

This is an important document and requires your immediate attention.

If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

Offer

by
Investa Properties Limited

(ABN 54 084 407 241)

as Responsible Entity of
Investa Property Trust

(ARSN 088 705 882)

to purchase all your units in
Principal Office Fund

(ARSN 092 874 087)

For every twelve (12) Principal Office Fund ordinary units you will receive seven (7) Investa Property Group Securities and \$4.86 cash.

Please call 1300 302 124 (callers within Australia) or 61 2 9240 7463 (callers outside Australia) if you require assistance with your acceptance.

The Offer is dated 20 June 2003 and will close at 7.00 pm (Sydney time) on 21 July 2003, unless extended.



INVESTA
Property Group

Corporate Directory

Investa Properties Limited

Registered office

Level 17, 135 King Street, Sydney NSW 2000

Investa Property Group Offer Information Lines

Callers within Australia: **1300 302 124**

Callers outside Australia: **61 2 9240 7463**

For legal reasons, all calls to the Investa Property Group Offer Information Lines will be recorded.

Share registry

ASX Perpetual Registrars Limited

Level 8

580 George Street

Sydney NSW 2000

Important dates

Date bidder's statement was lodged with ASIC and date of bidder's statement	2 June 2003
Date of Offer	20 June 2003
Offer closes (unless extended)	7.00pm (Sydney time) on 21 July 2003

Defined terms

A number of defined terms are used in this bidder's statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 12 of this bidder's statement, words and phrases in this bidder's statement have the same meaning as in the Corporations Act.

Important information

This bidder's statement is given by Investa Properties Limited ABN 54 084 407 241 as the Responsible Entity of Investa Property Trust ARSN 088 705 882, the **bidder**, to Principal Office Fund ARSN 092 874 087, the **target**, under Part 6.5 of the Corporations Act 2001. A copy of this bidder's statement was provided to the Australian Stock Exchange Limited (**ASX**) on 2 June 2003.

A copy of this bidder's statement was lodged with the Australian Securities and Investments Commission (**ASIC**) on 2 June 2003. ASIC takes no responsibility for the content of this bidder's statement.

This bidder's statement is dated 2 June 2003. It includes an Offer dated 20 June 2003 on the terms set out in section 11 of this bidder's statement.

In preparing this bidder's statement, Investa Properties Limited as Responsible Entity of Investa Property Trust has not taken into account the individual financial position, objectives, investment strategies and tax position of individual POF Unitholders. Accordingly, before accepting the Offer contained in section 11 of this bidder's statement, you may wish to consult with your financial or other professional adviser.

This bidder's statement includes information that is historical in character. This bidder's statement also includes forward looking statements.

You should consider that as such statements relate to future matters they are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the property industry (including those risks in section 8 of this bidder's statement) as well as matters such as general economic conditions. Actual events or results may differ materially. Investa Properties Limited, its directors and any other person named with their consent in this bidder's statement cannot assure you that projected or implied results will be achieved.

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PART A SUMMARY OF THE OFFER AND HOW TO ACCEPT

Important notice

The information in this Part A is a **summary only** of Investa Properties Limited's Offer and is qualified by the detailed information set out elsewhere in this bidder's statement.

Before deciding whether to accept the Offer, you should read this bidder's statement and the target's statement, which will be sent to you by the Responsible Entity of Principal Office Fund.

What is Investa Properties Limited offering to buy?

Investa Properties Limited is offering to buy all of Your POF Units on the terms set out in section 11 of this bidder's statement.

You may only accept this Offer in respect of all of Your POF Units.

What will you receive if you accept the Offer?

If you accept this Offer, for every twelve (12) of Your POF Units, you will receive seven (7) IPG Securities and \$4.86 cash.

Each IPG Security consists of one Investa Property Trust Unit and one Investa Properties Limited Share, which are stapled together and jointly quoted on the ASX as Investa Property Group.

The Offer price equates to \$1.63 per Principal Office Fund Unit (**POF Unit**), based on the five day volume weighted average sale price of IPG on the ASX to market close on 23 May 2003 of \$2.10, the last trading day before announcement of the Offer.

The implied Offer price will vary with changes in the price of IPG Securities. For example, based on the five day volume weighted average sale price of IPG on the ASX to market close on 30 May 2003, the implied Offer price was \$1.66.

Why should I accept the Offer?

The Board of Investa Properties Limited believes that there are a number of reasons why you should accept the Offer:

- you will receive a premium of 18.1% for Your POF Units (based on the Reference Price of IPG Securities and POF Units);
- Investa Property Group forecasts that as a member of the Merged Entity you would receive a 16.4% higher distribution than currently forecast for Principal Office Fund in the year ending 30 June 2004;
- you will become an investor in an office specialist, Investa Property Group, being one of the best performing entities in the Australian listed office trust sector for 1, 3, and 5 year periods¹. If you had invested in Investa Property Group 3 years ago your return would have been approximately double the return from an equivalent investment made in Principal Office Fund at the same time²;

¹ Based on compound annual returns taking into account distributions and security price movements to 1 May 2003.

² Based on the before tax compound annual returns taking into account distributions and security price movements for the three years to 21 May 2003 assuming the full amount of all distributions from the Investa Property Group investment were reinvested into IPG Securities, and assuming the full amount of all distributions from the Principal Office Fund investment were reinvested into POF Units.

- you will benefit from greater management depth, including specialist asset, facilities and development management expertise, than you currently enjoy;
- you will benefit from the implementation of the property value chain across the Merged Entity;
- in the Merged Entity you will participate in a portfolio with improved diversification:
 - the exposure to any single asset reduces from 22% to 11%³;
 - a geographic spread across five states and the ACT;
 - an improved lease expiry profile; and
 - an increase of 25% in the average term to lease expiry, from 3.6 years to 4.5 years;⁴
- you will not be paying funds management fees to an external manager, and property management fees paid to external managers will be reduced;
- you will have exposure to a more diverse development portfolio;
- the Merged Entity will have an increased index weighting in listed property trust indices;
- the Merged Entity should enjoy greater liquidity for its securities than Principal Office Fund; and
- the Merged Entity should have a lower cost of capital, enhancing the prospects for accretive acquisitions.

More detail on these reasons is contained in Part B of this bidder's statement.

How do I accept the Offer?

To accept this Offer, you must complete and sign the Acceptance and Transfer Form enclosed with this bidder's statement and return it to the address indicated on the form so that it is received at that address before the Offer closes.

CHESSE sponsored unitholders

If Your POF Units are in a CHESSE Holding (such holdings will be evidenced by the word "CHESSE" appearing below your holder number on the enclosed Acceptance and Transfer Form), you may also accept the Offer by calling your Controlling Participant and instructing them to accept the Offer on your behalf (which may require you to give a written authorisation) before the Offer closes.

Brokers and non-broker participants

If you are a broker or non-broker participant, acceptance of this Offer must be initiated in accordance with Rule 16.3 of the SCH Business Rules before the Offer closes.

Further details

Full details on how to accept are set out in section 11.5 of this bidder's statement and also on the enclosed Acceptance and Transfer Form.

³ Based on 100% acceptance of the Offer.

⁴ Based on 100% acceptance of the Offer.

Risk

Section 8 identifies certain risks that may affect the performance of the Merged Entity and the value of the IPG Securities issued under the Offer.

When will I be paid?

Investa Properties Limited will provide the Consideration (as set out in section 11.1(b)) to you on or before the earlier of:

- (1) one month after the Offer is accepted or, if the Offer is subject to a defeating condition when accepted, within 1 month after the takeover contract resulting from your acceptance of the Offer becomes unconditional; and
- (2) 21 days after the end of the Offer Period.

Other arrangements apply to you if you are a Foreign Unitholder or if you elect to participate in the Book Build (see sections 11.8 and 11.9).

Can I receive cash?

If you are not a Foreign Unitholder and do not want to hold the IPG Securities to which you are entitled as a result of acceptance of the Offer, you may participate in the Book Build and have IPG Securities which you would otherwise receive sold on the ASX. The proceeds (net of sale expenses) will be remitted to you. The terms of the Offer in section 11.9 contains further details on the Book Build.

To participate in the Book Build, you must complete the Election which forms part of the Acceptance and Transfer Form. For CHESS Holdings, you must initiate the Election in accordance with the Acceptance and Transfer Form.

Taxation

Set out in section 9 is a general overview of the Australian taxation implications of accepting the Offer.

Foreign Unitholders

Foreign Unitholders who accept the Offer will have the IPG Securities to which they are entitled issued to the Nominee. Those IPG Securities will be offered for sale on the ASX within 30 days after the end of the Offer Period and the net sale proceeds remitted to Foreign Unitholders. Section 11.8 of this bidder's statement contains further details in relation to this.

Will I receive the June 2003 Investa Property Group distribution?

If you hold Units in Principal Office Fund on the record date for the June 2003 distribution (a date which has usually been before the last day of a quarter) then you will receive a distribution from Principal Office Fund to the extent that it is less than or equal to \$0.03 per POF Unit (unless you have accepted the Offer and received your IPG Securities prior to that record date).

If the Offer is unconditional and you are issued IPG Securities on or before 30 September 2003, the first distribution you will receive from Investa Property Group will be for the September quarter and is expected to be paid in November 2003.

Will I pay brokerage or stamp duty if I accept?

You will not pay brokerage or stamp duty if you accept the Offer (unless you are a Foreign Unitholder, or participate in the Book Build, in which case the proceeds you will

receive will be net of sale costs including brokerage). Any such costs will be borne by Investa Properties Limited.

Broker commission

If the Offer becomes or is declared unconditional, Investa Properties Limited will pay a commission to member organisations of the ASX and members of the Financial Planning Association (for the purposes of this commission these entities are collectively **Brokers**) of 0.75% of the value of parcels of POF Units (subject to a maximum fee for any one application accepted of \$750) held directly by retail unitholders (or units held by a custodian/nominee on behalf of a retail unitholder) who accept Investa Properties Limited's Offer. The fee will be payable to any Broker whose stamp appears on the Acceptance and Transfer Form or who, in respect of a CHESS Holding, produces evidence satisfactory to Investa Properties Limited that it is the Controlling Participant who initiated the acceptance. Investa Properties Limited reserves the right to determine the fee payable to any Broker where it believes that a party has structured its holdings to take advantage of the fee. A retail unitholder is one who is not a Broker or an associate of a Broker and who held less than 100,000 POF Units at 8.00am on 26 May 2003. The fee is payable to Brokers only and no part of the fee can be passed on or paid to POF Unitholders. Further details in relation to this commission (including in relation to claim procedures) will be made if and when the Offer becomes or is declared unconditional.

When does the Offer close?

The Offer closes at 7.00 pm (Sydney time) on 21 July 2003, unless it is extended under the Corporations Act.

What conditions attach to the Offer?

The Offer is subject to a number of conditions. In summary, these conditions are:

- Investa Property Group holds or is entitled to hold at least 50.1% of POF Units;
- no material acquisitions, disposals or entry into certain joint ventures and partnerships (excluding pursuant to co-ownership agreements as disclosed to the ASX in relation to the QV1 and Maritime Trade Towers properties);
- no Material Adverse Change in the circumstances of Principal Office Fund;
- no exercise of certain rights by third parties (excluding co-ownership agreements in relation to the QV1 and Maritime Trade Towers properties as disclosed to the ASX);
- absence of certain long term arrangements;
- no increase in indebtedness beyond that reasonably required in the ordinary course of business;
- IPG Securities not trading below \$1.99 per security in the period between the Announcement Date and the date of the Offer;
- no decline in the S&P/ASX200 Property Trust Index below 1330;
- satisfaction of conditions precedent to funding under IPG's facilities;
- no regulatory constraints on the Offer;
- Principal Office Fund not making any distribution that is not in the ordinary course;
- Principal Office Fund/Principal agreements being terminable on one month's notice without penalty;
- no related party transactions;
- no "prescribed occurrences"; and
- IPG Securities admitted to ASX quotation.

These conditions are set out in full in section 11.10 of this bidder's statement.

Further information

For queries on how to accept the Offer, see the enclosed Acceptance and Transfer Form or call the Investa Property Group Offer Information Line on **1300 302 124** (callers within Australia) or **61 2 9240 7463** (callers outside Australia).

For legal reasons, calls to these numbers will be recorded.

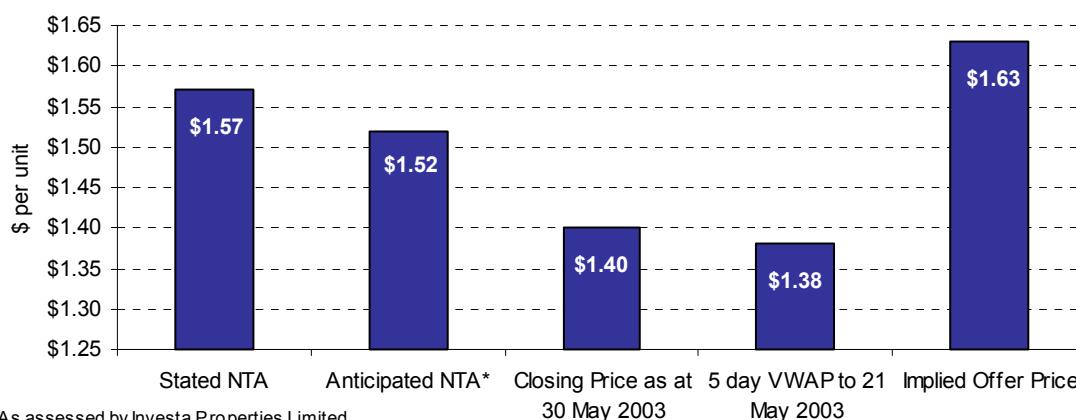
PART B WHY YOU SHOULD ACCEPT THE OFFER⁵

The Offer represents a premium for Your POF Units

The Offer provides an 18.1% premium based on the Reference Price of IPG Securities and POF Units.

The Offer is above the stated NTA of POF Units as at 31 December 2002 (\$1.57). For the reasons outlined in section 5.5(e), Investa Properties Limited believes that an NTA figure of \$1.52 per POF Unit is more appropriate.

Offer Price Comparison



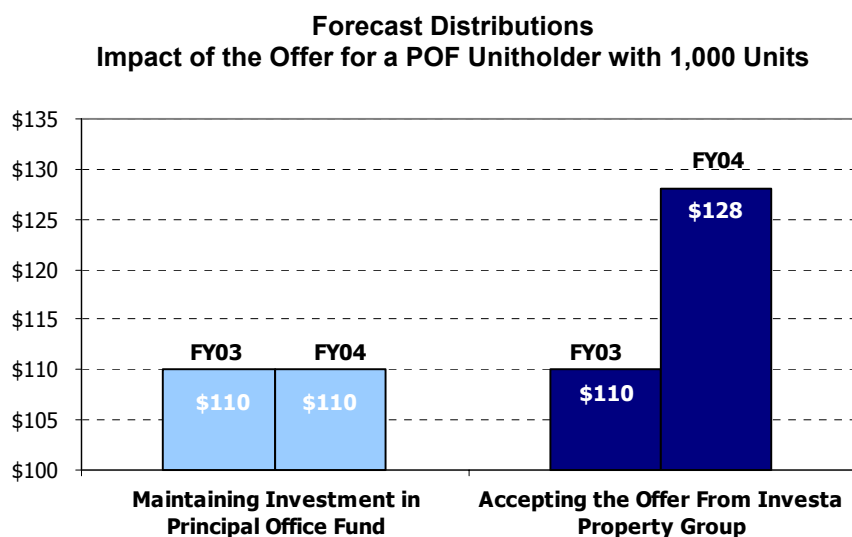
*As assessed by Investa Properties Limited
VWAP refers to the volume weighted average trading price

You should note that as IPG Securities form part of the Consideration under the Offer, the implied Offer price will vary with changes in the price of IPG Securities.

⁵ This Part B contains various references to the impact of the Offer on Investa Property Group. It assumes that Investa Property Group acquires all of the units in Principal Office Fund. You should be aware that the Offer is subject to a 50.1% minimum acceptance condition and so it is possible that Investa Property Group will not acquire all of the units in Principal Office Fund. Details in relation to the impact of 50.1% ownership level on Investa Property Group are contained in section 5 of Part C of this bidder's statement.

Increased forecast distributions

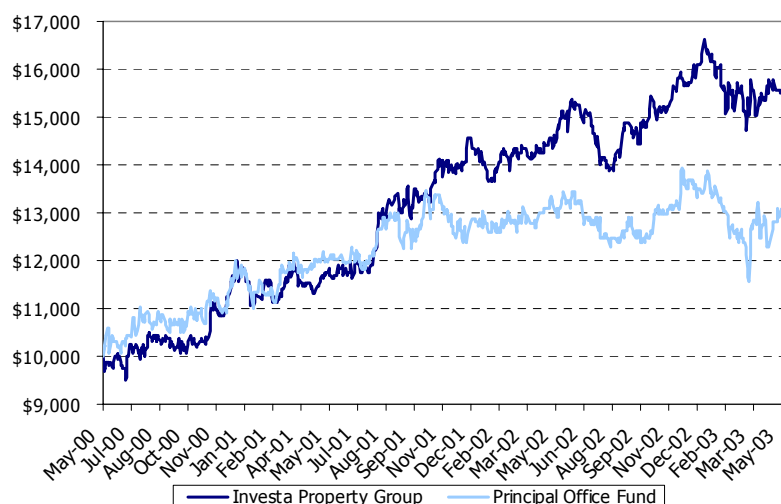
Investa Properties Limited forecasts that the Offer will provide a 16.4% increase in the pre-tax distributions to POF Unitholders accepting the Offer from the Merged Entity for the year ending 30 June 2004 compared to distributions forecast to be paid on POF Units⁶.



Investa Property Group's proven performance

Investa Property Group has delivered an average of 5.9% per annum growth in distributions per security over the 3 financial years ending 30 June 2003⁷. The Group has been the best performing entity in the Australian listed office trust sector over that period (based on compound annual returns taking into account distributions and security price movements).

Comparison of the Value of \$10,000 invested over 3 years⁸

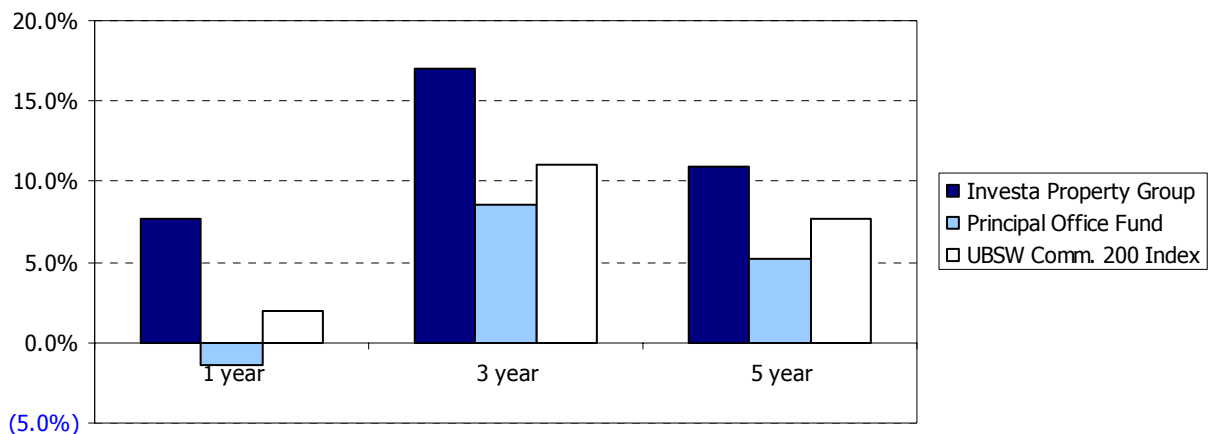


⁶ Based on Investa Properties Limited's estimate of distributions to be paid to POF Unitholders in the year ending 30 June 2004 assuming the reinvestment of the cash component of the Offer in additional IPG Securities. Investa Properties Limited's forecasts are set out in section 5 of Part C of this bidder's statement. You should review the forecasts, and the relevant assumptions and sensitivities, carefully.

⁷ Based on 15.60 cents per security by Investa Property Group in the year ending 30 June 2003. Past performance is not necessarily a guarantee or indicative of future performance. You should refer in particular to the financial forecasts in section 5 of Part C of this bidder's statement.

⁸ Based on the before tax compound annual returns taking into account distributions and security price movements for the three years to 21 May 2003 assuming the full amount of all distributions from the Investa Property Group investment were reinvested into IPG Securities, and assuming the full amount of all distributions from the Principal Office Fund investment were reinvested into POF Units.

Total Returns Comparison – period to 1 May 2003



Note: Based on compound annual returns taking into account distributions and security price movements.

Benefits of an integrated property platform

The businesses of Investa Property Group provide the opportunity for investors to realise value across all links in the property value chain (development, asset management, investment and funds management).

Investa Property Group currently manages over 1,300,000m² of predominantly office properties throughout Australia. The Group has proven its ability to extract scale economies. These economies are delivered to the Group through its internal facilities management team, avoiding leakage of significant fees to external parties.

The Investa Property Group's development activities not only generate product for sale to third parties, but also create investment product for the establishment of additional trusts to be managed by the Group on behalf of wholesale and retail investors. In turn, the Group earns ongoing funds management and property management fees from these trusts.

A number of the assets of these funds are jointly owned with Investa Property Group's Investment Portfolio, enhancing its diversification profile. Investa Property Group has purchase rights which allow the Group the opportunity to buy the subject property from the joint owner trust in the event that it is offered for sale.

As an example, it is intended that a 50% interest in St Martins Tower, Market Street, Sydney will be offered in a syndicate to retail investors. The Group will retain a 50% investment in the property, earn funds management fees on the new trust and earn property and facilities management fees from the property as a whole.

Investa Properties Limited's services related businesses provide an integrated approach in the management of its Investment Portfolio and other managed funds.

Under this structure, value is expected to be captured in the integration of Principal Office Fund across the property value chain, through:

- operational efficiencies of scale and purchasing power;
- focused management services at all levels;
- the elimination of fee leakage in the funds management of Principal Office Fund;
- a significant reduction in fee leakage in the property management of the portfolio; and
- additional revenues to be generated from funds management activities.

Earnings before interest, depreciation and amortisation from the service and development related activities of Investa Properties Limited (not including the Investment Portfolio) are expected to increase to \$36.7 million, representing 14% of the overall earnings of the Merged Entity in the 2004 financial year, assuming 100% acceptance of the Offer. It is the Directors' intention to focus on growing the proportion of service and development related earnings to 15-20% of total earnings over time. This is expected to be achieved through the expansion of existing services and development activities, increasing the Group's utilisation of all components of the property value chain.

Substantial reduction in external fees

As an internally managed vehicle, Investa Property Group does not pay ongoing funds management fees to an external party. As a consequence, amounts otherwise paid externally for management (after allowing for operating expenses) are retained and enhance earnings.

In New South Wales, Victoria and Queensland, Investa Property Group manages properties on its own behalf, further reducing fee leakage to external parties.

In comparison, Principal Office Fund pays fees to external managers both for the management of the fund and each of the assets. Funds management fees of \$8.2m (0.88cpu) were paid by Principal Office Fund to its Responsible Entity for the management of the fund in the year ended 30 June 2002.

Management depth and stability

Of the executives listed as the management team in the Principal Office Fund Annual Report for Financial Year 2002, one third has since left the management company.

By contrast, Investa Properties Limited has enjoyed stability of management.

Investa Properties Limited has depth in management experience and is a substantial employer in the Australian property industry, with offices in Sydney, Melbourne and Brisbane. Investa Property Group was named "Property Trust Manager of the Year" by Property Investment Research (October 2002).

Every employee with over 12 months service holds an investment in IPG Securities through the Group's Employee Security Acquisition Plan. This provides a proprietorial focus in the management of all aspects of the Group's activities, from senior management to the most junior of staff.

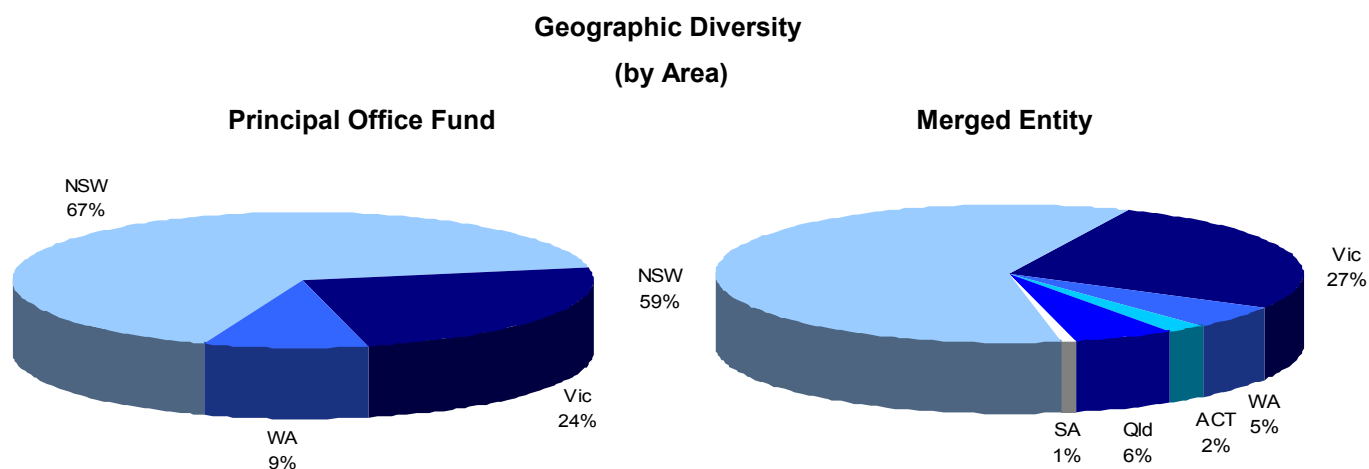
Improved Investment Portfolio fundamentals

Both the Investa Property Group and Principal Office Fund investment portfolios comprise predominantly A-Grade, well located CBD office buildings. The Principal Office Fund portfolio also includes a number of Premium Grade buildings. The portfolios are complementary in geographic diversity and lease expiry profile.

A further benefit to POF Unitholders from increased diversification and extended average lease duration will be a broader exposure to both corporate tenants with established credit ratings and the Commonwealth and State Governments.

Improved diversification

The Merged Entity will own interests in 39 office investment properties, located across 5 states and the ACT, as compared with Principal Office Fund's current 12⁹ properties across 3 states.

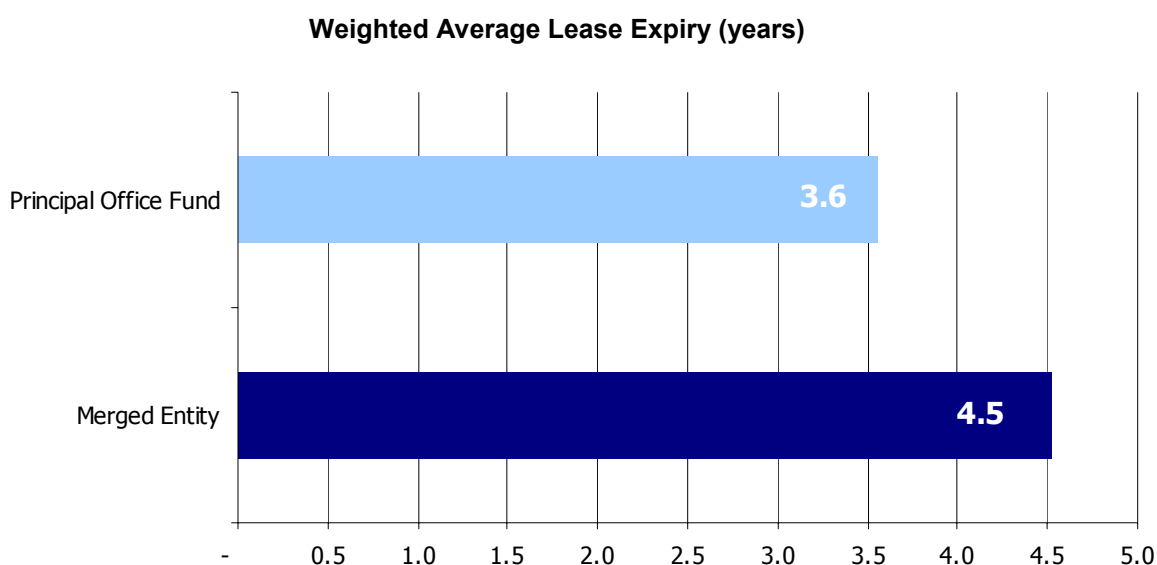


Reduced single asset exposure

Reflecting the scale of the Merged Entity, the exposure of POF Unitholders to any single investment asset reduces from 22% to 11% of total investment assets¹⁰.

Improved remaining lease term

The Merged Entity will have a substantially improved remaining weighted average lease expiry (by income) of 4.5 years compared with the weighted average lease expiry of the Principal Office Fund portfolio of 3.6 years.



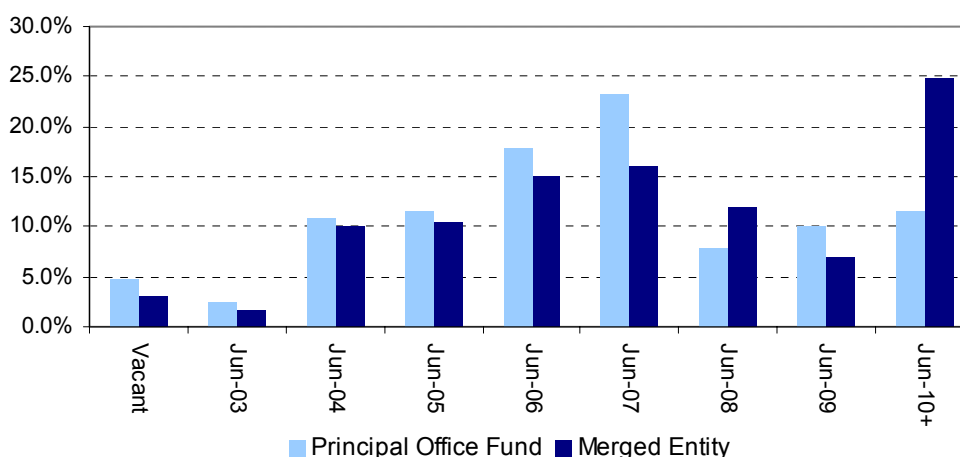
⁹ Assuming 185 Macquarie Street, Sydney (currently under option for sale) is sold prior to 30 June 2003. Principal Office Fund does not include 126 Philip Street, Sydney as part of its investment portfolio, as it is currently under development.

¹⁰ Based on 100% acceptance of the Offer.

Complementary lease expiry profile

The lease expiry profile of the Merged Entity is also improved as compared to that of Principal Office Fund.

Lease Expiry Profile (by Area)



Stronger profile of tenant covenants

The Merged Entity will also have exposure to a larger number of tenants and industries. Approximately 27% of the area of the Investment Portfolio of the Merged Entity would be leased by two companies in the ASX top 10, Telstra Corporation and Westpac Banking Corporation. This is compared to Principal Office Fund where, among the five largest tenants, only 17% of the leased area is leased by companies in the ASX top 10.

Principal Office Fund		Merged Entity	
Tenant	%	Tenant	%
BHP	8.6	Telstra	19.2
Telstra	8.3	Westpac	7.5
Ernst & Young	5.2	BHP	3.5
Australian Customs	5.0	QLD State Govt.	3.4
RTA	5.0	CGU	3.0

Balanced Development Exposure

Principal Office Fund has two development opportunities (excluding 185 Macquarie Street, Sydney) in its portfolio, being the Kindersley House site in O'Connell Street and the project at 126 Phillip Street, Sydney. Phillip Street is expected to comprise 22% of Principal Office Fund's total assets on completion¹¹. POF Unitholders are likely to be exposed to these substantial developments for some years.

The development assets of the Merged Entity as at June 2004 will account for 7.2% of total assets¹². Earnings from development activities in the 2004 financial year are forecast to represent 6.3% of the earnings¹³ of the Merged Entity (residential subdivision activities

¹¹ Based on the value of the current portfolio, excluding 185 Macquarie Street, Sydney and a value on completion in late 2005 of \$450 million.

¹² Based on the value of the current portfolio, excluding 185 Macquarie Street, Sydney and a value on completion in late 2005 of \$450 million.

¹³ Before interest, depreciation and amortisation, and after tax.

represent 3.3% and other development activities represent 3.0% of forecast earnings¹⁴ in the 2004 financial year).

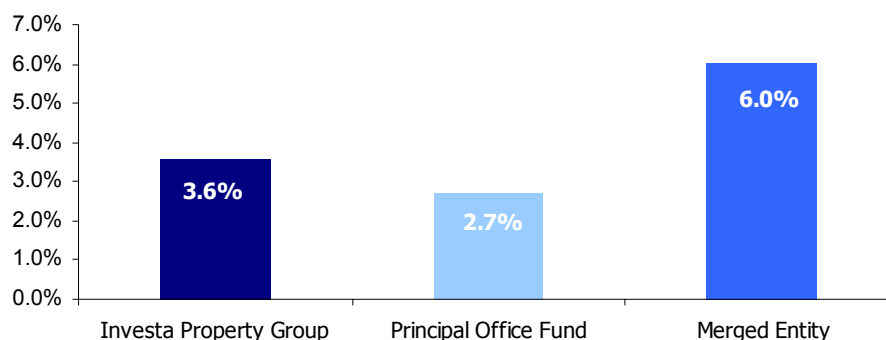
POF Unitholders will maintain their participation in development projects, but with a broader base of activity.



Increase to Index Weighting

The Merged Entity is expected to have a market capitalisation of approximately \$2.9 billion, which will provide an increased weighting in the S&P/ASX Property Indices.

Index Weightings – S & P / ASX 200 Property Trust Index



Investa Property Group is also represented in the international MSCI Index, potentially expanding the types of investors on its register. Following completion of the Offer, the Merged Entity should have increased representation in that Index.

Reflecting these factors, the Merged Entity should also have greater liquidity than either Investa Property Group or Principal Office Fund, and is expected to rank within the Top 50 entities (by market capitalisation) listed on the ASX.

Enhanced growth prospects

The Merged Entity should have a lower cost of capital, enhancing the prospects for accretive acquisition opportunities.

¹⁴ Before interest, depreciation and amortisation, and after tax.

PART C IMPORTANT INFORMATION

1 Profile of the Investa Property Group

1.1 Overview of Investa

Investa Property Group is an ASX listed integrated property group with a range of businesses associated with the development, management and ownership of real estate. It trades on the ASX under the code IPG and is among the largest 70 entities listed on the ASX, having a market capitalisation of approximately \$1.8 billion as at 21 May 2003, the last trading day before Investa Property Group acquired its 8.4% stake in Principal Office Fund.

The activities of Investa Property Group include:

- (a) Property investment;
- (b) Property development;
- (c) Funds management;
- (d) Asset management; and
- (e) Corporate property services.

Further details of Investa Property Group's business operations are set out in section 1.3 below.

One IPG Security consists of one unit in the Investa Property Trust and one ordinary share in Investa Properties Limited that are stapled together. Investa Properties Limited is the Responsible Entity of the Investa Property Trust.

An investor in Investa Property Group owns shares in the management company and units in the investment trust. Distributions are paid quarterly and comprise both tax advantaged unit trust distributions and franked dividends.

1.2 History and simplified corporate structure

(a) History

Investa Property Group adopted its current structure in late 2000, when the unitholders of Westpac Property Trust voted in favour of a restructure of that trust. At that time, the Responsible Entity of the Westpac Property Trust was Westpac Property Funds Management Limited, an entity owned by Westpac Banking Corporation.

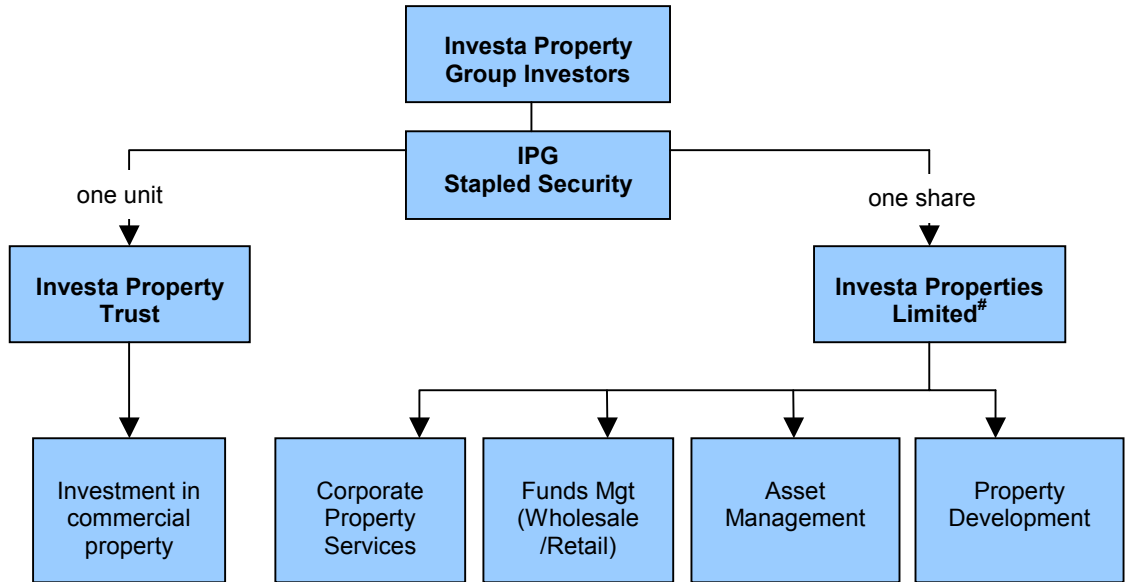
The effect of the restructure was:

- Westpac Property Trust was renamed Investa Property Trust;
- Investa Properties Limited (formerly named Westpac Investment Property Limited) replaced Westpac Property Funds Management Limited as Responsible Entity of the Investa Property Trust;
- Unitholders in the Investa Property Trust were issued with a number of shares in Investa Properties Limited equal to the number of units held in the Investa Property Trust. The shares in Investa Properties Limited and the units in the Investa Property Trust were stapled together and from 1 December 2000, all transactions on the ASX for Investa Property Group have been in respect of stapled IPG Securities; and

- Management of the Investa Property Trust was “internalised” in that the Responsible Entity of the Investa Property Trust became owned by the unitholders of the Investa Property Trust.

(b) Simplified corporate structure

The diagram below depicts a simplified structure of the Investa Property Group:



Responsible Entity of the Investa Property Trust

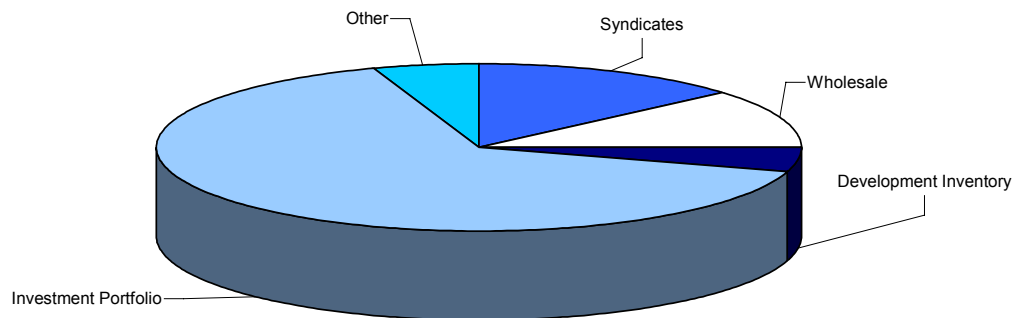
1.3 Principal activities of Investa Property Group

(a) Overview and strategy

IPG Securities are stapled securities listed on the ASX. The Group is an integrated property development, services and investment manager, as well as a commercial office property owner.

Through the Investa Property Group’s investment, funds management and development activities, it has assets under management of over \$3.0 billion.

Assets Under Management by type



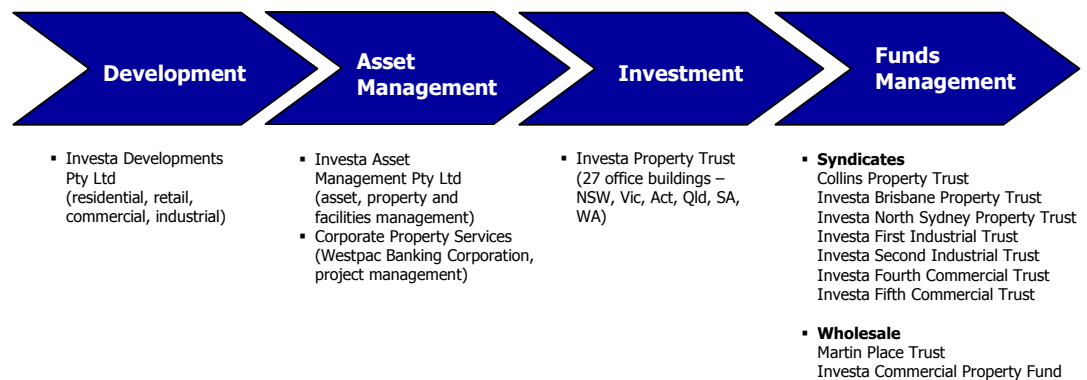
Investa Property Group is internally managed. Fees generated by Investa Properties Limited from its management activities of Investa Property

Trust's Investment Portfolio, as well as from its property development and services activities (including asset management, external funds management and corporate property services), are earned within the Investa Property Group for the holders of IPG Securities.

From the adoption of the stapled structure in November 2000, the strategy of Investa Property Group has been to increasingly broaden its earnings base, from a reliance on investment income. This strategy has been implemented by the Group pursuing various opportunities afforded by the property value chain.

The Investa Property Group has now firmly established its core business activities of Property Development, Asset Management, Investment and Funds Management.

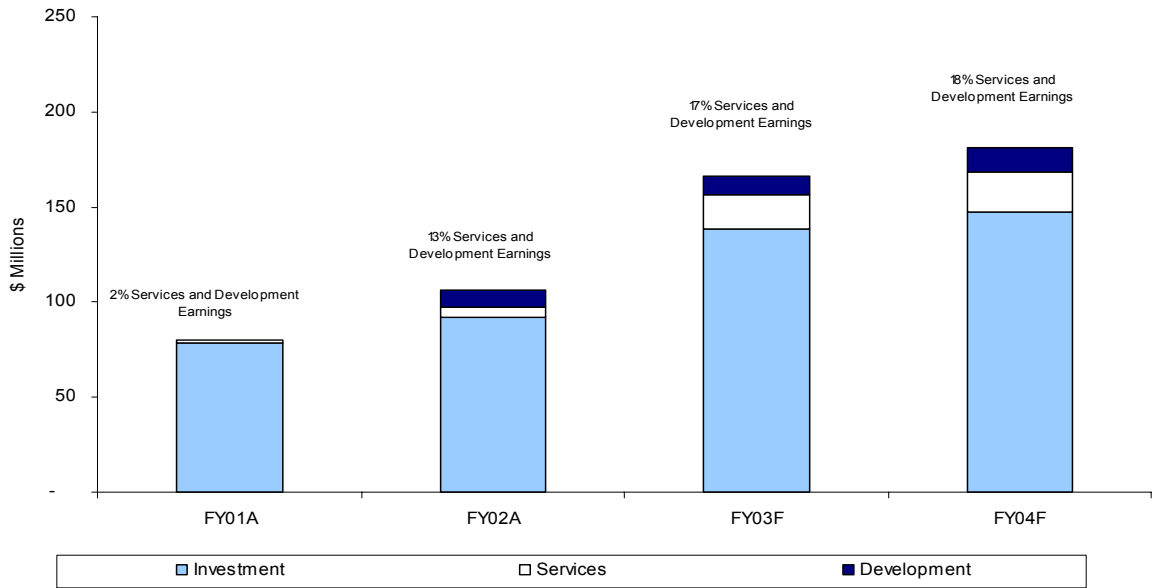
The Value Chain



Since its restructure in late 2000 the Group has supplemented its investment earnings with a progressively increasing contribution from its services and development activities. This structure provides the Group with a competitive edge in the pursuit of new opportunities.

The company's earnings, after tax and before interest, depreciation and amortisation, have increased from \$1.3 million in the financial year ended 30 June 2001 and are expected to be \$33.5 million in the year ending 30 June 2004 (excluding earnings arising from this Offer).

IPG Earnings Contribution
(after tax, before interest, amortisation and depreciation)



Note: Further details on financial years 2003 and 2004 are included in section 5.5(c)

The objective of the Group is to grow the proportion of earnings from development and services activities to a sustainable 15-20% of total Group earnings.

(b) Active balance sheet management

Investa Property Group actively manages its balance sheet.

From time to time Group debt is applied to acquisitions that support new initiatives across the Group's businesses. As at 30 May 2003, approximately \$200 million in assets were held by Investa Property Group and scheduled for syndication to retail investors, sale to wholesale investors or sale to external parties.

The Group seeks to maintain borrowings at around 30% of total assets, recognising that this gearing ratio may be higher in support of new initiatives. On 100% Acceptance of the Offer, debt levels of the Merged Entity are expected to peak at 37%. This debt level excludes the borrowings of syndicates managed by Investa Properties Limited that are less than 50% owned and hence are not required to be consolidated. The lenders to these syndicates have no recourse to the assets of Investa Property Group. Refer to section 5.5(c)(4) for the assumptions Investa Properties Limited has made concerning Principal Office Fund's borrowings.

There is a strategy in place to bring gearing back within target levels by June 2004, including the sale of assets and the use of the Distribution Reinvestment Plan for at least part of the year. This strategy comprises:

- asset sales of \$21 million (\$10.5 million already contracted);
- sale of assets into syndicates of \$108 million;
- Dividend Reinvestment Plan (as per section 5.3) of \$71 million; and
- sell-down of restructured wholesale fund of \$166 million.

(c) Commitment to sustainability

Investa Property Group is a leader among Australian listed property trusts in the application of sustainability principles in its operating platform. The application of these principles is mandated in the context of good business practice and corporate responsibility, recognising the benefits of:

- efficiency gains in energy consumption;
- reducing green house emissions;
- efficient use of natural resources;
- stakeholder relationships, including that of employees; and
- maintaining an efficient operational risk management regime.

A separate Committee of the Board has been established to oversee the programme.

(d) **Investa Property Group's Investment Portfolio**

The Investment Portfolio of Investa Property Group comprises interests in 27 commercial office properties in Australia, valued at approximately \$2.2 billion. The Investment Portfolio is the largest generator of earnings for Investa Property Group and is expected to provide approximately 82% of total Group earnings before interest for the year ending 30 June 2003.

This represents \$139.1 million in earnings before interest, depreciation and amortisation in the financial year ending 30 June 2003. Earnings are forecast to be approximately \$147.6 million before interest, depreciation and amortisation for the year ending 30 June 2004.

A summary of the Investment Portfolio is set out below. Further details on each of the properties in the portfolio are contained in Annexure D.

Investa Property Group Investment Portfolio Summary

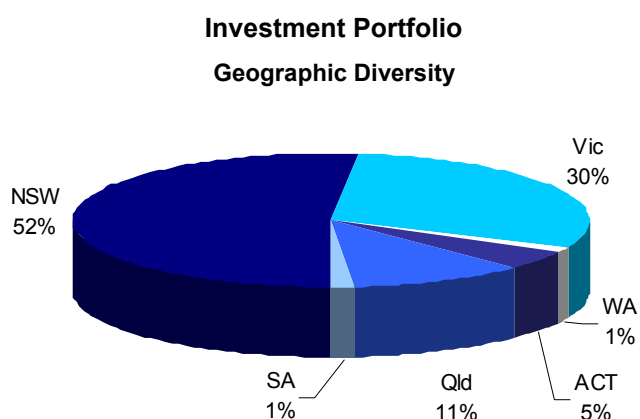
Property	Date Purchased	Independent Valuation of Property (\$'000)	Valuation Date/ Cap Rate	IRR/ Terminal Yield	Vacancy as at 1 May 2003	Net Lettable Area (NLA) Car Spaces
New South Wales						
1 Market Street Sydney ⁽¹⁾	Jan 1996	102,500	Dec 2002 7.63%	10.00% 7.75%	5,585m ² 18.8%	29,746m ² 666
255 Elizabeth Street Sydney ⁽²⁾	Sept 1994	153,500	Mar 2001 7.50%	10.25% 7.75%	195m ² 0.7%	28,451 m ² 148
55 Market Street Sydney	July 1998	138,000	Jun 2002 7.50%	10.35% 7.75%	1,013m ² 4.5%	22,613 m ² 49
60 Martin Place ⁽¹⁾ Sydney	Nov 1999	92,500	Dec 2002 6.9%	10.25% 7.50%	NIL	28,385 m ² 82
231 Elizabeth Street ⁽¹⁾ Sydney	Aug 2002	57,500	June 2002 7.25%	10.00% 8.00%	NIL	23,269 m ² 80
310 Pitt Street Sydney	Nov 2002	120,000	June 2002 7.75%	10.25% 8.50%	NIL	29,157 m ² -
80 Pacific Highway ⁽¹⁾ North Sydney	Apr 2001	45,375	Mar 2001 7.50%	10.50% 8.00%	NIL	13,697 m ² 86
73 Miller Street North Sydney	Jun 1997	90,000	Jun 2002 7.75%	10.50% 8.25%	NIL	14,707 m ² 159
110 George Street Parramatta	Oct 1997	66,500	Jun 2002 9.30%	10.75% 9.25%	512m ² 2.4%	20,976 m ² 347
32 Phillip Street Parramatta ⁽²⁾	Nov 1999	21,100	Sep 2000 8.50%	10.75% 8.75%	NIL	6,759 m ² 104
50 – 60 Talavera Road North Ryde ⁽²⁾	Nov 1999	31,400	Dec 2000 8.75%	11.00% 9.75%	NIL	11,323 m ² 128
Victoria						
242 Exhibition Street Melbourne	Aug 2002	261,000	Jun 2002 7.50%	9.75% 8.00%	124m ² 0.2%	65,538 m ² 346
485 La Trobe Street Melbourne	Sept 1998	111,000	Jun 2002 8.50%	10.25% 8.75%	1,123m ² 3.3%	34,045 m ² 208
469 La Trobe Street Melbourne	July 1988	53,100	Jun 2002 9.50%	10.75% 9.75%	NIL	19,830 m ² 47
420 St Kilda Road Melbourne ⁽²⁾	Dec 1986	27,000	Jun 2001 9.00%	11.00% 10.00%	180m ² 1.7%	10,558 m ² 135
209 Kingsway ⁽¹⁾ Melbourne	Jan 2002	50,000	Aug 2002 8.00%	10.20% 8.50%	NIL	24,420 m ² 750
589 Collins Street ⁽¹⁾ Melbourne	Feb 2003	27,000	Jan 2003 10.45%	11.50% 10.50%	NIL	31,906 m ² 156
Queensland						
410 Ann Street Brisbane	Nov 1987	62,500	Jun 2001 9.25%	11.25% 10.25%	833m ² 4.1%	20,489 m ² 693
241 Adelaide Street Brisbane	Sept 1998	17,000	Dec 2002 9.75%	10.50% 9.00%	226m ² 3.0%	7,486 m ² 76
50 Ann Street Brisbane	Dec 2002	83,000	Dec 2002 8.75%	10.22% 9.00%	NIL	25,519 m ² 119
Kings Row Office Park ⁽¹⁾ Milton	Dec 2002	31,700	Dec 2002 9.00%	10.10% 9.50%	1,104m ² 5.3%	20,710 m ² 417
Australian Capital Territory						
62 Northbourne Avenue Canberra	Feb 1988	27,500	Jun 2002 9.75%	11.50% 10.25%	NIL	9,964 m ² 110
64 Northbourne Avenue Canberra	July 1994	16,100	Jun 2002 10.00%	11.50% 10.50%	521m ² 8.0%	6,508 m ² 35
73 Northbourne Avenue Canberra ⁽²⁾	May 1994	17,000	Dec 2000 9.35%	11.00% 10.25%	NIL	6,237 m ² 86
Bowes Street ⁽¹⁾ Woden, Canberra	Dec 2002	19,300	Sept 2002 9.25%	10.75% 9.50%	NIL	12,675 m ² 131
South Australia						
115 Grenfell Street Adelaide ⁽²⁾	May 1989	26,500	Mar 2001 10.50%	12.75% 11.00%	219m ² 1.6%	13,907 m ² 38
Western Australia						
109 St Georges Terrace Perth	Nov 1999	25,500	Jun 2002 9.00%	11.75% 9.25%	1,076 m ² 7.7%	14,041 m ² 79
TOTAL PORTFOLIO		1,773,575			12,711m² 2.0%	552,916 m² 5,275

(1) 50% interest. Joint owners in each case are Funds managed by Investa Property Group. All other properties 100% owned by Investa Property Group.

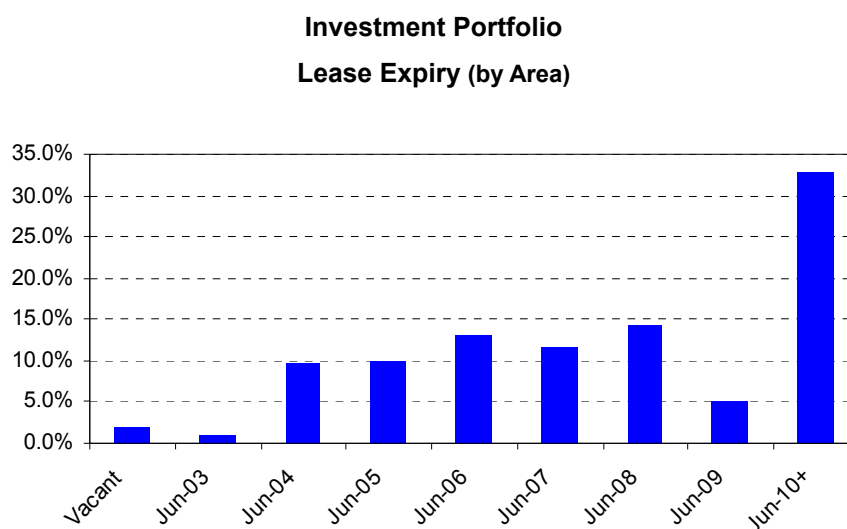
(2) These properties are presently being revalued in the normal course of business.

With respect to co-ownership of assets, as disclosed to ASX on 11 April 2003, jointly owned assets of Investa Property Group are not subject to co-owners agreements of a type where a change in responsible entity would trigger purchase rights held by the co-owner.

The Investment Portfolio provides exposure to a diversity of office properties. While properties are located across five states and the ACT, the focus for investment has been in the Sydney and Melbourne markets, which account for 82% of the value of the portfolio.



The portfolio has a relatively long average remaining lease term of 5.3 years, a well spread expiry profile and in some cases access to fixed annual rent increases.



(e) Property Development

The Investa Property Group's property development business engages in retail, commercial and industrial development as well as medium density and broad acre residential subdivision.

Development activities contributed \$8.8 million in earnings before interest, depreciation and amortisation and after tax for the financial year ended 30 June 2002, and are expected to contribute \$10.2 million in earnings before interest, depreciation and amortisation and after tax for the year ending 30 June 2003.

The residential subdivision activities provide earnings to Investa Property Group through the progressive development of estates. The Group

presently has a residential land bank representing the equivalent of approximately 5,000 lots. While the focus of the residential activities has been on targeting land predominantly on the urban fringe, medium density residential projects in both Queensland and Western Australia have also been secured.

Commercial, industrial and retail projects have generally been applied to providing quality investment product for the Group's funds management activities. Over the last two years projects having a value on completion of \$73.3 million have been sold into investment funds managed by the Group.

The development activities provide an example of the leverage the Group applies through the implementation of its value chain strategy to integrate its activities to maximise revenues across the Group. In these examples, Investa Property Group has earned revenues from development and ongoing property management and funds management activities.

Investa Property Group is currently undertaking six residential property development projects, four commercial, one industrial and one retail property development projects. These include the following:

Development Project	Details
Residential	
Mill Park Lakes, Melbourne, Victoria	This estate when complete will contain approximately 2,416 residential allotments. To date, 1,322 lots have been developed, leaving 1,094 to be developed.
Mill Park North, Melbourne, Victoria	A 3.98 ha. site for which development approval will be sought for approximately 75-85 medium density dwelling units.
Quinns Beach Estate, Perth, Western Australia	This estate located near Perth will, upon completion, comprise approximately 477 new residential lots, with 63 remaining to be developed.
Mayfair on Manly, Brisbane, Queensland	This residential development comprising 131 home sites in one of Brisbane's prime coastal areas, is approximately 15 km east of the CBD. The final stage of 48 lots is currently under development.
Hillarys, Perth, Western Australia	A 4.5 hectare site for which development approval for approximately 70 - 80 medium density units is being sought.
43 and 55 Forbes Street, West End, Brisbane, Queensland	Subject to a rezoning application, this residential development for 240 units is located overlooking the Brisbane River approximately 3.5 km south west of the Brisbane GPO.
Sippy Downs, Caloundra Shire, Queensland	A proposed 3,000 lot residential subdivision requiring rezoning to facilitate development in the medium term.
Commercial	
Macquarie Street, Parramatta, New South Wales	This proposed commercial development is a 12 storey tower, comprising 10,000m ² net lettable office space plus 700m ² associated retail space, a brasserie, and a public plaza.
'Eden Park', North Ryde, New South Wales	Situated adjacent to the proposed "Macquarie Park" rail station, this project involves the proposed development of 30,000m ² of high-tech office. Stage 1, a 11,000m ² building plus car parking is due to commence June 03, with completion expected in June 04.
Lorimer Street, Port Melbourne, Victoria	This 29,000m ² site is zoned for commercial use and will be developed in stages.
Turner Street, Port Melbourne, Victoria	This 30,160m ² commercial/industrial project involves the development of strata titled commercial office/warehouse units.
Industrial	
Acacia Ridge, Brisbane, Queensland	An industrial subdivision with developed land for sale.
Retail	
Manly Shopping Centre, Brisbane, Queensland	A neighbourhood centre incorporating a 3,200m ² supermarket and speciality shops expected to be completed in June 04.

(f) **Asset Management**

Through two of its wholly owned subsidiaries, (Investa Asset Management Pty Limited and Investa Asset Management (Qld) Pty Limited), Investa Property Group provides asset, property and facilities management services in relation to the Investment Portfolio as well as properties owned by funds managed by the Group. Through its subsidiaries, it has real estate licences in

New South Wales, Victoria and Queensland, enabling the Group to undertake a range of activities including property management, leasing, rent reviews and lease renegotiations, contract administration and engineering services.

Investa Property Group manages 38 properties across New South Wales, Victoria and Queensland. External agents, under the guidance and supervision of the Group's asset managers, manage properties located outside of these areas.

Investa Property Group's asset management business generates property, facilities management and leasing fees that would otherwise have been paid to external organisations.

The asset management activities contributed an immaterial amount to earnings before interest, depreciation and amortisation in the financial year ended 30 June 2002, and for the half year ended 31 December 2002. However, these financial results do not reflect the benefits of purchasing power to building operating costs, and the quality of operational and risk management applied to the Investment Portfolio. These support a high level of service to tenants, reinforcing tenant relationships over the long term in the portfolio. In turn, this enhances the continuity of income from the Investment Portfolio and the value of the assets.

(g) **Funds Management**

In addition to providing funds management services to Investa Property Trust, Investa Property Group manages a number of wholesale property funds and syndicates on behalf of third party clients including institutions, superannuation funds and retail investors.

Investa Property Group has created nine trusts for external investors since its inception. Seven trusts have been established for retail investors, with assets totalling \$399 million, and two for wholesale investors with total assets of \$345 million. The Group currently has approximately \$744 million in funds under management. This represents 25% of the Group's total assets under management.

Investments in the wholesale funds are being progressively sold to a range of investors. The Group has sold approximately 23% of available units to date.

Investa Property Group's wholesale funds and trusts for retail investors are summarised below.

Fund	Amount	Details
Wholesale Investors		
Martin Place Trust	\$94.1 million	This fund was established in October 2001 and has an initial term of 7 years. It owns 50% of 60 Martin Place, Sydney, Westpac Banking Corporation's head office.
Investa Commercial Property Fund	\$250.9 million	This fund was restructured in January 2003 to offer investors a long term investment in Australia's Eastern Seaboard office markets.
Retail Investors		
Collins Property Trust	\$48.9 million	This closed fund was established in November 2000 and owns 350 Collins Street, Melbourne.
Investa Brisbane Commercial Trust	\$53.9 million	This closed fund was established in May 2001 and owns 363 Adelaide Street, Brisbane and 325 strata title car spaces in the Festival Car Park, 45 Charlotte Street, Brisbane.
Investa North Sydney Property Trust	\$47.4 million	This closed fund was established in June 2001 and owns 50% of the units in the trust that owns 80 Pacific Highway, North Sydney.
Investa First Industrial Trust	\$53.0 million	This closed fund was established in February 2002 and owns six industrial properties located in Sydney, Melbourne and Brisbane.
Investa Second Industrial Trust	\$61.9 million	This closed fund was established in June 2002 and owns five industrial properties located in Sydney, Brisbane and Melbourne.
Investa Fourth Commercial Trust	\$61.5 million	This closed fund was established in October 2002 and owns a 50% interest in commercial office buildings located in Woden (ACT), Adelaide and Perth.
Investa Fifth Commercial Trust	\$100.3 million (on completion of development property)	This fund was established in May 2003 and owns 50% interests in each of three commercial office buildings located in Melbourne, Adelaide and Perth. The trust has also entered into a conditional contract to acquire land in North Ryde, NSW, for the development of a new office / high-tech industrial building that is to be constructed.

Activities from funds management contributed \$2.0 million in earnings before interest, depreciation and amortisation and after tax for the financial year ended 30 June 2002 and are expected to contribute \$3.6 million in earnings before interest, depreciation and amortisation and after tax for the year ending 30 June 2003.

(h) **Corporate Property Services**

Investa Property Group's Corporate Property Services business provides integrated property services to corporate clients as well as project management services to the development company.

In December 2000, Investa Properties Limited entered into a five year Corporate Property Services Agreement with Westpac Banking Corporation (WBC) under which Investa Properties Limited provides various services relating to WBC's corporate accommodation requirements throughout Australia (including office premises, automatic teller machines and retail branches). This contract is on a cost recovery basis plus an agreed profit margin.

Key functions of the corporate property services business include development and implementation of short and medium term accommodation strategies, lease advice, surrenders, assignments and administration,

coordination of works programmes including makegoods and relocations, payments and budgetary systems, disaster recovery and other plans and sourcing furniture and other equipment.

Activities from corporate property services contributed \$1.0 million in earnings before interest, depreciation and amortisation and after tax in the financial year ended 30 June 2002 and are expected to contribute \$0.7 million in earnings before interest, depreciation and amortisation and after tax for the year ending 30 June 2003 reflecting marketing and new business costs supporting the expansion of the business.

1.4 Directors

Brief profiles of the directors of Investa Properties Limited are as follows:

Ian Payne M.Ec (Chairman, Non Executive Director)

A Director and Chairman of Investa Properties Limited since June 1999. Ian Payne previously held senior positions at the Commonwealth Bank of Australia including Deputy Chief Executive and Executive Director from 1992 to 1997. During this period Ian was a Director of a number of subsidiaries and associated companies, including Commonwealth Financial Services Limited. He was also the Chairman of CBFC Limited, and from 1996 to August 2002, he was Chairman of Export Finance and Insurance Corporation. Ian is a Director of SFE Corporation Limited, Legalco Limited and of Zurich Financial Services Australia Limited.

Chris O'Donnell Dip. Bus, NZCB, FAICD, AIQS (Affil), FAPI (Managing Director)

A Director of Investa Properties Limited since November 1998 and Managing Director since December 2000. Chris O'Donnell is responsible for the overall management of the Group. Chris is a member of the Sustainability Committee and the Remuneration & Nominations Committee. Chris has wide ranging property experience gained over 25 years working with Westpac, Lend Lease, Capital Property Group and Leighton Holdings. During this period he held a number of senior executive roles including Executive Director of Westpac Investment Property Limited and Lend Lease Property Investment Services Limited and Managing Director of Capital Property Group.

John Arthur LLB(Hons) (Non Executive Director)

A Director of Investa Properties Limited since July 2001, Chairman of the Remuneration & Nominations Committee and a member of the Sustainability Committee. John Arthur has extensive legal and commercial expertise in property development and construction and in managed property funds. He has practised law as a partner at Freehills since 1981, except for the period 1992 to 1995 when he was General Counsel for the Lend Lease Group. John was a Director of the Manager of General Property Trust from 1989 to 1995 and is currently a Director of Rinker Group Limited.

Shaun Mays B.Sc(Hons), M.Sc, MBA, FAICD (Non Executive Director)

A Director of Investa Properties Limited since November 1999, Chairman of the Sustainability Committee and a member of the Audit & Risk Management Committee. Shaun Mays retired as the Managing Director of Westpac Financial Services in 2003. He has over a decade of experience in the financial services industry in Australia and internationally. Prior to joining Westpac in 1999, Shaun held senior positions including Chief Investment Officer of Commonwealth Financial Services and Managing Director and Chief Investment Officer of Mercury Asset Management. Shaun is currently a non-executive Director of Babcock & Brown Direct Investment Fund, a Member of the National Environment Education Council, a Member of the Australian Stock Exchange Listing Appeals Committee and Member of the Environment Minister's Round Table.

John Messenger ANZIF (Snr Assoc) (Non Executive Director)

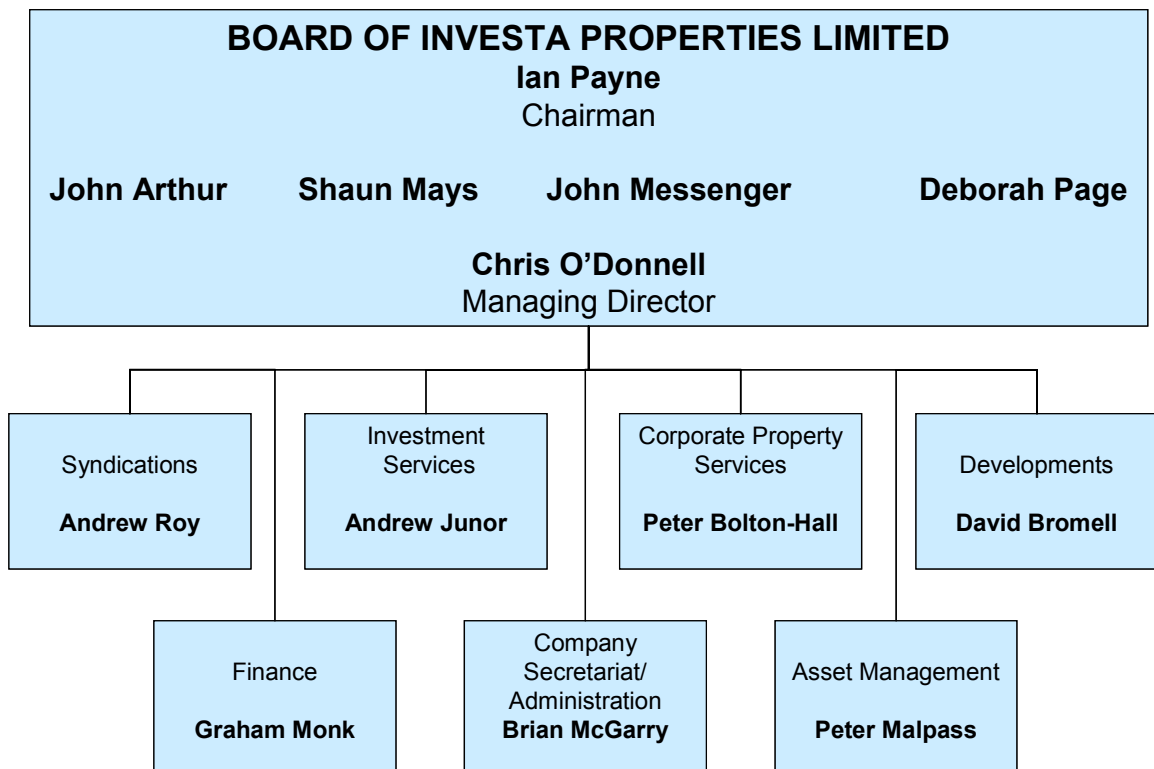
A Director of Investa Properties Limited since August 2002. John is Chairman of the Due Diligence Committee and a member of its Audit and Risk Management Committee. John Messenger has extensive international insurance broking and risk management experience with major multi-national corporations. Between 1986 and 1995 he was the Managing Director of MLC Insurance Limited and a Director of Lend Lease Learning Pty Limited. From 1997 until 2001, he was the Chief Executive Officer, Corporate Risk Management for the Lend Lease Group. John is a Director of St John Ambulance Australia Limited and related companies and of Territory Insurance Office, Darwin.

Deborah Page B.Ec, FCA, MAICD (Non Executive Director)

A Director of Investa Properties Limited since April 2002. Deborah is a member of the Remuneration & Nominations Committee and is Chairman of the Audit and Risk Management Committee. Deborah Page is a Chartered Accountant and was a partner in Touche Ross/KPMG Peat Marwick from 1989 to 1992. Subsequently she held senior executive positions with the Lend Lease Group and the Commonwealth Bank. Deborah is currently Chair of the NSW Cancer Council and a Director of Macquarie Generation and the Internal Audit Bureau of NSW. She is also a member of the Audit Committee of the Department of Community Services of NSW.

1.5 Management team

Key reporting lines and management positions in Investa Property Group are as follows:



1.6 Recent financial position and performance of Investa Property Group

The annual financial report for Investa Property Group for the financial year ended 30 June 2002 was lodged with ASIC on 13 September 2002 and given to the ASX on that date.

The financial report for Investa Property Group for the half year ended 31 December 2002 was lodged with ASIC on 4 March 2003 and given to the ASX on that date.

Investa Property Group will provide a copy of the half year financial report, which includes the Group's financial statements, free of charge to any person who requests it during the Offer Period. Alternatively, it is available to download on the Group's website at www.investa.com.au.

(a) Financial report overview for the half year ended 31 December 2002

In summary, the half year financial report showed that as at 31 December 2002:

- total revenue from ordinary activities increased to \$161.7 million from \$67.2 million in the half year ended 31 December 2001;
- net profit increased by 55% to \$58.5 million from \$37.7 million in the half year ended 31 December 2001;
- distribution per stapled security increased by 5.5% to 7.70 cents per stapled security from 7.30 cents in the half year ended 31 December 2001;
- underlying earnings per stapled security increased by 9.7% to 7.59 cents per security from 6.92 cents in the half year ended 31 December 2001;
- net tangible assets per security increased to \$1.78 per security from \$1.73 as at 30 June 2002;
- total assets were \$2.2 billion;
- the gearing of the Group was 27%;
- funds under management were \$2.8 billion;
- the trust portfolio consisted of 521,000m² with an occupancy rate of 98% and average lease term of 5.8 years;
- the Group acquired interests in twelve properties including the Telstra portfolio¹⁵;
- the development portfolio had acquired two further sites; and
- the syndication business had expanded to include the Investa Fourth Commercial Trust.

(b) Historical financial information

The following sets out summaries of certain historical financial information about Investa Property Group. It is historical information that does not take into account the effects of the acquisition of Principal Office Fund by Investa Property Group (see section 5 for information in relation to this issue). It is a summary only and the full financial accounts for Investa Property Group for the relevant years, which include the notes to the accounts, can be found in Investa Property Group's annual reports. Investa Properties Limited will provide a copy of that report free of charge to anyone who requests it during the Offer Period (see section 1.7 for details).

¹⁵ A portfolio of seven office buildings acquired during 2003 financial year from Telstra Corporation for \$570 million.

(c) **Historical combined statement of financial performance**

Year Ended	30 June 2002	30 June 2001*
	\$'000	\$'000
Revenue from ordinary activities		
Revenue from operating activities	180,284	96,495
Distributions from associates	17,685	14,344
Other revenues from ordinary activities	6,770	26,492
Total revenue from ordinary activities	204,739	137,331
Cost of goods sold	(57,273)	-
Employee expenses	(11,727)	(3,723)
Property outgoings	(18,657)	(19,455)
Repairs and maintenance	(2,388)	(2,656)
Borrowing costs	(18,353)	(17,449)
Net increment on revaluations of investment properties	6,876	56,065
Depreciation of property, plant and equipment	(252)	(19)
Amortisation of intangibles	(3,056)	(1,219)
Other expenses from ordinary activities	(7,406)	(30,858)
Net profit from ordinary activities before income tax expense	92,503	118,017
Company income tax expense	(3,796)	(623)
Net profit after company tax attributable to stapled securityholders of Investa Property Group	88,707	117,394
Net increase in asset revaluation reserve	46,565	-
Total revenues, expenses and valuation adjustments attributable to stapled securityholders of Investa Property Group recognised directly in equity	46,565	-
Total changes in equity other than those resulting from transactions with stapled securityholders as owners	135,272	117,394
Distributions and dividends paid and payable	84,666	65,370
	Cents	Cents
Distributions and dividends paid and payable cents per stapled security	14.75	13.80
Basic and diluted earnings per stapled security	15.55	24.40
Basic and diluted earnings per stapled security (before revaluation)	14.35	12.74
Basic and diluted earnings per stapled security (after tax and before revaluation and amortisation)	14.88	12.98
In addition to the above Investa has recorded the following net movements in its asset revaluation reserve:		
Net Increase in asset revaluation (\$'000)	53,441	56,065

* This period represents a 12 month period for Investa Property Trust and a 7 month period for Investa Properties Limited (noting that Investa Property Group adopted its current stapled structure in late 2000).

(d) Historical combined Statement of Financial Position

Year Ended	30 June 2002	30 June 2001
	\$'000	\$'000
Current assets		
Cash assets	22,873	12,098
Receivables	39,969	12,941
Loan to related entity	29,577	-
Property inventories	39,561	-
Other investments	45,629	-
Total current assets	177,609	25,039
Non-current assets		
Deferred tax asset	1,643	340
Intangibles	51,847	40,879
Property, plant and equipment	1,177	554
Loans to employees	5,561	1,173
Property inventories	78,004	-
Investment properties	1,150,319	1,091,885
Total non-current assets	1,288,551	1,134,831
Total assets	1,466,160	1,159,870
Current liabilities		
Payables	14,670	4,970
Provisions	25,964	18,768
Interest bearing liabilities	-	80,000
Current tax liabilities	7,080	434
Total current liabilities	47,714	104,172
Non-current liabilities		
Interest bearing liabilities	320,500	168,200
Deferred tax liabilities	4,490	-
Total non-current liabilities	324,990	168,200
Total liabilities	372,704	272,372
Net assets	1,093,456	887,498
Equity		
Contributed equity	1,043,750	892,971
Reserves	46,565	(6,876)
Amounts available for distribution	3,141	1,403
Total equity	1,093,456	887,498

(e) Historical combined cash flow statements

As at	30 June 2002	30 June 2001*
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts in the course of operations	175,514	104,308
Cash payments in the course of operations	(73,198)	(42,955)
Interest received	2,637	990
Distributions and dividends received	19,957	13,447
Borrowing costs paid	(18,055)	(16,605)
Income taxes paid	(9,920)	(3,228)
Net cash inflow from operating activities	96,935	55,957
Cash flows from investing activities		
Proceeds from sale of property	-	25,500
Payment for purchase of controlled entity, net of cash acquired	(50,519)	-
Capital expenditure on investment properties	(4,996)	(4,726)
Payment for due diligence costs	(1,120)	-
Payments for other investments	(50,628)	-
Loans to related entities	(95,872)	-
Repayment of borrowings from related entities	56,203	-
Proceeds from sale of investments	5,000	-
Payments for investments in associates	-	(50,285)
Proceeds from sale of property, plant and equipment	650	-
Payment for property, plant and equipment	(242)	(529)
Loans to employees	(4,388)	(1,173)
Payment for intangible assets	(8,870)	(42,098)
Net cash (outflow) from investing activities	(154,782)	(73,311)
Cash flows from financing activities		
Net proceeds from issues of securities	161,562	80,268
Proceeds from borrowings	84,800	12,700
Repayment of borrowings	(340,500)	(38,000)
Proceeds from issues of commercial notes	249,405	-
Payment for costs associated with issue of units	(5,649)	-
Payment for costs associated with issue of commercial notes	(1,018)	-
Distributions paid	(79,978)	(42,889)
Net cash inflow from financing activities	68,622	12,079
Net increase/(decrease) in cash held	10,775	(5,275)
Cash at the beginning of the financial year	12,098	17,373
Cash at the end of the financial year	22,873	12,098

* This period represents a 12 month period for Investa Property Trust and a 7 month period for Investa Properties Limited (noting that Investa Property Group adopted its current stapled structure in late 2000.)

1.7 Public announcements by Investa Property Group

Investa Property Group is a “disclosing entity” for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed entity, Investa Property Group is subject to the ASX Listing Rules which require continuous disclosure of any information Investa Property Group has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

The ASX maintains files containing publicly disclosed information about all listed companies. The Investa Property Group file is available for inspection at the ASX during normal business hours.

In addition, Investa Properties Limited is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Investa Properties Limited may be obtained from, or inspected at, an ASIC office.

Investa will provide free of charge, to any person who requests it during the Offer Period, a copy of:

- (1) the annual financial report of Investa Property Group for the year ended 30 June 2002 (being the annual financial report most recently lodged with ASIC before this bidder’s statement was lodged with ASIC);
- (2) the half year financial report of Investa Property Group for the half year ended 31 December 2002 (being the half year report most recently lodged with ASIC by Investa Properties Limited after the lodgement of the annual financial report referred to in paragraph (1) above and before lodgement of this bidder’s statement with ASIC); and
- (3) any continuous disclosure notice given to the ASX by Investa Properties Limited after the lodgement with ASIC of the annual financial report referred to in paragraph (1) above and before lodgement of this bidder’s statement with ASIC. A list of such notices is contained in Annexure A.

Copies of any of the documents referred to in paragraphs (1) to (3) above can be obtained by contacting the Investa Property Group Offer Information Line on 1300 302 124 (callers within Australia) or 61 2 9240 7463 (callers outside Australia). Alternatively the information can be downloaded from the Investa Property Group website at www.investa.com.au.

2 Information about IPG Securities

2.1 Investa Property Group's issued securities

As at the date of this bidder's statement, Investa Property Group's issued securities consisted of:

- 885,528,274 fully paid ordinary shares in Investa Properties Limited; and
- 885,528,274 fully paid ordinary units in Investa Property Trust.

Details of issues of IPG Securities since 30 June 2002 are as follows:

Issue	Date	Price per Security	Securities Issued	Amount Raised
Priority Entitlement Issue	15/08/02 & 13/09/02	\$1.89	174,603,175	\$330.0m
Distribution Reinvestment Plan	23/08/02	\$1.97	4,278,224	\$8.4m
Placement	23/10/02	\$2.02	45,000,000	\$90.9m
Distribution Reinvestment Plan	21/11/02	\$2.05	6,168,511	\$12.6m
Securityholder Purchase Plan	30/12/02	\$2.02	5,271,449	\$10.7m
Placement	31/01/03	\$2.10	35,442,857	\$74.4m
Distribution Reinvestment Plan	21/02/03	\$2.10	6,344,321	\$13.3m
Distribution Reinvestment Plan	23/05/03	\$2.06	7,597,562	\$15.7m
Total			284,706,099	\$556.0m

The Priority Entitlement Issue and the Placements were made to support the funding of purchases including the \$570 million purchase of a portfolio of properties from Telstra Corporation and other acquisitions of the Investa Property Group.

2.2 Substantial holders

As at the date of this bidder's statement, substantial holder notices, in respect of IPG Securities, had been received showing the following:

	Substantial holder	Number of IPG Securities	Voting power at date of last notice
1	Commonwealth Bank of Australia	111,114,795	12.75%
2	Westpac Banking Corporation	74,024,418	8.49%
3	AMP Limited	72,312,491	8.24%
4	Macquarie Bank Limited	66,742,236	7.60%
5	National Australia Bank Limited Group	50,405,829	6.50%
6	Lend Lease Corporation	47,313,908	5.43%
7	Deutsche Bank	44,074,889	5.06%

2.3 Trading of IPG Securities

The latest recorded sale price of IPG Securities on the ASX before the public announcement of the Offer was \$2.18.

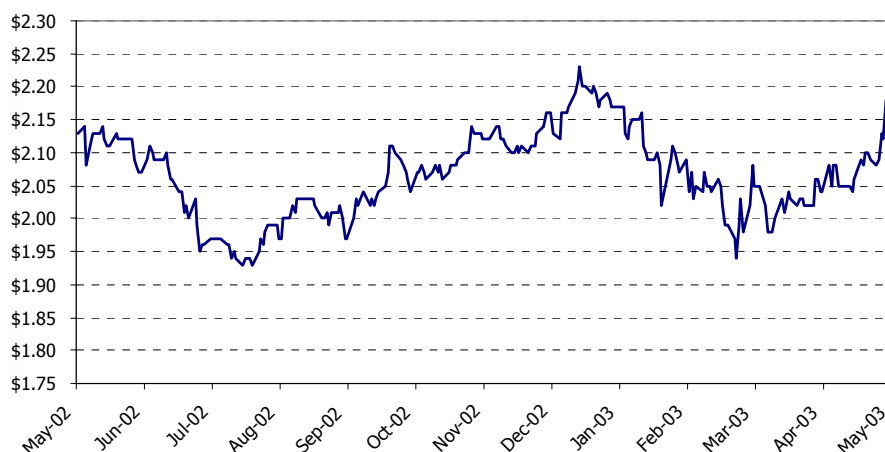
The latest recorded sale price of IPG Securities on the ASX before the date on which this bidder's statement was lodged with ASIC was \$2.16.

The highest recorded sale price of IPG Securities on the ASX in the 4 months before this bidder's statement was lodged with ASIC was \$2.18.

The lowest recorded sale price of IPG Securities in the last 4 months before this bidder's statement was lodged with ASIC was \$1.94.

The following graph sets out the price of IPG Securities on the ASX in the past year.

Investa Property Group
12 Month trading history to 30 May 2003



2.4 Distributions and dividends

The following distributions (being the aggregate of dividends paid on each Investa Share and distributions on each Investa Unit) have been paid by Investa Property Group:

Year Ended 30 June	Amount per IPG Security	Distribution per Investa Unit	Dividend per Investa Share	Tax Advantaged Portion of Investa Unit Distribution	Franked Amount of Investa Share Dividend
2003*	15.60 cents	13.91 cents	1.69 cents	To be determined	To be determined
2002	14.75 cents	13.69 cents	1.06 cents	49.20%	100%
2001	13.80 cents	13.62 cents	0.18 cents	56.61%	100%

Note: * Includes the amount forecast to be distributed in the June quarter 2003.

The following distributions were paid on each Westpac Property Trust Unit prior to the restructure in November 2000 to form the Investa Property Group:

Year ended 30 June	Amount per Westpac Property Trust Unit	Tax Advantaged
2000	13.10 cents (ordinary units) 8.72 cents (new units)	62.80% (on Trust distribution)
1999	13.00 cents (ordinary units)	71.70% (on Trust distribution)

Note: The new units related to capital raisings. From 31 December 1999, all units ranked equally with the ordinary units.

Tax advantaged components of the distribution represent income that is sheltered from tax in the hands of the holder because of deductions such as building allowances, depreciation on plant and equipment, and other tax timing differences.

2.5 Rights and liabilities attaching to the IPG Securities offered

(a) Introduction

Each IPG Security comprises one Investa Unit and one Investa Share. These securities are stapled and quoted and traded on the ASX as a stapled security. A person can only transfer either an Investa Share or an Investa Unit if the transfer is accompanied by a transfer of an equal number of Investa Units or Investa Shares (as the case may be). Any issue of new Investa Shares by Investa Properties Limited or an issue of Investa Units by Investa Properties Limited as Responsible Entity of Investa Property Trust must be matched by an issue of an equal number of Investa Units or Investa Shares (as the case may be) to the same person.

The IPG Securities to be issued pursuant to the Offer will be fully paid and will rank equally in all respects for distribution and other rights with existing IPG Securities then on issue.

The rights and liabilities attaching to the IPG Securities which will be issued as part of the Consideration under the Offer are set out in the constitutions of Investa Properties Limited and Investa Property Trust and in the Corporations Act.

The main rights and liabilities attaching to the IPG Securities are summarised below.

(b) **Investa Properties Limited Shares**

(1) **Meetings of shareholders and voting rights**

Each holder of Investa Shares is entitled to receive notice of and to attend and vote at meetings of members of Investa Properties Limited. Each holder of Investa Shares is entitled to receive all financial reports, notices and other documents required to be sent to members under the Corporations Act.

In practice, meetings of members of Investa Properties Limited are held concurrently with meetings of members of Investa Property Trust and a consolidated set of financial reports, covering both Investa Properties Limited and Investa Property Trust, is sent to members.

Every holder of an Investa Share present in person or by a representative, proxy or attorney at a meeting of members has one vote on a show of hands and one vote on a poll per Investa Share in respect of which a holder is entitled to vote.

(2) **Dividends**

The directors may pay any interim and final dividends as, in their judgment, the financial position of Investa Properties Limited justifies.

Subject to any rights or restrictions attaching to shares, all dividends in respect of Investa Shares must be paid in proportion to the amount paid up on the Investa Shares held by a member.

(3) **Winding up**

Subject to the constitution of Investa Properties Limited and any special rights attaching to any class of shares, a holder of Investa Shares will be entitled in a winding up to a share in any surplus property in proportion to the number of Investa Shares held by them, reduced in any particular case by any amount unpaid on the Investa Shares at the date of distribution.

However, the liquidator may, with the sanction of a special resolution, determine how any surplus property is to be apportioned between members.

(4) **Transfer of shares**

Holders of Investa Shares may transfer them by an instrument in writing in any usual form or in any other form that the directors approve. A transfer of any Investa Share to which an Investa Unit is stapled which is not accompanied by a transfer of the Investa Unit will be taken to authorise the Responsible Entity to effect a transfer of the relevant Investa Unit to the same transferee. In relation to CHESS approved Investa Shares, the directors may decline to register any transfer where the ASX Listing Rules permit and must decline to register a transfer if required to do so by the ASX Listing Rules. In relation to Investa Shares which are not CHESS approved, the directors may decline to register a transfer where the ASX Listing Rules permit.

(5) **Alteration of capital**

Subject to the constitution of Investa Properties Limited and the ASX Listing Rules, the directors of Investa Properties Limited may issue or grant options in respect of, or otherwise dispose of,

Investa Shares to such persons, for such price, on such conditions at such time and with such preferred, deferred or other special rights as the directors see fit.

The directors may not issue an Investa Share unless satisfied that the Investa Share will be stapled to an Investa Unit to form an IPG Security within two business days of the issue.

(c) **Investa Property Trust Units**

Investa Property Trust is a unit trust and registered management investment scheme and as such, the rights and liabilities attaching to the Investa Units which will be issued as part of the Consideration of the Offer are set out in the Investa Property Trust constitution and in the Corporations Act.

The main rights and liabilities attaching to the Investa Units are summarised below.

(1) **Entitlements to distributions**

Investa Property Trust unitholders are entitled to a share of distributable income in proportion to each holder's aggregate paid-up unit holding.

Distributions will only be paid to persons who hold Investa Units on the record date for that distribution period.

(2) **Voting rights**

Each Investa Property Trust unitholder is entitled to receive notice of and attend meetings of Investa Property Trust unitholders. Each Investa Property Trust unitholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll or a postal ballot, one vote for each dollar of the value of the total interests they have in the scheme.

(3) **Rights on winding up**

On a winding up the net proceeds of realisation of the assets of Investa Property Trust, after discharging or providing for all liabilities of the Responsible Entity of the Investa Property Trust, must be distributed pro rata to Investa Property Trust unitholders according to the paid-up proportion of units they hold.

Payment of all such liabilities and claims to Investa Property Trust unitholders, whether by way of distributions, profits or otherwise, may be postponed to until after the payment to the Responsible Entity of all claims and liabilities which, it has incurred or established that it will incur before the winding up of Investa Property Trust, by or on behalf of its creditors in relation to Investa Property Trust or by or on behalf of any person employed by it in connection with the winding up of Investa Property Trust.

(4) **Transfer of units**

While Investa Property Trust is admitted to the Official List of the ASX, Investa Units may be transferred in accordance with the ASX Listing Rules. The Responsible Entity of Investa Property Trust (presently Investa Properties Limited) may refuse to register a transfer of quoted securities only where permitted or required to do so by the ASX Listing Rules. In addition, a transfer will only be accepted if it is accompanied by a transfer of the identical number of Investa Shares as Investa Units to the same transferee.

(5) **Accounts**

The accounts of the Investa Property Trust are prepared by the Responsible Entity of Investa Property Trust in accordance with the Corporations Act and are audited and reported on as required by the Corporations Act.

Each Investa Property Trust unitholder has a right to receive copies of the combined accounts of Investa Property Trust which include the Investa Property Trust's annual and half yearly accounts.

(6) **Issues of Investa Units at market price or current unit value**

The Responsible Entity of Investa Property Trust may issue Investa Units at a price determined by it, provided that the aggregate of the issue price of that Investa Unit and the issue price of the Investa Share to which it will be stapled is equal to the Market Price for Stapled Securities (as defined) on the business day prior to the day on which the offer or issue is made.

Where IPG Securities have been suspended from quotation on the ASX (other than temporarily) or have ceased to be officially quoted, or where Investa Property Trust has been removed from the Official List of the ASX, the Responsible Entity may issue Investa Units at the current unit value of Investa Units on the business day prior to the day on which the offer to issue units was made.

(7) **Issues of Investa Units pursuant to options**

At any time, the Responsible Entity may issue Investa Units in accordance with the terms of offer and terms of issue of options in respect of unissued units in Investa Property Trust.

(8) **Placements of Investa Units**

While Investa Units form part of IPG Securities and IPG Securities are officially quoted on the ASX and not suspended from quotation (other than temporarily), the Responsible Entity of Investa Property Trust may issue Investa Units to any person other than itself and its associates at any price set by the Responsible Entity where approval is given by special resolution of at least 75 percent of the Investa Property Trust unitholders entitled to vote on the question and where the notice of meeting sent to Unitholders contains particulars of the use of the money to be raised by the issue.

While Investa Units form part of IPG Securities and IPG Securities are officially quoted on the ASX and not suspended from quotation (other than temporarily), the Responsible Entity of Investa Property Trust may issue Investa Units to any person other than itself and its associates, provided that the issue price of the IPG Securities of which the Investa Units form a part is not less than 90% of the market price for IPG Securities, or does not immediately after the issue comprise more than 10% of either all Investa Units or the class of Investa Units of which they are a part.

(9) **Rights issues**

At any time while IPG Securities are officially quoted, the Responsible Entity of Investa Property Trust may offer further Investa Units for subscription at a price determined by it, to all the then Investa Property Trust unitholders, provided that:

(A) the Investa Units offered are in the same class;

- (B) the issue price of all the Investa Units offered is the same;
- (C) the issue price of all those Investa Units and the issue price of Investa Shares to which those Investa Units are stapled is not less than 50% of the market price of IPG Securities (as defined) on the business day preceding the day on which the intention to make the offer or issue is announced on the ASX; and
- (D) the amount of Investa Units offered to each Investa Property Trust unitholder is proportionate to the value of that unitholder's unit holding.

(10) **Issues of Investa Units pursuant to DRP**

The Responsible Entity may issue Investa Units at a price determined by it pursuant to a distribution reinvestment arrangement, provided that:

- (A) the whole or part of an Investa Property Trust unitholder's distribution entitlement is applied in payment for the Investa Units;
- (B) each Investa Property Trust unitholder may from time to time elect to participate in the distribution reinvestment arrangement with respect to some or all of their distribution entitlement;
- (C) all Investa Units issued under the arrangement are of the same class;
- (D) the issue price of all Investa Units issued pursuant to the arrangement at substantially the same time is the same; and
- (E) the price of the IPG Securities of which the Investa Units form a part is not less than 95% of the market price of IPG Securities on the business day immediately prior to the record date for determination of entitlements to the relevant distribution;

(11) **Issues of Investa Units pursuant to Security Purchase Plans**

While Investa Units form part of IPG Securities and IPG Securities are officially quoted on the ASX, the Responsible Entity may issue Investa Units at a price determined by it under an arrangement where:

- (A) an offer of Investa Units is made to each unitholder of Investa Property Trust on the same terms and conditions and on a non-renounceable basis;
- (B) the issue price of the IPG Security of which the Investa Unit forms a part is less than the market price of IPG Securities during a specified period in the 30 days prior to the date of offer or date of issue of Investa Units; and
- (C) no unitholder of Investa Property Trust may be issued IPG Securities with an application price totalling more than \$5,000 in any consecutive 12 month period.

(12) **Underwriting of issues of Investa Units**

In circumstances where the trustee of Investa Property Trust arranges for an issue of Investa Units to be underwritten, it may issue Investa Units at an issue price equal to the issue price at

which the Investa Units in relation to the underwritten issue or offer would be issued to persons other than the underwriters.

(13) **No Withdrawal**

There is no facility available to Investa Property Trust unitholders to apply to withdraw or redeem Investa Units.

(14) **Indemnity in favour of Trustee**

The Responsible Entity of Investa Property Trust is entitled to be indemnified out of the assets of Investa Property Trust for all liabilities and expenses incurred in relation to the proper performance of its duties in relation to the trust.

2.6 Investa Property Group reinvestment and purchase plans

The Investa Property Group operates a Distribution Reinvestment Plan (**DRP**) which allows holders of IPG Securities, who choose to do so, to reinvest their quarterly distribution at market price.

Participation is only available to Investa Property Group holders having not less than 250 securities in the Group.

The issue price for the securities to be issued under the DRP will be the volume weighted average at which the securities were sold on the ASX on each of the last 5 business days up to and including the relevant record date.

IPG securityholders may opt in or out of the DRP subject to providing the required notice.

The DRP may be suspended by Investa Properties Limited by giving 30 days notice.

Securityholders may obtain a complete set of the DRP rules on request or alternatively the information can be downloaded from the Investa Property Group website at www.investa.com.au.

2.7 Securityholder Purchase Plan

Investa Property Group may issue up to \$5,000 in securities per annum, to securityholders in accordance with ASIC Class Orders 02/832 and the constitution of Investa Properties Limited.

The Group offered this facility in 2001 (to \$3,000 per holder) and in 2002 (to \$5,000 per holder).

2.8 Directors' interests in IPG Securities

As at the date of this bidder's statement, the directors of Investa Properties Limited had the following relevant interests in IPG Securities:

Director	Class of security	Number	Nature of relevant interest
Ian Payne	Ordinary	12,278	Direct Holding
	Ordinary	5,000	Indirect Holding
Chris O'Donnell	Ordinary	1,566,347	Direct Holding
John Arthur	Ordinary	10,215	Indirect Holding
Shaun Mays	Ordinary	30,575	Indirect Holding
John Messenger	Ordinary	30,769	Indirect Holding
Deborah Page	Ordinary	8,067	Direct Holding
	Ordinary	10,454	Indirect Holding

2.9 Minimum bid rule valuation date

For the purposes of the Offer, Investa Properties Limited may rely on the provisions of ASIC Class Order 00/2338, "Relief from the minimum bid price principle – s621(3)".

This Class Order requires the value of the IPG Securities provided as consideration under the Offer to be valued at any time nominated by Investa Properties Limited (**Valuation Date**) up to five business days before the date of the takeover bid, which is the date of the Offer.

The relevant valuation is determined by calculating the volume weighted average market price of IPG Securities in the ordinary course of trading on the ASX during the two full trading days before the Valuation Date.

For the purposes of section 621(4A) of the Corporations Act (which section was added to the Corporations Act by Class Order 00/2338), the following information is specified:

Valuation determined under section 621(4A)(a)	\$2.11 per IPG Security
Valuation Date	13 June 2003
Trading days on which valuation is based	11 June and 12 June 2003

3 Profile of Principal Office Fund

3.1 Disclaimer

The following description of Principal Office Fund and the financial information concerning Principal Office Fund contained in this section 3 has been prepared by Investa Properties Limited using publicly available information. Information in this bidder's statement concerning Principal Office Fund's business has not been independently verified. To the extent permitted by law, Investa Properties Limited does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

The primary sources of information about Principal Office Fund's business used by Investa Properties Limited were as follows:

- Principal Office Fund's annual report for the year ended 30 June 2002;
- Principal Office Fund's half yearly report for the 6 months ended 31 December 2002;
- Principal Office Fund's website; and
- other publicly disclosed releases to ASIC and the ASX.

Further information relating to Principal Office Fund's business may be included in Principal Office Fund's target's statement which the Responsible Entity must provide to its unitholders.

3.2 Overview of Principal Office Fund's activities

(a) Introduction

Principal Office Fund is an ASX listed office property trust with a range of commercial office buildings in Australia. As at 21 May 2003, it had a market capitalisation of approximately \$1.3 billion.

Principal Office Fund's primary activity is investment in commercial office buildings in Australia. A property owned by the trust at 126 Phillip Street, Sydney, is presently under development. On scheduled completion in September 2005, the building is expected to be worth in excess of \$450 million.

A further property at 185 Macquarie Street is adjacent to the Phillip Street development and currently operates as an office building. However, it is subject to development approval for a proposed residential scheme and Principal Office Fund has granted an option for the property's sale (conditional on, among other things, obtaining development approval) to Tower Holdings Pty Limited. Under the option agreement, the option extends to 30 June 2003. If the option is not exercised by that date, Principal Office Fund will retain the asset and consider sale or development options at the appropriate time. It has been assumed that the asset is sold prior to the close of the Offer.

BT Funds Management Limited, a subsidiary of Westpac Banking Corporation, is the Responsible Entity of Principal Office Fund. The manager of Principal Office Fund is Principal Real Estate Investors (Australia) Limited (**PREIA**), a subsidiary of Principal Financial Group Inc.

It has been notified to the ASX that PREIA would seek to replace BT Funds Management Limited as Responsible Entity of Principal Office Fund.

(b) **Review of operations**

Excluding 185 Macquarie Street, Sydney, Principal Office Fund has 12 properties with a value of approximately \$1.8 billion. The properties were 97.5% occupied as at 31 December 2002, with a weighted average lease term to expiry of 3.7 years by income. Details of the investment portfolio are summarised in the table below¹⁶.

During financial year 2003 the property at 126 Phillip Street, Sydney ceased to produce investment income as a major redevelopment programme commenced.

¹⁶ Based on publicly available information published by Principal Office Fund as at the date of this bidder's statement.

Principal Office Fund Portfolio Summary

Property	Date Purchased	Independent Valuation of Property (\$'000) ⁽³⁾	Valuation Date/ Cap Rate	IRR/ Terminal Yield	Vacancy as at 31 Dec 2002	Net Lettable Area (NLA)/Car Spaces
New South Wales						
Grosvenor Place 225 George Street Sydney ⁽¹⁾	May 1988	228,000	Jun 2002 7.00%	10.25% 7.25%	6,485 m ² 7.6%	85,783 m ² 566
400 George Street Sydney	Oct 1999	370,000	Jun 2002 7.00%	10.00% 7.25%	513 m ² 1.0%	51,312 m ² 94
St Martins Tower 31 Market Street Sydney	Sep 2000	115,000	Jun 2002 8.00%	10.75% 8.50%	326 m ² 1.3%	25,114 m ² 169
Maritime Towers ⁽²⁾ 201 Kent Street Sydney	Dec 2000	102,500	Jun 2002 8.00%	10.75% 8.75%	0 m ² 0.0%	39,962 m ² 269
Centennial A 260 Elizabeth St Sydney	Sep 2000	59,000	Jun 2002 8.25%	10.50% 8.50%	0 m ² 0.0%	14,217 m ² 65
Centennial B 280 Elizabeth St Sydney	Sep 2000	74,000	Jun 2002 8.25%	10.75% 8.75%	0 m ² 0.0%	17,959 m ² 81
Centennial C 300 Elizabeth St Sydney	Sep 2000	84,000	Jun 2002 8.75%	11.00% 8.75%	0 m ² 0.0%	21,931 m ² 171
Kindersley House 33 Bligh Street Sydney	Dec 2001	68,500	Nov 2001 6.75%	10.25% 7.00%	3,410 m ² 18.8%	18,137 m ² 42
Victoria						
120 Collins Street Melbourne	Jan 1994	355,000	Jun 2002 7.75%	10.00% 8.00%	1,268 m ² 2.0%	63,381 m ² 319
Customs House 414 LaTrobe St Melbourne	Jul 1997	45,000	Jun 2002 8.50%	10.25% 9.00%	0 m ² 0.0%	14,322 m ² 88
Western Australia						
QV1 ⁽²⁾ 250 St George's Terrace, Perth		150,000	Jun 2002 7.25%	10.25% 7.50%	1,634 m ² 2.6%	62,862 m ² 1,072
TOTAL PORTFOLIO		1,651,000			13,636 m² 2.7%⁽³⁾	414,980 m² 2,936

⁽¹⁾ 30% interest. Refer section 3.2 (c) for further information on co-ownership agreements.

⁽²⁾ 50% interest. Refer section 3.2 (c) for further information on co-ownership agreements.

⁽³⁾ Weighted by ownership

Note: this table excludes 126 Phillip Street, Sydney and 185 Macquarie Street, Sydney.

(c) **Co-ownership and impact on the Offer**

As noted in section 3.2 above, certain properties in Principal Office Fund's portfolio are subject to co-ownership arrangements. According to information released by Principal Office Fund to the ASX on 11 April 2003 regarding these properties, a change in the Responsible Entity of Principal Office Fund or a change in control of Principal Office Fund will have the following implications in respect of the properties under co-ownership:

- **Grosvenor Place, Sydney** – there are no provisions which give rise to pre-emptive or purchase rights on a change of Responsible Entity of Principal Office Fund or a change of control of Principal Office Fund.
- **QV1, Perth** – there are no provisions which give rise to pre-emptive or purchase rights on a change of Responsible Entity of Principal Office Fund. However, there are provisions which may restrict a change in the control of Principal Office Fund if certain requirements are not met before the change occurs, including satisfying the co-owner (SAS Trustee Corporation) on a number of matters (including as to the respectability and financial position of the new co-owner and complying with guarantee and indemnity requirements of the co-owner). If these provisions are not observed, there may be an event of default enabling the co-owner to give notice and subsequently exercise purchase rights at one half of the then value of the property.
- **Maritime Trade Towers, Sydney** – this asset is 50% owned by Maritime Nominees Pty Limited as trustee for Maritime Trade Towers Trust (the units in which are owned by BT Funds Management Limited as Responsible Entity of BT Property Trust, with the units in that trust being held by BT Funds Management Limited as Responsible Entity of Principal Office Fund). The remaining 50% is owned by Permanent Trustee Australia Limited as trustee for the Kent Street Trust, which is ultimately owned by Commonwealth Bank managed trusts.

The joint ownership agreement in relation to this property contains provisions that may give the co-owner pre-emptive or default rights, at market, upon a change of Responsible Entity of Principal Office Fund or a change of control in Principal Office Fund. The exact nature of these pre-emptive and default rights was not disclosed in the Principal Office Fund announcement.

Principal Office Fund also stated that if BT Funds Management Limited is removed as Responsible Entity of BT Property Trust then unless:

- (1) BT Funds Management Limited or a related entity holds 50% or more of the units in BT Property Trust; or
- (2) BT Funds Management Limited is replaced as Responsible Entity of BT Property Trust,

it may entitle the co-owner to give notice to the Principal Office Fund co-owner requiring it to sell its interest on the open market.

It is not a condition of the Offer that co-owners of QV1 and Maritime Trade Towers consent to the acquisition of Principal Office Fund by the Investa Property Group. It is not a condition of the Offer that the co-owners do not exercise any rights to buy Principal Office Fund's interests in these properties.

3.3 Recent financial position and performance of Principal Office Fund

(a) Financial report for the financial year ended 30 June 2002 and the half year ended 31 December 2002

The annual financial report for Principal Office Fund for the year ended 30 June 2002 was lodged with ASIC on 3 July 2002 and given to the ASX on that date.

The half year financial report for Principal Office Fund for the half year ended 31 December 2002 was lodged with ASIC on 11 February 2003 and given to the ASX on that date.

So far as is known to Investa Properties Limited, other than as set out in section 3.3(b) below, Principal Office Fund's financial position has not materially changed since 31 December 2002 (being the date of the half year financial report most recently lodged with ASIC by Principal Office Fund and also provided to the ASX).

A copy of Principal Office Fund's financial report for the half year ended 31 December 2002 is available on request during the Offer Period. Should you require a copy, please contact the Investa Property Group Offer Information Line. Alternatively, it is available at Principal Office Fund's website: www.principalofficefund.com.au.

In summary, that half year financial report showed that as at 31 December 2002:

- total revenue from ordinary activities decreased to \$84.1 million from \$84.7 million in the half year ended 31 December 2001;
- net profit decreased by 7.1% to \$46.6 million from \$50.2 million in the half year ended 31 December 2001. Principal Office Fund made the following statement when referring to this decrease in net profit: "The fall in net profit is a result of the loss of income on the Phillip Street assets, with demolition of those buildings having commenced in July 2002.";
- net income on a like for like¹⁷ basis increased by 2% to \$61.0 million from \$59.8 million in the half year ended 31 December 2001;
- earnings per unit decreased by 7.1% to 5.00 cents from 5.38 cents in the half year ended 31 December 2001;
- distribution per unit increased by 0.9% to 5.50 cents from 5.45 cents in the half year ended 31 December 2001;
- NTA per unit was \$1.57;
- the Responsible Entity's fees increased to \$4.23 million from \$4.04 million in the half year ended 31 December 2001;
- the investment portfolio consisted of 12 assets (including 185 Macquarie St, Sydney) with an occupancy rate of 97.5% and average lease duration of 3.7 years by income (expected to be 3.6 years by income as at 1 May 2003); and
- three new building projects were announced which could lead to increased competition for leasing at 120 Collins Street, Melbourne' Multiplex's Southern Cross, ISPT's Urban Workshop and Leighton's 700 Collins Street totalling 164,000m².

¹⁷ This excludes assets that were not held fully for the two half year periods (ending December 2001 and December 2002).

(b) **Recent Principal Office Fund Unit price performance**

The latest recorded sale price of POF Units on the ASX on 21 May 2003, immediately prior to the time when Investa Property Group acquired its strategic stake in Principal Office Fund on that day was \$1.40.

The latest recorded sale price of POF Units on the ASX before the public announcement of the Offer was \$1.63.

The highest recorded sale price of POF Units on the ASX in the 4 months before this bidder's statement was lodged with ASIC was \$1.69.

The lowest recorded sale price of POF Units in the last 4 months before this bidder's statement was lodged with ASIC was \$1.25.

The following graph sets out the share price of POF Units on the ASX over the last year.

**Principal Office Fund
12 month trading history to 30 May 2003**



(c) **Distributions**

Year Ending	Amount per POF Unit	Tax Advantaged
June 2002	10.95c	57.47%
June 2001	10.62c	31.21%
June 2000	10.30c	70.81%
June 1999	10.30c	53.61%
June 1998	9.925c	55.80%

Tax advantaged components of the distribution represent income that is sheltered from tax in the hands of the holder because of deductions such as building allowances, depreciation on plant and equipment and other tax timing differences.

4 Information about POF Units

4.1 Principal Office Fund's issued units

According to documents provided by Principal Office Fund to the ASX, as at the date of this bidder's statement and at the date of the Offer, Principal Office Fund's issued securities consisted of 932,584,399 POF Units.

4.2 Interests in Principal Office Fund securities

(a) **Investa Properties Limited's relevant interest in Principal Office Fund securities**

The number of POF Units that Investa Properties Limited had a relevant interest in as at the date of this bidder's statement and at the date of the Offer was 78,351,484.

(b) **Investa Properties Limited's voting power in Principal Office Fund**

As at the date of this bidder's statement and as at the date of the Offer, Investa Properties Limited's voting power in Principal Office Fund was 8.4%.

(c) **Acquisitions of POF Units by Investa Property Group or Investa Property Group's associates**

During the 4 months before the date of the Offer, Investa Properties Limited or an associate of Investa Properties Limited provided, or agreed to provide, consideration for POF Units under the following unconditional cash purchases of POF Units, which were effected by way of special crossings in accordance with the Business Rules of the ASX:

Date	Number of POF Units	Cash sum per POF Units (A\$)
21 May 2003	78,351,484	1.58

4.3 Collateral benefits

During the period of 4 months before the date of the Offer, neither Investa Properties Limited nor any associate of Investa Properties Limited gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept an Offer under the bid; or
- dispose of POF Units,

and which is not offered to all holders of POF Units under the Offer except in respect of the acquisitions referred to in section 4.2(c) by virtue of the fact that the acquisitions were unconditional and for cash.

4.4 No escalation agreements

Neither Investa Properties Limited nor any associate of Investa Properties Limited has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

5 Effect of the Offer on Investa Property Group

5.1 Strategy and Rationale of the Offer

The proposed acquisition of Principal Office Fund is consistent with the Investa Property Group's strategy of increasing its activities across the property value chain. The proposed acquisition delivers to Investa Property Group a number of opportunities, including access to an expanded portfolio of office properties, additional development projects and property management.

As noted in section 1.1 of Part C of this bidder's statement, Investa Property Group's existing activities include:

- Property investment;
- Property development;
- Funds management;
- Asset management; and
- Corporate property services.

Principal Office Fund's activities include ownership of 12 office properties, located in Sydney, Melbourne and Perth. One of Principal Office Fund's properties, 126 Phillip Street, Sydney, represents an opportunity for Investa Property Group to complete a major Sydney CBD office development, estimated by Investa Properties Limited to have a value on completion in excess of \$450 million.

BT Funds Management Limited (**BTFM**) is the Responsible Entity of Principal Office Fund. Principal Real Estate Investors (Australia) Limited (**PREIA**) acts as the manager of Principal Office Fund. PREIA utilises the services of consultants external to itself and Principal Office Fund to undertake property management and leasing services. Amounts paid to BTFM for its services to Principal Office Fund for the 6 months to 31 December 2002 were \$4.2 million.

Investa Properties Limited's rationale for the acquisition of Principal Office Fund includes:

- complementing Investa Property Group's current Investment Portfolio with the addition of a significant portfolio of office properties located in Sydney, Melbourne and Perth;
- increasing its forecast distributions;
- increasing Investa Property Group's NTA per security;
- increasing market capitalisation and index weighting;
- synergies arising from the internalisation of management services currently supplied to Principal Office Fund, particularly in the areas of fund, asset, property and development management;
- access to properties which may assist in the continuation of Investa Properties Limited's strategy of generating fee income from the syndication of properties from time to time;
- increasing the size of Investa Property Group's Investment Portfolio to provide operational benefits including greater scale efficiencies and additional tenant relationships;
- applying its expertise in commercial property to enhance the performance of the Principal Office Fund portfolio; and

- expanding the opportunities to exploit the property value chain by increasing the scale of the property portfolio.

5.2 Synergies

When preparing the pro-forma forecast Profit and Loss Statements for the year ending 30 June 2004 for the Merged Entity, the following synergies have been assumed:

- Internalisation of the services provided by BTFM and other external service providers to Principal Office Fund will result in the bulk of the synergies. It has been assumed that Investa Properties Limited will undertake the following services currently provided by BTFM and other external providers:
 - (a) acting as the Responsible Entity of Principal Office Fund;
 - (b) providing project management services on all existing and future development and refurbishment projects, the most notable being the Phillip Street development; and
 - (c) providing property management services on all of Principal Office Fund's office properties with the exception of the properties below, which are jointly owned. These are:
 - QV1, 250 St Georges Terrace, Perth;
 - Maritime Trade Centre, 201 Kent Street, Sydney; and
 - Grosvenor Place, 225 George Street, Sydney.
- Additional cost savings have been assumed reflecting the removal of or significant reduction in costs such as the ASX listing fees, marketing expenses and external reporting costs.
- Allowance has been made for the additional resources expected to be required in the management of the expanded Merged Entity. These resources include people in the areas of asset management, finance, project management and lease administration.

The aggregate after tax contribution of the synergies outlined above and shown in the pro-forma forecast net profit of the Merged Entity has been estimated to be:

- \$11.2 million in the 100% ownership scenario; and
- \$6.1 million in the 50.1% ownership scenario.

5.3 Distribution and dividend practice of Investa Property Group

The current practice of Investa Properties Limited is to distribute income quarterly within two months of the end of each September, December, March and June. The distribution comprises amounts distributed from Investa Property Trust and franked dividends from the management company, Investa Properties Limited.

A Distribution Reinvestment Plan (**DRP**) is presently in operation. Under the DRP, securityholders may elect to have all or a part of their distribution reinvested at the prevailing trading price during the five days up to the record date for the determination of distribution entitlements.

While the DRP is presently operating, the following has been assumed in the forecasts of the Merged Entity:

- DRP suspended beyond December 2003 – 100% ownership scenario; and
- DRP suspended beyond June 2003 – 50.1% ownership scenario.

The Responsible Entity of Principal Office Fund also maintains a practice of distributing income quarterly, although its DRP is presently not activated.

It is Investa Properties Limited's current intention to maintain the current distribution and dividend practice of Investa Property Group (with the exception of the changes to the DRP listed above) following its acquisition of Principal Office Fund.

5.4 Pro-forma consolidated financial statements for the Merged Entity

(a) Introduction

This section explains the financial effect of the Offer on Investa Property Group. It contains historical and forecast financial information of Investa Property Group prepared on a stand alone basis, along with pro-forma forecast financial information for the Merged Entity.

Principal Office Fund forecasts have been prepared having regard to public disclosures of Principal Office Fund including its financial report for the Half year ended 31 December 2002.

The forecast and pro-forma forecast Profit and Loss Statements included in section 5.4(c) comprise the following:

- (1) the actual audited results for Investa Property Group for the year ended 30 June 2002;
- (2) the forecast for Investa Property Group on a stand alone basis for the financial years ending 30 June 2003 and 30 June 2004; and
- (3) the pro-forma forecast for the Merged Entity for the year ending 30 June 2004, assuming that on 1 July 2003 Investa Property Group acquires:
 - (A) 100% of units on issue in Principal Office Fund; or
 - (B) 50.1% of units on issue in Principal Office Fund.

The Statements of Financial Position included in section 5.4(d) comprise the following:

- (1) the Statement of Financial Position of Investa Property Group as at 31 December 2002 adjusted for subsequent material transactions (**Adjusted Statement of Financial Position**) (described further in section 5.5(e)(1));
- (2) the pro-forma Statement of Financial Position for the Merged Entity as at 31 December 2002, being the Adjusted Statement of Financial Position assuming that Investa Property Group acquires:
 - (A) 100% of units on issue in Principal Office Fund; or
 - (B) 50.1% of units on issue in Principal Office Fund.

(b) Basis of preparation of Directors' forecasts

The Directors' forecasts have been prepared using:

- (1) certain best estimate assumptions by the Directors regarding the future financial performance of Investa Property Group (described further in section 5.5(b));
- (2) all relevant information available to Investa Properties Limited, including publicly available information relating to the financial position, historical financial performance and prospective financial performance of Principal Office Fund; and

- (3) certain best estimate assumptions by the Directors regarding the future financial performance of Principal Office Fund and the Merged Entity (described further in section 5.5).

In preparing the Directors' forecasts Investa Properties Limited has been restricted to publicly available information in relation to Principal Office Fund. Therefore, Investa Properties Limited is unable to verify the validity or accuracy of the financial information of Principal Office Fund referred to in item (b)(2) above for the year ending 30 June 2004.

While the Directors believe that the information and assumptions used in preparing the Directors' forecasts are appropriate and reasonable at the time of preparation, some factors that may affect actual results cannot be foreseen or accurately predicted and many of these factors are beyond the control of the Directors.

Nonetheless, the Directors believe that it is reasonable to include financial results for Principal Office Fund for the year ended 30 June 2004 in order to present meaningful and illustrative Pro-forma Forecast Profit and Loss Statements for the Merged Entity for the year ending 30 June 2004. The Directors believe that this provides more relevant information than a stand-alone forecast of Investa Property Group earnings for the same period.

POF Unitholders should make their own judgement as to whether the Directors' assumed financial results for Principal Office Fund are appropriate. **The Directors cannot and do not guarantee that the forecast results will be achieved and POF Unitholders are advised to carefully consider both the risk factors in section 8 and the assumptions adopted in preparing the Directors' forecasts when considering the forecasts and the likely future financial performance of the Merged Entity.**

To further assist POF Unitholders in assessing the Pro-forma Forecast Profit and Loss Statement of the Merged Entity, a sensitivity analysis is provided in section 5.6.

(c) Pro-forma Profit and Loss Statements

	Actual Investa Property Group		Forecast Investa Property Group Year ending		Pro-forma Forecast Merged Entity Year ending	
	Year ended 30 June 2002 ⁽¹⁾ (audited)	9 Months ended 31 March 2003 (unaudited)	30 June 2003	30 June 2004	30 June 2004	30 June 2004
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACCEPTANCE LEVEL OF THE OFFER					100.0%	50.1%
Net rental income	95,920	101,330	137,890	154,115	278,450	281,040
Development net sales revenue	12,209	15,070	18,975	25,425	27,925	27,925
Investment income	3,400	9,790	14,190	18,180	18,180	18,180
Management fees and recoveries	4,854	5,420	8,550	11,050	12,605	13,400
Other income	-	3,480	8,635	-	-	-
Interest income	2,983	2,890	3,115	750	975	975
Total income	119,366	137,980	191,355	209,520	338,135	341,520
Other expenses	12,079	12,245	17,120	22,365	25,995	31,645
Borrowing costs	2	18,353	24,945	35,850	38,290	65,100
Depreciation	252	248	350	350	350	350
Amortisation	3,055	2,620	3,635	3,585	3,585	3,775
Total expenses	33,739	40,058	56,955	64,590	101,930	100,870
Net profit before tax	85,627	97,922	134,400	144,930	236,205	240,650
Tax	3,796	5,430	7,400	6,040	7,375	7,490
Net profit after tax	81,831	92,492	127,000	138,890	228,830	233,160
Net profit attributable to outside equity interests	3	-	-	-	-	53,800
Net profit attributable to Members of Investa Property Group		81,831	92,492	127,000	138,890	179,360
Amounts available for distribution brought forward		1,403	3,141	3,141	7,211	7,211
Transfer from reserves	4	4,573	8,058	8,915	3,585	3,775
Distributions paid or payable		84,666	96,917	131,845	144,560	229,180
Amounts available for distribution carried forward		3,141	6,774	7,211	5,126	10,446
Weighted average securities on issue ('000)		570,362	785,928	803,850	890,640	1,407,015
Basic and diluted earnings (cents per stapled security)	5	14.88	12.10	16.25	16.00	16.52
Distributions and dividends paid and payable (cents per stapled security)		14.75	11.65	15.60	16.20	16.50

Notes:

- (1) The net profit attributable to Members of Investa Property Group for the year ended 30 June 2002 is before net revaluation increments.
- (2) The Merged Entity borrowing costs comprise interest expense on Investa Property Group's existing and forecast borrowings plus the interest expense on borrowings raised to part fund the Offer plus the interest expense on the borrowings of Principal Office Fund, excluding interest expense attributed to the development of 126 Phillip St, Sydney which is capitalised. Borrowing costs also include the amortisation of facility establishment costs.
- (3) The net profit attributable to outside equity interests represents 49.9% of Principal Office Fund net profit for the forecast year ending 30 June 2004.
- (4) The transfer from reserves comprise amounts relating to non-cash expenses (amortisation) and the entitlement of new securities to distributions earned prior to the date of issue.
- (5) For the purposes of comparability this calculation uses earnings after tax and before amortisation and revaluations.

(d) Pro-forma Statement of Financial Position as at 31 December 2002

	Notes	Adjusted Investa Property Group \$'000	Pro-forma Merged Entity \$'000	\$'000
ACCEPTANCE LEVEL OF THE OFFER			100.0%	50.1%
Current assets				
Cash assets		9,578	33,890	33,890
Receivables		38,861	39,288	39,288
Other assets		-	10,414	10,414
Property inventories		22,742	22,742	22,742
Other investments		351,078	351,078	351,078
Total current assets		422,259	457,412	457,412
Non-current assets				
Intangibles		42,306	42,306	42,306
Goodwill	1	-	-	3,802
Other assets		13,399	13,399	13,399
Property inventories		114,207	114,207	114,207
Investment properties		1,973,187	3,624,809	3,624,809
Total non-current assets		2,143,099	3,794,721	3,798,523
Total assets		2,565,358	4,252,133	4,255,935
Current liabilities				
Payables		26,541	36,816	36,816
Provisions		35,695	61,341	61,341
Total current liabilities		62,236	98,157	98,157
Non-current liabilities				
Interest bearing liabilities		859,077	1,573,683	1,380,973
Payables		5,213	5,258	5,258
Total non-current liabilities		864,290	1,578,941	1,386,231
Total liabilities		926,526	1,677,098	1,484,388
Net assets		1,638,832	2,575,035	2,771,547
Equity				
Contributed equity		1,583,338	2,519,541	2,008,195
Reserves		49,232	49,232	49,232
Amounts available for distribution		6,262	6,262	6,262
Outside equity interests	2	-	-	707,858
Total equity		1,638,832	2,575,035	2,771,547
Securities on issue at end of period ('000s)		885,529	1,383,832	1,113,071
Net tangible assets backing per security		\$1.80	\$1.83	\$1.81
Gearing		33.5%	37.0%	32.4%
Notes				
(1)	Under the 50.1% ownership scenario, goodwill of \$3.8 million is created on acquisition			
(2)	If Investa Properties Limited achieves control of Principal Office Fund it will consolidate the whole of Principal Office Fund and the non-Investa Property Group interest in Principal Office Fund will be reflected in the outside equity interests			

5.5 Forecast financial information

(a) General assumptions

(1) Compliance with accounting standards

Investa and Principal Office Fund are required to prepare financial statements that comply with applicable accounting standards. There are no material inconsistencies between the accounting policies historically adopted by Investa and Principal Office Fund. The forecasts have been prepared in accordance with applicable Australian Accounting Standards.

The Directors have presented forecast Profit and Loss Statements in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) in Australia. It is the nature of forecasts that it is not feasible to present all the disclosures that would be required by applicable Accounting Standards. The actual results for the year ended 30 June 2002 have been included in the same format as the forecasts for comparability purposes.

(2) Investment Property Revaluations

The aggregated \$30 million reduction to the value of 120 Collins Street, Melbourne and Kindersley House, 33 Bligh Street, Sydney, which is referred to in section 5.5(e)(2)(A), will be an adjustment on acquisition that does not impact the Pro-forma Forecast Profit and Loss Statement for the Merged Entity. Beyond this fair value adjustment, the impact of future investment property revaluations has not been reflected in the pro-forma Profit and Loss Statement as the Directors believe it is not practical to attempt to forecast property revaluations. The amount of distributions paid or payable would not be impacted by property revaluations.

(3) Legislation

It is assumed that no change in applicable accounting standards or the Corporations Act will occur that may have a material effect on the forecasts. It is also assumed that there are no changes in federal, state or local government laws, regulations or policies which will have a material impact on the performance of Investa Property Group and the Merged Entity. Although it is intended that International Accounting Standards will be applied for Australian financial reporting periods on or after 1 January 2005, the financial information in this bidder's statement is prepared on existing Australian Accounting Standards and does not reflect the impact of adopting International Accounting Standards.

(b) Investa Property Group stand-alone forecast assumptions years ending 30 June 2003 and 30 June 2004

(1) General

The forecast Profit and Loss Statement of Investa Property Group for the year ending 30 June 2003 has been prepared by combining the 9 months of actual (unaudited) performance to 31 March 2003 and a 3 month forecast. It is assumed that there are no material changes to the current portfolio other than those disclosed in section 5.5(e) and that there are no material changes in circumstances of Investa Property Group's operations.

(2) **Revenue**

Total net income for the year ending 30 June 2003 is forecast to increase 60% compared to the year ended 30 June 2002, reflecting the impact of the purchase of a portfolio of 7 properties from Telstra Corporation in August 2002, and the full period contribution from development operations which commenced in November 2001.

Revenue also includes the realised gains made on the disposal of a number of properties, and includes fund management fees from 3 new trusts managed by the Group.

Forecast revenue for the year ending 30 June 2004 has increased through:

- \$2.1 million in fees earned on three new retail syndicates to be established during that year (see Management Fees and Recoveries);
- The full period contribution of acquisitions undertaken during the year ending 30 June 2003; and
- Greater profits from development activities.

(3) **Borrowing costs**

Forecast borrowing costs for the financial year ending 30 June 2003 are greater than for the year ended 30 June 2002 reflecting the increase in borrowings used in the expansion of the Group and the Investment Portfolio.

Borrowing costs are expected to again increase in the financial year ending 30 June 2004 as a result of the full period effect of borrowings utilised for acquisitions undertaken in the 2003 year.

It is assumed that the existing borrowing costs associated with existing facilities remain unaltered as a result of the Offer. The average cost of borrowings is 6.2% per annum.

(4) **Income tax expense**

The forecast income tax expense in the financial year ending 30 June 2003 reflects the increased profit contribution within Investa Properties Limited. The increase in profits for both the financial year ending 30 June 2003 and the financial year ending 30 June 2004 reflect the general expansion of company activities and in particular the increasing contribution attributable to development sales.

(5) **Other expenses**

Other expenses include staff costs, accommodation costs and corporate overheads, allowing for inflation and the expansion of Investa Properties Limited's activities, including its development and asset management businesses.

(c) **Merged Entity Pro-forma forecast assumptions
year ending 30 June 2004**

Full Acceptance of the Offer (100% Ownership of Principal Office Fund)

The Pro-forma forecasts have been prepared on the basis of the following material assumptions:

(1) **Date of acquisition**

It is assumed that Investa Property Group acquires its interest in Principal Office Fund on 1 July 2003. The deferral of the date of acquisition to 1 September 2003 is not expected to have a material impact on the earnings per security.

(2) **Principal Office Fund net profit**

The Pro-forma Profit and Loss Statement represents a fully consolidated result for the year. This includes a full financial year contribution of Principal Office Fund's forecast results, adjusted for certain synergy benefits that Investa Properties Limited expects to be generated from gaining control of Principal Office Fund.

In deriving the forecast net profit of Principal Office Fund, Investa Properties Limited has utilised publicly available information in relation to the operations of the properties in Principal Office Fund and has considered a number of factors including:

- the expiry profile of current leases;
- let up periods;
- likely market conditioning;
- inflation levels;
- lease incentives;
- demand levels; and
- property outgoing levels.

The net income from Principal Office Fund to the Merged Entity, including the synergy benefits for the financial year ending 30 June 2004 is forecast to be \$114.1 million.

(3) **Synergy benefits**

Synergy benefits arise as a result of the internalised management structure of Investa Property Group, where securityholders own both shares in the management company and units in the investment trust.

In determining synergies included in the forecasts consideration has been given to the additional resources expected to be required in the management of the expanded Merged Entity. These resources include people in the areas of asset management, finance, project management and lease administration.

The forecast synergy benefits include:

- The elimination of funds management fees being paid to third parties, net of additional costs of management;
- The retention of a large proportion of property management fees presently being paid to external property managers, net of additional costs of management; and
- Savings in operating costs due to the removal of external reporting costs and administration fees, as well as efficiencies in operating and valuation expenses.

These are also discussed in section 5.2 and (6) below.

(4) **Borrowing costs**

The increase in borrowing costs results from the inclusion of the existing Principal Office Fund loan facilities and additional debt drawn down of \$489 million to support the terms of the Offer, forecast transaction costs and loan establishment costs.

The borrowing costs on the additional debt is assumed to be 5.5% per annum, including margin. It is also assumed that there is no cost impact of the Proposed Selldown referred to in section 7.3(g).

Due to the requirement to recognise the fair value of the borrowings, and financial instruments in place to hedge against interest rate rises, upon the acquisition of Principal Office Fund, the effective annual interest rate on the existing Principal Office Fund borrowings decreases to 5.8% per annum. It is assumed that the existing borrowing arrangements and fees associated with the relevant facilities remain unaltered as a result of the Offer.

It is assumed that, in addition to the net debt of \$334.4 million at 31 December 2002, a further \$30 million is utilised from cash reserves (including proceeds from the sale of 185 Macquarie Street, Sydney) to fund development activities of 126 Phillip Street, Sydney in the six months to 30 June 2003. In the year to 30 June 2004, it is assumed a further \$48.6 million is borrowed to fund these activities.

(5) **Funds management income**

Additional funds management and establishment fee revenue of \$1.2 million is to be earned arising from the syndication of a 50% interest in 31 Market Street, Sydney.

(6) **Employee and other costs**

It is assumed that Investa Properties Limited will engage further resources in the management of the Merged Entity, including asset management, development and administration staff. The cost of these staff is estimated at \$1.6 million and has been included in synergy benefit calculations.

(7) **Co-ownership Rights**

Both QV1 and Maritime Trade Towers are jointly owned assets, and subject to co-ownership agreements. These agreements may allow the co-owner to exercise acquisition rights further described in section 3.2(c). It is assumed that if these rights are exercised, the proceeds are reinvested in additional properties at a similar yield resulting in no material impact on forecast earnings.

(d) **Merged Entity Pro-forma forecast assumptions
year ending 30 June 2004
Majority Acceptance of the Offer (50.1% Ownership of Principal
Office Fund)**

(1) **Date of acquisition**

It is assumed that Investa Property Group acquires its interest in Principal Office Fund on 1 July 2003. The deferral of the date of acquisition to 1 September 2003 is not expected to have a material impact on the earnings per security.

(2) **Responsible Entity Fees**

Under this scenario Investa Properties Limited is appointed as Responsible Entity of Principal Office Fund from 1 September

2003. The responsible entity fee is forecast to be charged at the same rate as that charged by the existing responsible entity (FY2002: \$8.2 million).

(3) **Principal Office Fund net profit**

The Pro-forma Profit and Loss Statement represents a consolidated result for the full year, with outside equity interests being deducted to derive the net profit attributable to IPG Securityholders.

This forecast includes a full financial year contribution of Principal Office Fund's forecast results, adjusted for certain synergy benefits that Investa Properties Limited expects to be generated from gaining control of Principal Office Fund.

The contributions from Principal Office Fund to the Merged Entity, net of profit attributable to outside equity interests but including the synergy benefits for the financial year ending 30 June 2004 are forecast to be \$54.0 million.

(4) **Synergy Benefits**

The forecast synergy benefits include:

- The retention of a large proportion of property management fees presently being paid to external property managers; and
- Savings in valuation and general operating expenses.

Further details on these benefits are contained in section 5.2.

(5) **Borrowing costs**

The increase in borrowing costs results from the inclusion of the existing Principal Office Fund loan facilities and additional debt drawn down of \$295 million to support the terms of the Offer and forecast transaction costs and loan establishment costs.

The borrowing costs on the additional debt is assumed to be 5.5% per annum, including margin. It is also assumed that there is no cost impact of the Proposed Selldown referred to in section 7.3(g).

Due to the requirement to recognise the fair value of the borrowings, and financial instruments in place to hedge against interest rate rises, upon the acquisition of Principal Office Fund, the effective annual interest rate on the existing Principal Office Fund borrowings decreases to 5.8% per annum. It is assumed that the existing borrowing arrangements and fees associated with the relevant facilities remain unaltered as a result of the Offer.

It is assumed that, in addition to the net debt of \$334.4 million at 31 December 2002, a further \$30 million is utilised from cash reserves (including proceeds from the sale of 185 Macquarie Street, Sydney) to fund development activities of 126 Phillip Street, Sydney in the six months to 30 June 2003. In the year to 30 June 2004, it is assumed a further \$48.6 million is borrowed to fund these activities.

(6) **Amortisation expense**

Goodwill is created under this scenario, which is to be fully amortised over 20 years in accordance with existing accounting standards.

(7) **Employee and other costs**

It is assumed that Investa Properties Limited will engage further resources in the management of the Merged Entity, including asset management, development and administration staff. The cost of these staff is estimated at \$1.6 million and has been included in synergy benefit calculations.

(8) **Co-ownership Rights**

Both QV1 and Maritime Trade Towers are jointly owned assets, and subject to co-ownership agreements. These agreements may allow the co-owner to exercise acquisition rights further described in section 3.2(c). It is assumed that if these rights are exercised, the proceeds are reinvested in additional properties at a similar yield resulting in no material impact on forecast earnings.

(e) **Pro-forma Statements of Financial Position assumptions**

The Pro-forma Statement of Financial Position of the Merged Entity has been prepared by:

- consolidating the Statements of Financial Position of Investa Property Group and Principal Office Fund as at 31 December 2002;
- adjusting for the impact of transactions that have occurred or are expected to occur between 31 December 2002 and 30 June 2003, announced by either Investa Properties Limited or Principal Office Fund that would have had a material impact on the Statements of Financial Position as at the date of the Offer; and
- taking into account the impact of the offer.

(1) The following adjustments have been included in preparing the adjusted Statement of Financial Position of the Investa Property Group:

- \$74.4 million placement of IPG Securities completed on 23 January 2003;
- \$29.0 million issue of IPG Securities under the distribution reinvestment plan for the December 2002 and March 2003 quarters;
- the sale of 260 Queen Street, Brisbane on 31 January 2003 for \$24.2 million;
- the purchase of the remaining 52% interest in Investa Sunlaw Trust on 31 January 2003 for \$148.0 million and the consolidation of \$50.0 million of debt in that trust;
- the purchase of 589 Collins Street on 31 January 2003 for \$56.9 million;
- the sale of 50% interests in each of 589 Collins Street, Melbourne, 30 Pirie Street, Adelaide and 80 Stirling Street, Perth to the Investa Fifth Commercial Trust for a total of \$67.9 million on 16 May 2003;
- the purchase of a number of development sites for a total of \$32.5 million, including: Cook Avenue, Hillarys, WA; 43-55 Forbes St, West End, Brisbane, QLD; and Sippy Downs, Sunshine Coast, QLD;

- purchase of Macarthur Central, Brisbane, for \$100.0 million due for settlement in June 2003; and
 - the purchase of an 8.4% interest in Principal Office Fund for \$124.4 million on 21 May 2003.
- (2) The following adjustments have been included in preparing the Statement of Financial Position of the Merged Entity:

(A) Principal Office Fund

An adjustment has been made to reflect the exercise of the option to sell 185 Macquarie Street, Sydney for \$15.3 million.

The Directors have assessed the fair value of the identifiable net assets of Principal Office Fund. Following that assessment the Directors believe that the value of that portfolio as recorded in the 31 December 2002 Half yearly Financial Report may fall by as much as \$30 million. Accordingly the book values of 120 Collins Street, Melbourne and Kindersley House, 33 Bligh Street, Sydney, have been reduced by \$30 million in aggregate reflecting concerns that the value of these assets will decline. The reduced value of 120 Collins Street Melbourne is attributed to lower rental expectations for the property due to a weak leasing market and specific property leasing risks with leases over approximately 56,000m² expiring prior to December 2006. 33 Bligh Street, Sydney is a redevelopment opportunity with a current stage 1 development approval. In the short to medium term the redevelopment is unlikely to be feasible due to current market conditions and therefore the occupancy of the existing building will be maximised within the constraints of short term leasing. The Directors have reduced the value of the building in light of its current status.

With regard to the other assets within the Principal Office Fund portfolio the Directors believe, on the basis of the information known to IPG, the current value of the assets is appropriate and consequently no adjustment to the value of those assets has been made.

No other adjustments have been made to the Principal Office Fund Statement of Financial Position as at 31 December 2002, as the Directors' believe that while there may have been some draw downs of debt to support the development of 126 Phillip Street, Sydney, given the stage of development the amount would not materially affect the Statement of Financial Position.

(B) Merged Entity – 100% and 50.1% acceptance scenarios

- The terms of the Offer are accepted;
- Fair value considerations

Current Australian accounting standards state that the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets acquired, represents either goodwill or a discount on acquisition.

In assessing the fair value of the purchase consideration, the Directors have considered the likely costs to Investa Property Group that may have otherwise been payable if the equity required was raised by placement. The costs include the potential discount to market price of such an offer. The Directors believe the cost to Investa Property Group of issuing IPG Securities would be \$104.0 million, under the 100% ownership scenario and \$47.5 million under the 50.1% ownership scenario.

The Directors have assessed the fair value of the borrowings and financial instruments in place to hedge against interest rate rises, referred to in section 5.5(c)(4). This has resulted in additional liabilities being recognised in the Statement of Financial Position of \$13.0 million, reducing the stated net assets of Principal Office Fund by an equivalent amount.

Under the terms of the Offer, it is assumed that there will be no goodwill or discount to acquisition arising on acquisition under the 100% ownership scenario.

Goodwill of \$3.8 million does arise on acquisition under the 50.1% scenario. Amortisation of the goodwill has been reflected in the pro-forma Profit and Loss Statement for the Merged Entity under the 50.1% scenario.

The fair value assessments are subjective in nature and preliminary. They have been provided to assist in the preparation of the Pro-forma financial information for the Merged Entity.

(f) **Accounting policies used in the preparation of the historical, pro-forma and forecast financial information**

Consistent accounting policies have been applied in the preparation of the historical, pro-forma and forecast financial information. The accounting policies are consistent with those applied by Investa Properties Limited and Principal Office Fund in their respective 30 June 2002 financial statements.

The accounting policies adopted by Investa Properties Limited and Principal Office Fund are materially the same, and the principal accounting policies of Investa Properties Limited are:

(1) **Basis of preparation of the Combined Financial Report**

The Combined Financial Statements incorporate the assets and liabilities of all entities controlled by Investa Properties Limited and Investa Property Trust. The effects of all transactions between entities in the Group are eliminated in full. Certain property investments are held via joint ownership arrangements. These joint ownership arrangements include the ownership of units in single purpose unlisted trusts over which the trust exercises significant influence but does not control (“**Associates**”). Investments in Associates are recorded at cost in the year of acquisition and at the net asset value of the Associate thereafter.

The Units in Investa Property Trust are “stapled” to the Shares in Investa Properties Limited. All transactions in either an Investa

Unit or an Investa Share can only be in the form of transactions in Investa Property Group stapled securities.

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

(2) **Revenue recognition**

Revenue is recognised for the major business initiatives as follows:

(A) Rent and property management fees

Rent and property management fees are brought to account on an accruals basis and, if not received at balance date is reflected in the Combined Statement of Financial Position as a receivable.

(B) Interest and investment income

Interest and investment income is brought to account on an accruals basis and, if not received at balance date is reflected in the Combined Statement of Financial Position as a receivable.

(C) Disposal of assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of the disposal and the proceeds on disposal and is included in the Statements of Financial Performance in the year of disposal. Any related revaluation increment remaining in the asset revaluation reserve at the time of the disposal is transferred to contributed equity.

(3) **Expenses**

(A) Property expenses

Property expenses include rates, taxes and other property outgoings incurred in relation to investment properties where such expenses are the responsibility of the trust.

(B) Borrowing costs

Borrowing costs include interest expense and other costs incurred in respect of obtaining finance except where they are included in the costs of qualifying assets. Other costs incurred including loan establishment fees in respect of obtaining finance are deferred and written off over the term of the respective agreement.

(4) **Investment properties**

The Investa Property Trust Constitution requires that all trust property investments are valued at intervals of not more than three years and that such valuations be reflected in the Financial Report of the trust. It is the policy of the Responsible Entity to formally review the carrying value of each property every three years through external valuers, or earlier where the Responsible Entity believes there may be a material change in the carrying value of the property.

The valuations are measured at fair value being the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each investment property does not differ materially from its fair value at the reporting date.

A revaluation increment is credited directly to the asset revaluation reserve, unless it is reversing a previous decrement charged as an expense in the Combined Statement of Financial Performance in respect of that same class of assets, in which case the increment is credited directly to the Combined Statement of Financial Performance.

A revaluation decrement is recognised directly as an expense in the Combined Statements of Financial Performance, unless it is reversing a revaluation increment previously credited to, and still included in the balance of, the asset revaluation reserve in respect of that same class of assets, in which case it is debited directly to the asset revaluation reserve.

Land and buildings are an investment and are regarded as a composite asset. Accounting standards do not require investment properties to be depreciated. Accordingly the building and any component thereof (including plant and equipment) are not depreciated.

(5) **Cash**

For the purposes of the Combined Statement of Cash Flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(6) **Receivables**

Receivables to be settled within 30 days are carried at amounts due. The collectability of debts is reviewed on a regular basis and a specific provision is made for any doubtful debts.

(7) **Payables**

These amounts represent liabilities for amounts owing by the Group at year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition and also include rent in advance and tenant security deposits.

(8) **Maintenance and repairs**

Plant of the Investa Property Group is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(9) **Earnings per stapled security**

(A) Basic earnings per stapled security

Basic earnings per stapled security is determined by dividing the net profit attributable to stapled securityholders of the Group by the weighted average number of securities outstanding during the period.

(B) Diluted earnings per stapled security

Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per security by taking into account amounts unpaid on stapled securities and any reduction in earnings per stapled security that will probably arise from the exercise of options outstanding during the period.

(10) **Amortisation of intangible assets**

Amortisation is calculated on a straight line basis to write off net costs of each intangible asset over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on an annual basis for all intangible assets. The expected useful lives are as follows:

Corporate property services establishment costs	5 years
Payment for management rights	20 years

(11) **Goodwill**

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any restructuring costs, is brought to account as goodwill. Goodwill on the development operations is amortised over five years.

(12) **Investments**

Interests in unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and distribution income is recognised in the Statement of Financial Performance when receivable.

(13) **Derivatives**

From time to time the Group enters into interest rate swap agreements to hedge against the risk of an increase in interest rates on the Group's debt. Derivative financial instruments are not held for speculative purposes and are not recognised in the Combined Financial Statements on inception. The net payments or receipts due under the swap agreement are accounted for on an accrual basis and included in borrowing costs expense.

(14) **Recoverable amount of non-current assets**

The recoverable amount of an asset is the net amount expected to be recovered through net cash inflows arising from its continued use and subsequent disposal. Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. To the extent that the revaluation decrement reverses a revaluation increment previously credited to and still included in the balance of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise, the decrement is recognised as an expense in the Statement of Financial Performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market, risk-adjusted discount rate. The discount rates used ranged from 7.5% - 9.0%, depending upon the nature of the assets.

(15) **Employee entitlements**

(A) Annual leave

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the reporting date at expected pay rates in respect of employees' services up to that date.

(B) Long service leave

A liability for long service leave is recognised in respect of services provided by employees up to the reporting date. The amount of long service leave is based on current pay rates and discounted by a set percentage to reflect the expected future cash outflow.

(C) Superannuation

The amount charged to the Statement of Financial Performance in respect of superannuation is disclosed as employee benefits and includes the contributions made by the Group to the Investa Staff Superannuation Plan. The superannuation plan is an accumulated benefit fund, and therefore no other liability arises for the employer except payment of fortnightly contributions.

(16) **Inventory**

(A) Valuation

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development costs, holding costs, interest on funds borrowed, and is after crediting, where applicable, rental income relating to such projects during the development period. A provision is raised when it is believed that the costs incurred will not be recovered on the ultimate sale of the property. When a development is completed borrowing costs and other holding costs are expensed as incurred.

(B) Classification

Amounts are disclosed as current where it is anticipated that the assets will be disposed of within 12 months after balance date.

(C) Capitalisation of borrowing costs

Borrowing costs included in the carrying value of the property inventories are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended period are recognised as expenses.

(17) **Taxation**

Under current legislation, the Investa Property Trust and its controlled entities are not liable for income tax, provided that the taxable income and taxable realised gains are fully distributed to stapled securityholders each year.

Investa Properties Limited adopts tax effective accounting procedures whereby income tax expense in the Statement of

Financial Performance is matched with the accounting profit after allowing for permanent differences. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates that are expected to apply when those timing differences reverse.

(18) **Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(19) **Interest bearing liabilities**

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(20) **Depreciation of property, plant and equipment**

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the combined entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives for property, plant and equipment is 5 years.

5.6 Sensitivity analysis

This section provides a sensitivity analysis of the forecast financial results of the Merged Entity if the following assumptions are varied:

- the amount of goodwill arising on the acquisition of Principal Office Fund;
- the forecast underlying net profit contribution of Principal Office Fund for the financial year to 30 June 2004; and
- the interest rate on the loan facilities.

It is important to note that a number of factors may bear upon the results achieved and that changes in one variable may cause or influence changes in another variable.

The sensitivity analysis below should not be taken to imply any likely level of change in the relevant variable over the forecast period.

(a) **Variation in goodwill on acquisition**

Goodwill is created when the fair value of the consideration exceeds the fair value of the identifiable net assets acquired.

Any variation in either the fair value of the consideration or the fair value of the net identifiable net assets acquired will result in a variation to the amount of goodwill created.

As disclosed in section 5.5(d), goodwill is forecast to be created under the 50.1% ownership scenario, but not under the 100% ownership scenario.

The following table illustrates the estimated impact on the forecast financial performance of the Merged Entity resulting in a variation of goodwill on the acquisition of Principal Office Fund on a post amortisation basis:

Goodwill on acquisition of Principal Office Fund	Merged Entity 2004 EPS⁽¹⁾ (cps) 100%	Merged Entity 2004 EPS⁽¹⁾ (cps) 50.1%
Nil	16.26	16.08 ⁽²⁾
\$10 million	16.18	15.96
\$20 million	16.10	15.86

⁽¹⁾ Post amortisation (Investa Property Group on a stand-alone basis for the year ending 30 June 2004 is forecast at 15.60 cps)

⁽²⁾ The forecast goodwill of \$3.8 million results in an EPS of 16.06 cps

(b) Variation in Principal Office Fund earnings

The Directors have forecast Principal Office Fund's earnings contribution for the year ending 30 June 2004 to be \$114.1 million. The following table illustrates the impact on the earnings per security (EPS) of the Merged Entity should there be a variation in the underlying earnings contribution from Principal Office Fund:

Principal Office Fund underlying net profit for the year ending 30 June 2004	Merged Entity 2004 EPS⁽¹⁾ (cps) 100%	Merged Entity 2004 EPS⁽¹⁾ (cps) 50.1%
\$111.5 million	16.34	16.30
\$114.1 million (assumed)	16.52	16.40
\$116.7 million	16.70	16.50

⁽¹⁾ Pre-amortisation (Investa Property Group on a stand alone basis for the year ending 30 June 2004 is forecast at 16.00 cps)

(c) Change in Loan Facility Interest Rates

- (1) The borrowings of Principal Office Fund are sourced through a Medium Term Note Facility and a Commercial Bill Acceptance Discount (CBAD) Facility with Australia and New Zealand Banking Group Limited (ANZ). It is assumed that there will be no change in the interest rate applicable to the borrowings as a result of the Offer.

The following table illustrates the estimated impact on the forecast financial performance of the Merged Entity resulting from a variation in the borrowing costs of Principal Office Fund upon acquisition:

Principal Office Fund Borrowing costs for the year ending 30 June 2004	Merged Entity 2004 EPS⁽¹⁾ (cps) 100%	Merged Entity 2004 EPS⁽¹⁾ (cps) 50.1%
+0.20%	16.50	16.38
Assumed	16.52	16.40
-0.20%	16.54	16.42

⁽¹⁾ Pre-amortisation (Investa Property Group on a stand alone basis for the year ending 30 June 2004 is forecast at 16.00 cps)

- (2) The following table illustrates the estimated impact on the forecast financial performance of the Merged Entity resulting from a variation in all borrowing costs of the Merged Entity:

Merged Entity⁽²⁾ Borrowing costs for the year ending 30 June 2004	Merged Entity 2004 EPS⁽¹⁾ (cps) 100%	Merged Entity 2004 EPS⁽¹⁾ (cps) 50.1%
+0.20%	16.35	16.33
Assumed	16.52	16.40
-0.20%	16.69	16.47

⁽¹⁾ Pre-amortisation (Investa Property Group on a stand alone basis for the year ending 30 June 2004 is forecast at 16.00 cps)

⁽²⁾ The borrowings of the Merged Entity comprise Investa Property Group's existing and forecast facilities plus the borrowings of Principal Office Fund.

In the event that the Proposed Selldown referred to in section 7.3(g) does not occur within the specified time frame, the funding margin will increase by 0.3% per annum. This will reduce the earnings per security in the 2004 financial year by 0.09 cps to 16.43 cps (based on 100% acquisition).

5.7 Investigating Accountant's Report

The Directors forecasts have been reviewed by Ernst & Young and its report is set out in Annexure C to this bidder's statement. POF Unitholders should note the comments made in relation to the scope and limitations of this review.

Neither the Directors nor Ernst & Young guarantee the future performance of Investa Property Group with or without the acquisition of Principal Office Fund.

6 Post takeover intentions

6.1 Approach

This section 6 sets out Investa Properties Limited's intentions on the basis of facts and information concerning Principal Office Fund which are known to Investa Properties Limited at the time of preparation of this bidder's statement, and the existing circumstances affecting the business of Principal Office Fund, in relation to issues including:

- the continuation of the business of Principal Office Fund;
- any major change to be made to operations of Principal Office Fund and any transactions involving Principal Office Fund's property; and
- any plan to remove the current Responsible Entity of Principal Office Fund and appoint a new Responsible Entity.

However, final decisions will only be reached by Investa Properties Limited in light of material facts and circumstances at the relevant time. Accordingly, the statements set out in this section 6 are statements of current intentions only which may vary as circumstances require. Intentions are also generally referred to in the context of assumptions set out in section 5.

6.2 Intentions upon acquisition of 90% or more of Principal Office Fund

If Investa Properties Limited becomes entitled to compulsorily acquire POF Units under Part 6A.1 Division 1 of the Corporations Act (as a result of acquisitions of POF Units during the Offer Period) it intends to exercise such rights and then procure the removal of Principal Office Fund from the official list of the ASX (and do all other things necessary to achieve those results).

If Investa Properties Limited does not become entitled to compulsorily acquire POF Units under Part 6A.1 Division 1 of the Corporations Act, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 Division 1 of the Corporations Act. Investa Properties Limited intends to exercise those rights if they become available and then procure the removal of Principal Office Fund from the official list of the ASX.

6.3 Intentions for Principal Office Fund as a wholly owned trust of Investa Property Trust

(a) Strategic review

Investa Properties Limited will undertake a detailed review of Principal Office Fund's activities to evaluate their performance, profitability, prospects and strategic relevance for Investa Properties Limited in light of the more detailed information then available to it and in the context of Investa Properties Limited's objective to grow its business and enhance investor wealth through implementing its property value chain strategy. This will include a review of the development projects, leasing strategies and arrangements with key third party contracts.

(b) Management and replacement of Responsible Entity

Investa Properties Limited will be appointed as Responsible Entity of Principal Office Fund.

(c) **General business integration**

Investa Properties Limited will work to ensure that sufficient resources are available to continue the operation of Principal Office Fund, from within its own resources, or through the making of new appointments.

Investa Properties Limited will also review contracts in place with third party service providers, including property managers, so as to determine their appropriateness with ongoing operations. Where a cessation or change in arrangements is considered desirable, Investa Properties Limited will enter into appropriate discussions with the relevant providers.

(d) **Syndication**

It is the present intention of Investa Properties Limited to syndicate a 50% interest in 31 Market Street, Sydney.

6.4 Intentions upon gaining control of, but less than 90% of, Principal Office Fund

As a result of its Offer, Investa Properties Limited may acquire less than 100% of Principal Office Fund.

In that event, following the close of the Offer, Investa Property Trust may hold a sufficient number of POF Units to exercise control over the management and operations of Principal Office Fund, but may not be entitled to compulsorily acquire all outstanding POF Units. Investa Properties Limited's intentions in those circumstances are as follows:

(a) **Strategic review and implementation of efficiencies**

Investa Properties Limited will implement the intentions described in sections 6.3(a) to 6.3(d) above to the extent it is economically feasible, consistent with maintaining Principal Office Fund as a listed subsidiary and subject to the requirements of the ASX Listing Rules, the Corporations Act and any other applicable legislation.

(b) **Management and replacement of Responsible Entity**

Investa Properties Limited will seek to be appointed as Responsible Entity of Principal Office Fund. Investa Properties Limited will charge an arm's length fee for that service. It presently intends that the rate for this fee would be similar to that paid to Principal Office Fund's current Responsible Entity.

(c) **ASX Listing**

Investa Properties Limited intends to maintain Principal Office Fund as a trust with official quotation on the ASX to the extent permitted by the ASX Listing Rules.

(d) **Elimination of duplication**

To the extent that activities and functions, including management and the provision of specialist technical or professional services, presently carried out by Investa Properties Limited and Principal Office Fund will be duplicated in the Merged Entity, such duplication will be eliminated where it is economically efficient to do so.

(e) **General business integration**

Investa Properties Limited will work to ensure that sufficient resources are available to continue the operation of Principal Office Fund, from within its own resources, or through the making of new appointments.

(f) **Integration governance**

Investa Properties Limited would only make a decision on any of the above courses of action after it receives appropriate professional advice and its intentions must be read as subject to the legal obligation of the board of Directors of the Responsible Entity to have regard to the interests of Principal Office Fund as a whole.

7 Sources of consideration

7.1 Maximum cash and IPG Security consideration

(a) Maximum cash consideration

The maximum amount of cash which would be payable by Investa Property Group under the Offer if acceptances are received for all POF Units on issue as at the date of this bidder's statement (other than the 8.4% of POF Units which are already held by Investa Property Group), is approximately \$346 million (**Offer Amount**).

(b) Maximum IPG Security consideration

The maximum number of IPG Securities which would be required to be issued in connection with the Offer if acceptances are received in respect of all POF Units on issue as at the date of this bidder's statement (other than the 8.4% of POF Units already held by Investa Property Group) is approximately 498 million IPG Securities.

Investa Properties Limited has the capacity to issue the maximum number of IPG Securities which it may be required to issue under the Offer.

7.2 Overview of funding arrangements

The necessary funds required to pay the Offer Amount will be raised by making drawings under existing borrowing facilities that Investa Property Group has with CBA. These facilities are described further below.

7.3 Particulars of borrowing arrangements

(a) Facilities available under the CBA Facility

The loan facilities (the **Facilities**) available to Investa Properties Limited under the CBA Facility include:

- a \$426 million acquisition facility to assist Investa Properties Limited fund the cash consideration component of the Offer (**Acquisition Facility**); and
- a revolving cash advance facility of \$100 million to, amongst other things, assist Investa Properties Limited in its future acquisitions, including the acquisition of POF Units (**Tranche A Facility**).

Loans under the Tranche A Facility may only be used by Investa Properties Limited to fund the cash consideration component of the Offer if no funds are available to be drawn under the Acquisition Facility.

Investa Properties Limited will not deal with the Facilities in a manner which would prevent it from fulfilling its obligations to make payments to POF Unitholders who accept the Offer.

(b) Conditions precedent to availability

The availability of funds under the Acquisition Facility, and the ability of Investa Properties Limited to draw down under the Acquisition Facility, is subject to a number of conditions precedent. The conditions precedent which remain to be satisfied are set out in Parts 1 and 2 of Annexure E.

If Investa Properties Limited has fully drawn the amounts available under the Acquisition Facility and needs to draw funds under the Tranche A

Facility for the purpose of funding the cash consideration component of the Offer, the only conditions precedent which must be satisfied are those set out in Part 2 of Annexure E.

Investa Property Group is not aware of any reason why the conditions precedent will not be satisfied in time to allow the proceeds of any loans under the Acquisition Facility or the Tranche A Facility (if required) to be available to it under the CBA Facility to pay the cash consideration under the Offer as and when required under the terms of the Offer.

(c) **Period of Commitment**

Loans may be made by CBA to Investa Properties Limited under the CBA Facility as follows:

- in respect of loans made under the Tranche A Facility up until 21 June 2004; and
- in respect of loans made under the Acquisition Facility up until 27 April 2004,

unless the availability of the CBA Facility is cancelled as a result of an event of default or review event (as set out in section 7.3(d) below).

(d) **Events of default and review events**

The CBA Facility is subject to events of default which are customary for a facility of this nature, including but not limited to the following in relation to each of Investa Properties Limited, any guarantor and any of their subsidiaries (excluding the Principal Office Fund, if it becomes a subsidiary) or any other person who gives security for amounts owing under the CBA Facility:

- failure to pay or perform obligations under the loan documents or related security documents (with a 14 day period to remedy a default (other than a failure to pay any amount) which in the reasonable opinion of CBA can be remedied in that time);
- a representation or warranty is not true in any material respect or is misleading;
- insolvency events or events analogous to insolvency events;
- enforcement against assets;
- reduction of capital without the consent of CBA;
- certain material documents becoming void, unenforceable or of limited effect;
- amendment of its constitution or trust deed without CBA's consent;
- revocation of any material authorisation;
- Material Adverse Change;
- appointment of a new or additional trustee of either the Lizabeth Trust, the Investa Property Trust or the Investa Real Property Growth Trust or the beneficiaries take steps preparatory to winding up any of these trusts;
- compulsory acquisition of assets by a government agency or under law;
- a law or anything done by a governmental agency (other than a governmental agency in relation to the Offer) prevents or restricts performance of a material document or otherwise has a material adverse effect;

- breaches of environmental law that may have a material adverse effect;
- default in respect of any financial indebtedness;
- the voting power of any person in Investa Properties Limited or the Investa Property Trust exceeds 20% without the prior written consent of CBA;
- an entity (other than the Principal Office Fund) becomes a related entity of Investa Property Group and CBA is committed to providing that entity with financial accommodation and CBA declares that the amount of financial accommodation to be provided by CBA is excessive;
- the IPG Securities cease to be listed on the ASX; and
- an investigation is commenced into Investa Properties Limited or its dealings by ASIC or by any other government agency (other than by any governmental agency in relation to the Offer).

If an event of default occurs, CBA may cancel the commitment to make the Facilities available, require immediate repayment of any moneys outstanding under the CBA Facility or appoint an independent expert to review the financial and business affairs of Investa Property Group.

In addition, the CBA Facility is subject to a review event if a Material Adverse Change occurs during the Offer Period.

If a review event occurs, CBA:

- is entitled to decline to make any further loans to Investa Properties Limited under the Acquisition Facility; and
- may decide to accelerate the repayment date of loans under the Acquisition Facility to a date not earlier than 27 November 2003.

Investa Property Group is not aware, as at the date of this bidder's statement, of the occurrence of any event of default or review event or any circumstances that would lead to an event of default or review event.

(e) Representations and Warranties

The representations and warranties for the CBA Facility are customary for a facility of this nature including but not limited to:

- power and authority to execute the loan documents and related security documents;
- validity and binding nature of the loan documents and related security documents;
- non-contravention of laws or agreements;
- disclosure of relevant information in accounts;
- absence of current or pending litigation or other proceedings that would have a material adverse effect;
- absence of default under any agreement binding on it which relates to finance debt or which is material;
- all required authorisations have been obtained where failure to do so would have a material adverse effect;
- disclosure of all relevant information to CBA and accuracy of information disclosed;
- title to assets and absence of security interests;

- compliance with laws, including environmental laws;
- Investa Properties Limited is sole beneficial owner of all units in the Lizabeth Trust and the Investa Real Property Growth Trust and none of its subsidiaries (other than the Principal Office Fund, if it becomes a subsidiary) has any finance debt;
- priority of security; and
- standard trust representations and warranties.

The Investa Property Group is not aware, as at the date of this bidder's statement, of any breach of a representation or warranty nor any circumstance that would lead to a breach of a representation or warranty.

(f) **Undertakings**

The undertakings for the CBA Facility are customary for a facility of this nature. The undertakings include, but are not limited to, the following:

- provision of annual accounts, semi-annual accounts and calculations of applicable financial ratios within agreed times;
- provision of all documents issued to shareholders or a stock exchange;
- notice of any litigation exceeding \$10,000,000 in aggregate or \$5,000,000 for any single case;
- compliance with accounting principles;
- all necessary authorisations are obtained;
- notice to CBA of any event of default, potential event of default, proposed government acquisition, any substantial dispute between any subsidiary and a government agency or any change in authorised officers of Investa Properties Limited;
- no disposal of, or creation of an interest in all or a substantial part of, assets other than a disposal permitted by the negative pledge provision, a disposal made in exchange for a comparable asset, a disposal in the ordinary course of business and for fair market value for money or money's worth or as otherwise permitted under Investa Properties Limited's commercial mortgage-backed securitisation program;
- no creation of a security interest over its assets other than a security interest which secures the CBA Facility, liens arising in the ordinary course of business, security interests which are subject to the priority deed regulating the priority of security granted to CBA, Westpac Banking Corporation and the holders of notes issued under Investa Properties Limited's commercial mortgaged backed securities;
- no entry into any title retention agreement;
- no sale and lease back arrangements;
- no entry into a partnership or joint venture with another person in respect of any property which is the subject of a real property mortgage or is owned by any trusts the units of which are subject to a charge;
- maintenance of its corporate existence;
- compliance with laws in all material respects;
- payment of taxes;
- compliance and enforcement of material documents;

- no amendment or variation of material documents without the prior written consent of CBA;
- no commercial dealings except at arm's length in the ordinary course of business for valuable commercial consideration;
- no provision of financial assistance to a person not a member of Investa Property Group;
- no distributions other than distributions of trading profits, the taxable component of capital gains or other distributions of up to \$10,000,000 per annum;
- no material change in its business;
- no creation or acquisition of a wholly-owned subsidiary (not including the Principal Office Fund) unless the subsidiary provides a guarantee which secures the CBA Facility;
- compliance with certain financial covenants relating to gearing levels of Investa Properties Limited and debt service;
- provision of valuations in respect of the mortgaged properties within specified time periods;
- notification of any material change or an intention to effect a material change in legal and/or beneficial ownership or material change in control;
- notification of any entity becoming a related entity or where there is an intention to cause an entity to become a related entity;
- no incursion of any further finance debt that is also secured bank debt without the prior written consent of CBA ;
- it will not assign or novate its interest in the Offer;
- standard undertakings relating to trusts.

The Investa Property Group is not aware, as at the date of this bidder's statement of any failure to comply with any undertaking set out above, nor of any reason why it will not be able to comply with those undertakings during the Offer Period.

(g) **Information on lender**

CBA is one of the largest Australian banks.

CBA has indicated to Investa Properties Limited that it wishes to transfer some of its rights and obligations under the Acquisition Facility to another lender or lenders as soon as possible so that the maximum exposure of CBA under those facilities is not greater than \$350 million (**Proposed Selldown**). Any new lender must be reasonably acceptable to Investa Properties Limited.

Investa Properties Limited must take certain steps to assist CBA to achieve the Proposed Selldown including execution of loan and security documentation with the new lenders. The failure to achieve the Proposed Selldown will not, of itself, constitute an event of default under the CBA Facility provided Investa Properties Limited complies with its obligations in relation to the Proposed Selldown.

The directors believe that Investa Properties Limited will be able to obtain financing under the Proposed Selldown on terms generally comparable to the CBA Facility (also see section 5.3(1) regarding the effects of not achieving the Proposed Selldown).

Accordingly, following the Proposed Selldown, other lenders may provide funding to Investa Properties Limited to finance the Offer.

8 Risks

8.1 Introduction

Holders of POF Units will receive IPG Securities as consideration under the Offer. The value of the IPG Securities, and as a result, the value of the Offer to POF Unitholders, will depend on the future performance of the Merged Entity and the market price of IPG Securities.

The future performance of the Merged Entity, in respect of both income and capital growth, may be influenced by a number of factors. POF Unitholders should be aware that an investment in the Merged Entity has a number of risks which are associated with investing in both property and listed securities generally and which are beyond the control of Investa Property Group. Accordingly, the price and value of IPG Securities may rise or fall over any given period.

POF Unitholders should be aware of the following risks (which are some, but not necessarily all, of the risks) that may affect the performance of the Merged Entity and the value of IPG Securities issued as consideration under the Offer. POF Unitholders should also be aware that a number of the risks identified below already apply to Principal Office Fund.

8.2 General risks

The price at which IPG Securities trade on the ASX may be determined by a range of factors including movements in local and international equity and bond markets, inflation, interest rates, general economic conditions and changes in the supply of and demand for listed property trust securities.

The market for IPG Securities may be affected by a wide variety of events and factors. In addition to the general economic conditions referred to above, wide fluctuations in the trading price of IPG Securities may occur depending on matters such as: variations in operating results, announcements of property acquisitions or property disposals and developments undertaken by Investa Property Group or its competitors, changes in financial forecasts, recommendations by securities analysts, and the operating and trading price performance of other listed property entities that investors consider to be comparable to Investa Property Group. Certain of these factors could affect the trading price of IPG Securities regardless of Investa Property Group's operating performance.

8.3 Specific business risks

(a) Value of properties

The value of the properties owned by Investa Property Group may fluctuate from time to time due to market and other conditions. Factors relevant to determining value include rental and occupancy levels and these may change significantly over time for a variety of reasons. In general, valuations represent only the analysis and opinion of qualified experts – they are not guarantees of present or future values. The valuation of a property may be significantly higher than the amount that can be obtained from the sale of a property in certain circumstances, such as under a distress or liquidation sale.

(b) **Property location and condition**

In general, the location, age, construction quality and design of a property may affect the occupancy level as well as the rents that may be charged for individual leases and the value of the property. The characteristics of an area or market in which a property is located may change over time, and at any point in time there may be differences between markets in the relative position of market cycles.

The effects of any poor construction quality are likely to require owners to spend increasing amounts of money over time for maintenance and capital improvements to properties. Even properties that were well constructed will deteriorate over time if adequate maintenance is not scheduled and carried out in a timely manner.

(c) **Geographic and market concentration**

In general, a portfolio of properties with a significant proportion located in a single geographic region or country, or a portfolio with a significant proportion of properties in a limited number of market sectors (such as the commercial office property sectors) may be subject to losses that are more severe than other property portfolios which have a more diverse geographic distribution of properties or which have a more diverse range of properties.

The market values of the properties could be affected by economic conditions generally or in the regions where the properties, conditions in the real estate markets where the properties are located, changes in governmental rules and fiscal policies, natural disasters (which may result in uninsured losses) and other factors that are beyond the control of the Investa Property Group.

The economy of any region in which a property owned is located may be adversely affected to a greater degree than that of other areas of the country by certain developments affecting industries concentrated in such region. To the extent that general economic or other relevant conditions in regions in which properties representing a significant portion of the aggregate value of the portfolio of Investa Property Group's properties are located decline and result in a decrease in commercial property, housing or consumer demand in the region, the income from and market value of the properties may be adversely affected.

(d) **Leases**

Investa Property Group will rely upon periodic lease or rental payments from tenants to pay for maintenance and other expenses of each property owned by it, as well as to service any existing indebtedness in relation to any properties or otherwise. Investa Property Group may be adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants.

There can be no guarantee that tenants will renew leases upon expiration or that a tenant will continue operations throughout the term of its lease. Income from, and the market value of, these properties would be adversely affected if vacant space in them could not be leased for a significant period of time, if tenants were unable to meet their lease obligations or if, for any other reason, rental payments could not be collected.

No assurance can be given that leases that expire can be renewed, that the space covered by leases that expire or are terminated can be leased in a timely manner at comparable rents or on comparable terms.

In addition, upon the occurrence of an event of default by a tenant, delays and costs in enforcing the lessor's rights may occur and a recovery, if any, may be significantly less than if no default had occurred.

If a significant portion of a property or a property portfolio is leased to a single tenant, the consequences of the failure of Investa Property Group to relet such portion of that property if that tenant vacates the space leased to it (either as a result of the expiration of the term of the lease or a default by the tenant), will be more pronounced than if such property were leased to a greater number of tenants. The same principle of risk applies where a significant part of the portfolio is leased to an industry sector.

(e) **Competition**

Commercial properties located in the same areas as Investa Property Group's properties will compete for customers, tenants and other occupants. These properties generally compete on the basis of rental rates, location, condition and facilities of the property. If competing properties in the applicable market have lower rents, lower operating costs, more favourable locations or better facilities, the rental rates for other properties may be adversely affected.

Investa Property Group may renovate, refurbish or expand a property it owns to maintain the property and remain competitive, however, such renovation, refurbishment or expansion may itself entail significant risks.

If oversupply conditions in a particular market exist (either as a result of an increase in available property or a decrease in the number of customers, tenants or other occupants due to a decline in economic activity in the area), the rental rates for a property may be adversely affected.

Commercial properties may also face competition as based upon future trends of tenants and occupants (for example, an increase in home based offices and businesses). This competition could adversely affect income from, and the market value of, the office property.

(f) **Quality of management**

The successful operation of a property may also be dependent to a certain extent on the performance of the Investa Property Group and the relevant property manager. Investa Property Group is responsible for responding to changes in the local market conditions, adopting relevant rental rate structures (including establishing levels of rent payments) to enable maintenance and capital improvements to be carried out in a timely fashion. Management errors may adversely affect the long-term viability of a property. Similarly, failure to retain, or to hire, appropriately experienced and trained property managers may affect the ability of Investa Property Group to perform to its maximum potential.

(g) **Expenditure**

Investa Property Group will be required to incur significant expenditure in relation to ongoing maintenance and refurbishment of properties it owns. Any requirement for unforeseen material capital expenditure on properties, such as for rectification work to comply with environmental standards for example, may adversely affect the performance of the Merged Entity.

(h) **Development activities**

The ability of Investa Property Group to undertake new development projects may be affected by market forces, rezoning, and the availability of funding at the time that such opportunities arise. Construction risks associated with developments include industrial disputes, inclement weather, supply shortages and construction difficulties. In addition, there is a risk that tenants or buyers may not be obtained for developments (although, where appropriate, Investa Property Group will seek to obtain pre-commitments). The Merged Entity's income may be adversely affected if existing projects or new development opportunities are undertaken and these risks were to be realised.

(i) **Defaults and disputes**

The Merged Entity may in the ordinary course of its business become involved in disputes and, possibly, litigation. Material unforeseen litigation may adversely affect the value of the properties or the income generated from the properties and may also affect the market price of IPG Securities.

(j) **Insurance coverage and premiums**

Investa Property Group maintains insurance coverage in respect of each property within Investa Property Group (including insurance for damage, destruction and public liability) and proposes to maintain insurance for each property held by the Merged Entity.

Any losses incurred due to uninsured risks may adversely affect the performance of the Merged Entity. Increases in insurance premiums may affect the performance of the Merged Entity. Insurance premium increases could occur for example if the Merged Entity claims under any policy of insurance for significant losses in respect of any property.

Insurance premium increases may also occur if, for instance, the Commonwealth Government's Terrorism Insurance Bill 2002 becomes law. This will deem that terrorism exclusions in certain insurance contracts covering commercial property in Australia will have no effect in relation to loss or liability arising from a terrorist incident.

Any failure by the company or companies providing the insurance (or any reinsurance) may adversely affect the performance of the Merged Entity.

(k) **Funding**

In order to provide for future growth, it may be appropriate for the Merged Entity to seek funding (whether by way of equity or debt) for new projects. Whilst Investa Property Group expect to be able to access such funding at acceptable costs, there can be no assurance of this and a lack of funding, or material increases in the cost of funding (for example, through increases in interest rates) may adversely affect the performance of the Merged Entity.

(l) **Existing indebtedness and secured properties**

Under existing indebtedness arrangements, certain properties owned by the Investa Property Group are secured in favour of third party financiers. There can be no guarantee that an event of default will not occur under those financing arrangements. An event of default may lead to a forced sale of certain of the relevant properties, or financiers may choose not to renew funding arrangements upon expiry dates. A sale in such circumstances may not realise an amount equal to the valuation attributed to a property.

(m) **Law, regulatory and policy risk**

Significant aspects of the Merged Entity's business will be subject to Commonwealth and State law, regulation and policy including those relating to planning and environmental, health and safety, insurance, tax and stamp duty. Changes in any law, regulation or policy affecting the business of the Merged Entity (which may or may not have retrospective effect) may have a significant impact on the Merged Entity's performance.

Laws and regulations affecting investments in listed property entities including Investa Property Group, may be subject to significant and unexpected changes. Any such changes may affect the value of IPG Securities or the tax treatment of the investment for investors in IPG Securities.

(n) **Co-ownership**

Investa Property Group owns, and may acquire more, properties with other parties. Maintaining good relations with the other co-owner(s) can be essential to maximising returns from the properties.

8.4 Transaction specific risks

(a) **Issue of IPG Securities as consideration**

Under the Offer Investa Properties Limited will issue a significant number of IPG Securities. Some POF Unitholders may seek to sell their IPG Securities on the ASX. If a significant number of POF Unitholders seek to sell their IPG Securities, this may adversely impact the price of IPG Securities.

Additionally, IPG Securities issued to Foreign Unitholders in Principal Office Fund will be sold on the ASX pursuant to section 11.9 of Part C of this bidder's statement. This could also adversely impact the price of IPG Securities.

(b) **Diversification of earnings**

Notwithstanding the diversification characteristics inherent in Investa Property Group's strategy of pursuing opportunities across all components of the property value chain, there is a risk that Investa Property Group's earnings are more volatile than those of Principal Office Fund, because of Principal Office Fund's more limited business activities.

(c) **Integration risks and change in Responsible Entity**

There are risks associated with the integration of two entities of the size of Investa Property Group and Principal Office Fund. These risks include difficulties in integrating management and information systems.

The proposed change in the Responsible Entity of Principal Office Fund (implementing Investa Properties Limited's intentions as set out in section 6 of Part C of this bidder's statement) may result in the loss of individual knowledge regarding properties owned by Principal Office Fund and key tenants of such properties.

(d) **Less than 100% ownership**

It is possible that Investa Property Group will acquire less than 100% of POF Units under the Offer. The impact on Investa Property Group of acquiring less than 100% of POF Units will depend on the ultimate level of ownership acquired. However, the existence of any minority interest could have an impact (which may be positive or negative) on the implementation of Investa Property Group's intentions as set out in section 6 of Part C of this bidder's statement.

As noted in section 6, it is Investa Properties Limited's intention to seek appointment as the Responsible Entity of Principal Office Fund even if it does not acquire 100% of the POF Units.

If for any reason, Investa Property Group is not appointed as Responsible Entity of the Principal Office Fund, the POF Units acquired by Investa Property Group will become an investment of Investa Property Group which will be reviewed by the board of Investa Properties Limited in accordance with its investment policies.

(e) **Achievability of forecast assumptions**

A number of financial and commercial assumptions have been included in the preparation of the Directors' forecasts contained in section 5 of Part C of this bidder's statement. Factors which could alter the assumptions and have an impact on the achievability on these forecasts include:

- level of rental growth;
- movements in tenancy and occupancy levels and the possibility that tenants may default on those obligations;
- access to continued debt funding and changes in interest rates on debt, including by reference to changes to any corporate credit ratings;
- ability to recover expenses and incurring expenses greater than anticipated; and
- properties are valued on the basis of a willing buyer and a willing seller, and properties may not be sold at such valuation if that assumption is not satisfied.

(f) **Assumed financial information for Principal Office Fund**

There is a risk that assumed financial information for Principal Office Fund is not correct and in particular, that the assumed financial forecasts will not be realised. Investa Property Group has not had access to any non-public information in relation to Principal Office Fund for the purpose of compiling forecast information or otherwise.

(g) **Key tenant exposure**

Telstra Corporation Limited (**Telstra**) will be a substantial tenant in the investment portfolio of the Merged Entity, leasing 19.2% of its net lettable area across a number of properties with a variety of lease expiry dates. There can be no guarantee that Telstra will renew leases upon expiration or will continue operations throughout the term of those leases.

(h) **Remaining POF Unitholders**

Principal Office Fund Unitholders should be aware that if they do not accept Investa Properties Limited's Offer they may become a minority after the end of the Offer Period if Investa Property Trust holds a majority of POF Units but is not entitled to compulsorily acquire the remaining POF Units.

9 Tax considerations

9.1 Scope

The following is a general overview of the Australian tax implications of accepting the Offer and exchanging Your POF Units for IPG Securities and cash.

This overview is not intended as advice in relation to your individual circumstances. You should consult your tax adviser for advice applicable to your circumstances.

9.2 Summary

The Australian tax consequences of accepting the Offer depend on whether:

- you are an Australian resident or a non-resident;
- you hold Your POF Units on capital or revenue account; and
- where you hold Your POF Units on capital account, choices you make regarding certain capital gains tax (CGT) concessions.

Australian residents who hold POF Units on revenue account will be taxable on any gain arising as a result of accepting the Offer. A gain arising from the exchange of POF Units held on capital account will, subject to the availability of rollover or another concession (refer below), also be taxable.

If you are not an Australian resident you will be taxable if:

- Your POF Units are on revenue account and are attributable to a 'permanent establishment' that you have in Australia, or if you are a resident of a country with which Australia has not concluded a double tax treaty and the source of the gain is Australia; or
- Your POF Units are on capital account and you (together with associates) have held 10% or more of Principal Office Fund's units during the last 5 years, and you are not entitled to double tax treaty relief.

9.3 Australian resident unitholders

(a) POF Units held on capital account

By accepting the Offer you will dispose of Your POF Units. You will realise a gain if the aggregate of the cash and the market value of the IPG Securities you receive exceeds the cost base for Your POF Units.

In broad terms, the cost base for Your POF Units is the amount you paid for them (including incidental costs of acquisition and disposal) less the 'tax advantaged' component of Principal Office Fund distributions you have received in prior periods.

The taxable amount of the gain may be reduced if certain CGT concessions apply.

(b) CGT discount or indexation

If you are an individual or a trustee and you acquired Your POF Units before 1 July 1999 you may choose to reduce the amount of your capital gain by either the CGT discount or indexation (available only up to September 1999).

If you choose the CGT discount method, the taxable capital gain will be reduced by 50% (33.3% if you are the trustee of a complying

superannuation fund, approved deposit fund or pooled superannuation trust).

If you acquired Your POF Units after 30 June 1999, indexation is not available to you and the CGT discount is only available to you if you have held Your POF Units for at least one year.

(c) **CGT rollover relief**

CGT rollover relief will be available to all Australian resident POF Unitholders if two conditions are satisfied.

- acceptances of the Offer must increase Investa Properties Limited holding of POF Units to at least 80% of POF Units on issue. Investa Properties Limited will advise you if and when that occurs; and
- both Principal Office Fund and Investa Property Trust must be 'fixed' trusts, or the Commissioner of Taxation must exercise a discretion to treat them as fixed trusts. Investa Properties Limited will apply for confirmation that the trusts will satisfy this requirement. Investa Properties Limited expects the requested confirmation will issue in due course and will advise you if and when the confirmation is received.

Assuming rollover relief is available, you must elect to apply the rollover relief. You can do that simply by lodging your tax return for the year on the basis that you have chosen rollover.

The rollover relief is only available in respect of the portion of the gain attributable to the Investa Unit component of the IPG Securities you receive in exchange for your POF Units.

The portion of the gain attributable to the Investa Units you receive will depend on the proportion of the market value of IPG Securities represented by Investa Units. Because Investa Units are not separately traded on the ASX, there is not a separate market price for them. However, Investa Properties Limited considers that the fair value of Investa Units is 97% of the value of IPG Securities.

Any capital gain on Your POF Units relieved from tax by the rollover will be reflected in your cost base for the IPG Securities you receive. The intention of the rollover is to defer tax rather than exempt gains altogether.

You will realise a loss on disposal of Your POF Units if the aggregate of the market value of the IPG Securities and the cash you receive for Your POF Units is less than your reduced cost base for Your POF Units. A capital loss may only be used to offset a capital gain – in the same or future year of income.

If you elect to dispose of Your POF Units through the Book Build, the tax consequences will be as described above except for the fact that you will not be able to elect for CGT rollover relief.

(d) **POF Units held on revenue account**

The amount of the taxable gain (or loss) will be the difference between the cost of Your POF Units and the aggregate of the cash component and the market value of the IPG Securities you receive in exchange for them.

If you make a loss on the exchange it will be tax deductible and may be offset against your assessable income.

If you elect to dispose of Your POF Units through the Book Build, the tax consequences will be as described above.

9.4 Unitholders who are not Australian residents

IPG Securities issued to the Nominee on your behalf as described in Section 11.8 of this bidder's statement, will be sold by the Nominee.

(a) POF Units held on capital account

If you (together with associates) have held 10% or more of POF's Units on issue, any gain that you make on exchange of Your POF Units will, subject to some exceptions, be taxable. The exceptions are:

- if you are a resident of a country with which Australia has concluded a double tax treaty, you may be entitled to relief from Australian tax pursuant to the terms of the treaty; and
- if treaty relief is not available, you may be eligible for the CGT discount or indexation as described above.

(b) POF Units held on revenue account

- (1) Residents of countries with which Australia has concluded a double tax treaty.

You will be taxable on any gain that you make on exchange of Your POF Units if they are attributable to a permanent establishment that you have in Australia.

- (2) Residents of all other countries

You will be taxable on any gain that you make on exchange of Your POF Units only if the source of your gain is Australia.

9.5 Taxation of IPG Security distributions

(a) Australian residents

The tax treatment of distributions on IPG Securities is similar to that of Principal Office Fund distributions on POF Units, except that Investa Properties Limited also pays you a dividend, which will be taxed in a similar manner to dividends paid by other Australian listed companies ie as a franked or unfranked dividend.

You must include in your taxable income each year the taxable component of IPG Security distributions to which you are entitled, even if you do not receive them until after year end.

Generally, the tax advantaged component of Investa Unit distributions are not included in your assessable income. Rather, these amounts reduce the cost base of the Investa Units. Once you exhaust your cost base these amounts give rise to immediate capital gains.

(b) Non residents

Foreign Unitholders will have IPG Securities to which they are entitled under the Offer issued to the Nominee. These IPG Securities will be sold by the Nominee rather than retained, and so Foreign Unitholders will not receive distributions on IPG Securities as a result of the Offer.

10 Other material information

10.1 ASIC modifications to and exemptions from the Corporations Act

Investa Properties Limited has not been granted any modifications to, or exemptions from, the Corporations Act by ASIC in relation to the Offer, other than the modification described below.

On 27 May 2003, ASIC granted Investa Properties Limited a modification to the Corporations Act so that Mr Shaun Mays, a director of Investa Properties Limited did not have to participate in the resolution to approve lodgement of this bidder's statement (or any supplementary bidder's statements) with ASIC (thus modifying sections 637 and 645 of the Corporations Act).

A copy of the modification is attached as Annexure F.

Mr Mays is married to Ms Ouma Sananikone, a director of the Responsible Entity of Principal Office Fund. Mr Mays has not caused, authorised or approved the issue of this bidder's statement, or made or consented to any statement in it.

Investa Properties Limited may rely on Class Order relief granted by ASIC in relation to the Offer, as described elsewhere in this bidder's statement.

10.2 Disclosure of interests of certain persons

No director or proposed director of Investa Properties Limited or any person named in this bidder's statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this bidder's statement holds, or held at any time during the last two years, any interest in:

- the formation or promotion of Investa Properties Limited;
- property acquired or proposed to be acquired by Investa Property Group in connection with its formation or promotion or the offer of IPG Securities; or
- IPG Securities to be issued under the Offer,

except as set out in section 2.8 of this bidder's statement, or as described below.

Mr John Arthur is a Director of Investa Properties Limited and a partner of Freehills and accordingly has an interest in the fees rendered by Freehills in the course of providing legal services. Freehills has provided services to Investa Properties Limited in connection with the Offer on an arm's length basis. The extent of Mr Arthur's interest in those fees is not material.

Ernst & Young has received or is entitled to fees totalling approximately \$250,000 in connection with the preparation of the Investigating Accountant's Report attached as Annexure C to this bidder's statement and may receive additional fees from time to time in accordance with normal commercial rates.

10.3 Broker commission

If the Offer becomes or is declared unconditional, Investa Properties Limited will pay a commission to member organisations of the ASX and members of the Financial Planning Association (for the purposes of this commission these entities are collectively known as **Brokers**) of 0.75% of the value of parcels of POF Units (subject to a maximum fee for any one application accepted of \$750) held directly by retail unitholders (or units held by a custodian/nominee on behalf of a retail unitholder) who accept Investa Properties Limited's Offer. The fee will be payable to any Broker whose stamp appears on the Acceptance and Transfer Form or who, in respect of a CHESS Holding, produces evidence satisfactory to

Investa Properties Limited that it is the Controlling Participant who initiated the acceptance. Investa Properties Limited reserves the right to determine the fee payable to any Broker where it believes that a party has structured its holdings to take advantage of the fee. A retail unitholder is one who is not a Broker or an associate of a Broker and who held less than 100,000 POF Units at 8:00am on 26 May 2003. The fee is payable to Brokers only and no part of the fee can be passed on or paid to POF Unitholders. Further details in relation to this commission (including in relation to claim procedures) will be made if and when the Offer becomes or is declared unconditional.

10.4 Consents

Ernst & Young has consented to the inclusion of the Investigating Accountant's Report in Annexure C of this bidder's statement in the form and context in which those statements appear, and to the references to that report in the form and context in which they appear. Ernst & Young has not caused or authorised the issue of this bidder's statement.

Invia Custodian Pty Ltd has consented to be named as Nominee for the purpose of sections 11.8 and 11.9 of this bidder's statement. Invia Custodian Pty Ltd has not caused or authorised the issue of this bidder's statement and takes no responsibility for it.

ASX Perpetual Registrars Limited has consented to be named as Share Registrar in this bidder's statement. ASX Perpetual Registrars Limited has not caused or authorised the issue of this bidder's statement and takes no responsibility for it.

In addition, this bidder's statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this bidder's statement. If you would like to receive a copy of any of these documents (free of charge), please contact the Investa Property Group's Offer Information Line, the telephone numbers for which are printed in the Corporate Directory at the front of this bidder's statement.

Freehills has consented to be named in this bidder's statement in section 10.2. Freehills has not caused or authorised the issue of this bidder's statement and takes no responsibility for it.

10.5 Expiry date

No securities will be issued on the basis of this bidder's statement after the date which is 13 months after the date of Investa Properties Limited's Offer.

10.6 Book Build

POF Unitholders, who are not Foreign Unitholders, and who do not wish to hold IPG Securities may elect to participate in the Book Build by completing and delivering to Investa Properties Limited, in accordance with section 11.5(e), the Election which is included in the Acceptance and Transfer Form or by initiating an Election on the CHES system. The Election must be made at the time the acceptance of the Offer is sent or initiated.

The sale process under the Book Build will be as follows.

IPG Securities to which POF Unitholders who elect to participate in the Book Build are entitled will be issued to the Nominee for sale under the Book Build. The sale will be effected within 20 Business Days after the end of the Offer Period and the proceeds of sale will be distributed to all POF Unitholders who participate in the Book Build within 10 Business Days thereafter.

The price at which the IPG Securities will be sold is not fixed and is not underwritten. The price achieved on the sale of the IPG Securities under the Book Build may be less than the market price of IPG Securities at the time the Book Build sale takes place. Neither Investa Properties Limited nor the Nominee makes any representation, either express or implied, about the likely proceeds from the Book Build or that the IPG Securities will be sold in the Book Build.

The mechanism to determine the sale price for IPG Securities under the Book Build is discussed below.

The Book Build will be conducted by the Nominee by way of a non-underwritten book build.

Institutional investors will be invited to submit bids for IPG Securities to be sold through the Book Build. Institutions may bid for IPG Securities at various prices.

The price at which IPG Securities are sold under the Book Build will be determined by Investa Properties Limited in consultation with the Nominee, having regard to the range of the bids and the objectives of obtaining the best price for IPG Securities reasonably obtainable with all purchasers paying the same price and there being an orderly secondary market for IPG Securities.

If the number of IPG Securities elected to be sold under the Book Build exceeds the demand received through the Book Build, the IPG Securities which are elected to be sold will be scaled back pro rata in a fair and equitable manner, as determined by Investa Properties Limited. This will have the consequence that any part of an accepting holder's entitlement to IPG Securities which is not sold will be transferred to that holder by the Nominee (at no cost to the holder) after the end of the Book Build process. The holder agrees to accept such transfer, if required, and irrevocably appoints Investa Properties Limited and its officers jointly and severally as the holder's attorney for the purpose of completing all necessary transfer documents.

11 The Offer

11.1 Investa Properties Limited's Offer

- (a) This is a full bid.
- (b) Investa Properties Limited, in its capacity as Responsible Entity of Investa Property Trust, offers to acquire all of Your POF Units, on and subject to the terms and conditions set out in this Offer. Investa Properties Limited's offer is seven (7) IPG Securities and \$4.86 cash for every 12 of Your POF Units (the **Consideration**). For the avoidance of doubt, to calculate the consideration payable and subject to section 11.1(c) and 11.1(d), each POF Unit will be entitled to seven twelfths of an IPG Security and \$0.405 cash.
- (c) If, after aggregating all of your POF Units, you become entitled to a fraction of an IPG Security that fraction will be disregarded and you will receive one whole IPG Security. If Investa Properties Limited believes that a Principal Office Fund Unitholder's holdings have been created or manipulated to take advantage of rounding up, then any fractional element will be aggregated or rounded down to the lowest whole number of IPG Securities.
- (d) If, after aggregating all of Your POF Units, you become entitled to a fraction of a cent, that fraction will be rounded up and you will receive one whole cent. If Investa Properties Limited believes that a Principal Office Fund Unitholder's holdings have been created or manipulated to take advantage of rounding up, then any fractional element will be aggregated or rounded down to the nearest whole cent.
- (e) IPG Securities issued in accordance with this Offer will participate in all dividends and distributions and rank equally in all respects with all issued IPG Securities on and from the date of issue.
- (f) If at the time this Offer is made to you, you are a Foreign Unitholder, you will not receive IPG Securities. Rather, you are offered and will receive a cash amount determined in accordance with section 11.8.
- (g) If you are not a Foreign Unitholder you may make an election to have the IPG Securities which would be issued to you in accordance with your acceptance of the Offer offered for sale under the Book Build.

11.2 Offer Period

This Offer will remain open for acceptance during the period commencing on the date the first Offer is made under the bid and ending at 7:00pm (Sydney time) on 21 July 2003 unless withdrawn or extended in accordance with the Corporations Act.

11.3 Official quotation of IPG Securities

- (a) The Consideration offered by Investa Properties Limited under the Offer includes IPG Securities. The IPG Securities to be offered as consideration will be issued by Investa Properties Limited and will rank equally with IPG Securities then on issue.
- (b) Investa Property Group has been admitted to the official list of ASX. Securities of the same class as those to be issued as consideration have been granted official quotation by the ASX.

- (c) An application will be made within 7 days after the start of the Offer Period to the ASX for the granting of official quotation of the IPG Securities to be issued. However, official quotation is not granted automatically on application.

11.4 Who may accept

(a) Offerees

- (1) An Offer in this form is being made to each holder of POF Units at 8.00am (Sydney time) on the date specified by Investa Properties Limited under section 633(2) of the Corporations Act; and
- (2) If at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of POF Units to which this Offer relates:
 - (A) a corresponding Offer will be deemed to have been made to that other person in respect of those POF Units; and
 - (B) a corresponding Offer will be deemed to have been made to you in respect of any other POF Units you hold to which the Offer relates.

(b) Trustees and nominees

If you are a trustee or nominee for several persons in respect of separate parcels of POF Units, section 653B of the Corporations Act deems an Offer to have been made to you in respect of each separate parcel. To validly accept the Offers for all of a parcel, you must complete the Acceptance and Transfer Form by specifying that the POF Units in respect of which you are accepting are a separate parcel and the numbers of POF Units in the separate parcel to which the acceptance relates. If your holding does not consist of separate parcels, but you attempt to accept the Offers in the manner described in this section, you commit an offence but the acceptance is valid.

11.5 How to accept this Offer

(a) General

- (1) Subject to section 11.4(b), you may accept this Offer only in respect of all of Your POF Units.
- (2) You may accept this Offer at any time during the Offer Period.

(b) Issuer sponsored units

If Your POF Units are held on Principal Office Fund's issuer sponsored subregister, to accept this Offer, you must:

- (1) complete and sign the Acceptance and Transfer Form enclosed with this bidder's statement (and which forms part of this Offer) in accordance with the terms of this Offer and the instructions on the Acceptance and Transfer Form; and
- (2) ensure that the Acceptance and Transfer Form and any documents required by the terms of this Offer and the instructions on the Acceptance and Transfer Form are received before the expiry of the Offer Period at the address indicated on the Acceptance and Transfer Form.

(c) **CHES Holdings**

If Your POF Units are in a CHES Holding, to accept this Offer:

- (1) if you are not a Broker or Non-Broker Participant:
 - (A) you may, by completing, signing and returning the enclosed Acceptance and Transfer Form in accordance with the instructions on it, authorise Investa Properties Limited to instruct your Controlling Participant on your behalf to initiate acceptance of this Offer in accordance with Rule 16.3 of the SCH Business Rules; or
 - (B) you may instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your POF Units in accordance with Rule 16.3 of the SCH Business Rules by the end of the Offer Period; or
- (2) if you are a Broker or Non-Broker Participant, acceptance of this Offer must be initiated in accordance with Rule 16.3 of the SCH Business Rules by the end of the Offer Period.

(d) **Receipt of Acceptance and Transfer Form**

- (1) To accept this Offer, you should complete and sign the Acceptance and Transfer Form in accordance with the instructions on it, and return it together with any necessary documents so that they are received by Investa Properties Limited before the end of the Offer Period.
- (2) The transmission of the Acceptance and Transfer Form and other documents is at your own risk.

(e) **Election to participate in Book Build**

- (1) If Your POF Units are, at the time of acceptance, registered in the issuer sponsored subregister operated by Principal Office Fund, to make an Election in respect of your entitlement to IPG Securities you must complete the Election which is included on the Acceptance and Transfer Form.
- (2) If your POF Units are, at the time of acceptance, in a CHES Holding, to make an Election in respect of your entitlement to IPG Securities you may:
 - (A) by completing, signing and returning the enclosed Acceptance and Transfer Form in accordance with the instructions on the form relating to Elections by POF Unitholders with POF Units in a CHES Holding, authorise Investa Properties Limited to instruct your Controlling Participant to initiate the Election in accordance with the SCH Business Rules;
 - (B) comply with the SCH Business Rules and in accordance with them instruct your Controlling Participant to initiate the Election in accordance with Rule 16.3 of the SCH Business Rules; or
 - (C) if you are a Broker or Non-Broker Participant, initiate such Election or Elections in accordance with Rule 16.3 of the SCH Business Rules.

11.6 The effect of acceptance

- (a) By signing the Acceptance and Transfer Form and returning it to Investa Properties Limited in accordance with section 11.5, or otherwise accepting this Offer in accordance with section 11.5, you will have:
- (1) accepted this Offer (and each variation of this Offer) in respect of all Your POF Units;
 - (2) agreed to transfer to Investa Property Group, all Your POF Units, subject to this Offer being declared free from the conditions set out in section 11.10 (or such conditions being satisfied or waived);
 - (3) authorised Investa Properties Limited to complete your Acceptance and Transfer Form by rectifying any errors in or omissions from it as may be necessary to make it an effectual acceptance of this Offer or to enable registration of the transfer of Your POF Units to Investa Property Group;
 - (4) represented and warranted to Investa Properties Limited that Your POF Units will at the time of transfer to Investa Properties Limited be fully paid up and Investa Properties Limited will acquire good title to them and full beneficial ownership of them free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and restrictions on transfer of any kind;
 - (5) irrevocably appointed Investa Properties Limited or any nominee (or nominees) of Investa Properties Limited as your attorney to exercise all your powers and rights attaching to Your POF Units including (without limitation) to requisition, convene, attend and vote at all general meetings of Principal Office Fund from the time the contract resulting from your acceptance of this Offer becomes unconditional, until the earlier of the withdrawal of your acceptance under section 650E of the Corporations Act or the end of the Offer Period or, if all of the conditions of the Offer have been satisfied or waived, the registration of Investa Properties Limited as the holder of those units;
 - (6) agreed that in exercising the powers conferred by the power of attorney in section 11.6(a)(5) above, Investa Properties Limited or its nominee is entitled to act in the interests of Investa Properties Limited;
 - (7) agreed not to attend or vote in person at any general meeting of Principal Office Fund or to exercise or purport to exercise any of the powers conferred on Investa Properties Limited or its nominee in section 11.6(a)(5) above;
 - (8) agreed to indemnify fully Investa Properties Limited in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or in consequence of the transfer of Your POF Units being registered by Principal Office Fund without production of your Holder Identification Number for Your POF Units;
 - (9) irrevocably authorised Investa Properties Limited to transmit a message in accordance with SCH Business Rule 16.6.1 to transfer Your POF Units to the Takeover Transferee Holding (as described in the SCH Business Rules), regardless of whether it has paid the consideration due to you under the Offer;

- (10) agreed to accept the IPG Securities to which you have become entitled by acceptance of this Offer subject to the constitutions of Investa Properties Limited and Investa Property Trust and have authorised Investa Properties Limited to place your name on the register of shareholders in respect of those Investa Shares and on its register of unitholders in respect of those Investa Units; and
- (11) if Your POF Units are in a CHESS Holding and you sign and return the Acceptance and Transfer Form as indicated, irrevocably authorised Investa Properties Limited:
 - (A) To instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your POF Units in accordance with the SCH Business Rules.
 - (B) To give any other instructions in relation to Your POF Units to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.
 - (C) Investa Properties Limited may, in its sole discretion, and without any further communication to you, at any time determine that any Acceptance and Transfer Form it receives is a valid acceptance, even if any of the requirements for acceptance have not been complied with.
 - (D) Investa Properties Limited will provide the Consideration to you in accordance with section 11.7 in respect of any part of an acceptance determined by Investa Properties Limited to be valid.
 - (E) Where you have satisfied the requirements for acceptance in respect of only some of Your POF Units, Investa Properties Limited may, in its sole discretion, regard the Offer to have been accepted in respect of those POF Units, but not the remainder.
 - (F) By making or initiating an Election in accordance with section 11.5(e) you will be deemed to have agreed to participate in the Book Build in respect of all IPG Securities to which you have become entitled by your acceptance of the Offer, on the terms and conditions of the Book Build as set out in section 11.9 and further summarised in section 10.6 of this bidder's statement.

11.7 When you will receive payment

- (a) Subject to section 11.7(b), 11.8 and 11.9, and to the Corporations Act, if you have accepted this Offer, Investa Properties Limited will provide the Consideration (as set out in section 11.1(b)) to you on or before the earlier of:
 - (1) one month after the Offer is accepted or, if the Offer is subject to a defeating condition when accepted, within 1 month after the takeover contract resulting from your acceptance of the Offer becomes unconditional; and
 - (2) 21 days after the end of the Offer Period.
- (b) Where the Acceptance and Transfer Form requires an additional document to be given with your acceptance (such as a power of attorney):

- (1) if that document is given with your acceptance, Investa Properties Limited will provide payment in accordance with section 11.7(a);
 - (2) if that document is given after acceptance and before the end of the Offer Period while the Offer is still subject to a defeating condition, Investa Properties Limited will provide the Consideration to you by the earlier of:
 - (A) within one month after the takeover contract becomes unconditional; or
 - (B) 21 days after the end of the Offer Period;
 - (3) if that document is given after acceptance and before the end of the Offer Period while the Offer is no longer subject to a defeating condition, Investa Properties Limited will provide the Consideration due to you by the earlier of:
 - (A) one month after that document is given;
 - (B) 21 days after the end of the Offer Period;
 - (4) if that document is given after the end of the Offer Period, Investa Properties Limited will provide the Consideration to you within 21 days after that document is given. However, if at the time the document is given the takeover contract is still subject to a condition that relates to a circumstance or event specified in section 11.10(n) Investa Properties Limited will provide the Consideration to you within 21 days after the takeover contract becomes unconditional.
- (c) If you accept this Offer, Investa Properties Limited is entitled to all Rights in respect of Your POF Units. Investa Properties Limited may require you to provide all documents necessary to vest title to those Rights in Investa Properties Limited, or otherwise to give it the benefit or value of those Rights. If you do not do so before Investa Properties Limited has provided the Consideration to you, Investa Properties Limited will be entitled to deduct the amount (or value, as reasonably assessed by Investa Properties Limited) of such Rights from the Consideration otherwise due to you. Any such deduction will first be made from the cash component of the Consideration and then, if required from any IPG Securities otherwise due to you on the basis that one IPG Security is worth \$2.10.
- (d) Payment of any cash amount to which you are entitled will be made by cheque in Australian currency. The cheque will be sent to you at your risk by ordinary mail (or in the case of overseas unitholders, by airmail) to your address as shown on the register of members of Principal Office Fund.
- (e) The obligation of Investa Properties Limited to issue and allot any IPG Securities to which you are entitled will be satisfied by Investa Properties Limited:
- (1) upon entering your name on the register of members of Investa Properties Limited and Investa Property Trust; and
 - (2) dispatching or procuring the dispatch to you by pre-paid post to the address recorded in Principal Office Fund's register of members at 8.00am (Sydney time) on the date set by Investa Properties Limited under section 633(2) of the Corporations Act, an uncertificated holding statement in your name. If Your POF Units are held in a joint name, an uncertificated holding statement will be issued in the name of the joint holders, and forwarded to, the address that appears first in Principal Office Fund's register of

members on the date set by Investa under section 633(2) of the Corporations Act.

- (f) If at the time you accept the Offer you are resident in, or a resident of, a place outside Australia to which, or you are a person to whom the Banking (Foreign Exchange) Regulations apply, you will not be entitled to receive any Consideration for Your POF Units until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the Regulations or otherwise), or of the Australian Taxation Office, have been received by Investa Properties Limited. The places and persons to which the Banking (Foreign Exchange) Regulations currently apply are Iraq, Libya, Taliban, the government and government authorities and some parts of Yugoslavia and the National Union for Total Independence of Angola (and its senior officials and their families and its members).

11.8 Foreign Unitholders

If you are a Foreign Unitholder and you accept this Offer, Investa Properties Limited will:

- (a) arrange for the allotment to the Nominee of the number of IPG Securities to be issued in accordance with the Offer to which you and all other Foreign Unitholders would have been entitled but for this section 11.8;
- (b) cause those IPG Securities so allotted to be offered for sale on the ASX within 30 days after the end of the Offer Period;
- (c) pay to you within 10 business days of the sale (in addition to the cash component of the Consideration due to you under the Offer) the amount ascertained in accordance with the formula:

$$\text{Proceeds of Sale} \times (\text{NIS} \div \text{TIS})$$

where:

- **Proceeds of Sale** is the amount which is received by the Nominee upon the sale of all IPG Securities under this section 11.8 less brokerage and other sale expenses;
 - **NIS** is the number of IPG Securities which Investa Properties Limited would otherwise be required to procure to be issued to you as a result of your acceptance of this Offer; and
 - **TIS** is the total number of IPG Securities issued to the Nominee under this section 11.8.
- (d) Payment will be made by cheque in Australian currency. The cheque will be sent to you at your risk by ordinary mail to your address as shown on the register of POF Unitholders. Under no circumstances will interest be paid on the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

11.9 Book Build

- (a) If you are not a Foreign Unitholder, you have the right to have all, but not part only, of the IPG Securities to which you become entitled by reason of your acceptance of the Offer (**Your Entitlement**) to be offered for sale under the Book Build. This right is exercisable by making an Election in accordance with the terms of this Offer in respect of Your Entitlement.
- (b) Further details about the Book Build are set out in section 10.6 of this bidder's statement.
- (c) The Book Build sale will be undertaken by the Nominee.

(d) The amount which you will be paid (in addition to the cash component of the Consideration due to you under the Offer), if you make an Election to have Your Entitlement offered for sale under the Book Build, is as follows:

(1) If all IPG Securities which are offered for sale under the Book Build are sold then the amount is calculated in accordance with the following formula:

$$\text{BB Proceeds of Sale} \times (\text{BBIS} \div \text{BBTIS})$$

where:

- **BB Proceeds of Sale** is the amount which is received by the Nominee upon the sale of all such IPG Securities less brokerage and other sale expenses;
- **BBIS** is the number of IPG Securities representing Your Entitlement;
- **BBTIS** is the number of IPG Securities issued to the Nominee for sale under the Book Build pursuant to all Elections.

(2) If all IPG Securities which are offered for sale under the Book Build are not sold then your pro rata share of the proceeds of sale from the Book Build (calculated as set out above).

(e) If all of Your Entitlement is not sold in the Book Build then that part of Your Entitlement which is not sold will be transferred by the Nominee to you (at no cost to you) and in relation thereto you will be deemed to have accepted such transfer and to have irrevocably appointed Investa Properties Limited and each of their directors and secretaries from time to time jointly and severally on your behalf to execute such documents and to take such actions as may be necessary to facilitate such transfer.

(f) In order to participate in the Book Build you must, in respect of Your Entitlement, make the Election at the time you lodge your acceptance of the Offer in accordance with the terms of the Offer.

(g) Neither Investa Properties Limited nor the Nominee nor any of their respective officers, agents or employees makes any representation, whether express or implied:

(1) that IPG Securities representing Your Entitlement will be able to be sold in the Book Build; or

(2) as to the price which will be realised upon the sale by the Nominee of IPG Securities under the Book Build or the amount you will receive.

11.10 Conditions of this Offer

Subject to section 11, this Offer and any contract that results from your acceptance of it are each conditional on:

(a) **No material acquisitions, disposals or changes in the business**

Except for any proposed transaction publicly announced by Principal Office Fund prior to the Announcement Date, none of the following events occur during the period from the Announcement Date to the end of the Offer Period:

(1) POF or any POF subsidiary or associated trust acquires or agrees to acquire one or more companies, businesses or assets (or an

interest in one or more companies, businesses or assets) for an amount in aggregate greater than A\$20 million;

- (2) Principal Office Fund or any Principal Office Fund subsidiary or associated trust disposes, or agrees to dispose of one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than A\$20 million;
- (3) Principal Office Fund or any Principal Office Fund subsidiary or associated trust enters into or announces that it proposes to enter into any joint venture or partnership, involving a commitment of greater than one year or a commitment of, greater than A\$20 million; and
- (4) Principal Office Fund or any Principal Office Fund subsidiary or associated trust disposes, or agrees to dispose of any part of its interest in any joint venture, trust or partnership:
 - (A) in which Principal Office Fund or any Principal Office Fund subsidiary or associated trust has an interest which is valued in the most recent Statement of Financial Position of Principal Office Fund at A\$20 million or more; and
 - (B) which results in a change of control of the assets the subject of the joint venture, trust or partnership,

in each case other than as a result of the exercise of co-ownership rights in relation to the QV1 and Maritime Trade Towers properties as disclosed to the ASX prior to the Announcement Date.

(b) **Minimum acceptance condition**

Before the end of the Offer Period, Investa Properties Limited and its associates have relevant interests in 50.1% or more of the POF Units then on issue.

(c) **No material adverse change**

There does not occur, be discovered, be announced or otherwise become public during the Offer Period any material adverse change (from that publicly announced to the market before the Announcement Date) in the business, financial or trading position or condition, assets, liabilities or profitability or prospects of Principal Office Fund and its subsidiaries and associated trusts taken as a whole, or any event or action proceeding from a circumstance or change in circumstance, which is reasonably likely to result in a material adverse change (from that publicly announced to the market before the Announcement Date) of the kind mentioned above.

(d) **No persons exercising rights under certain agreements or instruments**

There is no person:

- entitled to exercise;
- exercising or purporting to exercise; or
- stating an intention to exercise,

any rights under any provision of any agreement or other instrument:

- to which Principal Office Fund or any Principal Office Fund subsidiary or associated trust is a party;
- which give rise to a right of indemnity out of the assets of Principal Office Fund or any Principal Office Fund subsidiary or associated trust; or

- by which or to which Principal Office Fund or any subsidiary or associated trust or any of its assets may be bound or be subject,

which results or could result in:

- (1) any amount in excess of A\$10 million being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any amount in excess of A\$5 million being or becoming payable by way of fee, penalty or premium in satisfaction of any other contingent right or entitlement;
- (3) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder to an extent which is material in the context of Principal Office Fund and its subsidiaries and associated trusts as a whole;
- (4) the interest of Principal Office Fund or any Principal Office Fund subsidiary or associated trust in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified;
- (5) the business of Principal Office Fund or any Principal Office Fund subsidiary or associated trust with any other person being materially adversely affected; or
- (6) Principal Office Fund or any Principal Office Fund subsidiary or associated trust disposing, or being required to dispose of, any interest in any asset for an amount in aggregate greater than A\$20 million (including without limitation pursuant to the exercise of any pre-emptive right or right of first refusal),

other than in relation to co-ownership rights in relation to the QV1 and Maritime Trade Towers properties as disclosed to the ASX prior to the Announcement Date.

(e) **No long term arrangements**

Neither the Responsible Entity of Principal Office Fund, nor any of its related entities, is, becomes a party to or announces an intention to enter into any property management, leasing agency or development management agreement in relation to Principal Office Fund:

- (1) which has a term or remaining term in excess of one year;
- (2) which is not in the ordinary course of activities of Principal Office Fund; or
- (3) which has a total value or involves total expenditure over the term of the agreement in excess of A\$10 million,

where such agreement has not been disclosed in full to the ASX prior to the Announcement Date.

(f) **No increased indebtedness**

Except for any transaction publicly announced by Principal Office Fund prior to the Announcement Date, during the period from the Announcement Date to the end of the Offer Period, neither Principal Office Fund nor any subsidiary or associated trust incurs or guarantees financial indebtedness of any kind in excess of A\$10 million.

(g) **S&P/ASX 200 property trust index**

The S&P/ASX 200 Property Trust Index is not below 1330 (a decline of approximately 15% from the closing level of that index on the trading day before the Announcement Date) at any time on any ASX trading day during the period from the Announcement Date to the end of the Offer Period.

(h) **IPG Securities price decline**

Between the Announcement Date and the date of the Offer, IPG Securities do not trade below \$1.99 on the ASX at any time on any ASX trading day.

(i) **Finance**

During, and at the end of the Offer Period:

- (1) each of the preconditions to the availability of the facility to fund the Offer is and remains satisfied (excluding preconditions that have been waived by Commonwealth Bank of Australia);
- (2) there is no event of default, or potential event of default or review event under the facility to fund the Offer (excluding events of default, potential events of default or review events that have been waived by Commonwealth Bank of Australia).

(j) **No related party transactions**

Except for any transaction publicly announced by Principal Office Fund prior to the Announcement Date, during the period from the Announcement Date to the end of the Offer Period, neither Principal Office Fund nor any Principal Office Fund subsidiary or associated trust enters into or otherwise becomes a party to any transaction with a related party (as that term is defined in the Corporations Act).

(k) **Regulatory issues**

Between the Announcement Date and the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by any government, governmental agency, court or public authority;
- (2) no action or investigation is announced, commenced or threatened by any government, governmental agency, court or public authority; and
- (3) no application is made to any government, governmental agency, court or public authority (other than by Investa Properties Limited and its associates),

in consequence of or in connection with the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer and the completion of the transactions contemplated by the bidder's statement.

(l) **Distributions**

Principal Office Fund does not:

- (1) make any distribution that is not in the ordinary course of its activities or that is capital in nature; or
- (3) reactivate its distribution reinvestment plan or commence operation of any other distribution reinvestment plan.

(m) **Principal agreements**

There is no agreement between the Responsible Entity of Principal Office Fund and Principal Real Estate Investors (Australia) Limited, or any other entity associated with the Principal Financial Group, which cannot be terminated by the Responsible Entity of Principal Office Fund on one month's notice without fee, penalty or any other additional payment.

(n) **No prescribed occurrences**

None of the following occurrences (each a prescribed occurrence) happening during the period from the Announcement Date to the end of the Offer Period:

- (1) Principal Office Fund converting all or any of POF Units into a larger or smaller number of Units;
- (2) Principal Office Fund or any subsidiary entering into a buy back agreement in relation to POF Units or resolving to approve the terms of a buy back of POF Units;
- (3) The Responsible Entity of Principal Office Fund or a subsidiary of the Responsible Entity of Principal Office Fund making an issue of POF Units or granting an option over POF Units or agreeing to make such an issue or grant such an option;
- (4) The Responsible Entity of Principal Office Fund or a subsidiary of the Responsible Entity of Principal Office Fund disposing or agreeing to dispose, of the whole, or a substantial part, of POF's business or property;
- (5) The Responsible Entity of Principal Office Fund or a subsidiary of the Responsible Entity of Principal Office Fund charging, or agreeing to charge, the whole, or a substantial part, of Principal Office Fund's business or property;
- (6) POF Unitholders resolving that Principal Office Fund be wound up;
- (7) The making of an order by a court for the winding up of POF or of a subsidiary trust of POF; or
- (8) The appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of POF or of a subsidiary trust of POF.

11.11 The nature of the conditions

The conditions in section 11.10 are conditions subsequent. The non-fulfilment of any condition subsequent does not prevent a contract to sell Your POF Units resulting from your acceptance of this Offer, but entitles Investa Properties Limited, by written notice to you, to rescind the contract resulting from your acceptance of this Offer.

11.12 The benefit of the conditions

Subject to the Corporations Act, and until the end of the Offer Period, Investa Properties Limited alone is entitled to the benefit of the conditions in section 11.10 or to rely on any non-fulfilment of any of them.

Investa Properties Limited (and its subsidiaries and the sub-trusts of Investa Property Trust) will each:

- (1) use their best endeavours to procure that each of the conditions in section 11.10 are satisfied; and
- (2) not do or omit any thing which may cause a breach of any such condition (including without limitation any thing which may trigger an event of default under the CBA Facility).

11.13 Freeing the Offer from conditions

- (1) Subject to section 650F of the Corporations Act 2001, Investa Properties Limited may declare the Offer free from all or any of the conditions in section 11.10 generally or in relation to any specific occurrence by giving notice in writing to Principal Office Fund not less than 7 days before the end of the Offer Period or in the case of the condition in section 11.10(n), at any time within 3 business days after the end of the Offer Period.
- (2) If, at the end of the Offer Period (or in the case of the conditions in section 11.10(n), within 3 business days of the end of the Offer Period), the conditions in section 11.10 have not been fulfilled and Investa Properties Limited has not declared the Offers (or they have not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

11.14 Statutory condition

This Offer and any contract that results from your acceptance of it are subject to a condition that permission for admission to official quotation by the ASX of the IPG Securities to be issued pursuant to the Offers which are accepted being granted no later than 7 days after the end of the Offer Period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will be automatically void.

11.15 Notice on the status of conditions

The date for giving the notice on the status of the conditions referred to in section 11.10 required by section 630(1) of the Corporations Act is 14 July 2003 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

11.16 Withdrawal of Offer

- (a) This Offer may only be withdrawn with the consent in writing of the ASIC if it has not been accepted. Subject to that consent, withdrawal may be effected by giving written notice to Principal Office Fund and to the ASX.
- (b) If Investa Properties Limited withdraws this Offer, all contracts resulting from its acceptance will automatically be void.

11.17 Variation of Offer

Investa Properties Limited may vary this Offer in accordance with the Corporations Act.

11.18 No stamp duty or brokerage

- (a) Investa Properties Limited will pay all stamp duty payable on the transfer of Your POF Units to it.
- (b) No brokerage is payable by you if you accept this Offer (subject to sections 11.8 and 11.9).

11.19 Governing law

This Offer and any contract that results from your acceptance of this Offer are governed by the laws in force in New South Wales.

11.20 Date of Offer

This Offer is dated 20 June 2003.

12 Definitions and interpretation

12.1 Definitions

In this bidder's statement and in the Acceptance Form and Transfer, unless the context otherwise requires:

A Grade means a commercial office building which meets the general parameters of the Office Quality Grade Matrix guidelines for A Grade as set out by the Property Council of Australia, with regard to location, building size, floorplate area, building finishes and technical services;

Acceptance and Transfer Form means the Acceptance and Transfer Form enclosed with this bidder's statement;

Announcement Date means the date on which Investa Properties Limited, as Responsible Entity of Investa Property Trust, publicly proposed to make its Offer, being 26 May 2003;

Anticipated NTA means the reduced net tangible asset backing of each Principal Office Fund unit based on Investa Property Group's assessment. The Anticipated NTA is estimated to be \$1.52 per Principal Office Fund unit;

ASIC means Australian Securities and Investments Commission;

ASX means Australian Stock Exchange Limited;

A\$ or \$ means Australian dollars;

B Grade means a commercial office building which meets the general parameters of the Office Quality Grade Matrix guidelines for B Grade as set out by the Property Council of Australia, with regard to location, building size, floorplate area, building finishes and technical services;

Book Build means the sale of IPG Securities described in section 11.9 of this bidder's statement;

Broker means a member organisation admitted to participate in the Clearing House Electronic Sub-register system under Rule 2.1.1 of the SCH Business Rules;

BTFM means BT Funds Management Limited (ABN 63 002 916 458);

Business Day means a day which is not a Saturday, Sunday or public holiday in Sydney;

Capitalisation Rate means the discount rate used to determine the present value of a stream of future earnings. Typically this will be an appointment risk-free return plus a premium to reflect the risk of that specific investment. In real estate, it is the rate of return on a property;

CBA means Commonwealth Bank of Australia;

CBA Facility means the facility provided by Commonwealth Bank of Australia under a loan agreement between Investa Properties Limited and CBA dated 21 December 2001 (as amended and restated on 21 May 2003);

CHESS Holding means a number of units which are registered on POF Units register being a units register administered by the Securities Clearing House and which records uncertificated holdings of POF Units;

Consideration means seven (7) IPG Securities and \$4.86 cash for every 12 POF Units (subject to section 11.1);

Controlling Participant has the meaning given in the SCH Business Rules;

Corporations Act means the *Corporations Act* 2001 (Cth);

Directors means the Directors of Investa Properties Limited other than Mr Shaun Mays;

Election means an election by a holder of POF Units to participate in the Book Build in accordance with section 11.5(e) of this bidder's statement;

External Territory has the meaning given in the *Acts Interpretation Act 1901* (Cth);

Facilities means the facilities described in section 7.3(a);

Foreign Unitholder means a holder of POF Units whose address is shown in Principal Office Fund's register of POF Unitholders as a place outside Australia and its External Territories;

Implied Offer Price means the value of the Consideration based on the Reference Price and the Offer terms;

Internal Rate of Return ("IRR") means the rate of return that would make the present value of future cash flows plus the final market value of an investment equal the current market price of the investment or opportunity;

Investa Properties Limited means Investa Properties Limited (ABN 54 084 407 241) in either its personal capacity or as Responsible Entity of Investa Property Trust;

Investa Property Group, Investa, IPG or Group means the Investa Property Group comprised of Investa Properties Limited and Investa Property Trust and their subsidiary companies or trusts as at the date of this bidder's statement;

Investa Property Trust means Investa Property Trust (ARSN 088 705 882);

Investment Portfolio means the interests in properties owned by Investa Property Trust or its subsidiaries for investment purposes;

Investa Share means one fully paid ordinary issued share in the capital of Investa Properties Limited;

Investa Unit means one fully paid unit in Investa Property Trust;

IPG Security means one Investa Share and one Investa Unit which are stapled together;

IPG Securityholder means the holder of an IPG Security;

Material Adverse Change means that there has occurred or been discovered, been announced or otherwise become public during the Offer Period any material adverse change (from that publicly announced to the market before the Announcement Date) in the business, financial or trading position or condition, assets, liabilities or profitability or prospects of the Principal Office Fund and its subsidiaries and associated trusts taken as a whole, or any event or action proceeding from a circumstance or change in circumstance, which is reasonably likely to result in a material adverse change (from that publicly announced to the market before the Announcement Date) of the kind mentioned above;

MSCI Index means Morgan Stanley Capital International Index;

Merged Entity means Investa Property Group following the acquisition by Investa Property Trust of all or a majority of POF Units;

Nominee means Invia Custodian Pty Ltd (ABN 33 006 127 984) a related entity of JBWere Limited (ABN 21 006 797 897)

Non-Broker Participant means an entity admitted to participate in the Clearing House Electronic Sub-register system under Rule 2.3.1, 2.3.2 or 2.4.1 of the SCH Business Rules;

NTA means net tangible asset backing;

Offer means Investa Properties Limited's offer to acquire POF Units as contained in section 11 of this bidder's statement;

Offer Period means the period during which the Offer will remain open for acceptance in accordance with section 11.2 of this bidder's statement;

Principal Office Fund or **POF** means Principal Office Fund (ARSN 092 874 087);

POF Unitholder means the holder of a unit in Principal Office Fund;

POF Units means fully paid ordinary units in Principal Office Fund and all Rights attaching to them;

Premium Grade means a commercial office building which meets the general parameters of the Office Quality Grade Matrix guidelines for Premium Grade as set out by the Property Council of Australia, with regard to location, building size, floorplate area, building finishes and technical services;

Reference Price, in relation to IPG Securities means the volume weighted average sale price on the ASX for the five day period ending on the close of trading on 23 May 2003 (two days after Investa Properties Limited acquired its strategic stake in Principal Office Fund) and in relation to POF Units means the volume weighted average sale price on the ASX for the five day period ending on the close of trading on 21 May 2003 (the day on which Investa Properties Limited acquired its strategic stake in Principal Office Fund);

Register Date means the date set by Investa Properties Limited under section 633(2) of the Corporations Act;

Responsible Entity means a person who acts as a Responsible Entity under Chapter 5C of the Corporations Act;

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from the POF Units directly or indirectly at or after the date of this bidder's statement including, without limitation, all distributions and all rights to receive them or rights to receive or subscribe for units, notes, bonds, options or other securities declared, paid or issued by Principal Office Fund or by any Principal Office Fund subsidiary trust but excluding any distribution made in respect of the June 2003 quarter to the extent that it is less than or equal to \$0.03 per POF Unit in circumstances where you have not accepted the Offer and received the consideration prior to the record date for that distribution;

SCH Business Rules means the Business Rules of the Securities Clearing House which governs the administration of the Clearing House Electronic Sub-register System;

Terminal Yield means the annual rate of return on an investment, expressed as a percentage used to derive the value of any item at the end of a specified time period;

UBS-W Comm. 200 means the UBS-W Commercial 200 Accumulation Index; and

Your POF Units means the POF Units:

- (a) of which you are registered or entitled to be registered as the holder of in the register of members of Principal Office Fund at 9.00am Sydney time on the Register Date; and
- (b) (if applicable) to which this Offer relates pursuant to section 11.4(a)(2) and to which you are able to give good title at the time you accept this Offer during the Offer Period.

12.2 Interpretation

In this bidder's statement and in the Acceptance and Transfer Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, annexure and schedule is a reference to a section of and an annexure and schedule to this bidder's statement as relevant;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and boldings are for convenience only and do not affect the interpretation of this bidder's statement;
- (h) a reference to time is a reference to time in Sydney, Australia;
- (i) a reference to writing includes e-mail and facsimile transmissions; and
- (j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

13 Approval of bidder's statement

This bidder's statement has been approved by a resolution passed by the Directors of Investa Properties Limited.

Dated: 2 June 2003

Signed

for and on behalf of Investa Properties Limited

A handwritten signature in black ink, appearing to read 'I. Payne', written in a cursive style.

Ian Kenneth Payne
Chairman

Annexure A – Investa Property Group’s announcements to the ASX since 30 June 2002

Date of notice	Summary of notice
29/05/03	Appendix 3Y: Change of Director's interest notice – John Arthur. Appendix 3Y: Change of Director's interest notice – Deborah Page. Appendix 3Y: Change of Director's interest notice – Shaun Mays. Appendix 3Y: Change of Director's interest notice – John Messenger.
26/05/03	Appendix 3B: listed the new issue of 7.60 million stapled securities under the distribution reinvestment plan.
26/05/03	Investa announced proposed takeover bid for all the ordinary units in Principal Office Fund.
26/05/03	Investa requested trading halt on IPG Securities pending announcement.
22/05/2003	Investa announced the acquisition of an 8.4% strategic stake in Principal Office Fund.
21/05/2003	Investa launched the Investa Fifth Commercial Trust.
16/05/2003	Investa Property Group announced sale of 7-13 Tomlins Street, Townsville.
29/04/2003	Investa Group distribution for quarter ending 31 March 2003 of 3.55 cents per unit for Investa Property Trust and 0.40 cents per share for Investa Properties Limited.
22/04/2003	Acquisition of a 354-hectare residential subdivision site, Sunshine Coast, Queensland.
11/04/2003	Disclosure of information relating to co-ownership agreements.
11/04/2003	Government Superannuation Office invested \$20 million in the Investa Commercial Property Fund.
10/04/2003	Investa Properties Limited priced its second offering of \$213 million CMBS notes.
07/04/2003	Investa Fifth Commercial Trust prospectus released.
04/04/2003	Appendix 3Y: Change of Director's interest notice – Shaun Mays.
31/03/2003	CMBS Information Memorandum distributed.
28/03/2003	Results of General Meeting: <ul style="list-style-type: none"> • ratification of issue of securities made on 23 October 2002; • ratification of issue of securities made on 30 December 2002; • ratification of issue of securities made on 30 January 2003.
28/03/2003	Chairman's and Managing Director's address to Investa Property Group security holders

Date of notice	Summary of notice
	Property Group security holders.
26/03/2003	Appendix 3B: listed the new issue of 6.34 million stapled securities under the distribution reinvestment plan.
26/03/2003	Change of share registry.
24/03/2003	Acquisition of MacArthur Central Retail Centre, Brisbane.
20/03/2003	Appendix 3Y: Change of Director's interest notice – Ian Payne.
11/03/2003	<p>Appendix 3Y: Change of Director's interest notice – John Arthur.</p> <p>Appendix 3Y: Change of Director's interest notice – Deborah Page.</p> <p>Appendix 3Y: Change of Director's interest notice – Deborah Page.</p> <p>Appendix 3Y: Change of Director's interest notice – John Messenger.</p>
06/03/2003	Development of Eden Park Estate, North Ryde, Sydney to commence.
04/03/2003	Half year report and half year accounts for half year ended 31 December 2002.
27/02/2003	Notice of Extraordinary General Meeting to approve resolution for the ratification of issues of equity made since the Annual General Meeting held on 15 October 2002.
13/02/2003	Appendix 3Y: Change of Director's interest notice – John Messenger.
11/02/2003	Leasing and rent review update.
07/02/2003	Presentation of financial results for half year ended 31 December 2002.
03/02/2003	Notification of meeting disclosure requirements in relation to the Investa Property Group placement of 30 January 2003.
31/01/2003	Half year report, and half year accounts for half year ended 31 December 2002.
31/01/2003	Distribution for quarter ended 31 December 2002 of 3.45 cents per unit for Investa Property Trust and 0.45 cents per share for Investa Properties Limited.
23/01/2003	Equity raising completed. Appendix 3B: listed the new issue of 35.4 million stapled securities to fund the purchase of 589 Collins Street, Melbourne and other initiatives.
23/01/2003	Appendix 3B: listed the new issue of 112,331 stapled securities under the distribution reinvestment plan for the September quarter.
23/01/2003	Request for trading halt on Investa Property Group securities.
07/01/2003	Acquisition of 589 Collins Street, Melbourne from the Victorian Government Superannuation Office.
24/12/2002	Leasing and rental reviews update.

Date of notice	Summary of notice
23/12/2002	Appendix 3B: listed the new issue of 6.06 million stapled securities under the distribution reinvestment plan and 5.27 million stapled securities under the security purchase plan.
20/12/2002	Appendix 3Y: Change of Director's interest notice – Ian Payne. Appendix 3Y: Change of Director's interest notice – Christopher O'Donnell. Appendix 3Y: Change of Director's interest notice – Deborah Page. Appendix 3Y: Change of Director's interest notice – Deborah Page.
19/12/2002	Acquisition of 43 Forbes St, West End, Brisbane.
16/12/2002	Appendix 3Y: Change of Director's interest notice – John Arthur.
10/12/2002	Appendix 3Y: Change of Director's interest notice – John Messenger. Appendix 3Y: Change of Director's interest notice – Deborah Page.
09/12/2002	David Bromell appointed as General Manager of Investa Developments Pty Limited.
06/12/2002	Investa Fourth Commercial Trust closed fully subscribed.
02/12/2002	Sale of 260 Queen Street, Brisbane.
22/11/2002	Sale of 111-115 Grafton St, Cairns.
08/11/2002	Acquisition of a residential development site at Cook Avenue, Hillarys, WA.
07/11/2002	Announcement of securityholder purchase plan.
31/10/2002	Launch of the Investa Fourth Commercial Trust.
18/10/2002	Amendment to Appendix 3B issued on 18 October 2002.
18/10/2002	Appendix 3B - equity raising completed with the new issue of 45 million stapled securities issued. Request to lift the trading halt on IPG Securities.
17/10/2002	Investor presentation on capital raising to fund: <ul style="list-style-type: none"> • the purchase of Suncorp's interest in Investa Commercial Property Fund; • completion of Kingsway; • settlement of Penrhyn House.
17/10/2002	Request for trading halt.
17/10/2002	Distribution announcement for the quarter ended 30 September 2002 of 3.30 cents per unit for Investa Property Trust and 0.50 cents per share for Investa Properties Limited.
15/10/2002	Results of the Annual General Meeting: <ul style="list-style-type: none"> • re-election of Ian Payne as a Director of Investa Property Group; • re-election of Deborah Page as a Director of Investa Property Group;

Date of notice	Summary of notice
	<ul style="list-style-type: none"> • re-election of John Messenger as a Director of Investa Property Group; • ratification of issue of securities made on 5 November 2001; • ratification of issue of securities made on 28 December 2001.
15/10/2002	Agreement reached with Health Administration Corporation in the 1 July 2001 rental review dispute over 73 Miller St, North Sydney.
15/10/2002	Chairman's address to Annual General Meeting.
14/10/2002	Acquisition of Penrhyn House, ACT.
10/10/2002	Grant of waiver from the ASX Listing Rule 7.5.6 for Annual General Meeting on 15 October 2002.
02/10/2002	Appendix 3B: listed the new issue of 4.28 million stapled securities under the distribution reinvestment plan.
02/10/2002	<p>Appendix 3Y: Change of Director's interest notice – Ian Payne.</p> <p>Appendix 3Y: Change of Director's interest notice – Christopher O'Donnell.</p> <p>Appendix 3Y: Change of Director's interest notice – John Messenger.</p>
13/09/2002	Annual report and concise financial reports for full year ending ended 30 June 2002.
13/09/2002	Notice of Annual and General Meetings of Investa Property Group, and explanation of the resolutions to be put to the meetings.
13/09/2002	Leasing and rental review update.
21/08/2002	<p>Appendix 3X: Initial Director's interest notice – John Messenger.</p> <p>Appendix 3Y: Change of Director's interest notice – Deborah Page.</p> <p>Appendix 3Y: Change of Director's interest notice – Deborah Page.</p> <p>Appendix 3Z: Final Directors interest notice – Peter Carney.</p>
19/08/2002	2002 full year Investors presentation.
15/08/2002	Annual audited accounts for Investa Property Group, Investa Property Trust and Investa Properties Limited.
15/08/2002	John Messenger appointed as a Non-Executive Director of Investa Properties Limited.
15/08/2002	Appendix 3B: listed the new issue of 174.6 million stapled securities to fund the acquisition of properties from Telstra Corporation Limited.
09/08/2002	Replacement Investa Property Group prospectus.
08/08/2002	Announcement of the passing of Director Peter John Carney.
02/08/2002	Completion of the first stage of equity raising and requested

Date of notice	Summary of notice
	removal of trading halt.
01/08/2002	Investa Property Group prospectus.
01/08/2002	Investors presentation on the Telstra property portfolio.
01/08/2002	Acquisition of \$570M portfolio of office property from Telstra Corporation Limited.
01/08/2002	Media release announced acquisition by Investa Property Group of a portfolio of seven national office properties from Telstra Corporation Limited.
01/08/2002	Request for trading halt on Investa Property Group securities.
31/07/2002	Preliminary final report, ASIC annual audited accounts and Appendix 4B.
19/07/2002	Distribution for the quarter ending ended 30 June 2002 of 3.016 cents per unit for Investa Property Trust and 0.709 cents per share for Investa Properties Limited. Information on distribution reinvestment plan.
17/07/2002	Re-valuation of 11 assets as at June 2002.

Annexure B – Principal Office Fund’s announcements to the ASX since 30 June 2002

Date	Summary of announcement
27/05/03	Following Investa Property Group’s bid Principal Office Fund’s ratings placed on Credit Watch by S & P.
26/05/03	Response to unsolicited take-over offer from Investa Property Group.
26/05/03	Principal Office Fund requested trading halt on Principal Office Fund Securities pending announcement by Investa.
22/05/2003	Principal Office Fund responded to Investa’s acquisition of an 8.4% strategic stake in Principal Office Fund.
21/05/2003	Principal Office Fund announced the appointment of Kim Gregory as Director, Asset Management for Principal Office Fund and Richard Stacey as Director, Development for PREIA.
06/05/2003	Principal Office Fund announced the appointment of Ben Aiken as Director of Capital Transactions.
06/05/2003	Barclays became a substantial holder with a relevant interest of 5.02%.
17/04/2003	Half-Year Report to 31/12/2002.
11/04/2003	Response to ASX Query re Listed Property Trust.
20/03/2003	31 March 2003 Distribution.
11/02/2003	Leasing and Rent Review Update Principal Office Fund.
11/02/2003	Presentation – Financial Results to 31/12/2003.
11/02/2003	Media Rel: Principal Office Fund Releases Half Yearly Results.
11/02/2003	Half Yearly Results.
11/02/2003	Half Yearly Report & Half Yearly Accounts.
18/12/2002	Distribution for quarter ended 31 Dec 2002 of 2.75 cents per unit. The distribution reinvestment plan did not apply for this distribution.
15/11/2002	Appointment of its compliance committee.
15/11/2002	Acquisition of the head lease interest in levels 5 to 21 of 120 Collins Street, Melbourne from BHP Billiton.
01/11/2002	Completion of the sale of the non-real estate sectors of the BT Financial Group’s business to Westpac.
17/10/2002	Principal Office Fund management changed its name from BT Office Trust to Principal Office Fund.
30/09/2002	Annual report and table of top 20 shareholders for full year ended 30 June 2002.
19/9/2002	Distribution for quarter ended 30 Sept 2002 of 2.75 cents per unit. The distribution reinvestment plan did not apply for this distribution.

Date	Summary of announcement
03/9/2002	Investors presentation on sale of the BT Financial Group Business to Westpac.
26/8/2002	Media releases by BT Office Trust and Westpac announced the sale of non-real estate sectors of the BT Financial Group business to Westpac.
30/7/2002	Annual financial results presentation for full year ended 30 June 2002.
30/7/2002	Preliminary final report, ASIC annual audited accounts, Appendix 4B and background additional information in relation to BT Office Trust.
04/7/2002	Development commenced at 126 Phillip Street.

Annexure C – Investigating Accountant’s Report



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Exchange 10172

2 June 2003

The Board of Directors
Investa Properties Limited
Level 17, 135 King Street
Sydney NSW 2000

Dear Directors

INVESTIGATING ACCOUNTANT’S REPORT ON DIRECTORS’ FORECAST FINANCIAL INFORMATION

This report has been prepared at the request of the Directors of Investa Properties Limited (IPL) for inclusion in the Bidder’s Statement dated 2 June 2003 (the “Bidder’s Statement”), relating to an offer by Investa Property Group (Investa) to acquire all of the units in Principal Office Fund (POF). The offer is seven Investa Securities plus \$4.86 in cash for every 12 units in POF. One Investa Security comprises one share in IPL and one unit in Investa Property Trust (IPT).

References and terminology used in this report have the same meaning as set out in the glossary to the Bidder’s Statement.

This report is prepared in accordance with Australian Auditing Standard AUS 902 “Review of Financial Reports” and ASIC Policy Statement PS 170 “Prospective Financial Information”.

FINANCIAL INFORMATION

The financial information included in Section 5 of the Bidder’s Statement consists of the following (the “Financial Information”):

Directors’ Pro-forma Statements of Financial Position

The directors’ pro-forma statements of financial position, collectively referred to as the “Pro-forma Statements of Financial Position” in this Investigating Accountant’s Report comprise the following:

- (i) The Adjusted Pro-forma Statement of Financial Position as at 31 December 2002 for Investa which has been prepared using the audited statement of financial position of Investa as at 31 December 2002, adjusted to reflect the financial position of Investa as if the transactions detailed in section 5.5(e)(1) of the Bidder’s Statement (the “Investa Pro-forma Transactions”), being material transactions occurring between 31 December 2002 and the date of this report, had occurred as at that date; and

- (ii) The Pro-forma Statements of Financial Position as at 31 December 2002 for the Merged Entity, under 100% and 50.1% ownership of POF by Investa, comprise the Adjusted Pro-forma Statement of Financial Position of Investa, as identified above, adjusted for the transactions detailed in section 5.5(e)(2) of the Bidder's Statement (the "Merged Entity Pro-forma Transactions") to reflect the acquisition of 100% and 50.1% of POF, respectively, as if they had occurred as at that date.

Directors' Financial Forecasts

The directors' financial forecasts, collectively referred to as the "Financial Forecasts" in this Investigating Accountant's Report comprise the following:

- (i) The Forecast Profit and Loss Statements for Investa on a stand alone basis for the financial years ending 30 June 2003 and 30 June 2004 (as included in Section 5.4(c) of the Bidder's Statement); and
- (ii) The Pro-forma Forecast Profit and Loss Statements for the Merged Entity for the financial year ending 30 June 2004, assuming Investa gains control of POF as at 1 July 2003, under 100% and 50.1% ownership of POF by Investa (as included in Section 5.4(c) of the Bidder's Statement).

SCOPE

We have reviewed the Financial Information as set out in Section 5 of the Bidder's Statement, comprising the Pro-forma Statements of Financial Position and the Financial Forecasts. The Directors are responsible for the preparation and presentation of the Financial Information, including the directors' best-estimate assumptions and pro-forma transactions on which the Financial Information is based. We disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

We have performed an independent review of the Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention which causes us to believe that:

- (i) the Directors' best estimate assumptions set out in Section 5.5 of the Bidder's Statement do not provide a reasonable basis for the preparation of the Financial Forecasts;
- (ii) in all material respects, the Financial Forecasts are not properly prepared on the basis of the assumptions;
- (iii) the Financial Forecasts are not presented on a basis consistent with the accounting policies adopted and disclosed by Investa in its audited 30 June 2002 Annual Financial Report, and are not in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) in Australia;
- (iv) the pro forma transactions as listed in the Financial Information section above do not provide a reasonable basis for the preparation of the Pro-forma Statements of Financial Position as at 31 December 2002 as if they had occurred on that date; or
- (v) the Pro-forma Statements of Financial Position are not fairly presented in accordance

with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, as if the pro-forma transactions had taken place as at 31 December 2002.

Our review of the Financial Information was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports" and was limited to enquiries of Investa's personnel, reading of contracts and other documents, performance of certain limited verification procedures and reviewing the consistency in application of accounting standards and policies and testing of the expression of the Directors' assumptions in the Financial Information. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that provided in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

The actual profit and loss statement of Investa for the year ended 30 June 2002 has been extracted from the annual financial report of Investa for the year ended on that date. The annual financial report was audited by PricewaterhouseCoopers, and on which they expressed an unqualified audit opinion.

As the Financial Information is sensitive to the key assumptions as set out in Section 5.5 of the Bidder's Statement, persons relying on the Financial Information should also give due regard to the risk section prepared by the Directors and included in the Bidder's Statement in Section 8.

The Financial Forecasts reflect the Directors' judgement based on present circumstances as to both the most likely set of operating and economic conditions and the course of action that Investa and the Merged Entity are most likely to take. The Financial Forecasts are based on a large number of assumptions and are subject to significant uncertainties and contingencies, many of which are outside the control of the Directors. Accordingly, actual results during the forecast period may vary materially from the Financial Forecasts, as it is often the case that some events and circumstances do not occur as expected, or are not anticipated. We do not express an opinion as to whether the actual results of Investa for the years ending 30 June 2003 and 30 June 2004, or the whether the actual results of the Merged Entity for the year ending 30 June 2004 will approximate those forecast, because assumptions regarding future events by their nature are not capable of independent substantiation.

REVIEW STATEMENT

Based on our review of the Financial Information and subject to the limitations referred to above, nothing has come to our attention that would indicate that:

- (i) the Directors' best estimate assumptions, which are subject to business risks including those set out in the Risks section of the Bidder's Statement, do not provide a reasonable basis for the preparation of the Financial Forecasts;
- (ii) the Financial Forecasts do not give effect in all material respects to their assumptions;
- (iii) the Financial Forecasts are not presented on a basis consistent with the accounting policies adopted and disclosed by Investa in its audited 30 June 2002 Annual Financial Report, and are not in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) in Australia. It is in the nature of forecasts that it is not feasible to present all the

disclosures, which would be required by applicable Accounting Standards;

- (iv) the pro-forma transactions as listed in the Financial Information section above do not provide a reasonable basis for the preparation of the Pro-forma Statements of Financial Position as at 31 December 2002 as if they had occurred on that date; or
- (v) the Pro-forma Statements of Financial Position are not fairly presented in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, as if the pro-forma transactions had taken place as at 31 December 2002.

The Directors' Financial Forecasts have been prepared using best estimate assumptions and no hypothetical assumptions have been used.

SUBSEQUENT EVENTS

To the best of our knowledge and belief, and based on the work we have performed as described in the scope paragraph above, there have been no material items, transactions or events subsequent to 31 December 2002, other than the matters already disclosed in the Bidder's Statement and this report, which require comment on, or adjustment to, the information referred to in our report or which would cause such information to be misleading.

DISCLOSURE

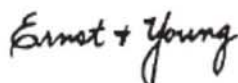
Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter. Ernst & Young will receive a professional fee for the preparation of this report.

Ernst & Young is a tenant in 120 Collins Street, Melbourne. Ernst & Young from time to time provides property valuation and other advisory services to both Investa and POF, and is the appointed auditor of Principal Real Estate Investors (Australia) Limited (PREIA). Ernst & Young in the United States are the auditors of, and provide other services to, the Principal Group. No staff involved in, or information obtained from, the provision of these professional services to Investa, POF or PREIA have been used in the preparation of this report.

The Directors have agreed to indemnify and hold harmless Ernst & Young and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Directors to Ernst & Young.

Ernst & Young consents to the inclusion of this Investigating Accountant's Report on Directors' Forecast Financial Information in the Bidder's Statement in the form and context in which it appears. At the date of this report, this consent has not been withdrawn.

Yours faithfully



Ernst & Young

Annexure D - Investa Property Group's Investment Portfolio

New South Wales

255 Elizabeth Street, Sydney	
Description: The property was completed in 1990 and consists of 15 office levels, ground floor foyer and 5 retail outlets. Average floor size is 1,772m ² . Major Tenants: Westpac, Phillips Fox, Telstra, NSW Farmers Association.	
Valuation⁽¹⁾:	\$153.5m
Occupancy:	99.3%
Average lease term to expiry	3.0 years

55 Market Street, Sydney	
Description: 18 level office tower completed in 1990, positioned above 4 levels of retail space which consists of a monorail station and 12 retail outlets with frontages to both Pitt and Market Streets. Average floor size is 1,062m ² . Major Tenants: Rail Access Corporation, Administrative Appeals Tribunal, St George Bank.	
Valuation:	\$138m
Occupancy:	95.5%
Average lease term to expiry:	3.6 years

310 Pitt Street, Sydney	
Description: A 32 level A grade office tower located on the eastern side of Pitt Street in the Sydney CBD 'Mid Town' precinct. Major Tenants: Telstra	
Valuation:	\$120m
Occupancy:	100%
Average lease term to expiry:	9.5 years

1 Market Street, Sydney	
Description: The property was completed in 1991 and comprises a 34 level office tower, with a 3 level podium and ground retail space. Adjoining the office tower is a 10 level car park complex. Average floor size is 1,095m ² for the lower levels and 1,135m ² for the higher levels. Major Tenants: BT Australia, Horwarth, Japan Travel Bureau.	
Valuation:	\$102.5m (50% interest)
Occupancy:	81.2%
Average lease term to expiry:	2.6 years

60 Martin Place	
Description: Westpac's Head Office was constructed in 1971 and recently underwent a major refurbishment. It features a lower ground banking chamber, ground floor plaza area, two retail premises and 28 upper levels of office space. The average floor size of the upper levels is approximately 850m ² .	
Major Tenants: Westpac	
Valuation:	\$92.5m (50% interest)
Occupancy:	100%
Average lease term to expiry:	6.4 years

231 Elizabeth Street, Sydney	
Description: An A grade office tower totaling 23,269 m ² completed in 1987. The building comprises 15 levels of office space and ground floor retail, fronting Bathurst and Elizabeth Streets. Basement parking for 80 vehicles is provided over 2 levels.	
Major Tenants: Telstra	
Valuation:	\$57.5m (50% interest)
Occupancy:	100%
Average lease term to expiry:	9.1 years

73 Miller Street, North Sydney	
Description: An 11 level office building completed in 1990, consisting of 2 basement car parking levels plus ground floor retail area. Floor sizes vary from approximately 1,000 to 1,500m ² .	
Major Tenants: Health Administration Corporation, Open Telecommunications, Wilson Car Parking.	
Valuation:	\$90m
Occupancy:	100%
Average lease term to expiry:	5.5 years

80 Pacific Highway, North Sydney	
Description: Completed in April 2000, the property consists of 4 basement parking levels, 8 ground floor retail shops and 14 levels of office accommodation. Typical floor sizes are approximately 950m ² .	
Major Tenants: Cisco Systems, Siebel Systems	
Valuation:	\$45.4m (50% interest)
Occupancy:	100%
Average lease term to expiry:	4.7 years

110 George Street, Parramatta	
Description: The ground floor retail area comprising 19 retail outlets and 6 upper levels of office accommodation contained within 8 separate suites per floor. Average pod floor size is 350m ² . Major Tenants: NRMA, Proctor & Gamble, Roads & Traffic Authority.	
Valuation:	\$66.5m
Occupancy:	97.6%
Average lease term to expiry:	2.5 years

32 Phillip Street, Parramatta	
Description: Completed in 1991, the building comprises 4 upper levels of car parking and 8 levels of office accommodation. Average floor size is 836m ² . Major Tenants: AGC	
Valuation:	\$21.1m
Occupancy:	100%
Average lease term to expiry:	6.5 years

50-60 Talavera Road, North Ryde	
Description: 4 storey high-tech/office building incorporating 1 basement plant, ground floor entry, storage and 2 levels of office/high-tech space and an open space car park. Average floor size is 3,200m ² . Major Tenants: Westpac	
Valuation⁽¹⁾:	\$31.4m
Occupancy:	100%
Average lease term to expiry:	11.5 years

Victoria

242 Exhibition Street Melbourne	
Description: Located in the North Eastern office precinct of Melbourne CBD, the property accommodates Telstra's Head Office. The building contains 65,539 m ² of lettable area over 47 office levels, and a retail arcade, food court, theatre and conference facilities. Completed in 1992, the property also provides parking for 346 cars. Major Tenants: Telstra.	
Valuation:	\$261m
Occupancy:	99.8%
Average lease term to expiry:	8.8 years

485 La Trobe Street Melbourne	
Description: 2 office towers linked by a 6 storey glass atrium and lobby. The tower on La Trobe Street comprises a 9 storey office building completed in mid 1988. The 20 storey building, completed in 1990, has a frontage to Little Lonsdale Street. 208 car spaces are provided over 4 basement levels. Average floor sizes are 1,126m ² and 1,388m ² for each of the two towers. Major Tenants: CGU, Commonwealth Government.	
Valuation:	\$111m
Occupancy:	96.7%
Average lease term to expiry:	3.8 years

469 La Trobe Street, Melbourne	
Description: 19 level office building completed in 1988, consisting of 17 office levels, 2 parking levels, ground floor foyer and 2 retail outlets. Average floor size is 1,230m ² . Major Tenants: CGU, AGC, Tress Cocks & Maddox, Russell Kennedy.	
Valuation:	\$53.1m
Occupancy:	100%
Average lease term to expiry:	3.2 years

209 Kingsway, South Melbourne	
Description: The building comprises six office levels above a four level, 752 bay carpark, all of which having been pre-leased to ANZ Banking Group. On the ground floor and two basement parking levels, a showroom, offices and workshop will be occupied by BMW Australia. Major Tenants: ANZ Banking Group, BMW.	
Valuation:	\$50m (50% interest)
Occupancy:	100%
Average lease term to expiry:	12.8 years

589 Collins Street, Melbourne	
Description: The property comprises ground floor retail, 17 office levels and two basement car park levels. The property was completed in 1982, and acquired by the Group in January 2003. Major Tenants: Department of Finance.	
Valuation:	\$27m (50% interest)
Occupancy:	100%
Average lease term to expiry:	2.0 years

420 St Kilda Road, Melbourne	
Description: The property comprises ground floor retail, 10 upper office levels and two basement parking levels. The property was constructed in 1982. Major Tenants: GE Capital, Australian Outback Travel, Intergraph Public Safety, Salmat.	
Valuation⁽¹⁾:	\$27m
Occupancy:	98.3%
Average lease term to expiry:	2.3 years

Queensland

50 Ann Street, Brisbane	
Description: A 25 level commercial office tower comprising a car park, ground floor café and office accommodation. Average floor size is around 1,000m ² . Major Tenants: Queensland Government	
Valuation:	\$83m
Occupancy:	100%
Average lease term to expiry:	4.6 years

410 Ann Street, Brisbane	
Description: Twin tower commercial building incorporating 10 ground floor retail outlets, 2 connected levels of podium office accommodation and upper levels to the eastern tower and 4 upper levels to office accommodation to the western tower. There are 2 basement parking levels. Average floor sizes are 1,240m ² E and 833m ² W. Major Tenants: Telstra, MIM.	
Valuation:	\$62.5m
Occupancy:	95.9%
Average lease term to expiry:	2.7 years

Kings Row Office Park, Milton	
Description: Located in the Milton sub-market of Brisbane, Kings Row is one of the best office parks in the Coronation Drive, comprising four office buildings and tenant facilities such as tennis courts and a pool. The buildings were completed in between 1989 and 1996 and each provide 3-5 levels of office space. Major Tenants: BHP Minerals, Queensland Cement, Thiess, Commercial Union, Suncorp Metway	
Valuation:	\$31.7m (50% interest)
Occupancy:	94.7%
Average lease term to expiry:	2.1 years

241 Adelaide Street, Brisbane	
Description: 22 storey commercial office tower comprising basement car parking, ground floor retail, mezzanine and 19 levels of office accommodation. Average floor size is 509m ² . The Brisbane Club occupies levels 1-5. Major Tenants: Thompson Law, Australian Hearing Services, Curragh Coal.	
Valuation:	\$17.0m
Occupancy:	97.0%
Average lease term to expiry:	2.1 years

Australian Capital Territory

62 Northbourne Avenue, Canberra	
Description: The property comprises a modern seven storey office building constructed in 1987. The property has a ground floor atrium, which rises through the building, a lower ground level with access from Mort Street and two and a half car parking levels. Major Tenants: AusAid.	
Valuation:	\$27.5m
Occupancy:	100%
Average lease term to expiry:	4.2 years

Penrhyn House, Woden	
Description: Penrhyn House is situated in Woden Town Centre, a satellite city of Canberra, 8km south of the CBD. The property is made up of three interconnecting buildings, which were constructed in 1986 and fully refurbished in 1996/1997. Buildings A and B consist of 3 levels of office accommodation while building C accommodates 4 levels of office space. Major Tenants: Commonwealth Government.	
Valuation:	\$19.3m (50% interest)
Occupancy:	100%
Average lease term to expiry:	6.1 years

73 Northbourne Avenue, Canberra	
Description: A six level office building completed in 1987. The property consists of ground floor office space and 2 basement car parking levels. Average floor size is 1,023m ² . The property forms a complex of four similar buildings in the area to the rear. Major Tenants: Civil Aviation Safety Authority.	
Valuation:	\$17m
Occupancy:	100%
Average lease term to expiry:	3.9 years

64 Northbourne Avenue, Canberra	
Description: Completed in 1984, the property comprises two basement levels of parking, ground floor retail and six upper levels of commercial office space. The building has 3 separate street frontages.	
Major Tenants: Commonwealth Government, United KFPW.	
Valuation:	\$16.1m
Occupancy:	92.0%
Average lease term to expiry:	1.2 years

Western Australia

109 St Georges Terrace, Perth	
Description: Constructed in 1973, the property comprises 19 levels of office accommodation, a banking chamber and 2 basement levels of parking.	
Major Tenants: Westpac, Corsers Solicitors.	
Valuation:	\$25.5m
Occupancy:	92.3%
Average lease term to expiry:	1.8 years

South Australia

115 Grenfell Street, Adelaide	
Description: The property comprises a 14 level commercial office building with ground floor retail, and a basement parking level. The property was constructed in 1990.	
Major Tenants: KPMG, Commonwealth Govt, Spherion.	
Valuation⁽¹⁾:	\$26.5m
Occupancy:	98.4%
2.5	2.5 years

⁽¹⁾ Expected to be revalued at 30 June 2003.

Annexure E – Conditions precedent to funding

1. Acquisition Facility

- (a) **(Acceptances)** Evidence that Investa Properties Limited has received acceptances of its offer to acquire POF Units pursuant to the bidder's statement from holders of POF Units which will result in the Investa Properties Limited holding at least 50.1% of the POF Units.
- (b) **(Material Adverse Change)** no Material Adverse Change has occurred.
- (c) **(Acquisition of POF Units)** the POF Units acquired or to be acquired by Investa Properties Limited have been or will be acquired in a manner that has not and will not breach the Corporations Act 2001 or any other legislation.
- (d) **(POF Units):** the POF Units have not been de-listed nor have they been suspended from trading for a period of 3 or more consecutive trading days; and
- (e) **(Bid conditions)** each condition to which the Offer is subject as set out in this bidder's statement has been satisfied or waived by Investa Properties Limited with the prior written consent of CBA, such consent not to be unreasonably withheld or delayed.

2. All Tranches

The obligations of CBA to make available each loan in any Tranche are subject to the further conditions precedent that:

- (a) **(representations true)** the representations and warranties by Investa Properties Limited in the transaction documents are true as at the date of the relevant drawdown notice and the relevant drawdown date as though they had been made at that date in respect of the facts and circumstances then subsisting;
- (b) **(no default)** no Event of Default subsists at the date of the relevant drawdown notice or and the relevant drawdown date or will result from the provision of the Loan;
- (c) **(Authorisation)** all necessary governmental authorisations for the provision of that loan have been obtained;
- (d) **(Stamp duty)** Investa Properties Limited has paid to each relevant government agency all taxes payable in respect of the mortgages and charges granted by Investa Properties Limited and each guarantor to Perpetual Trustees Australia Limited or the transactions under them or Investa Properties Limited has made arrangements satisfactory to CBA in relation to payment of those taxes.

Annexure F – ASIC modification

Australian Securities and Investments Commission Corporations Act – Subsection 655A(1) – Declaration

Pursuant to paragraph 655A(1)(b) of the Corporations Act 2001 ("the Act"), the Australian Securities and Investments Commission ("ASIC") hereby declares that Chapter 6 of the Act applies to the person named in Schedule A in the case referred to in Schedule B as if:

1. Subparagraph 637(1)(a)(ii) was deleted and replaced with "otherwise – a resolution passed by all the directors of the bidder other than a director whose spouse is a director of the target company on the date of lodgement of the bidder's statement with ASIC; or".
2. Subparagraph 645(2)(a)(ii) was deleted and replaced with "otherwise – a resolution passed by all the directors of the bidder other than a director whose spouse is a director of the target company on the date of lodgement of the bidder's statement with ASIC; or".


Schedule A

Investa Properties Limited (ABN 54 084 407 241) (as responsible entity for Investa Property Trust (ARSN 088 705 882)).

Schedule B

The off-market takeover bid by Investa Properties Limited for Principal Office Fund (ARSN 092 874 087) in respect of which a bidder's statement is to be lodged with ASIC on or about the date of this instrument.

Dated this 27th day of May 2003

Signed by: 
Eugene Tan as a delegate of ASIC



INVESTA
Property Group