

Investa Properties Limited

ABN 54 084 407 241

Half-Year Report

31 December 2001

Half-Year Report –31 December 2001

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Investa Properties Limited

Directors' Report

For the half-year ended 31 December 2001

The directors of Investa Properties Limited present their report for the half-year ended 31 December 2001.

Directors

The following persons held office as directors at the date of this report:

I K Payne (Chairman)
C J O'Donnell (Managing Director)
P J Carney
S A Mays
J L Arthur

All directors held office for the whole of the financial reporting period except for J L Arthur who was appointed on 2 July 2001.

Dividends

Dividends paid and payable for the half-year period ended 31 December 2001 is \$835,056 (2000:\$712,000) being 0.15 cents per share (2000:0.1087 cents per share).

Review of operations

During the period the principal activities of the consolidated entity were property funds management and property development, operating in one geographical area, Australia.

A summary of the results is as follows:

	31 December 2001 (6 months) \$'000	31 December 2000 (3 months) \$'000
Profit from ordinary activities before income tax expense	1,504	301
Total assets	226,937	9,166
Shareholders Equity	648	46

Rounding of amounts

The Company is an entity of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand dollars in accordance with that class order unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

I K Payne
Director
Sydney
12 February 2002

Investa Properties Limited

Consolidated Statement of Financial Performance

For the half-year ended 31 December 2001

		31 December 2001 (6 months)	31 December 2000 (3 months)
	Notes	\$'000	\$'000
Revenue from operating activities	2	11,616	1,548
Distribution from associates		528	-
Interest		70	74
Total revenue from ordinary activities	3	12,214	1,622
Cost of goods sold		2,480	-
Employee expenses		4,903	391
Borrowing costs		869	26
Amortisation of intangibles		320	15
Other expenses from ordinary activities		2,138	889
Profit from ordinary activities before income tax expense	3	1,504	301
Income tax expense		464	227
Net profit attributable to members of Investa Properties Limited		1,040	74
Total changes in equity other than those resulting from transactions with owners as owners		1,040	74
		Cents	Cents
Basic earnings per share		0.19	0.04

The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes.

Investa Properties Limited

Consolidated Statement of Financial Position

As at 31 December 2001

		31 December 2001 \$'000	30 June 2001 \$'000
	Notes		
Current assets			
Cash assets		7,007	644
Receivables	5	11,748	1,960
Investment in associate	7	25,937	-
Other investment	8	19,691	-
Property inventories	4	65,052	-
Total current assets		129,435	2,604
Non-current assets			
Intangible assets	6	17,210	3,398
Loans to employees		5,303	1,173
Property inventories	4	72,651	-
Property, plant and equipment		2,040	554
Deferred tax asset		298	341
Total non-current assets		97,502	5,466
Total assets		226,937	8,070
Current liabilities			
Payables		11,589	491
Income tax liabilities		8,102	434
Interest bearing liabilities	11(a)	68,000	-
Provisions	10	5,622	1,502
Total current liabilities		93,313	2,427
Non-current liabilities			
Deferred tax liabilities		6,748	-
Interest bearing liabilities	11(b)	126,228	5,200
Total non-current liabilities		132,976	5,200
Total liabilities		226,289	7,627
Net assets		648	443
Equity			
Contributed equity	12	-	-
Retained profits	13	648	443
Total equity		648	443

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2001

	Notes	31 December 2001 (6 months)	31 December 2000 (3 months)
		\$'000	\$'000
Cash flows from operating activities			
Cash received from operations		13,455	3,330
Cash payments for operations		(5,928)	(1,677)
Interest received		70	63
Borrowing costs paid		(326)	-
Income taxes paid		(275)	(67)
Net cash inflow from operating activities		6,996	1,649
Cash flows from investing activities			
Payments for intangibles		(8,159)	(3,500)
Payment for property, plant & equipment		(135)	-
Payment for due diligence costs		(1,627)	-
Loans to employees		(4,130)	-
Payment for purchase of controlled entity	9	(50,519)	-
Payments for investment in associate		(30,937)	-
Payment for other investment		(19,691)	-
Sale of investment in associate		5,000	-
Repayment of share capital		-	(10,050)
Net cash (outflow) from investing activities		(110,198)	(13,550)
Cash flows from financing activities			
Repayment of borrowings		(15,475)	-
Repayment of borrowings from related entity		(5,000)	-
Proceeds from borrowings from related entity		127,728	3,500
Proceeds from borrowings		3,000	-
Dividends paid		(688)	-
Net cash inflow from financing activities		109,565	3,500
Net increase/ (decrease) in cash held		6,363	(8,401)
Cash at the beginning of the reporting period		644	9,944
Cash at the end of the reporting period		7,007	1,543

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the half-year ended 31 December 2001

Note 1. Basis of preparation of half-year financial report

This general purpose consolidated financial report for the interim half-year reporting period ended 31 December 2001 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2001 and any public announcements made by Investa Properties Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The units in Investa Property Trust are 'stapled' to the shares in Investa Properties Limited. From 1 December 2000, all transactions in either security can only be in the form of transactions in Investa Property Group stapled securities.

The accounting policies adopted are consistent with those of the previous financial year and corresponding period ended 31 December 2000, unless stated otherwise below.

(a) Revenue recognition

Revenue is recognised for the major business initiatives as follows:

i) 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 Statement of Financial Position as a receivable.

ii) 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 Statement of Financial Position as a receivable.

iii) Development projects

Revenue is recognised on settlement of contract for sale.

iv) Residential properties

Revenue is recognised on settlement of contract for sale.

(b) Inventory

i) 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.

ii) Classification

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2001

Note 1. Basis of preparation of half-year financial report (continued)

(c) 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	20 years
Goodwill – developments	5 years
Payment for management rights	20 years

(d) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess 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.

(e) 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.

(f) Rounding

The Company is an entity of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand dollars in accordance with that class order unless otherwise indicated.

Note 2. Revenue from operating activities

	31 December 2001 \$'000	31 December 2000 \$'000
Sales of property inventory	2,863	-
Management fees	8,234	1,548
Rent	394	-
Other revenue	125	-
	<u>11,616</u>	<u>1,548</u>

**Notes to the consolidated financial statements
For the half-year ended 31 December 2001**

Note 3. Segment information

	Property Funds Management \$'000	Property Development \$'000	Consolidated \$'000
Half-year ended 31 December 2001			
Revenue from ordinary activities	9,351	2,863	12,214
Segment result	<u>1,121</u>	<u>383</u>	<u>1,504</u>
3 month period ended 31 December 2000			
Revenue from ordinary activities	1,622	-	1,622
Segment result	<u>301</u>	<u>-</u>	<u>301</u>

Note 4. Property inventories

	31 December 2001 \$'000	30 June 2001 \$'000
Current – land held for resale	<u>65,052</u>	-
Non-current – land held for resale	<u>72,651</u>	-

Note 5. Receivables

	31 December 2001 \$'000	30 June 2001 \$'000
Management fees	461	1,285
Investment income	653	-
Trade receivables	6,055	-
Prepayments	271	45
Other	4,308	630
	<u>11,748</u>	<u>1,960</u>

Notes to the consolidated financial statements

For the half-year ended 31 December 2001

Note 6. Intangible assets

	31 December 2001 \$'000	30 June 2001 \$'000
Corporate property services establishment costs	3,500	3,500
Less: accumulated amortisation	(190)	(102)
	3,310	3,398
Goodwill – development ¹	5,973	-
Less: accumulated amortisation	(199)	-
	5,774	-
Payment for management rights ²	8,159	-
Less: accumulated amortisation	(33)	-
	8,126	-
	17,210	3,398

¹ Represents goodwill for the purchase of Silverton Limited.

² Represents the payment to acquire the management rights to the Suncorp Metway Balanced Property Fund.

Note 7. Investment in associate

	31 December 2001 \$'000	30 June 2001 \$'000
Investment in Martin Place Trust	25,937	-
	25,937	-

On 2 October 2001, Investa Properties Limited established the Martin Place Trust which purchased 50% of the units in 60 Martin Place Unit Trust which owns 100% of the property located at 60 Martin Place, Sydney. The units held by the company at 31 December 2001 represents 42% of the issued units for Martin Place Trust. The remaining 58% of units have already been sold to wholesale investors and it is the expectation that the units still held by the company will also be sold down to external investors.

Note 8. Other investment

	31 December 2001 \$'000	30 June 2001 \$'000
Suncorp Metway Balanced Property Fund	19,691	-
	19,691	-

On 3 January 2002, Investa Properties Limited became the Responsible Entity of the Suncorp Metway Balanced Property Fund which manages \$248million of commercial property assets. These assets include 100% of the State Law Building, Brisbane, 100% of Kings Row Office Park, Brisbane and a 50% interest in 1 Market Street, Sydney. As part of the transaction on 28 November 2001, Investa Properties Limited purchased \$19.7million of units in Suncorp Metway Balanced Property Fund, representing approximately 8% of the units on issue. Under the terms of the agreement with Suncorp Metway, Investa Properties Limited will sell down to external wholesale investors all the units in Suncorp Metway Balanced Property Fund which are owned by Suncorp Metway entities, with the exception of \$75million of the units which will be retired through a new debt facility within the fund. The company is expecting to sell down these units by 19 January 2003 (including Investa Properties Limited's existing holding of \$19.7million). Any units remaining unsold by 19 January 2003 will be purchased by the company.

**Notes to the consolidated financial statements
For the half-year ended 31 December 2001**

Note 9. Investment in controlled entities

Name of entity	Country of Incorporation	Class of Share	Equity 31 December 2001 %	Equity 30 June 2001 %
Investa Asset Management Pty Limited	Australia	Ordinary	100	100
Investa Developments Pty Limited	Australia	Ordinary	100	-
Investa Nominees Pty Limited	Australia	Ordinary	100	-
Silverton Limited & controlled entities	Australia	Ordinary	100	-

Silverton acquisition

On 9 November 2001, Investa Developments Pty Ltd a 100% owned company of the parent entity reached an agreement to acquire 100% of the issued share capital of Silverton Limited. Under the transaction, Investa Development Pty Ltd has acquired a portfolio of commercial and industrial developments and sites in New South Wales, Victoria and Queensland, together with four parcels of residential development land for subdivision in Victoria, Queensland and Western Australia. Investa Developments Pty Ltd will acquire all of the issued shares in Silverton for \$50,946,000 subject to final settlement adjustments.

Control of Silverton Limited passed to Investa Developments Pty Ltd on 9 November 2001 with the sale of shares to be completed in February 2002.

Fair value of identified net assets of controlled entity acquired as at 9 November 2001:

Item	\$ '000
Plant and equipment	1,524
Trade debtors	1,933
Other debtors	2,667
Inventories	140,212
Cash	1,202
Bank overdraft	(775)
Borrowings	(78,000)
Payables	(6,274)
Provisions	(15,043)
	<u>47,446</u>
Goodwill on acquisition	5,973
Less: Deferred consideration	(2,473)
Cash consideration	<u>50,946</u>
Outflow of cash used to acquire controlled entity net of cash acquired	
Cash Consideration	<u>50,946</u>
Less balances acquired:	
Cash	1,202
Bank overdraft	(775)
	<u>427</u>
Outflow of cash	<u>50,519</u>

**Notes to the consolidated financial statements
For the half-year ended 31 December 2001**

Note 10. Provisions

	31 December 2001 \$'000	30 June 2001 \$'000
Dividends	574	427
Employee entitlements	1,291	1,075
Other	3,757	-
	<u>5,622</u>	<u>1,502</u>

Note 11. Interest bearing liabilities

	31 December 2001 \$'000	30 June 2001 \$'000
11(a) Current – interest bearing liabilities		
Bills of exchange facility – secured	68,000	-
	<u>68,000</u>	<u>-</u>
11(b) Non-current – interest bearing liabilities		
Cash advance facility – secured	3,500	5,200
Loans from Investa Property Trust – unsecured	122,728	-
	<u>126,228</u>	<u>5,200</u>

Bills of exchange facility

A bills of exchange facility for \$70,000,000 was acquired as part of the purchase of Silverton Limited. This facility will be renegotiated within 12 months.

Note 12. Contributed equity

	31 December 2001 \$'000	30 June 2001 \$'000
(a) Contributed equity		
Opening balance ¹	-	-
Placement of shares	-	-
Dividends reinvested	-	-
Security Participation Plan	-	-
Closing balance ¹	<u>-</u>	<u>-</u>
(b) Number of shares	'000	'000
Opening balance	515,490	456,999
Placement of shares	66,883	46,321
Dividends reinvested	7,013	12,170
Security Participation Plan	3,476	-
Closing balance	<u>592,862</u>	<u>515,490</u>

¹ –The total value of shares issued by Investa Properties Limited at 31 December 2001 and 30 June 2001 was \$100.

**Notes to the consolidated financial statements
For the half-year ended 31 December 2001**

Note 13. Retained profits

	31 December 2001 \$'000	30 June 2001 \$'000
Retained profits at the beginning of the period	443	684
Net profit attributable to members of Investa Properties Limited	1,040	992
Dividends provided for or paid	(835)	(1,233)
Retained profits at the end of the period	648	443

Note 14. Dividends

	31 December 2001 \$'000	31 December 2001 CPS	31 December 2000 \$'000	31 December 2000 CPS
Timing of dividends				
30 September paid	261	0.0500	-	-
30 November paid	-	-	385 ¹	0.0385
31 December payable	574	0.1000	327	0.0702
	835	0.1500	712	0.1087

¹ Dividends declared at 30 November 2000 was paid to the shareholders of Westpac Investment Property Limited prior to the formation of Investa Property Group.

Note 15. Events occurring after reporting date

On 15 January 2002, the company settled the acquisition of six industrial assets on behalf of the Investa First Industrial Trust. The portfolio was purchased for \$50,572,609 and includes industrial properties in Sydney, Melbourne and Brisbane. The portfolio will be sold through a retail offering with the Prospectus for the Investa First Industrial Trust having been registered with ASIC. It is expected the units will be sold down by the company and settled by the end of February 2002 at which time funds will be returned to the company in full.

Contracts were exchanged on 31 January 2002 for the purchase of 209 Kingsway, South Melbourne by Investa South Melbourne Trust which is jointly owned by Investa Property Trust and a wholly owned subsidiary of Investa Properties Limited. The property is presently under construction and on completion in February 2003 is expected to have a value of approximately \$100 million. The purchase price of \$24.9 million reflects the value of the land and improvements constructed on 31 January 2002, with further payments pursuant to a Development Agreement with Multiplex Developments No.1 Pty Limited to be made on completion of construction. That payment is determined as net income under leases capitalised at 8% less the \$24.9million. The Trust will receive a licence fee from settlement to completion reflecting an 8% yield on \$24.9million.

The financial effects of these transactions have not been brought to account at 31 December 2001.

On 3 January 2002, Investa Properties Limited became the Responsible Entity of the Suncorp Metway Balanced Property Fund (see Note 8).

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 4 to 13:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2001 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date.

In the directors' opinion:

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

This declaration is made in accordance with a resolution of the directors.

I K Payne
Director

Sydney,
12 February 2002

Independent Audit Report to the Members of Investa Properties Limited

Scope

We have audited the financial report of Investa Properties Limited (the Company) for the half-year ended 31 December 2001 as set out on pages 4 to 14. The Company's directors are responsible for the financial report which includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the half-year. We have conducted an independent audit of the financial report in order to express an opinion on it, so as to enable the Company to lodge the financial report with the Australian Securities & Investments Commission.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2001 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

PricewaterhouseCoopers
Chartered Accountants

J A Dunning
Partner

Sydney
12 February 2002