Investa Property Group

Annual Report

30 June 2003

Annual Report – 30 June 2003

Contents

Directors' Report

The directors of Investa Properties Limited present their report together with the combined financial report of Investa Property Group ("the Group") for the year ended 30 June 2003.

This report includes the combined results for the year ended 30 June 2003 for Investa Properties Limited ("the Company") and controlled entities and for Investa Property Trust ("the Trust") and controlled entities.

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
S A Mays
J I Messenger
D R Page

J I Messenger was appointed to the board on 15 August 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 and funds management and property development. All business segments operate in one geographical area, Australia. The Group had 132 employees at 30 June 2003 (June 2002: 97).

Dividends and distributions

Distributions and dividends paid to Stapled Securityholders during the financial year were as follows:

	2003 $'000
Final payment for the year ended 30 June 2002 of 3.725 cents per security paid on 24 August 2002	**22,381**
Interim payment of 3.80 cents per security paid on 22 November 2002	**29,629**
Interim payment of 3.90 cents per security paid on 21 February 2003	**32,610**
Interim payment of 3.95 cents per security paid on 23 May 2003	**34,678**
	119,298

In addition to the above payments, the directors declared a final payment on 17 June 2003 of 3.95 cents per security ($34,978,367) to be paid on 22 August 2003.

Dividends and distributions paid and payable by the Group for the year ended 30 June 2003 were $131,894,964 (June 2002: $84,665,958), which is equivalent to 15.60 cents per stapled security (June 2002: 14.75 cents). All dividends were fully franked.

Directors' Report (continued)

Review of operations and significant changes in the state of affairs

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

	2003 $'000	2002 $'000
Total revenue from ordinary activities	**413,830**	204,739
Net profit after company tax attributable to securityholders of Investa Property Group (including net revaluation increments)	**128,227**	88,707
Transfer of net revaluation increments to asset revaluation reserve	**-**	(6,876)
Transfer from contributed equity to distributable income	**9,034**	4,573
Undistributed income brought forward from previous year	**3,141**	1,403
Dividends & distributions paid and payable	**(131,895)**	(84,666)
Income carried forward at 30 June	**8,507**	3,141
Total value of Group assets at 30 June	**2,581,770**	1,466,160

The dividends/distributions paid and payable to securityholders for the year ended 30 June 2003 of 15.60 cents per security is in accordance with forecasts included in the Prospectus issued in connection with the Telsta transaction in August 2002.

The growth in assets has been primarily driven by the $570 million acquisition of seven Telstra properties in August 2002 along with the acquisition of a 50% interest in Penrhyn House, Bowden Street, Canberra, 589 Collins Street, Melbourne and the completion of the construction of 209 Kingsway, Melbourne. These purchases were offset by the sale of 260 Queen Street, Brisbane. During May 2003 Investa Property Trust also purchased an 8.4% holding in Principal Office fund for $127 million including acquisition costs.

For a more detailed explanation of the results for the year refer to the discussion and analysis on the combined financial statements.

Matters subsequent to the end of the financial year

Principal Office Fund
On 21 May 2003 Investa Property Trust acquired 78,351,484 units in Principal Office Fund, representing an 8.4% holding. On 26 May 2003 Investa Properties Limited as responsible entity of Investa Property Trust announced its intention to make an off market scrip and cash offer to acquire the remaining units in Principal Office Fund under the terms set out in the bidder's statement lodged with the Australian Securities and Investments Commission (ASIC) on 2 June 2003. The bidder's statement was issued to Principal Office Fund unitholders on 20 June 2003. The offer was declared unconditional on 14 July 2003. On 21 July 2003 the cash component of the offer consideration was increased by 3 cents per Principal Office Fund unit, which resulted in a 14 day extension of the offer period to 4 August 2003.

In the period from 1 July 2003 to 28 July 2003 Investa Property Trust acquired a further 148,415,738 units for an approximate consideration of $230 million, which increased its holding to 24.3% of the units in Principal Office Fund. The acquisition of those units has been funded out of a debt facility arranged with Commonwealth Bank of Australia and the issue of stapled securities in Investa Property Group. The financial effects of the units acquired in Principal Office Fund and the cash and securities issued to fund the acquisition in the period from 1 July 2003 to 28 July 2003 have not been bought to account at 30 June 2003.

Other matters
On 1 July 2003 the Group settled on the sale of 7-13 Tomlins Street, Townsville for $10.9 million. On 3 July 2003 Investa Properties Limited sold the remainder of its units in Investa Fifth Commercial Trust for $9.5 million, therefore completing the syndication of that trust. The financial effects of these transactions have not been brought to account as at 30 June 2003.

Directors' Report (continued)

Environmental regulation
Whilst the Group is not subject to significant environmental regulation in respect of its property activities, the directors of the Company 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 was also Chairman of Export Finance and Insurance Corporation from 1996 to August 2002 and is currently a Director of SFE Corporation Limited, Legalco Limited and Zurich Financial Services Australia Limited.	Non Executive Chairman
C J O'Donnell Dip.Bus. NZCB, FAICD, AIQS (Affil), FAPI	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
J L Arthur LLB (Hons)	John has been a partner of major law firms in Sydney 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 Rinker Group Limited.	Non Executive Director Chairman Nominations and Remuneration Committee
S A Mays B.Sc (Hons) M.Sc, MBA, FAICD	Shaun retired as the Managing Director of Westpac Financial Services in 2003. Prior to joining Westpac he was Chief Investment Officer of Commonwealth Financial Services and Managing Director & Chief Investment Officer of Mercury Asset Management. His current appointments include Non-Executive Director, Babcock and Brown Direct Investment Fund, a Member of the National Environmental Education Council, a Member of the Australian Stock Exchange Listing Appeals Committee, a Member of the Environment Minister's Roundtable and a Director of Plan International Australia.	Non Executive Director Chairman Sustainability Committee
J I Messenger ANZIF Snr. Assoc	John has extensive international insurance broking and risk management experience. Between 1986 and 1995, John was the Managing Director of MLC Insurance Limited and a director of Lend Lease Learning Pty Limited. From 1997 to 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 of Territory Insurance Office, Darwin.	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.	Non Executive Director Chairman Audit and Risk Management Committee

Directors' Report (continued)

Directors' interests in securities of Investa Property Group are as follows:

	Number of securities 2003	2002
I K Payne	**22,278**	7,595
C J O'Donnell	**1,566,347**	1,017,760
J L Arthur	**10,215**	-
S A Mays	**30,375**	-
J I Messenger	**30,769**	-
D R Page	**18,521**	-

Meetings of directors

The number of meetings of the company's Board of Directors and of each Board Committee held during the year to 30 June 2003, and the number 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		Sustainability Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
I K Payne	23	22								
C J O'Donnell	23	23	4	4	18	18	4	4	1	1
J L Arthur	23	23					4	4	1	1
P J Carney	4	4	2	2						
S A Mays	17	16	8	6					1	1
J I Messenger	18	18	7	7	21	21				
D R Page	23	22	10	10	5	5	4	4		

Held reflects the number of meetings which the relevant director was eligible to attend.

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 $	Retirement allowance $	Super-annuation $	Total $
I K Payne (Chairman)	110,000	-	9,900	119,900
P J Carney	16,250	59,518	1,463	77,231
S A Mays	82,916	-	7,462	90,378
J L Arthur	88,875	-	7,999	96,874
D R Page	76,667	-	6,900	83,567
J I Messenger	70,359	-	6,332	76,691

As at 30 June 2003 a further entitlement of $105,864 has been accrued by I K Payne.

Executive director of Investa Properties Limited

Name	Base salary $	Superannuation $	Other benefits $	Total $
C J O'Donnell	490,700	44,163	344,216	879,079

Directors' Report (continued)

Other executives of Investa Properties Limited

Name	Base salary $	Super-annuation $	Other benefits $	Total $
G B Monk	345,000	31,050	70,000	446,050
A S Junor	260,048	23,404	118,239	401,691
P D Bolton-Hall	216,250	19,463	40,000	275,713
B V McGarry	196,250	17,663	55,000	268,913
P J Malpass	220,000	19,800	20,000	259,800

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.

Indemnification and insurance of officers and auditors
During the financial year the Company paid a premium of $267,000 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.

I K Payne
Chairman
Sydney
29 July 2003

Discussion and analysis of the combined financial statements

The following commentary is provided to assist securityholders in reviewing and interpreting the combined results of Investa Property Group (Group) for the year to 30 June 2003.

There are separate reports for Investa Property Trust (Trust), Investa Properties Limited (Company) and a combined report for the Group.

Statement of Financial Performance

Net profit before revaluations and after tax and outside equity interest increased from $81,831,000 in the prior year to $128,227,000 in the current year, an increase of 57%. Earnings per security (EPS) before revaluation, amortisation and after tax has also increased from 14.88 cents per security in the prior year to 16.28 cents per security in the current year, an increase of 9.4%. The increase in EPS has been in part reflected in the distribution per security increasing 5.8% from 14.75 cents to 15.60 cents per security. The balance of the increase in EPS is reflected in an increase of amounts available for distribution carried forward of $8,507,000 (0.97 cents per security) from $3,141,000 (0.52 cents per security) as at 30 June 2002 an increase of 171%.

The growth in earnings reflects the increase in earnings for both the Company and the Trust, with the Trust contributing 83% of earnings before interest, amortisation, depreciation and after tax and the Company 17%, increasing from 13% in the prior year.

Total Group revenue has increased 102% to $413,830,000 from $204,739,000 in the prior year. Included in the current year revenue is $145,013,000 relating to proceeds on the sale of investments, therefore the underlying revenue has increased 31% to $268,817,000.

Revenue by segment is as follows:

- Revenue from "Investment Portfolio" totalled $371,817,000 (2002 - $119,740,000) and comprises:
  - Rental income has increased 45% to $141,053,000 due to growth in the property portfolio driven by the purchase of properties acquired from Telstra during the year (242 Exhibition Street, Melbourne, 310 Pitt Street, Sydney and 231 Elizabeth Street, Sydney) along with positive market rental reviews on existing properties.
  - Distributions from associates have increased 54% to $27,297,000 reflecting the impact of new investments in associates made during the year including:
    - a 50% interest in Penrhyn House Trust which owns Penrhyn House, Canberra;
    - a 50% interest in Investa South Melbourne Trust which owns 209 Kingsway, Melbourne; and
    - a 50% interest in 589 Collins Trust, which owns 589 Collins Street, Melbourne.
  - Other revenue of $204,280,000 includes:
    - $184,591,000 relating to the gross sales proceeds on investments sold during the year being;
      - 260 Queen Street, Brisbane (realising a profit after disposal costs of $999,000);and
      - 50% of SUNPAC Property Fund (owner of 1 Market Street) and 50% of 231 Elizabeth Street, Sydney (both sold to Investa Commercial Property Fund at their carrying value as part of the restructure of this fund thereby realising no gain); and
    - $16,884,000 of interest income of which $14,997,000 was earned on loans to Investa Properties Limited and its subsidiaries to facilitate the expansion of the Group's activities.

Discussion and analysis of the combined financial statements (continued)
Statement of Financial Performance (continued)

- Revenue from "Services" totalled $21,980,000 (2002 - $19,484,000) and comprises:

    - Syndicate establishment and management fees of $3,543,000 (2002 - $1,721,000), which includes fees in respect to the launch of two new retail property syndicates during the year being the Investa Fourth Commercial Trust and the Investa Fifth Commercial Trust. Ongoing management fees were received from the five syndicates established prior to 30 June 2002;
    - Management fees of $1,575,000 in respect of wholesale property funds (2002 – $1,429,000);
    - Property management fees of $4,851,000 driven by the growth in operations in NSW, Victoria and Queensland (2002 – $3,029,000);
    - $608,000 being the Company's share of 2003 operating cost savings delivered to Telstra in relation to its tenancies under the incentive arrangements incorporated into the acquisition agreement for the Telstra properties;
    - Fee revenue of $7,259,000 from Westpac Banking Corporation in respect of the corporate property services contract which reduced from $8,288,000 in 2002 due to a reduction in the operating costs of providing the service (these costs are recovered from Westpac);
    - Management fees of $1,944,000 from Investa Property Trust (2002- $2,667,000); and
    - Expense recovery and management fees from the vendor of Silverton Limited of $2,200,000 for the management of property sale agreements executed prior to the acquisition (2002 – $2,350,000).

- Revenue from "Property Development" totalled $52,808,000 (2002 - $66,746,000) and comprises sales of property inventory:

    - Residential lots at Manly, Queensland of $12,813,000, Quinns Beach, Western Australia of $6,049,000, and Mill Park Lakes, Melbourne of $26,697,000;
    - Commercial/industrial units at Turner Street, Melbourne of $4,049,000 and land at Eden Park, North Ryde Sydney of $3,200,000;
    - The fall in revenue is due to the sale in the prior period of 4 relatively large industrial properties totalling $51,650,000.

- Revenue from "Short Term Investments" totalled $163,766,000 (2002 - $6,718,000) and comprises:

    - Sales of short term investments totalling $140,653,000 (2002 - nil) relating to the sale of small Telstra properties in Perth and Adelaide and a 50% interest in 589 Collins Street, Melbourne into Investa managed retail syndicates, the sale of a non-core Telstra property in Cairns and the sale of a 10.75% interest in Investa Commercial Property Fund;
    - Rental and distribution income from short term investments held prior to syndication/sale, completed developments prior to sale and other rental income of $21,672,000 (2002- $1,718,000); and
    - Interest income of $578,000 (2001 - $1,215,000).

Significant profit growth has been achieved in each of the four segments:

- Investment portfolio up 49% to $137,019,000 reflecting the increased investment portfolio detailed above in the description of the movements in revenue;
- Services up 68% to $5,245,000 reflecting the increased activities detailed above in the description of the movements in revenue;
- Property development up 14% to $10,090,000 reflecting greater margins achieved on sales of development inventory, with the margin on cost increasing from 17% in 2002 to 44% in the current year;
- Short term investments increasing from $2,151,000 to $15,098,000 reflecting the holding by the Company during the year of interests in Martin Place Trust, Investa Commercial Property Fund and the non-core Telstra properties prior to syndication/sale. The profit also includes $5,311,000 on the sale of short term interests in unit trusts and investments.

Discussion and analysis of the combined financial statements (continued)
Statement of Financial Performance (continued)

This profit growth has been achieved in the context of increases in expenses reflecting the significantly expanded size of operations:

- Higher property outgoings and repairs and maintenance (increased by $15,815,000 to $36,860,000) attributable to interests in properties acquired during the year;
- Higher employee and accommodation expenses due to increased headcount (from 97 to 132 during the year) and the full year impact of increases that occurred in the prior year resulting in total increases of $5,196,000 to $18,046,000;
- Higher amortisation and depreciation (increased by $651,000 to $3,959,000) due to the full year impact of the goodwill created on the acquisition of the development business; and
- Higher borrowing costs (increased by $19,530,000 to $37,883,000) as a result of increased debt levels during the year being partially offset by a lower average cost of funds arising from proactive interest rate risk management.

Statement of Financial Position

Total assets within the Group increased 76% from $1,466,160,000 at 30 June 2002 to $2,581,770,000 at 30 June 2003.

The Trust completed the following acquisitions:

- 242 Exhibition Street, Melbourne;
- 310 Pit Street, Sydney;
- a 50% interest in 231 Elizabeth Street, Sydney;
- 50 Ann Street, Brisbane;
- a 50% interest in Kings Row, Brisbane;
- a 50% interest in 209 Kingsway, Melbourne (construction completed in December 2002);
- a 50% interest in Penrhyn House, Bowden Street, Canberra;
- a 50% interest in 589 Collins Street, Melbourne; and
- an 8.4% investment in Principal Office Fund.

During the year the Trust sold 260 Queen Street, Brisbane for $24,200,000.

The Company also contributed to the increase in assets through its short term investments held prior to either syndication or disposal to third parties. As at 30 June 2003 the Company held the following investments:

- an interest in Martin Place Trust;
- an interest in Investa Commercial Property Fund (89%);
- 7-10 Tomlins Street, Townsville, the sale of which was completed in July 2003 to an external party;
- an interest in an industrial property at 29-41 Lysaght Street, Brisbane;
- an 18% interest in Investa Fifth Commercial Trust, which has been sold in July 2003; and
- 100% of Macarthur Central Trust which owns Macarthur Central Shopping Centre in Brisbane.

In implementing its strategy to replenish its development inventory as current developments are completed and sold, the Company also increased its property development inventory from $117,565,000 at 30 June 2002 to $133,486,000 at 30 June 2003.

In order to assist in the funding of the properties acquired from Telstra and to fund other Group acquisitions, a further Commercial Mortgage Backed Security (CMBS) issuance was made in April 2003. This comprised of $180,000,000 AAA notes and $33,000,000 AA+ notes which, when combined with the original CMBS issue of $250,000,000, increases the CMBS issuance to $463,000,000. In addition to the CMBS refinancing, the Group also renegotiated its revolving facilities with Commonwealth Bank Australia Limited and Westpac Banking Corporation Limited providing an additional $135,000,000 up to $411,000,000 in bank lines of credit.

Discussion and analysis of the combined financial statements (continued)
Statement of Financial Position (continued)

A new bridging facility for $550,000,000 was also negotiated during the year to assist in the proposed acquisition of Principal Office Fund. As at 30 June 2003, $124,000,000 had been utilised.

The total debt outstanding as at 30 June 2003 was $849,600,000 (2002- $320,500,000). The gearing for the Group has increased to 33%, up from 22% at 30 June 2002.

During the year to 30 June 2003, the Group raised $556,026,000 from the issue of new equity securities. This was comprised of institutional placements ($495,561,000), the reinvestment of distributions ($49,818,000) under the Distribution Reinvestment Plan and $10,648,000 raised through the Group's Security Purchase Plan.

The net tangible asset backing for the Group has increased 4.6% to $1.81 at 30 June 2003 per security from $1.73 per security at 30 June 2002.

Statement of Cash Flows

Significant movements in cash flow reflect the expansion activity of the company during the year.

Net cash flow from operating activities has increased $16,701,000 on the prior year reflecting on the one hand the following increased inflows:

- Increased receipts from customers of $111,532,000 of which $79,087,000 relates to sales of property inventory including a receipt of $16,151,000 from sale of inventory in the prior period;
- Distributions and dividends received declined to $6,283,000 reflecting the restructure of Investa Commercial Property Fund resulting in the inclusion of distributions as rental income included above; and

offset by the following increased outflows:

- Payments to suppliers increased by $64,718,000 to $137,916,000 driven by the payments for restocking of land banks particularly Sippy Downs on the Sunshine Coast for $27,280,000, Hillarys, Western Australia of $5,244,000 and 43 Forbes Street, Brisbane of $6,021,045;

- Borrowing costs paid increased by $19,019,000 due to the increased level of external debt.

Net cash flow from investing activities for the year was a significant outflow of $1,016,569,000 reflecting:

- Payment for investments totalling $1,160,778,000 comprising of:
  - Payments for investment properties of $563,352,000 which includes 242 Exhibition Street, Melbourne; 310 Pitt Street, Sydney and 231 Elizabeth Street, Sydney;
  - Payments for company investments and interests in associates of $322,801,000 which includes Macarthur Central Shopping Centre, Brisbane; a 50% interest in Penrhyn House, Canberra; 589 Collins Street, Melbourne; and the completion of the construction of 209 Kingsway, Melbourne;
  - Payment for an 8.4% holding in Principal Office Fund of $127,159,000; and
  - Payment for the investment in Investa Sunlaw Trust of $147,466,000;

partially offset by proceeds on disposal of 260 Queen Street, Brisbane, the property located in Cairns and interests in Pirie Street and Stirling Street and 589 Collins Trusts for a total of $156,853,000.

The investing activities acquisitions have been funded by a mix of debt and equity raisings resulting in a **net cash inflow from financing activities** of $889,999,000. The split is:

- Equity raised net of costs of $496,419,000; and
- Net increases in borrowings of $393,580.000.

Combined Statement of Financial Performance
For the year ended 30 June 2003

	Notes	2003 $'000	2002 $'000
Revenue from ordinary activities			
Revenue from operating activities	2	**245,788**	180,284
Distributions from associates		**16,411**	17,685
Other revenues from ordinary activities	3	**151,631**	6,770
Total revenue from ordinary activities		**413,830**	204,739
Cost of development inventory sold		**(36,784)**	(57,273)
Employee expenses		**(16,708)**	(11,727)
Property outgoings		**(32,424)**	(18,657)
Repairs and maintenance		**(4,436)**	(2,388)
Borrowing costs		**(37,883)**	(18,353)
Net increment on revaluations of investment properties	21 (a)	**-**	6,876
Depreciation of property, plant and equipment		**(339)**	(252)
Amortisation of intangibles		**(3,620)**	(3,056)
Other expenses from ordinary activities	4	**(145,828)**	(7,406)
Profit from ordinary activities before income tax expense	5	**135,808**	92,503
Company income tax expense	8	**(7,213)**	(3,796)
Profit from ordinary activities after income tax expense		**128,595**	88,707
Net profit attributable to outside equity interest	15	**(368)**	-
Net profit after company tax attributable to stapled securityholders of Investa Property Group		**128,227**	88,707
Net increase in asset revaluation reserve	21(a)	**3,397**	46,565
Total revenues, expenses and valuation adjustments attributable to stapled securityholders of Investa Property Group recognised directly in equity		**3,397**	46,565
Total changes in equity other than those resulting from transactions with stapled securityholders as owners		**131,624**	135,272
Distributions and dividends paid and payable	22	**131,895**	84,666
		Cents	Cents
Distributions and dividends paid and payable cents per stapled security	22	**15.60**	14.75
Basic and diluted earnings per stapled security	33	**15.83**	15.55
Basic and diluted earnings per stapled security (before revaluation)	33	**15.83**	14.35
Basic and diluted earnings per stapled security (before revaluation and amortisation)	33	**16.28**	14.88

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

Combined Statement of Financial Position
As at 30 June 2003

	Notes	2003 $'000	2002 $'000
Current assets			
Cash assets		**9,939**	22,873
Receivables	9	**37,470**	39,969
Loan to related entity		**-**	29,577
Property development inventories	14	**20,056**	39,561
Other investments	10	**156,404**	45,629
Total current assets		**223,869**	177,609
Non-current assets			
Deferred tax asset		**2,574**	1,643
Intangibles	11	**39,870**	51,847
Property, plant and equipment	12	**1,032**	1,177
Loans to employees	13	**9,232**	5,561
Other investments	10	**374,186**	-
Property development inventories	14	**113,430**	78,004
Investment properties	16	**1,817,577**	1,150,319
Total non-current assets		**2,357,901**	1,288,551
Total assets		**2,581,770**	1,466,160
Current liabilities			
Payables	17	**23,021**	14,670
Provisions	18	**39,025**	25,964
Current tax liabilities		**4,661**	7,080
Total current liabilities		**66,707**	47,714
Non-current liabilities			
Interest bearing liabilities	19	**849,600**	320,500
Deferred tax liabilities		**6,041**	4,490
Total non-current liabilities		**855,641**	324,990
Total liabilities		**922,348**	372,704
Net assets		**1,659,422**	1,093,456
Equity			
Contributed equity	20	**1,580,041**	1,043,750
Reserves	21(a)	**50,874**	46,565
Amounts available for distribution	21(b)	**8,507**	3,141
Outside equity interest in controlled entities	15	**20,000**	-
Total equity		**1,659,422**	1,093,456

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

Combined Statement of Cash Flows
For the year ended 30 June 2003

	Notes	**2003** **$'000**	2002 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		**287,046**	175,514
Cash payments in the course of operations		**(137,916)**	(73,198)
Interest received		**2,630**	2,637
Distributions and dividends received		**6,283**	19,957
Borrowing costs paid		**(37,074)**	(18,055)
Income taxes paid		**(7,333)**	(9,920)
Net cash inflow from operating activities	31	**113,636**	96,935
Cash flows from investing activities			
Payments for investments in property		**(563,352)**	-
Payment for purchase of controlled entity, net of cash acquired	26	**(147,466)**	(50,519)
Capital expenditure on investment properties		**(9,432)**	(4,996)
(Payment)/refund of due diligence costs		**689**	(1,120)
Payments for investment in listed property trust		**(127,159)**	(50,628)
Loans to related entities		**-**	(95,872)
Repayment of borrowings from related entities		**-**	56,203
Proceeds from sale of investments		**156,853**	5,000
Payments for investments		**(322,801)**	-
Proceeds from sale of for property, plant and equipment		**-**	650
Payment for property, plant and equipment		**(230)**	(242)
Loans to employees		**(3,671)**	(4,388)
Payment for intangible assets		**-**	(8,870)
Net cash (outflow) from investing activities		**(1,016,569)**	(154,782)
Cash flows from financing activities			
Proceeds from issues of securities		**506,208**	132,618
Proceeds from borrowings		**747,300**	84,800
Repayment of borrowings		**(496,200)**	(340,500)
Proceeds from issues of commercial notes		**213,000**	249,405
Payment for costs associated with issue of units		**(9,789)**	(5,649)
Payment for costs associated with issue of commercial notes		**(1,040)**	(1,018)
Distributions paid		**(69,480)**	(51,034)
Net cash inflow from financing activities		**889,999**	68,622
Net increase/(decrease) in cash held		**(12,934)**	10,775
Cash at the beginning of the financial year		**22,873**	12,098
Cash at the end of the financial year		**9,939**	22,873
Non-cash financing and investing activities	32		

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

Notes to the Combined Financial Statements
For the year ended 30 June 2003

Note 1. Summary of significant accounting policies

(a) Basis of preparation of the Combined Financial Report

This general purpose financial report for the year ended to 30 June 2003 has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. It is prepared on the going concern basis and historical cost conventions and has not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except to the extent that investments have been revalued. It is recommended that this report be read in conjunction with any public pronouncements made by the Group during the year 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. 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 unless stated otherwise below.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(b) Principles of aggregation

The Combined Financial Statements incorporate the assets and liabilities of all entities controlled by Investa Properties Limited and Investa Property Trust as at 30 June 2003 and their results for the year ended 30 June 2003. Investa Properties Limited and its controlled entities and Investa Property Trust and its controlled entities are referred to in this financial report as the "Group". The effects of all transactions between entities in the Group are eliminated in full. Certain property investments are held via joint ownership arrangements (refer Note 27). 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.

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.

(c) 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 are reflected in the Combined 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 Combined 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.

v) 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 Statement 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.

Note 1. Summary of significant accounting policies (continued)

(d) Expenses

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.

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 – refer note (q). Other costs incurred including loan establishment fees in respect of obtaining finance are deferred and written off over the term of the respective agreement.

(e) Investment properties

The Trusts' 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 within the Group 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 lengths 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 Statement 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.

(f) 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.

(g) 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.

(h) 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.

(i) Maintenance and repairs

Plant of the 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.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 1. Summary of significant accounting policies (continued)

(j) Earnings per stapled security

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.

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.

(k) Amortisation of intangible assets

Amortisation is calculated on a straight line basis to write off the net cost 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

(l) 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 is amortised over 5 years.

(m) Investments

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

(n) Derivatives

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 accruals basis and included in borrowing costs expense.

(o) 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.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 1. Summary of significant accounting policies (continued)

(p) Employee entitlements
(i) Wages and salaries and annual leave
Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors and are measured at amounts expected to be paid when liabilities are settled.

(ii) Long service leave
Long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields that match as closely as possible the estimated future cash outflows.

(iii) Superannuation
The amount charged to the Statements 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 monthly contributions. There are no contributions outstanding as at 30 June 2003.

(q) Inventory
(i) Valuation
Land held for development and resale is held 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.

(iii) 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.

(r) Rounding of amounts
The Trust is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to 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.

(s) Taxation
Under current legislation, the 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.

The Company adopts tax effect 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.

(t) 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.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 1. Summary of significant accounting policies (continued)

(u) 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.

(v) 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.

(w) Dividends and distributions

Provision is made for the amount of any dividend and distribution declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044 *Provisions for Contingent Liabilities and Contingent Assets* released in October 2001. In previous years, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the financial year and the completion of the financial report. Had the policy been applied in the prior year the provision for dividends and distributions at 30 June 2002 would have been reduced by the Companys dividend of $4,260,000, being the final quarters dividend. The other impact would be that total equity at 30 June 2002 would be increased by the same amount.

Note 2. Revenue from ordinary activities

	2003	2002
	$'000	$'000
Rent	**177,468**	99,280
Sale of property inventory	**52,808**	66,746
Management fees	**15,512**	14,258
	245,788	180,284

Note 3. Other revenues from ordinary activities

	2003	2002
	$'000	$'000
Other revenues from operating activities		
Interest income	**2,650**	2,985
Dividend and distribution income from investments	**2,154**	3,400
Other	**1,814**	385
Revenue from outside the operating activities		
Proceeds from the sale of investment property	**145,013**	-
Other revenue from ordinary activities	**151,631**	6,770

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 4. Other expenses from ordinary activities

	2003 $'000	2002 $'000
Carrying amount of property sold	**138,961**	-
Disposal cost on sale of property	**141**	-
Bad and doubtful debts	**41**	617
Auditor's remuneration (refer note 7)	**446**	463
Other expenses	**6,239**	6,326
	145,828	7,406

Note 5. Operating profit

	2003 $'000	2002 $'000
Profit from ordinary activities before income tax expense includes the following specific expenses:		
Depreciation – property, plant and equipment	**339**	252
Amortisation – intangibles	**3,620**	3,056
Borrowing costs:		
Gross Interest and finance charges paid/payable	**39,765**	20,910
Less: Interest and finance charges capitalised*	**(1,882)**	(2,557)
Interest and finance charges paid/payable	**37,883**	18,353
Rental expenses relating to operating leases:		
Lease payments – office rent	**1,059**	907
Computers & equipment	**215**	185

* The interest rate applied during the year was 7.55% and relates to development inventory.

Note 6. Segment information

The combined entity operates in the following business segments:

Investment portfolio

Investa Property Trust invests directly in properties located throughout Australia and also has indirect property holdings through investments in units in listed and unlisted property trusts.

Services

Investa Properties Limited is the Responsible Entity for Investa Property Trust and for ten registered schemes. Annual management fees and establishment fees are earned. The Company also provides asset, property and facilities management services to properties managed by Investa Property Group.

Property development

Investa Properties Limited engages in retail, commercial and industrial development as well as medium density and broad acre residential subdivision.

Short term investments

Investa Properties Limited holds short term investments prior to either syndication, disposal, or sell down to external investors.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 6. Segment information (continued)

30 June 2003	Investment Portfolio $'000	Services $'000	Property Development $'000	Short Term Investments $'000	Elimination/ Unallocated $'000	Consolidated $'000
Revenue from ordinary activities	**371,817**	**21,980**	**52,808**	**163,766**	**(196,541)**	**413,830**
Segment ordinary profit [1]	**137,019**	**5,245**	**10,090**	**15,098**	**(257)**	**167,195**
Net profit after tax	**113,501**	**4,415**	**8,455**	**2,113**	**(257)**	**128,227**
Segment ordinary profit contribution (%)	**82%**	**3%**	**6%**	**9%**		**100%**
Segment assets	**1,813,381**	**2,818**	**133,486**	**534,786**	**97,299**	**2,581,770**
Segment liabilities	**730,000**	**-**	**59,600**	**60,000**	**72,748**	**922,348**
Depreciation and amortisation expense	**1,930**	**830**	**1,199**	**-**	**-**	**3,959**
Acquisition of property, plant and equipment	-	**181**	**49**	**-**	**-**	**230**

30 June 2002 [2]	Investment Portfolio $'000	Services $'000	Property Development $'000	Short Term Investments $'000	Elimination/ Unallocated $'000	Consolidated $'000
Revenue from ordinary activities	119,740	19,484	66,746	6,718	(7,949)	204,739
Segment ordinary profit [1]	92,063	3,124	8,880	2,151	-	106,218
Net profit after tax	79,917	320	7,987	483	-	88,707
Segment ordinary profit contribution (%)	**87%**	**3%**	**8%**	**2%**		**100%**
Segment assets	1,150,319	3,223	117,565	45,629	149,424	1,466,160
Segmented liabilities	272,500	-	48,000	81,082	(28,878)	372,704
Depreciation and amortisation expense	1,930	815	563	-	-	3,308
Acquisition of property, plant and equipment	-	1,167	175	-	-	1,342

[1] Segment ordinary profit represents earnings before interest, amortisation, depreciation and after tax.
[2] The 2002 comparative segment analysis has been restated to include the results of the investment business segment.

The combined entity operates solely in Australia.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 7. Remuneration of auditors

	2003	2002
	$	$
Remuneration for audit of the financial reports of the Group and its combined entities:		
Auditor of the Group – PricewaterhouseCoopers	**360,071**	223,870
Remuneration for other services		
Auditor of the Group – PricewaterhouseCoopers:		
Taxation	**29,824**	93,940
Other services*	**56,600**	545,534
	446,495	863,344

* Other services in the prior year includes due diligence fees totalling $410,334, primarily incurred on the acquisition of Silverton Limited.

Note 8. Company income tax

The income tax expense for the financial year differs from the amount calculated on the net profit. The differences are reconciled as follows:	**2003** **$'000**	2002 $'000
Net profit from ordinary activities before income tax expense	**135,808**	92,503
Less net profit attributable to Investa Property Trust	**113,243**	79,917
Company profit on ordinary activities before income tax expense	**22,565**	12,586
Income tax calculated @ 30%	**6,770**	3,776
Tax effect of permanent differences:		
Non-deductible amortisation of intangibles	**507**	338
Other	**(64)**	(318)
Income tax expense	**7,213**	3,796

Note 9. Receivables

	2003	2002
	$'000	$'000
Rental trade debtors	**6,194**	5,579
Development trade debtors	**1,425**	16,151
Other trade debtors	**1,943**	1,715
Less: Provision for doubtful debts	**(41)**	(619)
	9,521	22,826
Prepayments	**8,230**	5,650
Distribution receivable from associates	**5,914**	4,220
Loan *	**8,000**	-
Other	**5,805**	7,273
	37,470	39,969

* The loan accrues interest at 7.5%, is secured by a second mortgage over the property located at 260 Queen Street, Brisbane and matures on 31 January 2004

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 10. Other investments

	2003	2002
	$'000	$'000
Current		
Investments in property:		
7 - 13 Tomlins Street, Townsville	**9,325**	-
29 - 41 Lysaght Street, Brisbane	**11,743**	-
Macarthur Central Shopping Centre, Brisbane	**100,796**	-
Investments in unlisted property trusts:		
Martin Place Trust	**25,937**	25,937
Investa Fifth Commercial Trust	**8,603**	-
Investa Sunlaw Trust	**-**	19,692
	156,404	45,629

Current investments in properties and unlisted property trusts are recorded at cost.

	2003	2002
Non-current		
Investments in property:		
Kings Row, Brisbane[1]	**66,073**	-
231 Elizabeth Street, Sydney[1]	**116,724**	-
209 Kingsway, Melbourne[1]	**102,851**	-
1 Market Street, Sydney[1]	**210,446**	-
Total properties	**496,094**	-
Less: properties held in investment portfolio (refer to Note 16)	**(249,067)**	-
	247,027	-
Investments in listed property trusts		
Principal Office Fund[2]	**127,159**	-
Total non-current	**374,186**	-

Non-current investments in properties are assets controlled by the Group which are held long term 50% by Investa Property Trust and 50% by Investa Commercial Property Fund. The classification in non-current investments arises on consolidation of Investa Commercial Property Fund.

[1] This investment is held by Investa Commercial Property Fund. Investa Nominees Pty Limited, a 100% subsidiary of Investa Properties Limited, owned 89% of Investa Commercial Property Fund at 30 June 2003.

[2] On 21 May 2003 the Trust acquired 78,351,484 units in Principal Office Fund, representing an 8.4% holding. The investment is carried at the cost of the units of $123,795,345 plus acquisition costs. Refer to Note 30 for further details.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 11. Intangibles

	2003	2002
	$'000	$'000
Corporate property services establishment costs	**3,500**	3,500
Less: accumulated amortisation[1]	**(682)**	(277)
	2,818	3,223
Goodwill	**5,148**	5,148
Less: accumulated amortisation	**(1,723)**	(692)
	3,425	4,456
Payment for restructuring and management rights	**47,474**	47,474
Less: accumulated amortisation	**(5,490)**	(3,306)
Less: relinquishment of management rights	**(8,357)**	-
	33,627	44,168
	39,870	51,847

[1]The amortisation of the corporate property services establishment costs has been accelerated from 1 January 2003 with the remaining balance as at 1 January 2003 being written off over 5 years from that date.

Note 12. Property, plant and equipment

	2003	2002
	$'000	$'000
At cost	**2,486**	2,292
Less: accumulated depreciation	**(1,454)**	(1,115)
	1,032	1,177

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Fixtures & Fittings $
Carrying amount at 1 July 2002	**1,177**
Additions	**230**
Disposals	**(36)**
Depreciation	**(339)**
Carrying value at 30 June 2003	**1,032**

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 13. Loans to employees

	2003 $'000	2002 $'000
Loans to employees	**9,232**	5,561

These are non-interest bearing non-recourse loans to employees, for the acquisition of Investa Property Group securities under the Investa Employee Share Acquisition Plan ("the Plan"). The securities were purchased on-market on behalf of employees in accordance with individual allocations approved by the Board. Net distributions and dividends from the Investa Property Group securities, as received, are directed towards repayment of the loan. Under the terms of the Plan any shortfall between the market value of the securities at the date of an employee leaving the Group and the cost of the securities is borne by the Group. The market value of the securities held at 30 June 2003 was $10,170,270.

Securities acquired under the plan during the current year totalled 2,187,500 (2002: 2,291,500).

Note 14. Property development inventories

	2003 $'000	2002 $'000
Current - development projects		
Cost of acquisition	**11,066**	36,479
Development costs	**8,030**	2,040
Rates and taxes	**556**	416
Borrowing costs capitalised during development	**404**	626
	20,056	39,561
Non-current - development projects		
Cost of acquisition	**103,955**	69,647
Development costs	**5,492**	5,498
Rates and taxes	**1,938**	1,141
Borrowing costs capitalised during development	**2,315**	1,718
Less: Provision for diminution in value	**(270)**	-
	113,430	78,004

Note 15. Outside equity interest

	2003 $'000	2002 $'000
Interest in:		
Unitholders' equity	**20,000**	-
	20,000	-

The outside equity interest represents a 10.75% interest held by an external investor in Investa Commercial Property Fund. In the Consolidated Statement of Financial Performance the outside equity interest represents the portion of profit attributable the external investor in Investa Commercial Property Fund.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003
Note 16. Investment properties

Property	Type	Ownership	Acquisition date	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value 30/06/03 $'000	Consolidated book value 30/06/02 $'000
Investa Property Trust									
62 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	26/02/88	28,750	30/06/02	27,500	P Harding, Knight Frank	27,507	27,500
64 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	01/07/94	23,991	31/03/02	16,100	A Martin, AAPI JLL Advisory	16,130	16,100
73 Northbourne Avenue, Canberra, ACT *	Offices 99 yr leasehold	100%	06/05/94	23,330	30/06/03	17,100	P Dempsey, FAPI Arthur Andersen	17,100	17,134
73 Miller Street, North Sydney, NSW *	Offices/ Freehold	100%	12/06/97	75,802	30/06/02	90,000	A Richard, FAPI CB Richard Ellis	90,319	90,000
50-60 Talavera Road, North Ryde, NSW *	Offices/ Freehold	100%	01/11/99	32,743	30/06/03	32,000	R Lawrie, AAPI JLL Advisory	32,000	31,400
32 Philip Street, Parramatta, NSW	Offices/ Freehold	100%	01/11/99	21,784	30/06/03	23,000	A Martin, AAPI JLL Advisory	23,000	21,100
55 Market Street, Sydney, NSW *	Offices/ Freehold	100%	31/07/98	122,559	30/06/02	138,000	D Castles, AAPI Landmark White	138,516	138,000
241 Adelaide Street, Brisbane, QLD	Offices/ 75 yrs Leasehold	100%	10/09/98	21,218	31/12/02	17,000	J Porter, AAPI CBRE	17,026	18,100
410 Ann Street, Brisbane, QLD *	Offices/ Freehold 120 yr leasehold	100%	23/11/87	59,291	30/06/01	62,500	C Chatwood AAPI JLL Advisory	64,173	62,610
260 Queen Street, Brisbane, QLD	Offices/ Freehold	100%	01/11/99	-	31/03/01	23,000	W Wiermann, AAPI JLL Advisory	-	23,070
469 Latrobe Street, Melbourne. VIC *	Offices/ Freehold	100%	01/07/88	81,290	30/06/02	53,100	J Perillo, AAPI Knight Frank	53,289	53,100
485 Latrobe Street, Melbourne, VIC *	Offices/ Freehold	100%	10/09/98	91,103	30/06/02	111,000	G Longden, FAPI JLL Advisory	111,046	111,000
420 St Kilda Road, Melbourne,VIC	Offices/ Freehold	100%	12/12/86	24,686	30/06/03	27,500	C Plant JLL Advisory	27,500	27,159
109 St Georges Terrace, Perth, WA	Offices/ Freehold	100%	01/11/99	25,000	30/06/02	25,500	S Nuttall, AAPI JLL Advisory	25,726	25,500
Total Parent				631,547				**643,332**	661,773
Investment in controlled entities									
Investa Real Property Growth Trust									
115 Grenfell Street, Adelaide, SA *	Offices/ Freehold	100%	04/05/89	49,572	30/06/03	28,600	J Pledge AAPI, Knight Frank	28,600	26,680
110 George Street, Parramatta, NSW *	Offices/ Freehold	50% 50%	02/10/97 15/12/98	67,916	30/06/02	66,500	M Caruana, FAPI, Knight Frank	67,071	66,500
State Law Building, Brisbane, QLD	Offices/ Freehold	100%	31/01/03	85,973	31/12/02	83,000	I Gregory AAPI, Knight Frank	85,973	-
Kings Row, Brisbane, QLD	Offices/ Freehold	50%	31/01/03	33,108	31/12/02	31,700	J Apted AAPI, Colliers International	33,108 (1)	-
1 Market Street, Sydney, NSW*	Offices/ Freehold	50%	31/01/03	106,172	31/12/02	102,500	A Pannifex, AAPI Knight Frank	106,172 (1)	-
Total - Investa Real Property Growth Trust				342,741				**320,924**	93,180
Lizabeth Trust									
255 Elizabeth Street, Sydney, NSW*	Offices/ Freehold	50% 10% 40%	21/09/94 11/12/98 01/11/99	172,610	30/06/03	152,000	A Pannifex, AAPI Knight Frank	152,000	154,447
Total – Lizabeth Trust				172,610				**152,000**	154,447
Connect Property Trust									
242 Exhibition Street, Melbourne, Vic*	Offices/ Freehold	100%	19/08/02	274,518	30/06/02	261,000	A Pannifex AAPI FPDSavills	274,523	-
231 Elizabeth Street, Sydney, NSW*	Offices/ Freehold	50%	19/08/02	58,362	30/06/02	57,500	A Pannifex AAPI FPDSavills	58,362 (1)	-
310 Pitt Street, Sydney, NSW*	Offices/ Freehold	100%	08/10/02	125,484	30/06/02	120,000	A Pannifex AAPI FPDSavills	125,486	-
Total – Connect Property Trust				458,364				**458,371**	-
Total investment in controlled entities				973,715				**931,295**	247,627

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 16. Investment properties (continued)

Property	Type	Ownership	Acquisition date	Cost including all additions	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30/06/03	Consolidated book value 30/06/02
Investment in associates				**$'000**	**$'000**	**$'000**		**$'000**	**$'000**
60 Martin Place Unit Trust									
60 Martin Place, Sydney, NSW	Offices/ Freehold	50%	01/11/99	80,475	30/09/02	92,500	P A Dempsey, FAPI Ernst & Young	91,825	88,325
SUNPAC Property Fund*									
1 Market Street, Sydney, NSW	Offices/ Freehold	50%	09/01/96	-	31/12/02	102,500	A Pannifex, AAPI FPDSavills	-	102,029
80 Pacific Highway Trust									
80 Pacific Highway, North Sydney, NSW	Offices/ Freehold	50%	04/05/01	45,743	31/03/01	45,375	MS Smallhorn, FAPI JLL Advisory	45,745	45,745
Investa South Melbourne Trust									
209 Kingsway, Melbourne, VIC	Offices/ Freehold	50%	31/01/02	51,425	01/08/02	50,000	G Longden FAPI JJL Advisory	51,425 (1)	-
Penrhyn House Trust									
Penryhn House, Woden, ACT	Offices/ Freehold	50%	06/12/02	20,649	01/09/02	19,300	P Harding Knight Frank	20,649	-
589 Collins Trust									
589 Collins Street, Melbourne, VIC	Offices/ Freehold	50%	31/01/03	28,486	01/12/02	28,000	JA Perillo, AAPI Knight Frank	28,486	-
Investa Brisbane Commercial Trust**		20%	08/05/01	4,820	-	-	-	4,820	4,820
Total investment in associates				231,598				**242,950**	240,919
Total non-current investment				1,836,860				**1,817,577**	1,150,319

(1) Refer to Note 10 for details on these 4 property investments (sum $249,067,000)

* These properties and units are used as security for the issue of commercial notes referred to in Note 19.
** 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 2003.

Reconciliations

Reconciliations of the carrying amounts of investment property at the beginning and end of the current and previous financial year are set out below

	2003 $'000	2002 $'000
Carrying amount at start of year	**1,150,319**	1,091,885
Additions	**847,312**	4,993
Disposals	**(183,451)**	-
Revaluation increments	**3,397**	53,441
Carrying amount at end of year	**1,817,577**	1,150,319

Note 17. Payables

	2003 $'000	2002 $'000
Trade creditors	**22,394**	13,835
Rent in advance	**440**	725
Tenant deposits	**187**	110
	23,021	14,670

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 18. Provisions

	2003 $'000	2002 $'000
Provision for dividend and distribution*	**35,322**	22,381
Employee entitlements:		
Annual leave	**827**	535
Long service leave	**359**	140
Performance bonuses	**1,523**	662
Other	**994**	2,246
	39,025	25,964

* This provision includes $386,000 payable to the outside equity interests at 30 June 2003.

Movements in provisions
Movements in each class of provision during the financial year are set out below:

	Annual leave $'000	**Long service leave $'000**	**Performance bonuses $'000**	**Other provisions $'000**	**Distributions $'000**	**Total $'000**
Carrying amount at start of year	**535**	**140**	**662**	**2,246**	**22,381**	**25,964**
Movement in the year	**292**	**219**	**861**	**(1,252)**	**-**	**120**
Paid out during the year [1]	**-**	**-**	**-**	**-**	**(119,298)**	**(119,298)**
Additional provisions recognised[1]	**-**	**-**	**-**	**-**	**132,239**	**132,239**
Carrying amount at end of the year	**827**	**359**	**1,523**	**994**	**35,322**	**39,025**

[1] This represents the total distribution by during the year and the total provision for distributions made during the year.

Note 19. Interest bearing liabilities

	2003 $'000	2002 $'000
Secured non-current liabilities		
Commercial notes	**463,000**	250,000
Cash advance facility	**386,600**	70,500
Total secured liabilities	**849,600**	320,500

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 19. Interest bearing liabilities (continued)

Cash advance facilities
The cash advance facilities are on the following terms:

Bank	Facility Amount $'000	Utilised $'000	Maturity of facility	Rate
Commonwealth Bank of Australia	100,000	-	21/06/04[1]	BBSY
Commonwealth Bank of Australia	550,000	124,000	21/04/04[1]	BBSY
Commonwealth Bank of Australia	16,000	325	11/07/04	BBSY
Westpac Banking Corporation	110,000	93,000	30/06/04[1]	BBSY
Westpac Banking Corporation	70,000	59,600	31/03/04[1]	BBSY
Westpac Banking Corporation	65,000	60,000	28/02/08	BBSY
Suncorp Metway	50,000	50,000	20/03/04[1]	BBSY

[1] These loans are currently being re-negotiated and the lenders have indicated that, subject to agreement of terms and credit approval, an extension to the term can be reasonably expected.

Commercial notes
On 16 April 2003, the Trust issued a further $213,000,000 of commercial notes in the form of Commercial Mortgage Backed Securities. The notes consist of a 'AAA' rated fixed tranche of $95,000,000 and 'AAA' rated floating tranche of $85,000,000 along with 'AA+' rated floating tranche of $33,000,000. The notes are fully fungible with the notes issued on 28 November 2001 and expire on 28 November 2006. The coupon rate on the fixed tranche is 6% and on the floating tranche is the 90 day BBSW plus a margin.

Financing arrangements

Unrestricted access was available at balance date to the following cash advance facilities:	**2003 $'000**	2002 $'000
Total facilities:		
Cash advance facilities	**960,675**	424,175
Contingent liability facilities	**325**	15,278
	961,000	439,453
Used at balance date	**386,925**	333,120
Unused at balance date	**574,075**	106,333

Note 20. Contributed equity

Paid up capital	**No of securities '000**	**30 June 2003 $'000**	No of securities '000	30 June 2002 $'000
Investa Property Trust	**885,529**	**1,559,908**	600,822	1,043,191
Investa Properties Limited	**885,529**	**20,133**	600,822	559
		1,580,041		1,043,750

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 20. Contributed equity (continued)

		Investa Property Trust		Investa Properties Limited	
Reconciliation of contributed equity	Date	No. of Units	$'000	No. of shares	$'000
Opening balance	01/07/02	**600,822**	**1,043,191**	**600,822**	**559**
Placement of units	16/08/02	**142,500**	**259,898**	**142,500**	**9,426**
Distributions reinvested	24/08/02	**4,278**	**8,133**	**4,278**	**295**
Placement of units	14/09/02	**32,104**	**58,552**	**32,104**	**2,124**
Placement of units	22/10/02	**45,000**	**87,446**	**45,000**	**3,454**
Distributions reinvested	23/10/02	**6,056**	**11,943**	**6,056**	**472**
Security Purchase Plan	30/12/02	**5,384**	**10,465**	**5,384**	**413**
Placement of units	28/01/03	**35,443**	**71,676**	**35,443**	**2,754**
Distributions reinvested	21/02/03	**6,344**	**12,830**	**6,344**	**493**
Distributions reinvested	08/05/03	**7,598**	**15,073**	**7,598**	**579**
Cost of security placements		**-**	**(9,352)**	**-**	**(436)**
Transfer to amounts available for distribution		**-**	**(9,035)**	**-**	**-**
Transfer (from) asset revaluation reserve		**-**	**(912)**	**-**	**-**
Closing balance		**885,529**	**1,559,908**	**885,529**	**20,133**

Dividend reinvestment plan issues (DRP)

The Group has established a dividend reinvestment plan under which holders of stapled securities may elect to have all or part of their dividend entitlements satisfied by the issue of new stapled securities rather than by being paid in cash. Under the stapled security structure the capital raised under the dividend reinvestment plan can be attributed to either Investa Property Trust or the Company. Up to February 2002, the capital raised was allocated to the Investa Property Trust. The placement of securities in the Investa Property Group from the DRP during February 2002 and May 2002 resulted in 3.5% of the value of the DRP being allocated to the company, with Investa Property Trust being allocated the balance of the value totalling 96.5%. In the year ended 30 June 2003, the percentage allocated to the company increased to 3.7%.

Placement of securities

The Group issued securities in August 2002, September 2002, October 2002 and January 2003 to raise funds to assist in the acquisition of the Telstra portfolio, to support the restructure of Investa Commercial Property Fund and to purchase 589 Collins Street, Melbourne. The allocation of the placements are made using the same ratios as described above.

Security purchase plan

The security purchase plan was established to provide an opportunity for all eligible securityholders to buy additional securities in Investa Property Group. One issue is allowed to be made each 12 months with the most recent in December 2002. This was made at the same price as made under the placement to institutions.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 21. Reserves

	2003 $'000	2002 $'000
(a) Asset revaluation reserve		
Opening balance	**46,565**	(6,876)
Net increases in revaluation	**3,397**	46,565
Transfer from distributable income	**-**	6,876
Transfer to contributed equity on sale of investment property	**912**	-
Closing balance	**50,874**	46,565

Nature and purpose of asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy Note 1(e).

Increments/(decrements) on revaluation of investment properties	2003 $'000	2002 $'000
420 St Kilda Road, Melbourne	**341**	-
73 Northbourne Avenue, Canberra	**(42)**	-
241 Adelaide Street, Brisbane	**(1,173)**	(931)
32 Philip Street, Parramatta	**1,900**	-
50-60 Talavera Road, North Ryde	**597**	-
73 Miller Street, North Sydney	**-**	12,543
55 Market Street, Sydney	**-**	7,821
485 Latrobe Street, Melbourne	**-**	9,734
64 Northbourne Avenue, Canberra	**-**	3,776
109 St Georges Terrace, Perth	**-**	351
469 Latrobe Street, Melbourne	**-**	10,494
62 Northbourne Avenue, Canberra	**-**	1,700
Revaluation of investment in controlled entities		
115 Grenfell Street, Adelaide	**1,201**	-
255 Elizabeth Street, Sydney	**(2,885)**	-
Revaluation of investment in associates		
SUNPAC Property Fund	**-**	7,029
Investa Sunlaw Trust	**258**	-
60 Martin Place Unit Trust	**3,200**	1,195
Total increment on revaluation of investment properties	**3,397**	53,441
Less revaluation increment taken to revenue as reversal of previous decrement	**-**	(6,876)
Net increment/(decrement) recognised directly in asset revaluation reserve	**3,397**	46,565

(b) Amounts available for distribution

	2003 $'000	2002 $'000
Opening balance	**3,141**	1,403
Profit attributable to securityholders of Investa Property Group	**128,227**	88,707
Revaluation increments transferred to asset revaluation reserve	**-**	(6,876)
Transfer from contributed equity*	**9,034**	4,573
Dividends/distributions paid and payable	**(131,895)**	(84,666)
Closing balance	**8,507**	3,141

* This transfer represents $5,415,000 income support on unit placements and amortisation of intangibles of $3,619,000.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 22. Dividends and distributions

	2003 $'000	2003 Cents per stapled security	2002 $'000	2002 Cents per stapled security
Timing of distributions and dividends				
30 September	**29,629**	**3.800**	18,930	3.625
31 December	**32,610**	**3.900**	21,097	3.675
31 March	**34,678**	**3.950**	22,258	3.725
30 June final payable (1)	**34,978**	**3.950**	22,381	3.725
	131,895	**15.600**	84,666	14.750

(1) To be paid on 22 August 2003.

Dividends/distributions actually paid or satisfied by the issue of securities under the Group distribution reinvestment plans during the year ended 30 June 2003 were as follows:

	2003 $'000	2002 $'000
Paid in cash	**69,480**	51,034
Satisfied by the issue of securities – refer note 32	**49,818**	28,945
	119,298	79,979

Franked dividends

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

	2003 $'000	2002 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**3,574**	15,046

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.

Note 23. Financial instruments

(a) Credit risk

Credit risk is the risk that a tenant will fail to perform contractual obligations including honouring the term of the lease agreements either in whole or in part, under a contract. Credit risk has been minimised primarily by undertaking credit references and ensuring that tenants have appropriate financial standing and obtaining bank guarantees were appropriate.

The credit risk on financial assets of the Group which have been recognised in the Combined Statement of Financial Position is generally the carrying amount.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 23. Financial instruments (continued)

(b) Market risk
Market risk is the risk that the value of the Group's investment portfolio will fluctuate as a result of changes in valuations. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

(c) Liquidity and cash flow risk
Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments. Cash flow risk is the risk that the future cash flows will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through actively managing significant exposures to large creditors and ensuring tenants have appropriate financial standing.

(d) Interest rate risk exposures
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk and the weighted average effective interest rate (for each class of financial asset and financial liability, and each maturity period including floating rate financial assets and liabilities) is set out in the table below:

			Fixed interest maturing in:				
2003	**Notes**	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**More than 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets							
Cash assets		9,939	-	-	-	-	9,939
Receivables	9	-	8,000	-	-	29,470	37,470
Loans to employees	13	-	-	-	-	9,232	9,232
		9,939	**8,000**	**-**	**-**	**38,702**	**56,641**
Weighted average interest rate		**4.12 %**	**7.50%**				
Financial liabilities							
Payables	17	-	-	-	-	23,021	23,021
Interest bearing liabilities	19	654,600	-	195,000	-	-	849,600
Interest rate swap*		(589,000)	-	589,000	-	-	-
Interest rate swap*		95,000	-	(95,000)	-	-	-
		160,600	**-**	**689,000**	**-**	**23,021**	**872,621**
Weighted average interest rate		**5.26 %**		**6.18%**			
Net financial (liabilities)/assets		**(150,661)**	**8,000**	**(689,000)**	**-**	**15,681**	**(815,980)**

* notional principal amount.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 23. Financial instruments (continued)

2002	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash assets		22,873	-	-	-	-	22,873
Receivables	9	-	-	-	-	39,969	39,969
Loans to employees	13	-	-	-	-	5,561	5,561
Related party loans		29,577	-	-	-	-	29,577
		52,450	-	-	-	45,530	97,980
Weighted average interest rate		5.07%					
Financial liabilities							
Payables	17	-	-	-	-	14,670	14,670
Interest bearing liabilities	19 (b)	220,500	50,000	-	100,000	-	320,500
Interest rate swap*		(155,000)	-	105,000	-	-	-
		53,200	50,000	105,000	100,000	14,670	335,170
Weighted average interest rate		5.88%	6.28%	6.50%	6.00%		
Net financial (liabilities)/assets		(13,050)	(50,000)	(105,000)	(100,000)	30,860	(237,190)

* notional principal amount.

(e) Off-balance sheet financial instrument

	2003 $'000	2002 $'000
Financial liabilities		
Interest rate swaps	**(13,209)**	(840)

The off-balance sheet value of financial liabilities represents the present value of the estimated future cashflows which have not been recognised as an on-balance sheet asset or liability.

The fixed interest rates on the swaps currently in place range between 4.87% - 6.03%. At 30 June 2003, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2003 $'000	2002 $'000
Less than 1 year	-	-
1 – 2 years	**56,000**	50,000
3 – 4 years	**180,000**	55,000
4 – 5 years	**348,000**	50,000
5 – 6 years	**100,000**	-
6 – 7 years	**150,000**[1]	-

[1] This comprises 2 swaps commencing 15 August 2004 ($50m) and 16 October 2006 ($100m).

(f) Net fair value of financial assets and liabilities

The net fair value of financial assets and liabilities included in the statement of financial position approximates their carrying value.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 24. Commitments for expenditure

	2003	2002
	$'000	$'000
Lease commitments – office premises		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**1,119**	746
Later than one year but not later than 5 years	**1,611**	2,357
	2,730	3,103
Representing:		
Non -cancellable operating leases	**2,730**	3,103
Operating leases – computer and office equipment		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**268**	203
Later than one year but not later than 5 years	**181**	231
Commitments not recognised in the financial statements	**449**	434
Capital commitments		
Commitments for capital expenditure on investment properties contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**4,273**	2,028

Note 25. Related parties

Directors
The names of persons who were directors of Investa Properties Limited, the Responsible Entity at any time during the financial year were as follows: I K Payne; C J O'Donnell; S A Mays; P J Carney; J L Arthur; J I Messenger and D R Page. J I Messenger was appointed on 15 August 2002. P J Carney passed away on 7 August 2002.

Remuneration benefits
Information on remuneration of directors is disclosed in Note 28.

Loans to directors
An interest free loan of $2,189,016 has been made to C J O'Donnell. The loan is secured on 1,250,000 stapled securities. During the year $136,298 has been repaid. The terms and conditions are the same as those in Note 13.

Transactions with directors
There have been no transactions with directors or entities related to directors at any time during the year ended 30 June 2003, unless otherwise stated.

Ownership interests in related parties
Interest held in the following classes of related parties are set out in the following notes:
(a) Controlled entities – Note 26.
(b) Associates – Note 27.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 25. Related parties (continued)

Responsible entity fees from other related parties
Investa Properties Limited is the Responsibly Entity for a number of related entities, and during the year received the following fees:

	2003	2002
	$'000	$'000
Investa Property Trust	**1,944**	2,667
Collins Property Trust	**169**	170
Investa Brisbane Commercial Trust	**410**	43
Martin Place Trust	**373**	350
Investa North Sydney Property Trust	**330**	280
Investa First Industrial Trust	**687**	827
Investa Second Industrial Trust	**379**	400
Investa Sunlaw Trust	**1,173**	1,079
Investa Commercial Property Fund	**421**	-
Investa Fourth Commercial Trust	**500**	-
Investa Fifth Commercial Trust	**1,068**	-
SUNPAC Property Fund	**29**	-

Custodian
The custodian of the Trusts assets is Investa Properties Limited. The fee for these services, charged at cost, is included in the responsible entity fee.

Conflict of interest
No director of Investa Properties Limited has become entitled to receive any benefits because of a contract made by the Trust or the Company with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest.

Related party transactions
All other related party transactions are conducted on normal commercial terms and conditions.

Related party loans
The following related party loans are from Investa Property Trust and are outstanding at the year end:

	2003	2002
	$'000	$'000
Investa Properties Limited	**19,231**	42,986
Investa Nominees Pty Limited	**211,161**	27,248
Investa Development Holdings Pty Limited	**61,004**	61,004
Macarthur Central Trust	**75,350**	-
Investa Third Industrial Trust	**11,784**	10,848
	378,530	142,086

During the year the Company and its controlled entities paid $14,997,000 in interest income on the loans made by Investa Property Trust and its controlled entities (2002: $3,888,000).

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 26. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares/units	**Equity holding 2003 %**	Equity holding 2002 %
Lizabeth Trust	Australia	Ordinary	**100**	100
Investa Real Property Growth Trust	Australia	Ordinary	**100**	100
Investa Asset Management Pty Limited	Australia	Ordinary	**100**	100
Investa Asset Management (QLD) Pty Limited	Australia	Ordinary	**100**	100
Investa Development Holdings Pty Limited	Australia	Ordinary	**100**	100
Investa Developments Pty Limited	Australia	Ordinary	**100**	100
Investa Nominees Pty Limited	Australia	Ordinary	**100**	100
Investa Custodian Pty Limited	Australia	Ordinary	**100**	100
Investa Third Industrial Trust	Australia	Ordinary	**100**	100
Silverton Limited	Australia	Ordinary	**100**	100
Helensvale Estate Pty Limited	Australia	Ordinary	**100**	100
Triptec Pty Limited	Australia	Ordinary	**100**	100
Silverton Real Estate Pty Limited	Australia	Ordinary	**100**	100
P.A Shingles Pty Limited	Australia	Ordinary	**100**	100
Whitfords Beach Pty Limited	Australia	Ordinary	**100**	100
Coombabah Square Pty Limited	Australia	Ordinary	**100**	100
Townsville Trust*	Australia	Ordinary	**100**	-
Cairns Trust*	Australia	Ordinary	**100**	-
Macarthur Central Trust*	Australia	Ordinary	**100**	-
Connect Property Trust & controlled entities*	Australia	Ordinary	**100**	-
Investa Sunlaw Trust	Australia	Ordinary	**100**	-

* These entities were formed during the year.

Investa Sunlaw Trust

On 31 January 2003, Investa Real Property Growth Trust became the sole unitholder in Investa Sunlaw Trust

Fair value of identified net assets of controlled entity acquired as at 31 January 2003:

Item	**$'000**
Investment properties	217,178
Receivables	577
Other debtors	1,166
Cash	3,809
Borrowings	(65,000)
Payables	(2,028)
Provisions	(4,427)
	151,275
Cash consideration	151,275
Outflow of cash used to acquire controlled entity net of cash acquired	
Cash Consideration	151,275
Less balances acquired:	
Cash	3,809
Outflow of cash	147,466

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 26. Investments in controlled entities (continued)

Silverton acquisition

In the prior year, Investa Developments Pty Ltd a 100% owned company of the parent entity acquired 100% of the issued share capital of Silverton Limited. Control of Silverton Limited passed to Investa Development Holdings Pty Ltd on 9 November 2001 with the sale of shares 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	(16,208)
	46,281
Goodwill on acquisition	5,165
Less: Deferred consideration	(500)
Cash consideration	50,946
Outflow of cash used to acquire controlled entity net of cash acquired	
Cash Consideration	50,946
Less balances acquired:	
Cash	1,202
Bank overdraft	(775)
	427
Outflow of cash	50,519

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 27. Investments in associates

Investments in associates are carried at net asset value by the Group. Information relating to associates is set out below:

Name of Trust	**Ownership interest 2003 %**	**Carrying amount of investment 2003 $'000**	Ownership interest 2002 %	Carrying amount of investment 2002 $'000
SUNPAC Property Fund	**50%**	**106,179**	50%	102,029
60 Martin Place Unit Trust	**50%**	**91,825**	50%	88,325
80 Pacific Highway Trust	**50%**	**45,745**	50%	45,745
Investa Brisbane Commercial Trust	**20%**	**4,820**	20%	4,820
Investa South Melbourne Trust	**50%**	**51,425**	50%	-
Penrhyn House Trust	**50%**	**20,649**	-	-
589 Collins Trust	**50%**	**28,486**	-	-
		349,129		240,919

The principal activity of all associates is investment in commercial property.

Summary of the performance and financial position of associates. The aggregate profits, assets and liabilities of associates:	**2003 $'000**	2002 $'000
Profits from ordinary activities	**16,411**	17,685
Assets	**859,175**	248,128
Liabilities	**43,561**	9,883

Reconciliations

Reconciliations of the carrying amounts of each class of investments at the beginning and end of the current and previous financial year are set out below:

	2003 $'000	2002 $'000
Carrying amount at start of year	**240,919**	232,415
Additions	**105,010**	50,285
Revaluation increments	**3,200**	10,693
Carrying amount at end of year	**349,129**	240,919

Share of associates' capital commitments

	2003 $'000	2002 $'000
Capital commitments	**-**	75,395

The prior period commitment relates to the obligation Investa South Melbourne Trust had to make a final payment of approximately $75,000,000 on the completion of the property located at 209 Kingsway, Melbourne in January 2003.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 27. Investments in associates (continued)

Results attributable to associates

	2003 $'000	2002 $'000
Operating profits before income tax	**16,411**	17,697
Income tax expense	**-**	-
Operating profits after income tax expense	**16,411**	17,697
Less: Distributions received/receivable	**(16,411)**	(17,685)
Undistributed income attributable to associates' at the beginning of the financial year	**12**	-
Undistributed income attributable to associates' at the end of the financial year	**12**	12

Note 28. Remuneration of directors

	2003 $	2002 $
Income paid or payable, or otherwise made available, to directors by entities in the Group and related parties in connection with the management of affairs of the Group's entities	**1,423,719**	1,072,789

The number of directors whose total income from the Group was within the specified bands are as follows:

$		$	2003 No.	2002 No.
10,000	-	19,999	**-**	1
30,000	-	39,999	**-**	1
60,000	-	69,999	**-**	1
70,000	-	79,999	**2**	-
80,000		89,999	**1**	-
90,000	-	99,999	**2**	1
100,000	-	109,999	**-**	1
110,000	-	119,999	**1**	-
770,000	-	779,999	**-**	1
870,000	-	879,999	**1**	-

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 29. Remuneration of executives

	2003	2002
	$	$
Remuneration received, or due and receivable, from entities in the Group and related parties by Australian based executive officers (including directors) whose remuneration was at least $100,000:	**3,184,050**	1,791,200

The number of Australian based executive officers whose remuneration from entities in the combined Group and related parties was within the specified bands are as follows:

			2003	2002
			No.	No.
			2003	2002
$		$		
140,000	-	149,999	**1**	-
220,000	-	229,999	**-**	2
230,000	-	239,999	**-**	2
240,000	-	249,999	**1**	1
250,000	-	259,999	**2**	-
260,000	-	269,000	**1**	-
270,000	-	279,999	**1**	-
310,000	-	319,999	**-**	2
400,000	-	409,999	**1**	-
440,000	-	449,999	**1**	-
770,000	-	779,999	**-**	1
870,000	-	879,999	**1**	-

Note 30. Events occurring after reporting date

Principal Office Fund
On 21 May 2003 Investa Property Trust acquired 78,351,484 units in Principal Office Fund, representing an 8.4% holding. On 26 May 2003 Investa Properties Limited as responsible entity of Investa Property Trust announced its intention to make an off market scrip and cash offer to acquire the remaining units in Principal Office Fund under the terms set out in the bidder's statement lodged with the Australian Securities and Investments Commission (ASIC) on 2 June 2003. The bidder's statement was issued to Principal Office Fund unitholders on 20 June 2003. The offer was declared unconditional on 14 July 2003. On 21 July 2003 the cash component of the offer consideration was increased by 3 cents per Principal Office Fund unit, which resulted in a 14 day extension of the offer period to 4 August 2003.

In the period from 1 July 2003 to 28 July 2003 Investa Property Trust acquired a further 148,415,738 units for an approximate consideration of $230 million, which increased its holding to 24.3% of the units in Principal Office Fund. The acquisition of those units has been funded out of a debt facility arranged with Commonwealth Bank of Australia and the issue of stapled securities in Investa Property Group. The financial effects of the units acquired in Principal Office Fund and the cash and securities issued to fund the acquisition in the period from 1 July 2003 to 28 July 2003 have not been bought to account at 30 June 2003.

Other matters
On 1 July 2003 the Group settled on the sale of 7-13 Tomlins Street, Townsville for $10.9 million. On 3 July 2003 Investa Properties Limited sold the remainder of its units in Investa Fifth Commercial Trust for $9.5 million, therefore completing the syndication of that trust. The financial effects of these transactions have not been brought to account as at 30 June 2003.

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 31. Reconciliation of net profit to net cash inflow from operating activities

	2003 $'000	2002 $'000
Net profit after company tax attributed to stapled securityholders of Investa Property Group	**128,227**	88,707
Net increment on revaluation of investment properties	**-**	(6,876)
Amortisation of intangibles	**3,620**	3,056
(Increase) in receivables	**(2,629)**	(22,428)
Increase/(decrease) in payables	**8,471**	9,315
(Increase)/decrease in inventories	**(15,921)**	22,647
Net gain on sale of investment property	**(6,052)**	(385)
Depreciation of assets	**339**	252
(Decrease)/increase in provision for income tax payable	**(2,419)**	2,647
Net cash inflow from operating activities	**113,636**	96,935

Note 32. Non-cash financing and investing activities

	2003 $'000	2002 $'000
Issuance under Distribution Reinvestment Plan:		
Distributions reinvested – 31 July 2001	**-**	6,813
Distributions reinvested – 30 November 2001	**-**	6,159
Distributions reinvested – 28 February 2002	**-**	9,289
Distributions reinvested – 30 April 2002	**-**	6,684
Distributions reinvested – 24 August 2002	**8,428**	-
Distributions reinvested – 23 October 2002	**12,415**	-
Distributions reinvested – 21 February 2003	**13,323**	-
Distributions reinvested – 23 May 2003	**15,652**	-
	49,818	28,945

Distributions satisfied by the issue of securities under the Distribution Reinvestment Plan are shown in Note 20.

Note 33. Earnings per stapled security

	2003	2002
Basic and diluted earnings per stapled security (cents)	**15.83 c**	15.55 c
Basic and diluted earnings per stapled security before revaluation, after amortisation (cents)	**15.83 c**	14.35 c
Basic and diluted earnings per stapled security before revaluation, before amortisation (cents)	**16.28 c**	14.88 c
Weighted average number of stapled securities outstanding during the year used in the calculation of basic earnings per stapled security	**809,850,175**	570,361,749

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

Notes to the Combined Financial Statements (continued)
For the year ended 30 June 2003

Note 34. Contingent assets and liabilities

Under the terms set out in the bidders statement lodged with the Australian Securities and Investments Commission on 2 June 2003 as amended on 21 July 2003, Investa Properties Limited as responsible entity of Investa Property Trust has offered to acquire all of the units in Principal Office Fund. The offer, which was declared unconditional on 14 July 2003, is subject to acceptance by the unitholders of Principal Office Fund and under the terms of the offer a consideration of seven Investa Property Group securities and $5.22 cash for every twelve Principal Office Fund units has been offered. It is not possible to reliably measure the amount or timing of the contingency (both an asset and an offsetting liability) as it will depend on the level and timing of acceptances by the Principal Office Fund unitholders.

The contingent asset represents the Principal Office Fund units acquired with the contingent liability representing the cash and equity required to fund the acquisition.

Directors' Declaration

The directors declare that the combined financial statements and notes set out on pages 11 to 42:

(a) comply with Accounting Standards, and other mandatory professional reporting requirements; and
(b) present fairly the Group's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and cash flows for the financial year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Group 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 of Investa Properties Limited.

I K Payne
Chairman
Sydney
29 July 2003

Independent Audit Report to the stapled securityholders of Investa Property Group

Audit opinion

In our opinion, the financial report, set out on pages 11 to 43:

- presents fairly the combined financial position of Investa Property Group as at 30 June 2003 and of its combined performance for the year ended on that date
- is presented in accordance with Accounting Standards and other mandatory professional reporting requirements.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the year ended 30 June 2003 is the responsibility of the directors of Investa Properties Limited. It includes the combined financial statements for Investa Property Group (the Group), comprising Investa Properties Limited and Investa Property Trust and the entities they controlled during the year ended 30 June 2003.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it, so as to enable the Group to lodge the financial report with the Australian Securities & Investments Commission and the ASX. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, which is consistent with our understanding of the Group's financial position, and its performance as represented by the results of its operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

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Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in note 7 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants

J A Dunning

J A Dunning
Partner
Sydney
29 July 2003