount of \$1,414,802. Since 31 December 2007, the Group has bought back 1,350,000 units for the total amount of \$683,645. The level of any future buy-back activity will, in part, be driven by the liquidity position of the Group.

The RE monitors the gearing ratio. The gearing ratio is calculated as net debt divided by net capital. Net debt is calculated as total borrowings less cash and cash equivalents. Net capital is calculated as total assets less cash and cash equivalents.

### (b) Market risk

#### (i) Foreign exchange risk

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

The Group's foreign currency risk arises primarily from:

- > investments in foreign operations
- > investment in commercial real estate loan portfolio
- > forecast transactions for receipt in foreign currencies and payment in Australian dollars

The Group operates internationally and is exposed to foreign exchange risk from fluctuations in Euro and British Pound Sterling against the Australian dollars.

Historically, the foreign exchange exposure to equity investments has been hedged fully (for a period of five to eight years) using a combination of forward foreign exchange contracts and foreign currency option agreements. The arrangements involved a target of hedging approximately 100% of the equity capital, against an appreciation in the \$ above a weighted average rate of approximately \$1.00= €0.67.

To mitigate the cost of this hedging, the arrangements also involved a target of hedging 100% of the equity capital against a depreciation of the \$ below approximately \$1.00 = €0.55. The net effect of these equity capital hedging arrangements is that the invested equity capital has historically been exposed to movements in the foreign exchange rates within the collar structure but upside and downside risk is eliminated outside collar structure. No cash would exchange should the Group's capital hedges expire at a point where the \$ is trading within the range of the collar. The capital hedges do not expire in the next four years. As set out in Note 1, the Group is seeking to reduce the contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible over the near term.

The Group's primary foreign exchange counterparty builds up a reserve via margin calls as the hedges come closer to expiry should the mark to market on the hedge book be in its favour. Meeting these margin calls allows the Responsible Entity (RE) to build up a reserve against settlement risk.

The foreign exchange fluctuation risk for the commercial real estate loan book is hedged by matching Euro/ GBP debt funding with the currency of the assets. It means any foreign currency fluctuations in the commercial real estate loan asset are offset by the corresponding movements in foreign currency liabilities and any net equity invested in the loans is hedged back into \$.

The Group's income is received primarily in Euro and GBP. These Euro and GBP are converted to \$ before distributions are paid. Historically, the Group's policy has been to implement long term forward foreign exchange contracts at levels that are intended to ensure that, during that period,

distributions for Unitholders are not impacted by movement in exchange rates. As set out in Note 1, the Group is seeking to reduce the contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible over the near term.

Also refer to Note 27 (a) for further details on 'Derivative Financial Instruments'.

### **Sensitivity analysis**

The following table shows the effect on profit and loss and equity after tax as at 31 December 2007 and 31 December 2006 from a 10 percent adverse/ favourable movement in exchange rates at that date on a total portfolio basis, with all other variables held constant and taking into account all underlying exposures and related hedges.

An adverse movement in the value of derivative financial instruments that have been implemented to hedge foreign exchange risk may require margin calls to be made by the Group.

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

A sensitivity of 10 percent has been considered reasonable by the RE given the amount selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement. Note that any change in the Group's hedging policy may change the Group's sensitivity to foreign exchange movements. This has not been taken into account in the calculation below:

	Consolidated				Parent			
	Net Profit		Equity		Net Profit		Equity	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
If there is 10% decrease in the value of AUD vis a vis Euro and GBP with all other variables held constant \$1 = €0.5391 and \$1 = £0.3967	(8,537)	(2,072)	(8,537)	(2,072)	7,428	(3,512)	7,428	(3,512)
If there is 10% increase in the value of AUD vis a vis Euro and GBP with all other variables held constant \$1 = €0.6589 and \$1 = £0.4848	3,332	(2,979)	3,332	(2,979)	(6,977)	1,425	(6,977)	1,425

Unitholders should note that the sensitivity analysis is stated to provide a guide only and variations in exchange rates may exceed/ under perform the range shown above.

(ii) Cash flow and fair value interest rate risk

Interest rate risk refers to the risk that the value of the financial instrument or cash flows associated with the instrument will fluctuate due to the changes in market interest rates.

Interest rate risk arises from interest bearing financial assets and liabilities that the Trust uses. Non derivative interest bearing assets are predominantly short and long term liquid and illiquid assets. The Trust's interest rate liability risk arises primarily from long term and short term debt issued at fixed rate which exposes the Trust to fair value interest rate risk. In addition, the Trust's borrowings which have a variable rate attached give rise to cash flow interest rate risk.

Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of the Responsible Entity. Credit curve risk is highly sensitive to the dynamics of the markets for commercial real estate loans held by the Group. Excessive supply of these assets combined with reduced demand will cause the market to require a higher yield. This demand for higher yield will cause the market to use a higher spread over the LIBOR yield curve, or other benchmark interest rates, to value these assets.

The Debt is sourced from a number of financial markets covering domestic and offshore, short term and long term funding. The majority of the Group's debt consists of foreign currency denominated borrowings.

The Group's policy is to maintain medium to long term fixed interest rates for substantially all borrowings for the real estate business. Floating versus fixed interest rate mismatches between assets may be minimized by using interest rate swaps. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The use of interest rate swaps to hedge interest-bearing liabilities carries certain risks, including the risk that losses on a hedge position will reduce the funds available for payments to unitholders and that such losses may exceed the amount invested in such instruments. The profitability of the Group may be adversely affected during any period as a result of changing interest rates. As stated in Note 1, the Group is seeking to reduce the contingent funding requirement associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible over the near term.

The RE monitors and manages interest rate risk based on a method that takes into consideration the interest rate sensitivity of the Group's assets and liabilities. The Group's objective in regards to its CRE loan portfolio is to acquire assets and match fund the purchase so that interest rate risk associated with financing these assets is reduced or eliminated. The primary risks associated with acquiring and financing these assets are mark-to-market risk and short-term interest rate risk. The warehouse facility provides for an advance to RET I is based upon a percentage of the estimated fair value of the asset being financed. Market movements that cause CRE loans fair value to decline would require a margin call or a cash payment to maintain the relationship between asset value and amount borrowed. When CRE loan assets are subject to a mark-to-market margin call, the RE carefully monitors the interest rate sensitivity of those assets.

Also refer to Note 27(b) for interest rate risk.

### Sensitivity analysis

The table below shows the effect on profit and equity after tax if interest rates have gone down or gone up by 0.5 percent with all other variables held constant, taking into account all underlying exposures and related hedges. The shifts in the yield curve are assumed to be parallel. An adverse movement in the value of derivative financial instruments that have been implemented to hedge interest rate risk may require margin calls to be made by the Group.

A sensitivity of 0.5 percent has been selected as deemed reasonable by the RE given the current level of both short term and long term \$ and Euro/ GBP interest rates. Note that any change to the Group's interest rate hedging policy change change the Group's sensitivity to interest rate movements. This has not been taken into account in the analysis below:

	Consolidated				Parent			
	Net Profit		Equity		Net Profit		Equity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
If there is 0.5% adverse movement in the interest rates with all other variables held constant	(1,921)	(192)	(1,921)	(192)	(490)	(219)	(490)	(219)
If there is 0.5% favourable movement in the interest rates with all other variables held constant	1,920	192	1,920	192	490	219	490	219

Unitholders should note that the sensitivity analysis is stated to provide a guide only and variations in interest rates may exceed/ under perform the range shown above.

NOTE 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk that an entity contracting with the Group will not complete its obligations under a financial instrument and cause the Group to make a financial loss.

The Group has risk management policies in place to manage credit risk in relation to real estate and CRE loan assets and other financial transactions. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The borrowers of the CRE loans are predominantly special purpose vehicles that are required to focus on the business of owning and the managing the commercial real estate. The Group's investment objective is to find high quality customers predominantly with a stable credit history. The Group seeks to diversify its portfolio by property type, tenant, location, term and counterparty with the objective of reducing overall portfolio risk. Debt service coverage ratio and loan to value ratio on the CRE loans are monitored on a quarterly basis.

The concentrations of financial assets which are neither past due or impaired are based on geographical basis are as follows:

	Europe \$'000	Australia \$'000	Total \$'000
Cash and bank balances	11,729	276	12,005
Receivables	14,119	552	14,671
Commercial real estate loans	521,729	-	521,729
Derivative financial instruments	(2,502)	5,534	3,032
<b>Total</b>	<b>545,075</b>	<b>6,362</b>	<b>551,437</b>

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of the Group's operational liquidity requirements, the Group:

- > will not have sufficient funds to settle a transaction on the due date
- > will be forced to sell financial asset at a value which is less than what they are worth

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions that are in the money.

The Group's objective is to have access to readily accessible standby facilities and other funding arrangements in place. It generally uses instruments that are tradable in highly liquid markets.

Historically, the \$/Euro currency pairing has exhibited medium levels of volatility. The Group's primary foreign exchange counterparty has granted the Group \$10 million worth of free carry, meaning no foreign exchange margin calls are issued for the first \$10 million of adverse mark to market on the portfolio. If the current level of interest rate differentials and spot exchange rates are maintained, margin calls against the the Group's hedge portfolio are not expected to arise in the near future. In addition, as set out in Note 1, the Board of the RE has decided to reduce the contingent funding requirements associated with foreign exchange hedging requirements to the greatest extent possible over the near term.

The current weaknesses in the sub-prime mortgage sector and in the broader mortgage market have resulted in reduced liquidity for CRE loan securities. Although this reduction in liquidity has been directly linked to sub-prime residential assets, to which the Group continues to have no direct exposure, there has been an overall reduction in liquidity across the credit spectrum of commercial mortgage products.

As a consequence of the continued volatility in the global credit markets the CRE loan market has become unusually illiquid. This environment makes it difficult for the Group to secure a precise estimate of secondary market value of its loan assets. The Group has access to the ongoing market valuation that are being provided by the Group's CRE loan warehouse facility provider (Credit Suisse) which, inter alia, provides the Group with a gauge as to the value at which it could dispose of these assets in an ordinary market.

The aforementioned market factors could adversely affect the Group's warehouse funding counterparty providing funding for the CRE loan portfolio and could cause the counterparty to be unwilling or unable to provide the Group with additional financing for the remaining term of the CRE loans after March 2010. This could potentially increase the Group's financing costs and reduce its liquidity. If one or more major market participants fails or decides to withdraw from the market, it could negatively impact the marketability of the CRE loans. Furthermore, if the Group's counterparties are unwilling or unable to provide the Group with additional financing, the Group could be forced to sell its investments at a time when prices are depressed.

The Group's liquidity may also be adversely affected by margin calls under the warehouse facility agreement that are dependent on the valuation of the collateral to secure the financing. The agreement allows the lender to revalue the collateral to values that the lender considers to reflect market. If the warehouse facility provider determines that the value of the collateral has decreased, it may initiate a margin call requiring the Group to post additional collateral to cover the decrease. When subject to such a margin call, the Group repays a portion of the outstanding borrowing within 5 business days notice. While the Group has hedged a significant amount of its portfolio to offset market value declines due to changes in interest rates, it is exposed to market value fluctuations due to spread widening.

A significant increase in margin calls as a result of spread widening could harm the Group's liquidity, results of operations, financial position, and business prospects. Additionally, in order to obtain cash to satisfy a margin call, the Group may be required to liquidate assets at a disadvantageous time, which could cause the Group to incur further losses and consequently adversely affect its results of operations and financial position.

To date, the credit performance of the Group's investments remains consistent both with the Group's expectations and with the broader CRE finance industry experience. Nevertheless, subsequent to 31 December 2007, the capital markets have been marking down the value of all credit sensitive securities regardless of performance.

The Group's ability to meet its long-term liquidity requirements is subject to obtaining additional debt and equity financing as well as disposing of assets. Any decision by the Group's lenders and investors to provide the Group with financing will depend upon a number of factors, such as the Group's compliance with the terms of its existing credit arrangements, its financial performance, industry or market trends, the general availability of and rates applicable to financing transactions.

NOTE 26. FINANCIAL RISK MANAGEMENT  
(CONTINUED)

**(d) Liquidity risk (continued)**

As stated in the directors' report, at the asset level, the property portfolio and the CRE loan assets continue to perform in line with expectations. However, the rapid and unanticipated dislocation in global credit markets and associated volatility in equity markets has had a material impact on the operations, financial position and outlook for the Group.

As a result, the Board of the Responsible Entity will seek to implement the following initiatives to improve significantly the Group's liquidity position and risk profile:

- > Reduction of short term debt to the greatest extent possible over the near term
- > Reduction of contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible and appropriate over the near term
- > Full retention of earnings over the next 12-18 months
- > Implementation of an asset sale program of sufficient scale to reduce the gearing level of the Group to 45% - 55% and free up, up to \$50 million of equity to buy back securities

Any borrowing the Group enters into is subject to continuing covenants and the Group will likely be required to make continuing representations and warranties about the Group in connection with such debt. The Group's debt financing terms may require it to keep un-invested cash on hand, or to maintain a certain portion of its assets free of liens, each of which could serve to limit the Group's borrowing ability. Moreover, the Group's debt is secured by its assets.

If the Group defaults in the payment of interest or principal on any such debt, breaches any representation or warranty in connection with any borrowing or violates any covenant in any loan document, the lender may be able to accelerate the maturity of such debt requiring the Group to immediately repay all outstanding principal. If the Group is unable to make such payment, a lender could foreclose on the Group's assets that are pledged as collateral to such lender. The lender could also sue the Group or force the Group into bankruptcy. Any such event would have a material adverse effect on the Group's liquidity. In addition,

posting additional collateral to support the Group's credit facilities will reduce its liquidity and limit the Group's ability to leverage its assets.

As at the date of this report, the Group is in compliance with all necessary debt covenants where a breach would lead to an event of default. The CRE loan portfolio, however, has a concentration of approximately 34.6% in respect of drawings against healthcare assets against a requirement of 17.5% originally required to be achieved by October 2007. Under the terms of the CRE loan warehouse facility, the facility provider may request that a margin payment be made with 5 business day notice (on an equivalent basis to the margin payments described above) to reduce this concentration to 17.5% which would be approximately €32 million (\$53.3million). As at the date of this report, the CRE loan warehouse facility provider has not elected to do this and has provided no indication that it intends to do so.

Real estate assets are largely funded with long term fixed rate debt. As already stated, loan assets have been partially funded with debt that can be called with a 364 days notice, however, the Responsible Entity has been very active in its program of building up cash reserves to meet contingencies including margin calls.

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not deemed to be significant.

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**Consolidated (\$'000)**

	2007				2006			
	Less than 1 year	Between 1&2 years	Between 2&5 years	Over 5 years	Less than 1 year	Between 1&2 years	Between 2&5 years	Over 5 years
Interest rate swaps	(432)	97	894	75	-	-	-	-
Margin call	6,149	-	-	-	-	-	-	-
Forward foreign currency contracts	9,440	7,853	10,342	1,359	2,989	4,118	8,960	3,497
Working capital debt	130,430	-	-	-	-	-	-	-
Senior unsecured debt securities	-	-	-	83,347	-	-	-	-
CRE loan debt	259,109	-	-	-	-	-	-	-
Real estate debt	65,010	-	112,956	422,070	27,380	-	113,429	363,575
<b>Total</b>	<b>469,706</b>	<b>7,950</b>	<b>124,192</b>	<b>506,851</b>	<b>30,369</b>	<b>4,118</b>	<b>122,389</b>	<b>367,072</b>

**Parent (\$'000)**

	2007				2006			
	Less than 1 year	Between 1&2 years	Between 2&5 years	Over 5 years	Less than 1 year	Between 1&2 years	Between 2&5 years	Over 5 years
Interest rate swaps	(432)	97	894	75	-	-	-	-
Forward foreign currency contracts	5,624	4,865	6,406	1,300	789	2,357	5,814	3,060
Working capital debt	-	-	-	-	-	-	-	-
Senior unsecured debt securities	-	-	-	-	-	-	-	-
CRE loan debt	-	-	-	-	-	-	-	-
Real estate debt	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,192</b>	<b>4,962</b>	<b>7,300</b>	<b>1,375</b>	<b>789</b>	<b>2,357</b>	<b>5,814</b>	<b>3,060</b>

**(e) Real estate risk**

Real estate and CRE loans and net operating income derived from such investments are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions which may be adversely affected by industry slowdowns and other factors, local real estate conditions (such as an oversupply of retail, industrial, office or other commercial space), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors, retroactive changes to building or similar codes, and increases in operating expenses (such as energy costs).

In the event net operating income decreases, or the value of property decreases, a borrower may have difficulty repaying the loan, which could result in losses to the Group as impairment on the security will be required and potentially could trigger margin calls from the warehouse facility lender. Even when a property's net operating income is sufficient to cover the property's debt service, at the time a loan is made, there can be no assurance that this will continue in the future. The current turmoil in the residential mortgage market may continue to have an effect on the commercial mortgage market and real estate industry in general for the foreseeable future.

**(f) Warehouse facility**

The Group's existing €275 million (\$458.4 million) warehouse facility agreement with an affiliate of Credit Suisse, is drawn to approximately €155 million (\$259.1 million) and has a three year term expiring in March 2010. The Group has agreed to repay the loan at a future date at par. Credit Suisse has the right to issue margin calls in certain situations. The agreement also requires the Trust to maintain certain financial covenants. The agreement may be terminated by Credit Suisse at any time on not less than 364 days notice.

**NOTE 26. FINANCIAL RISK MANAGEMENT  
(CONTINUED)**

**(g) Other key risk - refinancing risk**

For the 12 months from the date of this report, the Group has a corporate debt facility of approximately \$150 million (which is currently drawn to approximately \$130.4 million) which will require refinancing in September 2008. While the Board of the Responsible Entity believes that this corporate debt facility could be successfully renegotiated and refinanced in the ordinary course of business, particularly in light of the reduction in the overall gearing level of the Group planned to be implemented, there is a heightened risk of this not being satisfactorily achieved due to the current serious dislocation in global credit markets.

**Note to fair value estimation**

The net fair value of financial assets and liabilities are determined by the Group on the following basis:

The fair value of the Group's derivatives and certain financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Valuation techniques include, where applicable, references to prices quoted in active markets, amortised cost, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models.

Monetary financial assets and liabilities not readily traded in an organised financial market are valued at estimated realisable values based on an orderly sale between a willing but not distressed buyer and a willing but not distressed seller.

Forward foreign exchange contracts are marked to market by reference to forward exchange market rates for contracts with similar maturity profiles at the time of valuation.

The net fair value of interest rate swaps is determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The net fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve.

Unless there is evidence to suggest otherwise, the nominal value of financial assets and liabilities less any adjustments for impairment with a short term to maturity are considered to approximate net fair value.

The Group's financial assets and liabilities included in current and non current assets and liabilities on the balance sheet are carried at amounts that approximate net fair value, except CRE loans whose fair value is \$459.1 million (2006: nil) as compared to its carrying value of \$521.7 million (2006: nil).

**NOTE 27. FINANCIAL INSTRUMENTS**

**(a) Derivative financial instruments**

In the normal course of business, the Group may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial contract whose value depends on, or is derived from the value of underlying assets and liabilities or indices.

The Group has entered into forward foreign currency agreements to sell Euros and receive Australian dollars at an average exchange rate of \$1 to €0.4877 and to sell British Pounds and receive Australian dollars at average exchange rate of \$1 to £0.3765.

As forward contracts are hedging anticipated future distributions and capital investments, any unrealised gains or losses on the forward contracts, together with the cost of contracts, are deferred and will be recognised in the measurement of the underlying transactions. Accounts receivable and payable on open contracts are included in current assets net of liabilities.

The Group's derivative financial instruments as at 31 December 2007 are detailed below:

<b>31 December 2007</b>				
<b>Consolidated</b>				
		<b>Contract / notional value</b>	<b>Fair Value Assets \$'000</b>	<b>Liabilities \$'000</b>
<b>Buy</b>				
Forward currency hedge contracts to buy \$	\$'000	450,649	450,649	-
Forward currency hedge contracts to buy Euro	€'000	15,814	26,361	-
Currency call option to buy \$	\$'000	400,649	400,649	-
Currency call option to buy Euro	\$'000	492,227	492,227	-
Interest rate swaps	\$'000	207,863	207,863	-
<b>Sell</b>				
Forward currency hedge contracts to sell Euro	€'000	188,498	-	337,892
Forward currency hedge contracts to sell GBP	£'000	47,604	-	109,341
Currency put option to sell Euro	€'000	268,314	-	396,818
Currency put option to sell \$	€'000	268,314	-	523,122
Interest rate swaps	€'000	81,726	-	136,037
Interest rate swaps	£'000	31,573	-	71,507
<b>Derivative financial instruments</b>			<b>1,577,749</b>	<b>1,574,717</b>

<b>31 December 2006</b>				
<b>Consolidated</b>				
		<b>Contract / notional value</b>	<b>Fair Value Assets \$'000</b>	<b>Liabilities \$'000</b>
<b>Buy</b>				
Forward currency hedge contracts to buy \$	\$'000	282,316	282,316	-
Currency call option to buy \$	\$'000	365,590	365,590	-
Currency call option to buy Euro	\$'000	449,155	449,155	-
<b>Sell</b>				
Forward currency hedge contracts to sell Euro	€'000	141,093	-	257,709
Currency put option to sell Euro	€'000	244,804	-	364,426
Currency put option to sell \$	€'000	244,804	-	471,236
<b>Forward currency contracts</b>			<b>1,097,061</b>	<b>1,093,371</b>

### (b) Interest rate risk

The Group is exposed to changes in interest rates. Accordingly, the Group has entered into fixed rate funding to mitigated exposure to increases in interest rates.

The Group's exposure to interest rate risk and the effective interest rates on financial instruments as at 31 December 2007 are set out as follows:

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2007 Consolidated	Weighted average interest rate (% p.a.)	Floating interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Assets</b>							
Cash and cash equivalents	3.18%	12,005	-	-	-	-	12,005
Receivables		-	-	-	-	14,671	14,671
Commercial real estate loans	7.86%	521,729	-	-	-	-	521,729
Prepayments		-	-	-	-	65	65
Derivative financial instruments	4.62%	-	-	-	-	5,534	5,534
Property investments		-	-	-	-	1,121,026	1,121,026
<b>Total assets</b>		<b>533,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,141,296</b>	<b>1,675,030</b>
<b>Liabilities</b>							
Payables		-	-	-	-	20,041	20,041
Derivative financial instruments		-	-	-	-	2,502	2,502
Current income tax liabilities		-	-	-	-	374	374
Provisions		-	-	-	-	241	241
Distribution payable		-	12,712	-	-	-	12,712
Borrowings	5.72%	452,432	-	111,162	495,901	-	1,059,495
Deferred tax liabilities		-	-	-	-	43,696	43,696
<b>Total liabilities</b>		<b>452,432</b>	<b>12,712</b>	<b>111,162</b>	<b>495,901</b>	<b>66,854</b>	<b>1,139,061</b>
<b>Net assets</b>		<b>81,302</b>	<b>(12,712)</b>	<b>(111,162)</b>	<b>(495,901)</b>	<b>1,074,442</b>	<b>535,969</b>
<b>Weighted average effective interest rate</b>			<b>0.00%</b>	<b>5.72%</b>	<b>5.72%</b>		
<b>31 December 2006 Consolidated</b>							
	Weighted average interest rate (% p.a.)	Floating interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Assets</b>							
Cash and cash equivalents	3.11%	9,873	-	-	-	-	9,873
Receivables		-	-	-	-	3,129	3,129
Prepayments		-	-	-	-	89	89
Derivative financial instruments		-	-	-	-	3,314	3,314
Property investments		-	-	-	-	900,042	900,042
Property under construction		-	-	-	-	42,235	42,235
<b>Total assets</b>		<b>9,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948,809</b>	<b>958,682</b>
<b>Liabilities</b>							
Payables		-	-	-	-	47,046	47,046
Provisions		-	-	-	-	414	414
Distribution payable		-	5,820	-	-	-	5,820
Borrowings	4.81%	115,096	-	-	467,206	-	582,302
Deferred tax liabilities		-	-	-	-	32,692	32,692
<b>Total liabilities</b>		<b>115,096</b>	<b>5,820</b>	<b>-</b>	<b>467,206</b>	<b>80,152</b>	<b>668,274</b>
<b>Net assets</b>		<b>(105,223)</b>	<b>(5,820)</b>	<b>-</b>	<b>(467,206)</b>	<b>868,657</b>	<b>290,408</b>
<b>Weighted average effective interest rate</b>			<b>0.00%</b>	<b>0.00%</b>	<b>4.81%</b>		

### (c) Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of foreign investments held and has entered into foreign currency contracts to hedge against the risk of adverse movements in exchange rates.

The table below summaries the Group's exposure to foreign exchange risk:

<b>Consolidated</b>	<b>GBP \$'000</b>	<b>Euro \$'000</b>	<b>AUD \$'000</b>	<b>Total \$'000</b>
<b>2007</b>				
<b>Assets</b>				
Cash and cash equivalents	704	10,748	553	12,005
Receivables	4,050	10,069	552	14,671
Commercial real estate loans	219,195	302,534	-	521,729
Prepayments	-	17	48	65
Derivative financial instruments	8,382	(2,848)	-	5,534
Property investments	-	1,121,026	-	1,121,026
<b>Total assets</b>	<b>232,331</b>	<b>1,441,546</b>	<b>1,153</b>	<b>1,675,030</b>
<b>Liabilities</b>				
Payables	1,884	16,584	1,573	20,041
Derivative financial instruments	-	2,502	-	2,502
Current income tax liabilities	-	374	-	374
Provisions	-	241	-	241
Distribution payable	-	-	12,712	12,712
Borrowings	111,889	817,613	129,993	1,059,495
Deferred tax liability	-	43,696	-	43,696
<b>Total liabilities</b>	<b>113,773</b>	<b>881,010</b>	<b>144,278</b>	<b>1,139,061</b>
<b>Net assets</b>	<b>118,558</b>	<b>560,536</b>	<b>(143,125)</b>	<b>535,969</b>
<b>2006</b>				
<b>Assets</b>				
Cash and cash equivalents		8,484	1,389	9,873
Receivables		2,830	299	3,129
Prepayments		56	33	89
Derivative financial instruments		1,510	1,805	3,314
Property investments		900,042	-	900,042
Property under construction		42,235	-	42,235
<b>Total assets</b>		<b>955,156</b>	<b>3,526</b>	<b>958,682</b>
<b>Liabilities</b>				
Payables		25,330	21,716	47,046
Provisions		414	-	414
Distribution payable		-	5,820	5,820
Borrowings		467,206	115,096	582,302
Deferred tax liability		32,692	-	32,692
<b>Total liabilities</b>		<b>525,642</b>	<b>142,632</b>	<b>668,274</b>
<b>Net assets</b>		<b>429,514</b>	<b>(139,106)</b>	<b>290,408</b>

NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk (continued)

**Income hedges**

REU is exposed to foreign currency risk on revenue, expenses and borrowings that are denominated in Euros and GBP.

REU adopts a policy of arranging foreign exchange hedges on a rolling basis equivalent to the estimated annual distribution for the next two to seven years.

At balance date the details of outstanding balances are:

**31 December 2007**

<b>Buy Australian dollars Maturity</b>	<b>Trust Sells GBP £'000</b>	<b>Average Exchange Rate</b>	<b>Trust Sells Euros €'000</b>	<b>Average Exchange Rate</b>
Less than one year	3,477	0.38	23,211	0.49
One to five years	1,305	0.38	81,707	0.49
Greater than five years	-	-	9,420	0.47

**31 December 2006**

<b>Buy Australian dollars Maturity</b>	<b>Trust Sells Euros €'000</b>	<b>Average Exchange Rate</b>
Less than one year	22,309	0.51
One to five years	89,242	0.50
Greater than five years	29,542	0.49

These income hedging arrangements are not deemed to be effective hedges for accounting purposes.

**Capital hedges options**

With respect to equity capital of the Group, the policy is to arrange foreign exchange hedging equivalent to its investment in German, Dutch and Belgian assets (including revaluations) up to seven years.

At balance date the consolidated entity had the following currency options in place:

**31 December 2007  
Buy Australian dollars  
Maturity**

	<b>Trust Sells Euros €'000</b>	<b>Average Exchange Rate</b>
Greater than five years	268,314	0.6702

**Sell Australian dollars  
Maturity**

	<b>Trust Sells Euros €'000</b>	<b>Average Exchange Rate</b>
Greater than five years	268,314	0.5454

**31 December 2006  
Buy Australian dollars  
Maturity**

	<b>Trust Sells Euros €'000</b>	<b>Average Exchange Rate</b>
Greater than five years	244,804	0.6701

**Sell Australian dollars  
Maturity**

	<b>Trust Sells Euros €'000</b>	<b>Average Exchange Rate</b>
Greater than five years	244,804	0.5453

The capital options are not deemed to be effective hedges for accounting purposes.

## NOTE 28. SEGMENT INFORMATION

### Business segment

The Group is a listed property trust which invests in the European property market and commercial European real estate loan assets.

Consolidated - 31 December 2007

	Property investments \$'000	Commercial real estate loan assets \$'000	Corporate \$'000	Total \$'000
<b>Revenue</b>				
Property rental income	58,466	-	-	58,466
Commercial real estate interest income	-	28,987	-	28,987
	58,466	28,987	-	87,453
Gain/(loss) in fair value of property investments	57,197	-	-	57,197
Net foreign currency gains	33,059	(1,070)	210	32,199
Net gain/(loss) on re-measurement of derivatives to fair value	(5,859)	5,859	-	-
Interest income	147	-	679	826
<b>Total segment revenue and other income</b>	<b>143,009</b>	<b>33,776</b>	<b>889</b>	<b>177,675</b>
<b>Segment result</b>	<b>66,977</b>	<b>13,533</b>	<b>(8,812)</b>	<b>71,698</b>
<b>Assets and liabilities</b>				
Cash and cash equivalents	9,528	2,201	276	12,005
Property investments	1,121,026	-	-	1,121,026
Commercial real estate loans	-	521,729	-	521,729
Derivative financial instruments	(1,145)	6,679	-	5,534
Other assets	5,387	8,690	659	14,736
<b>Total segment assets</b>	<b>1,134,796</b>	<b>539,299</b>	<b>935</b>	<b>1,675,030</b>
Borrowings	591,938	337,564	129,993	1,059,495
Derivative financial instruments	2,502	-	-	2,502
Other segment liabilities	57,739	5,002	14,323	77,064
<b>Total segment liabilities</b>	<b>652,179</b>	<b>342,566</b>	<b>144,316</b>	<b>1,139,061</b>
<b>Net Assets</b>	<b>482,617</b>	<b>196,733</b>	<b>(143,381)</b>	<b>535,969</b>

NOTE 28. SEGMENT INFORMATION (CONTINUED)

**Business segment (continued)**

Consolidated - 31 December 2006

	Property investments \$'000	Commercial real estate loan assets \$'000	Corporate \$'000	Total \$'000
Property rental income	46,270	-	-	46,270
Commercial real estate interest income	-	-	-	-
	46,270	-	-	46,270
Gain/(loss) in fair value of property investments	59,385	-	-	59,385
Net foreign currency gains	3,689	-	580	4,269
Net gain/(loss) on re-measurement of derivatives to fair value	2,006	-	1,707	3,713
Other income	1,089	-	271	1,360
<b>Total segment revenue and other income</b>	<b>112,439</b>	<b>-</b>	<b>2,558</b>	<b>114,997</b>
<b>Segment result</b>	<b>60,018</b>	<b>-</b>	<b>(6,823)</b>	<b>53,195</b>
<b>Assets and liabilities</b>				
Cash and cash equivalents	8,481	-	1,392	9,873
Property investments	900,042	-	-	900,042
Commercial real estate loans	-	-	-	-
Other assets	46,572	-	2,195	48,767
<b>Total segment assets</b>	<b>955,095</b>	<b>-</b>	<b>3,587</b>	<b>958,682</b>
Borrowings	494,586	-	87,716	582,302
Other segment liabilities	58,436	-	27,536	85,972
<b>Total segment liabilities</b>	<b>553,022</b>	<b>-</b>	<b>115,252</b>	<b>668,274</b>
<b>Net Assets</b>	<b>402,073</b>	<b>-</b>	<b>(111,665)</b>	<b>290,408</b>

## Geographical exposure

The Group has investments in office properties in Germany, the Netherlands, Belgium and Austria and investments in commercial real estate loans in the United Kingdom, France, Finland, Germany and the Netherlands.

	Austria	Belgium	Finland	France	Germany	Luxembourg	The Netherlands	United Kingdom	Australia	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 31 December 2007</b>										
Property rental income	5,678	882	-	-	42,591	-	9,315	-	-	58,466
Commercial real estate interest income	-	-	1,884	1,852	5,570	-	3,653	16,028	-	28,987
Segment assets	102,502	143,111	53,632	57,600	836,241	2,205	249,990	223,245	6,504	1,675,030
Acquisitions of property investments	96,683	-	-	-	-	-	-	-	-	96,683
Acquisitions of commercial real estate loans	-	-	52,905	56,912	117,588	-	75,130	219,194	-	521,729
Payment for capital expenditure of property investments	-	30,000	-	-	2,264	-	-	-	-	32,264
<b>Consolidated 31 December 2006</b>										
Property rental income	-	-	-	-	42,517	-	3,753	-	-	46,270
Commercial real estate interest income	-	-	-	-	-	-	-	-	-	-
Segment assets	-	97,829	-	-	691,092	-	166,174	-	3,587	958,682
Acquisitions of property investments	-	55,031	-	-	-	-	165,567	-	-	220,598
Acquisitions of commercial real estate loans	-	-	-	-	-	-	-	-	-	-
Payment for capital expenditure of property investments	-	42,235	-	-	-	-	-	-	-	42,235

## NOTE 29. CONTINGENT LIABILITIES

There are no contingent liabilities (31 December 2006: nil).

## NOTE 30. CAPITAL COMMITMENTS

The following amounts represent capital expenditure on property investments contracted for at reporting date but not recognised as liabilities payable:

	Consolidated	
	2007 \$'000	2006 \$'000
Capital payable for building refurbishment		
Within one year	500	26,184
	500	26,184

NOTE 31. EVENTS OCCURRING AFTER  
REPORTING DATE

Rubicon Europe Trust Group's relationship with Allco Finance Group Limited

Rubicon Asset Management Limited ("RAML") the responsible entity of the Group is a wholly owned subsidiary of Allco Finance Group Limited ("AFGL"). The Executive Directors and management team of the trust are employees of AFGL.

The Group receives the benefit and is reliant upon, a number of management, administration and other services from RAML, Rubicon Capital Pty Limited and Rubicon Advisory Limited, entities related to AFGL. RAML and its related entities also originate property investment proposals for the Trust, assist with the arrangement of financing for the Group and its underlying property and loan structures and provide proposals to the Group in relation to potential assets sales from time to time.

On 25 February 2008, AFGL released its results for the half year ended 31 December 2007. The financial report and the independent auditor's review report to the members of AFGL contain disclosure of significant events after balance date which may cast significant doubt about AFGL's ability to continue as a going concern.

In the event of AFGL does not continue as a going concern; management and administration services to the Trust may be impacted. Should RAML be replaced as Responsible Entity or undergo a change of control without prior approval of lenders, this could lead to an acceleration of debt repayment.

Planned initiatives

The rapid and unanticipated dislocation in global credit markets and associated volatility in equity markets has had a material impact on the operations, financial position and outlook for the Group and the entities it controlled as at year end. In particular, the unanticipated effective closure of the real estate CDO market has meant that it is not possible in the current environment to refinance the short term CRE loan warehouse facility through the issue of a CRE CDO, as the original RFE funding strategy contemplated.

As a result, the Board of the Responsible Entity will seek to implement the following initiatives to improve significantly the Group's liquidity profile and risk profile:

- > Reduction of short term debt to the greatest extent possible over the near term
- > Reduction of contingent funding requirements associated with foreign exchange hedging arrangements and interest rate swaps to the greatest extent possible and appropriate over the near term
- > Full retention of earnings over the next 12-18 months
- > Implementation of an asset sale program of sufficient scale to reduce the gearing level of the Group to 45% - 55% and free up, up to \$50 million of equity to buy back securities

Other than the matters above and through-out the directors' report, since the end of the year, the directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in their report or the financial statements that has significantly or may significantly affect operations of the Trust, the results of those operations, or state of the Trust's affairs in future financial periods. The above matters have not been adjusted for in the financial report as at 31 December 2007.

DIRECTORS' DECLARATION

The directors of Rubicon Asset Management Limited as Responsible Entity of Rubicon Europe Trust I declare that the financial statements and notes set out on pages 45 to 94:

- (i) comply with applicable Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements: and
- (ii) give a true and fair view of the Trust's and consolidated entity's financial position as at 31 December 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable.

Dated at Sydney this 29th day of February 2008

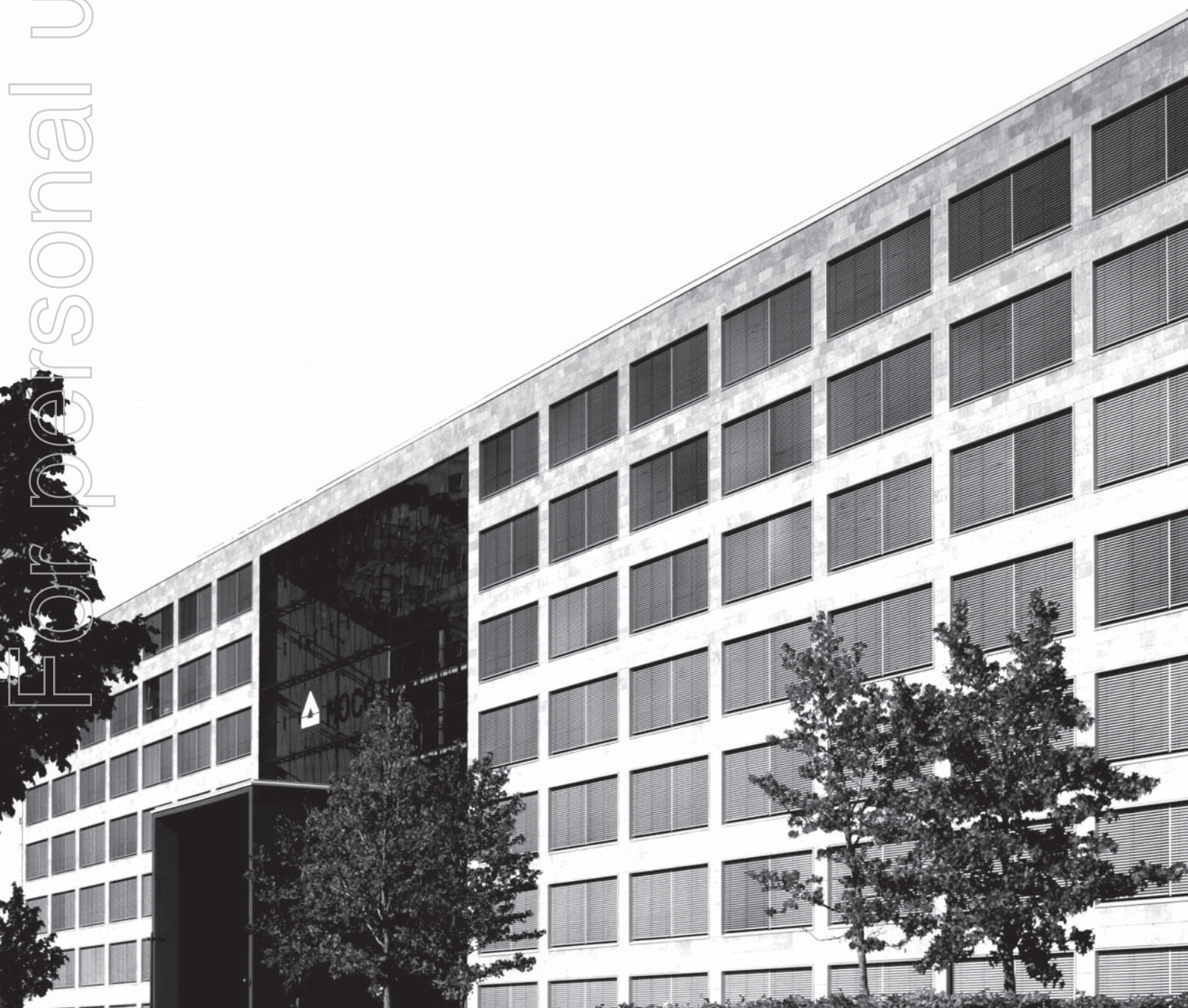
Signed in accordance with a resolution of the directors:



Gordon Edward Christopher Fell  
Chairman  
Rubicon Asset Management Limited

INDEPENDENT AUDIT REPORT

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## Independent auditor's report to the unitholders of Rubicon Europe Trust I

### Report on the financial report

We have audited the accompanying financial report of Rubicon Europe Trust I (the trust), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Rubicon Europe Trust I and the consolidated entity. The consolidated entity comprises Rubicon Europe Trust I and the entities it controlled at the year end or from time to time during the financial year.

### Directors' responsibility for the financial.

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

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

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

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

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

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

**Independence**

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

**Auditor's opinion on the financial report**

In our opinion:

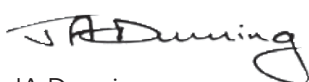
- (a) the financial report of Rubicon Europe Trust I is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the trust's and consolidated entity's financial positions as at 31 December 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Significant Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion we draw attention to the basis of preparation of the financial report set out in Note 1(a)(v) and events occurring after reporting date set out in Note 31. As at 31 December 2007, the trust's current liabilities exceeded its current assets by \$127,050,000 and the consolidated entity's current liabilities exceeded its current assets by \$399,352,000. These conditions, along with the matters described in notes 1(a)(v) and 31, indicate the existence of significant uncertainties which cast significant doubt about the trust's and consolidated entity's ability to continue as a going concern and whether the trust and its controlled entities will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.



PricewaterhouseCoopers



JA Dunning  
Partner  
Sydney 29 February 2008  
PricewaterhouseCoopers

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## TOP 20 INVESTORS REPORT AS AT 29 FEBRUARY 2008

Largest 20 holders	Number of Units	% of total units
01 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,823,049	14.61
02 RUBICON ASSET MANAGEMENT LIIMITED <RUBICON STRATEGIC TST A/C>	46,608,334	9.48
03 J P MORGAN NOMINEES AUSTRALIA LIMITED	46,107,113	9.38
04 NATIONAL NOMINEES LIMITED	22,625,872	4.60
05 ANZ NOMINEES LIMITED <CASH INCOME A/C>	12,650,089	2.57
06 CITICORP NOMINEES PTY LIMITED	11,187,822	2.28
07 JOHN E GILL OPERATIONS PTY LTD	10,522,980	2.14
08 COGENT NOMINEES PTY LIMITED	8,899,684	1.81
09 THE AUSTRALIAN NATIONAL UNIVERSITY INVESTMENT SECTION	8,350,000	1.70
10 MULTIPLEX FUNDS MANAGEMENT LIMITED <MULTIPLEX ACUMEN LPS INVESTMENT PTY LTD>	6,350,000	1.29
11 SANDHURST TRUSTEES LTD <MACARTHURCOOK PSF A/C>	5,240,602	1.07
12 UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	4,166,929	0.85
13 FORTIS CLEARING NOMINEES P/L <SETTLEMENT A/C>	3,518,473	0.72
14 MR JAMES TIMOTHY DYER + MRS. KELLYANNE DRYER <THE DYER FAMILLY A/C>	3,300,000	0.67
15 JOHN E GILL TRADING PTY LTD	2,966,258	0.60
16 MARKET SECURITIES PTY LTD	2,650,000	0.54
17 A C F INVESTMENTS LTD	2,500,000	0.51
18 MLEQ NOMINEES PTY LIMITED <UNPAID 1 A/C>	2,289,772	0.47
19 MR WILLIAM HENDERSON	2,200,000	0.45
20 STANLEY STREET PTY LTD	2,100,000	0.43

## RANGE OF UNIT SUMMARY AS AT 29 FEBRUARY 2008

Range of holders	Number of holders	Number of Units	% of total units
1 to 1000	55	45,233	0.01
1001 to 5000	499	1,818,907	0.37
5001 to 10000	622	5,405,621	1.10
10001 to 100000	2,898	102,290,996	20.80
100001 and Over	374	382,200,099	77.72
<b>Total</b>	<b>4,448</b>	<b>491,760,856</b>	<b>100.00</b>

## SUBSTANTIAL UNITHOLDER NOTICES TO 29 FEBRUARY 2008

	Date of change	No of voting units	%
Allco Finance Group <sup>1</sup>	22 February 2008	46,608,334	9.40
ING	4 July 2007	30,332,186	6.12
Australia New Zealand Banking Group Limited (ANZ)	4 July 2007	29,870,773	6.03
UBS Nominees Pty Ltd	29 March 2007	26,672,963	5.38
CBA	29 March 2007	34,514,285	6.96
DLIBJ Asset Management Co Ltd	27 March 2007	33,754,726	8.17

1) On 7 March 2008, Allco Finance Group announced that it ceased to hold units in REU

# CORPORATE DIRECTORY

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