

Investa Property Group

Annual Concise Report

30 June 2002

Concise report – 30 June 2002

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This combined concise report has been derived from the full financial report for the year ended 30 June 2002 for Investa Property Trust and Investa Properties Limited. The full combined financial report and auditors report will be sent to securityholders on request, free of charge. Please call 1800 635 323 (freecall) and for International 612 8234 5222, and a copy will be forwarded to you.

Alternatively, you can access the full combined financial report and the combined concise financial report via the internet on our website: www.investa.com.au.

The combined concise financial report cannot be expected to provide as full an understanding of the combined financial performance, combined financial position and financing and investing activities of Investa Property Group as the full combined financial report.

Directors' Report

The directors of Investa Properties Limited present their report together with the combined financial report of Investa Property Group for the year ended 30 June 2002.

This report includes the results for the year ended 30 June 2002 for Investa Properties Limited and for Investa Property Trust.

Directors

The following persons were directors of Investa Properties Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

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

J L Arthur was appointed to the board on 2 July 2001.

D R Page was appointed to the board on 17 April 2002.

P J Carney passed away on 7 August 2002.

Principal activities

During the year the principal continuing activities of the Group consisted of investment in commercial property, property funds management and property development. During the year, there was a significant change in the nature of the activities of the Group due to the acquisition of a controlled entity, subsequently resulting in property development becoming a principal activity. All business segments operate in one geographical area, Australia. The Group had 97 employees at 30 June 2002 (June 2001: 74).

Dividends and distributions

Dividends & distributions paid and payable by the Group for the year ended 30 June 2002 were \$84,665,958 (June 2001: \$65,370,000), which is equivalent to 14.75 cents per stapled security (June 2001: 13.80 cents). All dividends were fully franked.

Review of operations and significant changes

A summary of combined revenue and results are set out below:

	30 June 2002 \$'000	30 June 2001 \$'000
Total revenue from ordinary activities	204,739	137,331
Net profit after company tax attributable to security holders of Investa Property Group (including net revaluation increments)	88,707	117,394
Transfer of net valuation increments to asset revaluation reserve	(6,876)	(56,065)
Loss on sale of investment property transferred to contributed equity	-	82
Transfer from contributed equity to distributable income	4,573	2,519
Undistributed income brought forward from previous year	1,403	2,843
Dividends & distributions paid and payable	(84,666)	(65,370)
Income carried forward at 30 June	3,141	1,403
Total value of Group assets at 30 June	1,466,160	1,159,870

The dividends/distributions paid and payable to securityholders for the year ended 30 June 2002 of 14.75 cents per security is in accordance with forecasts in the Explanatory Memorandum dated 3 November 2000. The contribution of 13.69 cents per security from Investa Property Trust reflects the impact of rental reviews during the year and the effect of a full years holding of investments in associates.

Directors' Report (continued)

Review of operations and significant changes (continued)

The growth in assets also occurred as a result of investments totalling \$57 million to expand the operations of the company:

- in conjunction with the launch of the Martin Place Trust, the company invested \$26 million in this Trust.
- the company acquired the management rights for two Suncorp Metway Property Funds with effect from December 2001 and became the Responsible Entity for the Suncorp Metway Balanced Property Fund (renamed the Investa Commercial Property Fund) on 3 January 2002. Related to this acquisition of management rights from Suncorp, Investa Properties Limited also invested \$20m in the Investa Commercial Property Fund.
- the company acquired a property at 27- 53 Lysaght Street Brisbane for \$11 million. This property will form the basis of the Investa Third Industrial Trust which is proposed to be launched in the next financial year.

In addition, the company expanded its syndication business during the year:

- in October 2001 the wholesale syndicate, Martin Place Trust was launched.
- in February and June 2002 respectively, two new retail syndicates were launched, Investa First Industrial Trust and Investa Second Industrial Trust.

The company also expanded its property management operations by taking responsibility for additional properties. Allied to this was the opening of a property management office in Brisbane in February 2002 to service the Queensland assets of the various trusts which are managed by Investa. The total number of properties under management by Investa is now 33 located in NSW, Victoria and Queensland.

The 1.06 cent contribution from Investa Properties Limited was underpinned by the revenues generated by the newly acquired development business.

The assets under management increased during the period as a result of increases in property valuations of \$53,441,000.

Statement on comparative results

This report has been prepared for the 12 month period ended 30 June 2002. The prior periods results include a 9 month period for Investa Properties Limited and a 12 month period for Investa Property Trust as Investa Properties Limited had previously been part of the Westpac Group (which had a 30 September year end) prior to the establishment of the Investa Property Group in December 2000.

Matters subsequent to the end of the financial year

On 1 August 2002 contracts were exchanged with Telstra Corporation Ltd for the purchase of seven office buildings at a price of \$570 million.

The purchase is to be funded by an underwritten equity issue of 174.6 million new securities, raising \$330 million at \$1.89 per Security and short term debt of \$280 million. It is intended that the debt facility will be refinanced through an issue of Commercial Mortgage Backed Securities (CMBS) within the next nine months.

Further details of these transactions are explained in the replacement prospectus dated 6 August 2002.

This disclosure did not form part of the full Financial Report signed on 30 July 2002, as agreement to the transactions occurred on 1 August 2002, being the date upon which Telstra Corporation Ltd advised Investa Property Group that it had been selected as the successful bidder.

Likely developments and expected results of operations

Information on likely developments in the operations of the combined entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors' Report (continued)

Environmental regulation

The Group is subject to significant environmental regulation in respect of its property activities. The directors of the Group are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches to these requirements and to their best knowledge all activities have been undertaken in compliance with environmental requirements.

Information on directors

Director	Experience	Special responsibilities
I K Payne M.Ec	Ian has been Chairman since 1999. Previously he was Deputy Chief Executive and Executive Director of Commonwealth Bank of Australia from 1992 to 1997 and Chairman of Commonwealth Financial Services Limited. Ian is currently Chairman of Export Finance and Insurance Corporation and a Director of SFE Corporation Limited and Legalco Limited.	Non Executive Chairman
C J O'Donnell Dip. Bus. NZCB, FAICD, AIQS (Affil)	Chris has been Managing Director of Investa Property Group since December 2000. Prior to the formation of Investa, Chris was Executive Director of Westpac Investment Property Limited, Lend Lease Property Investment Services Limited and Managing Director of Capital Property Limited.	Managing Director
S A Mays B.Sc (Hons) M.Sc, MBA, FAICD	Shaun is the Managing Director of Westpac Financial Services. Prior to joining Westpac he was Chief Investment Officer of Commonwealth Financial Services and Managing Director & Chief Investment Officer of Mercury Asset Management.	Non Executive Director
J L Arthur LLB (Hons)	John has been a partner of Freehills since 1981, except for the period of 1992-1995, 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 CSR Limited.	Non Executive Director Chairman Nominations and Remuneration Committee
P J Carney LLB	Peter had a long experience and understanding of the commercial property and banking industry. Previously a partner of 21 years in Freehills and Deputy Chairman of the Advance Bank Group from 1987 to 1997.	Non Executive Director Chairman Due Diligence Committee
D R Page B.Ec, FCA MAICD	Deborah 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. She 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 and the Sydney Harbour Federation Trust.	Non Executive Director Chairman Audit and Risk Management Committee

At 30 June 2002, interests in the securities of Investa Property Group were held by I K Payne (7,595 securities), C J O'Donnell (1,017,760 securities) and P J Carney (1,021 securities).

Directors' Report (continued)

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year to 30 June 2002, and the numbers of meetings attended by each director at the time the director held office or was a member of the committee during the year were:

	Board meeting		Audit & Risk Management Committee meeting		Due Diligence Committee meeting		Nominations & Remuneration Committee meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
I K Payne	11	10	-	-	-	-	-	-
P J Carney	11	11	1	1	9	9	-	-
C J O'Donnell	11	11	1	1	9	6	-	-
S A Mays	11	9	-	-	-	-	-	-
J L Arthur	11	10	-	-	-	-	-	-
D R Page	2	2	1	1	-	-	-	-

An Audit & Risk Management Committee was established in April 2002 with D R Page as the Chairman. The Committee met for the first time in June 2002.

The Nominations and Remuneration Committee was established in June 2002 and is chaired by J L Arthur. The Committee met for the first time in July 2002. The Committee advises the board on remuneration policies and makes specific recommendations on remuneration packages and other terms of employment for executive and non-executive directors and other senior executives.

During the year, there were numerous project due diligence meetings. These meetings were in relation to new acquisitions, new syndications and the preparation of prospectuses thereto. All these meetings were chaired by P J Carney.

Directors' and executives' emoluments

Details of the nature and amount of each element of the emoluments of each director of Investa Properties Limited and each of the 5 officers of the Group receiving the highest emoluments are set out in the following tables:

Non-executive directors of Investa Properties Limited

Name	Directors' base fee \$	Committee fees \$	Subsidiary company fees \$	Super-annuation \$	Total \$
I K Payne (Chairman)	95,084	-	-	8,558	103,642
P J Carney	55,066	20,000	10,000	6,936	92,002
S A Mays	22,915	-	-	2,062	24,977
J L Arthur	54,838	-	7,000	4,935	66,773
D R Page	11,282	-	-	1,015	12,297

Executive director of Investa Properties Limited

Name	Base salary \$	Super-annuation \$	Other benefits \$	Total \$
C J O'Donnell	452,579	41,641	278,877	773,097

Directors' Report (continued)**Other executives of Investa Properties Limited**

Name	Base salary \$	Super-annuation \$	Other benefits \$	Total \$
A J Martin	171,761	14,717	130,000	316,478
A S Junor	219,975	19,732	71,010	310,717
K P Dickinson	169,378	23,381	56,327	249,086
P D Bolton-Hall	195,221	17,570	25,000	237,791
B V McGarry	180,184	16,217	37,500	233,901

Indemnification and insurance of officers and auditors

During the financial periods, Investa Properties Limited, paid a premium of \$60,928 to insure the directors and officers of the company and its controlled entity, Investa Asset Management Pty Limited. The insurance is in respect of Directors' and Officers Liability insurance. The auditors of the Group are in no way indemnified out of assets of the Group.

Rounding of amounts

The Group is 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.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

Director
I K Payne
15 August 2002

Discussion and Analysis of the Concise Combined Financial Statements

The Group results include Investa Property Trust (IPT) and its controlled entities and Investa Properties Limited (IPL) and its controlled entities for the year to 30 June 2002.

The prior periods results included a 9 month period ending 30 June 2001 for the company, as it had previously been part of the Westpac Group which had a 30 September year end, and a 12 month period for the Trust.

Combined Statement of Financial Performance for year ended 30 June 2002

Overall profit for the Group after taxation was \$88,707,000 compared to the previous years net profit of \$117,394,000. The decrease was attributable to prior year revaluation increments of \$56,065,000 being recorded in the Statement of Financial Performance reflecting the reversal of previous revaluation decrements. Revaluation increments of \$6,876,000 have been recorded in the Statement of Financial Performance for the year to 30 June 2002 thereby reversing all previous revaluation decrements. The balance of revaluation increments (\$46,565,000) in the year to 30 June 2002 have been taken directly to the Asset Revaluation Reserve. The results also include the impact of the acquisition of Silverton in November 2001, adding a significant property development capability and inventory to the combined entity. For the year to 30 June 2002, property development operations contributed \$6,631,000 to profit after tax.

The distribution per unit from the Group has increased from 13.80 cents to 14.75 cents for the year to 30 June 2002. The contribution from IPL to the total Group distributions was 1.06 cents.

The Group's total revenue in 2002 was \$204,739,000 compared to \$137,331,000 in 2001, with the main contributions in 2002 coming from:

- rental income increasing 7.5% to \$97,562,000, reflecting positive market rental reviews during the year particularly in 55 Market Street, Sydney, 109 St Georges Terrace, Perth and 469 Latrobe Street, Melbourne;
- distributions from associates have increased 23.3% to \$17,685,000 reflecting a full years income from both Investa Brisbane Commercial Trust and 80 Pacific Highway Trust and rental increases in 60 Martin Place, Sydney;
- sales of property inventory of \$66,746,000, including Rydecorp of \$34,450,000, Acacia Ridge of \$17,200,000 and Quinns Beach of \$8,296,000. (2001- nil);
- fee revenue of \$1,400,000 from Westpac Banking Corporation in respect to the corporate property services contract (2001- \$816,666);
- syndicate establishment and management fees of \$1,721,000 (2001- \$1,832,000), include fees in respect to the launch of two new retail property syndicates. These syndicates were the Investa First Industrial Trust and Investa Second Industrial Trust. Ongoing management fees were received from Collins Property Trust, Investa Brisbane Commercial Trust and Investa North Sydney Property Trust, which were launched in the previous reporting period;
- establishment fees and management fees of \$1,429,000 in respect of wholesale property syndicates. The new wholesale syndicates were Martin Place Trust and Investa Commercial Property Fund (2001 – nil);
- expense recovery and management fees from the vendor of Silverton Limited of \$3,351,000 for the management of property sale agreements executed prior to the acquisition (2001 – nil);
- rental income from completed developments prior to sale of \$1,718,000 (2001- nil);
- interest income of \$2,985,000 (2001 - \$992,000);
- profit on sale of property of \$385,000 (2001 – nil).

Discussion and Analysis of the Concise Combined Financial Statements (continued)

Property related expenses have decreased to \$21,045,000 from \$22,111,000 in the previous corresponding period due mainly to the internalisation of property management services for the Group's properties in New South Wales, Victoria and more recently Queensland. Employee expenses and amortisation of intangibles are significantly higher compared to the prior period, as the prior period only incurred 9 months of expenditure.

Borrowing costs have increased by 5% to \$18,353,000 from \$17,449,000 for the previous period. This is attributable to the increase in Group activity in the second 6 months of the year with the purchase of 3 new properties in the Group.

Combined Statement of Financial Position as at 30 June 2002

The Combined Statement of Financial Position for Investa Property Group at 30 June 2002 reflects the significant activity of the Group since 1 July 2001. Total assets have increased from \$1,159,870,000 in 2001 to \$1,466,630,000 in 2002.

The major contributors to the increase in assets included was the acquisition of Silverton Limited in November 2001 contributing \$131,784,000 with the majority being property inventories of \$117,565,000 and by the increase in investment property valuations of \$53,411,000. Contributing to this increase were significant increases in the value of 469 Latrobe Street, 73 Miller Street and 55 Market Street. In addition, the company acquired property inventory of \$11,110,000 which will form the basis of the Investa Third Industrial Trust.

The Group acquired the management rights at a total cost of \$8,870,000 for two Suncorp Property Funds with effect from December 2001 and became the Responsible Entity for the Suncorp Metway Balanced Property Fund, which has been renamed Investa Commercial Property Fund. This acquisition of management rights in addition to the acquisition of Silverton Limited resulted in an increase in intangible assets from \$40,879,000 in 2001 to \$51,847,000 in 2002.

Further increases in assets of \$45,629,000 occurred as a result of investments of \$25,937,000 in Martin Place Trust in conjunction with its launch in October 2001, and \$19,692,000 in the Investa Commercial Property Fund, as part of the purchase of management rights from Suncorp Metway Investment Management Limited in December 2001.

During the period the Group restructured its funding arrangements. As part of the restructure, the Trust issued \$250,000,000 of commercial notes in the form of commercial mortgage backed securities and utilised the proceeds to retire existing bank facilities. A new bank facility for \$100,000,000 was established, which was drawn down to \$19,000,000 at 30 June 2002. The Group has increased borrowings by \$72,300,000 during the period which is primarily due to a new \$70,000,000 facility acquired when Silverton Limited was purchased.

The gearing for the Group has increased to 22% as at 30 June 2002, up from 21% for the previous period.

During the year to 30 June 2002, the Group raised \$161,000,000 from the issue of new equity securities. This was comprised of institutional placements of 66,900,000 stapled securities (\$125,500,000), the reinvestment of dividends (\$29,000,000) under the Distribution Reinvestment Plan and \$6,500,000 raised through the Group's Security Purchase Plan.

Discussion and Analysis of the Concise Combined Financial Statements (continued)

Combined Statement of Cash Flows for the year ended 30 June 2002

The expansion activity of the Group is illustrated by significant movements in cashflow. These movements include:

- cash flow from operating activities increased to \$96,935,000 (2001-\$55,957,000) mainly as a result of receipts from the sales of property inventories and increased rental flows;
- the total outflow from investing activities increased from \$73,311,000 in 2001 to \$154,782,000 in 2002. The company paid \$50,519,000 for the purchase of Silverton Limited in November 2001 and paid \$39,669,000 in loans to related entities through the year.
The acquisition of investments in Martin Place Trust and Investa Commercial Property Fund resulted in an outflow of \$50,628,000 which was reduced by the sale of \$5,000,000 worth of units in Martin Place Trust in December 2001. The acquisition of management rights in the two Suncorp Property Funds resulted in an outflow of \$8,870,000. A total amount of \$4,388,000 was advanced to employees to expand participation in the Employee Share Plan.
- financing cash inflows increased from an outflow of \$12,098,000 in 2001 to an inflow of \$68,621,000 in 2002 primarily as a result of increases in borrowings and proceeds from the issue of securities.

Investa Property Group

Combined Statement of Financial Performance For the year ended 30 June 2002

	Notes	30 June 2002 \$'000	30 June 2001 \$'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	2	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	4	84,666	65,370
Distributions and dividends paid and payable cents per stapled security	4	Cents 14.75	Cents 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 (before revaluation and amortisation)		14.88	12.98

The above Combined Statement of Financial Performance should be read in conjunction with the accompanying notes and discussion and analysis.

Investa Property Group

Combined Statement of Financial Position As at 30 June 2002

	Notes	30 June 2002 \$'000	30 June 2001 \$'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		<u>177,609</u>	<u>25,039</u>
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	3	1,150,319	1,091,885
Total non-current assets		<u>1,288,551</u>	<u>1,134,831</u>
Total assets		<u>1,466,160</u>	<u>1,159,870</u>
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		<u>47,714</u>	<u>104,172</u>
Non-current liabilities			
Interest bearing liabilities		320,500	168,200
Deferred tax liabilities		4,490	-
Total non-current liabilities		<u>324,990</u>	<u>168,200</u>
Total liabilities		<u>372,704</u>	<u>272,372</u>
Net assets		<u>1,093,456</u>	<u>887,498</u>
Equity			
Contributed equity		1,043,750	892,971
Reserves		46,565	(6,876)
Amounts available for distribution		3,141	1,403
Total equity		<u>1,093,456</u>	<u>887,498</u>

The above Combined Statement of Financial Position should be read in conjunction with the accompanying notes and discussion and analysis.

Investa Property Group

Combined Statement of Cash Flows For the year ended 30 June 2002

	30 June 2002 \$'000	30 June 2001 \$'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 for 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 period	12,098	17,373
Cash at the end of the financial period	22,873	12,098

The above Combined Statement of Cash Flows should be read in conjunction with the accompanying notes and discussion and analysis.

**Notes to the Combined Financial Statements
For the year ended 30 June 2002**

Note 1. Basis of preparation of concise financial report

The combined concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB1039 "Concise Financial Reports", applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements and specific disclosures included in the combined concise financial report have been derived from the aggregated full financial report for the financial period. The combined concise financial report cannot be expected to provide as full an understanding of the combined financial performance, combined financial position and financing and investing activities of Investa Property Group as the full financial report.

The accounting policies adopted are consistent with those of the previous year, except in respect of new policies adopted in the year as described below for business operations acquired in the year:

(a) Revenue recognition

Revenue is recognised as follows:

- i. Development projects*
Revenue is recognised on settlement of contract for sale.
- ii. Residential properties*
Revenue is recognised on settlement of contract for sale.

(b) Inventory

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 and ceases to be a qualifying asset, borrowing costs and other holding costs are expensed as incurred.

Classification

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

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 periods are recognised as expenses.

(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 – development operations	5 years
Payment for management rights	20 years

**Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2002**

Note 2. Segment information

	Property Funds Management \$'000	Property Development \$'000	Aggregated \$'000
Year ended 30 June 2002			
Revenue from ordinary activities	137,993	66,746	204,739
Segment net profit	82,076	6,631	88,707
Segment assets	1,334,376	131,784	1,466,160
Unallocated assets			-
Total assets			1,466,160
Segment liabilities	243,857	128,847	372,704
Unallocated liabilities			-
Total liabilities			372,704
Distributions from associates	17,685	-	17,685
Depreciation and amortisation expense	2,493	815	3,308
Investments in associates	240,919	-	240,919
Acquisition of property, plant and equipment	175	1,167	1,342
30 June 2001			
	Property Funds Management \$'000	Property Development \$'000	Aggregated \$'000
Revenue from ordinary activities	137,331	-	137,331
Segment net profit	118,017	-	118,017
Segment assets	1,159,870	-	1,159,870
Unallocated assets			-
Total assets			1,159,870
Segment liabilities	272,372	-	272,372
Unallocated liabilities			-
Total liabilities			272,372
Distributions from associates	14,344	-	14,344
Depreciation and amortisation expense	1,238	-	1,238
Investments in associates	232,415	-	232,415
Acquisition of property, plant and equipment	573	-	573

The combined entity operates solely in Australia.

**Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2002**
Note 3. Investment properties

Property	Type	Ownership	Acquisition date	Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30/06/02 \$'000	Consolidated book value 30/06/01 \$'000
Non current assets									
Investa Property Trust									
62 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	26/02/88	28,744	30/06/02	27,500	P Harding, Knight Frank	27,500	25,800
64 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	01/07/94	23,961	31/03/02	16,100	A Martin, AAPI JLL Advisory	16,100	12,000
73 Northbourne Avenue, Canberra, ACT *	Offices 99 yr leasehold	100%	06/05/94	23,324	31/12/00	17,000	P Dempsey, FAPI Arthur Andersen	17,134	17,115
73 Miller Street, North Sydney, NSW *	Offices/ Freehold	100%	12/06/97	75,483	30/06/02	90,000	A Richard, FAPI CB Richard Ellis	90,000	76,758
50-60 Talavera Road, North Ryde, NSW *	Offices/ Freehold	100%	01/11/99	32,739	30/09/00	31,400	R Lawrie, AAPI JLL Advisory	31,400	31,400
32 Philip Street, Parramatta, NSW	Offices/ Freehold	100%	01/11/99	21,784	30/09/00	21,100	A Martin, AAPI JLL Advisory	21,100	21,100
55 Market Street, Sydney, NSW *	Offices/ Freehold	100%	31/07/98	122,044	30/06/02	138,000	D Castles, AAPI Landmark White	138,000	130,000
241 Adelaide Street, Brisbane, QLD	Offices/ 75 yrs Leasehold	100%	10/09/98	21,121	30/06/02	18,100	W Wirmann, AAPI JLL Advisory	18,100	18,952
410 Ann Street, Brisbane, QLD *	Offices/ Freehold 120 yr leasehold	100%	23/11/87	57,730	30/06/01	62,500	C Chatwood AAPI JLL Advisory	62,610	62,500
260 Queen Street, Brisbane, QLD	Offices/ Freehold	100%	01/11/99	23,983	31/03/01	23,000	W Wiermann, AAPI JLL Advisory	23,070	23,005
469 Latrobe Street, Melbourne, VIC *	Offices/ Freehold	100%	01/07/88	81,101	30/06/02	53,100	J Perillo, AAPI Knight Frank	53,100	42,158
485 Latrobe Street, Melbourne, VIC *	Offices/ Freehold	100%	10/09/98	91,058	30/06/02	111,000	G Longden, FAPI JLL Advisory	111,000	101,074
420 St Kilda Road, Melbourne, VIC	Offices/ Freehold	100%	12/12/86	24,686	30/06/01	27,000	C Plant JLL Advisory	27,159	27,000
109 St Georges Terrace, Perth, WA	Offices/ Freehold	100%	01/11/99	24,774	30/06/02	25,500	S Nuttall, AAPI ASIA CB Richard Ellis	25,500	23,812
Total Parent				<u>652,532</u>				<u>661,773</u>	<u>612,674</u>
Investment in controlled entities									
Investa Real Property Growth Trust									
115 Grenfell Street, Adelaide, SA *	Offices/ Freehold	100%	04/05/89	48,853	31/03/01	26,500	James Pledge AAPI, Knight Frank	26,680	26,675
110 George Street, Parramatta, NSW *	Offices/ Freehold	50% 50%	02/10/97 15/12/98	67,345	30/06/02	66,500	M Caruana, FAPI Knight Frank	66,500	66,527
Total - Investa Real Property Growth Trust				<u>116,198</u>				<u>93,180</u>	<u>93,202</u>
Lizbeth Trust									
255 Elizabeth Street, Sydney, NSW*	Offices/ Freehold	50% 10% 40%	21/09/94 11/12/98 01/11/99	172,172	31/03/01	153,500	A Pannifex, AAPI Knight Frank	154,447	153,594
Total - Lizbeth Trust				<u>172,172</u>				<u>154,447</u>	<u>153,594</u>
Total investment in controlled entities									
Investments in associates									
60 Martin Place Unit Trust									
60 Martin Place, Sydney, NSW	Offices/ Freehold	50%	01/11/99	79,925	30/06/02	88,750	M S Smallhorn, FAPI JLL Advisory	88,325	87,130
SUNPAC Property Fund*									
1 Market Street, Sydney, NSW	Offices/ Freehold	50%	09/01/96	81,534	30/06/02	102,500	A Pannifex, FAPI FPDSavills	102,029	95,000
80 Pacific Highway Trust									
80 Pacific Highway, North Sydney, NSW	Offices/ Freehold	50%	04/05/01	45,745	31/03/01	45,375	M S Smallhorn, FAPI JLL Advisory	45,745	45,465
Investa Brisbane Commercial Trust**		20%	08/05/01	4,820	-	-	-	4,820	4,820
Total investment in associates				<u>212,024</u>				<u>240,919</u>	<u>232,415</u>
Total				<u>1,152,926</u>				<u>1,150,319</u>	<u>1,091,885</u>

* These properties and units are used as security for the issue of commercial notes.

** The underlying properties are located at 45 Charlotte Street, Brisbane and 363 Adelaide Street, Brisbane.

Properties not independently valued during the last 12 months are carried at directors' valuation at 30 June 2002.

**Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2002****Note 4. Dividends & Distributions**

	2002 \$'000	2002 Cents per security	2001 \$'000	2001 Cents per security
Timing of distributions and dividends				
30 September	18,930	3.625	15,171	3.29
31 December	21,097	3.675	15,763	3.38
31 March	22,258	3.725	16,743	3.57
30 June final payable ⁽¹⁾	22,381	3.725	17,693	3.56
	84,666	14.750	65,370	13.80

⁽¹⁾ To be paid on 23 August 2002.

Franked dividends

The dividends are fully franked from franking credits arising from the payment of Company income tax during the period.

	2002 \$'000	2001 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	15,046	1,591

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

The combined amounts include franking credits that would be available to the company if distributable profits of it's controlled entities were paid as dividends.

**Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2002****Note 5. Amounts available for distribution**

	2002	2001
	\$'000	\$'000
Opening balance	1,403	2,843
Profit attributable to securityholders of Investa Property Group	88,707	117,394
Revaluation increments transferred to asset revaluation reserve	(6,876)	(56,065)
Transfer from contributed equity*	4,573	2,519
Loss on sale of property transferred to contributed equity	-	82
Dividends/distributions paid and payable	(84,666)	(65,370)
Closing balance	<u>3,141</u>	<u>1,403</u>

* This transfer represents \$1,517,000 income support on unit placements and amortisation of intangibles of \$3,056,000.

Note 6. Earnings per stapled security

	2002	2001
Basic earnings per stapled security (cents)	15.55	24.40
Basic earnings per stapled security before revaluation, after amortisation (cents)	14.35	12.74
Basic earnings per stapled security before revaluation, before amortisation (cents)	14.88	12.98
Weighted average number of stapled securities outstanding during the period used in the calculation of basic earnings per stapled security	570,361,749	480,910,124

The calculation of basic earning per stapled security includes the net increments on revaluation of investment properties.

Note 7. Events occurring after reporting date

On 1 August 2002 contracts were exchanged with Telstra Corporation Ltd for the purchase of seven office buildings at a price of \$570 million.

The purchase is to be funded by an underwritten equity issue of 174.6 million new securities, raising \$330 million at \$1.89 per Security and short term debt of \$280 million. It is intended that the debt facility will be refinanced through an issue of Commercial Mortgage Backed Securities (CMBS) within the next nine months.

Further details of these transactions are explained in the replacement prospectus dated 6 August 2002.

This disclosure did not form part of the full Financial Report signed on 30 July 2002, as agreement to the transactions occurred on 1 August 2002, being the date upon which Telstra Corporation Ltd advised Investa Property Group that it had been selected as the successful bidder.

Note 8. Full financial report

Further financial information can be obtained from the full financial reports which are available, free of charge, on request from the company, Investa Properties Limited. Copies may be requested by calling 1800 635 323 and for international 612 8234 5222 and it will be forwarded to you. Alternatively, you can access both the combined full financial report and the combined concise report via the internet at: www.investa.com.au.

Investa Property Group

Directors' Declaration

The directors of Investa Properties Limited declare that in their opinion, the combined concise financial report of Investa Property Group (the Group), comprising Investa Properties Limited and its controlled entities and Investa Property Trust and its controlled entities for the year ended 30 June 2002, as set out on pages 7 to 17, complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this combined concise financial report have been derived from the full combined financial report for the period ended 30 June 2002.

The combined concise financial report cannot be expected to provide as full an understanding of the combined financial performance, combined financial position and financing and investing activities of the Group as the full combined financial report, which as indicated in Note 8, is available on request.

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



I K Payne
Director

Sydney
15 August 2002

**Independent Audit Report to the securityholders of
Investa Property Group**

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the combined concise financial report of Investa Property Group (the Group) which includes Investa Properties Limited and its controlled entities and Investa Property Trust and its controlled entities for the financial year ended 30 June 2002 included on the Investa Property Groups' web site. The directors of Investa Properties Limited (the Responsible Entity) are responsible for the integrity of the Investa Property Groups' web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

We have audited the combined concise financial report of Investa Property Group (the Group) which includes Investa Properties Limited and its controlled entities and Investa Property Trust and its controlled entities for the year ended 30 June 2002 as set out on pages 7 to 18 in order to express an opinion on it to the securityholders of the Group. The directors of Investa Properties Limited are responsible for the combined concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the combined concise financial report is free of material misstatement. We have also performed an independent audit of the full combined financial report of the Group for the year ended 30 June 2002. Our audit report on the full combined financial report was signed on 30 July 2002, and was not subject to any qualification.

Our procedures in respect of the audit of the combined concise financial report included testing that the information included in it is consistent with the full combined financial report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the full combined financial report. These procedures have been undertaken to form an opinion as to whether the combined concise financial report complies with Australian Accounting Standard AASB 1039: Concise Financial Reports in that, in all material respects, it is presented fairly in accordance with that standard.

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

Audit opinion

In our opinion, the combined concise financial report of the Group complies with Accounting Standard AASB 1039: Concise Financial Reports.


PricewaterhouseCoopers

Chartered Accountants



J A Dunning
Partner

Sydney
15 August 2002