

Investa Property Trust

ARSN 088 705 822

Annual Report

30 June 2003

Annual Report – 30 June 2003

Contents	Page
Directors' Report	2
Discussion and analysis on the consolidated financial report	7
Statements of Financial Performance	9
Statements of Financial Position	10
Statements of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	32
Independent audit report to the unitholders of Investa Property Trust	33

Investa Property Trust

Directors' Report

The directors of Investa Properties Limited, the Responsible Entity of Investa Property Trust present their report together with the financial report of the Trust and the consolidated financial report of the Trust and its controlled entities for the year ended 30 June 2003.

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 activity of the Trust continued to consist of investment in commercial properties.

Distributions

Distributions paid to unitholders during the financial year were as follows:

	2003
	\$'000
Final distribution for the year ended 30 June 2002 of 3.016 cents per unit paid on 24 August 2002	18,121
Interim distribution of 3.30 cents per unit paid on 22 November 2002	25,730
Interim distribution of 3.45 cents per unit paid on 21 February 2003	28,847
Interim distribution of 3.55 cents per unit paid on 23 May 2003	31,167
	<u>103,865</u>

In addition to the above distribution, the directors declared a final distribution on 17 June 2003 of 3.70 cents per unit (\$32,765,000) to be paid on 22 August 2003.

Distributions totalling \$118,509,000 (14.00 cents per unit) were paid or payable by the Trust for the year ended 30 June 2003 (2002: \$78,377,000 equivalent to 13.69 cents per unit).

Units on issue

	2003	2002
	No.'000	No.'000
Opening units on issue	600,822	515,490
Units issued via placements	260,431	70,358
Units issue through the distribution reinvestment plan	24,276	14,974
Closing units on issue	<u>885,529</u>	<u>600,822</u>

Investa Property Trust

Directors' Report (continued)

Review of operations and significant changes in the state of affairs

A summary of the consolidated results is as follows:

	2003	2002
	\$'000	\$'000
Net profit (including net revaluation of investment properties)	114,314	79,919
Income brought forward	199	960
Transfer from contributed equity	9,035	4,573
Net transfers to reserves	-	(6,876)
Distribution paid and payable	(118,509)	(78,377)
Amounts available for distribution carried forward	<u>5,039</u>	<u>199</u>

Value of Trust assets at 30 June	<u>2,393,011</u>	<u>1,384,155</u>
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Distributions from the Trust increased from 13.69 cents per unit in 2002 to 14.00 cents in 2003, with underlying profit attributable to unitholders before asset revaluations increasing from \$73,043,000 in 2002 to \$114,314,000 in 2003, an increase of 57%. This increase reflects growth in rental revenue driven by the increased property portfolio and also increased interest income on loans to related parties.

Trust assets increased from \$1,384,155,000 in 2002 to \$2,393,011,000 a net increase of \$1,008,856,000, driven by the level of acquisition activity during the year, and the increase in loans to related parties.

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

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

Investa Property Trust

Directors' Report (continued)

Information on Directors (continued)

Director	Experience	Special responsibilities
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' Interests in units of Investa Property Trust were as follows:

	Number of units	
	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	-

Responsible Entity Interests

Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in Note 18 to the financial statements.

No fees were paid out of Trust property to the directors of the responsible entity during the year.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 18 to the financial statements.

Directors' Report (continued)

Management expense ratio (MER)

The MER of the Trust for the past five years is shown in the following table. The MER figures include the expenses incurred directly and indirectly by the Trust:

	2003 %	2002 %	2001 %	2000 %	1999 %
MER	0.20	0.29	0.44	0.72	0.90

Environmental regulation

Whilst the Trust is not subject to significant environmental regulation in respect of its activities, the directors of the Responsible Entity 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.

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 units issued to fund the acquisition in the period from 1 July 2003 to 28 July 2003 have not been brought to account at 30 June 2003.

Other matters

On 1 July 2003 Townsville Trust sold 7-13 Tomlins Street, Townsville for \$10.9 million. Investa Real Property Growth Trust, 100% sub trust of Investa Property Trust, owns 45% of Townsville Trust. The financial effect of this transaction has not been brought to account at 30 June 2003.

Likely developments and expected results of operations

Information on the likely developments in operations and the expected results of these operations has not been included because the directors believe that it would be likely to result in unreasonable prejudice to the Trust.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided for the directors of the Responsible Entity or the auditors of the Trust. So long as the officers of Investa Properties Limited act in accordance with the constitution and the law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Directors' Report (continued)

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.

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



I K Payne
Chairman
Sydney
29 July 2003

Discussion and analysis on the consolidated financial statements

Consolidated Statement of Financial Performance

Net profit before revaluation increments for the year to 30 June 2003 increased 57% on the previous corresponding period to \$114,314,000 from \$73,043,000.

The distribution per unit has increased 2% to 14.00 cents per unit from 13.69 cents per unit in the corresponding year compared to an increase in earnings per unit before amortisation and revaluations of 9% to 14.35 cents per unit. Amounts available for distribution carried forward have increased from \$199,000 as at 30 June 2002 to \$5,039,000 as at 30 June 2003.

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), the acquisition of State Law, Brisbane and 50% of Kings Row, Brisbane, 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);
 - 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.

Operating expenses including rates and taxes, property outgoings and repairs and maintenance have increased on the corresponding year (by \$9,946,000 to \$33,550,000) reflecting the increase in the property portfolio.

Borrowing costs include interest expense and line facility fees and have increased on the corresponding year (by \$18,872,000 to \$35,962,000) due to the increase in borrowings required to partly fund the investments made by Investa Property Group during the year. This increase is partially offset by a lower average cost of funds arising from proactive interest rate risk management.

Included in other expenses is the management fee paid to Investa Properties Limited and other general operating expenses of the Trust. The MER has reduced to 0.20% as compared to 0.29% in the previous corresponding year.

Consolidated Statement of Financial Position

Trust assets increased by 73% to \$2,393,011,000 primarily driven by the increase in the property portfolio due to the acquisition of the properties mentioned above.

Increased loans to Investa Properties Limited and its subsidiaries, to facilitate the growth of the Company's activities, have also contributed to the growth of Trust assets.

In order to assist in the funding of the properties acquired from Telstra and the general expansion of the Group's activities, 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. Interest bearing liabilities have increased from \$269,000,000 to \$730,000,000.

Discussion and analysis on the consolidated financial statements (continued)

Consolidated Statement of Financial Position (continued)

During May 2003, Investa Property Trust also purchased an 8.4% holding in Principal Office Fund for \$127,159,000 including acquisition costs. The purchase was funded by a new \$550,000,000 facility negotiated during the year.

Gearing has increased from 19% at 30 June 2002 to 31% at 30 June 2003.

Contributed equity increased in the period due to the issue of units, raising \$536,016,000 to facilitate the Group's acquisitions.

Consolidated Statement of Cash Flows

Cash flow from operating activities has increased 41% to \$103,448,000 in the period consistent with the increase in net profit before revaluation adjustments. The increase is driven by an increase in rental receipts by 41% matching the increase in rental income, by growth in the distribution from associates (see comments above on revenue growth from associates) and the increase in interest income received from loans to related entities.

Net cash flow from investing activities for the year was a significant outflow of \$930,095,000 reflecting:

- Payment by the Trust for property investments totalling \$516,726,000 which includes, 242 Exhibition Street, Melbourne, 310 Pitt Street, Sydney and 231 Elizabeth Street, Sydney;
- Payments for investments in associates of \$106,402,000 including a 50% interest in Penrhyn House, Canberra, 589 Collins Street, Melbourne, and the completion of the construction of 209 Kingsway, Melbourne;
- The purchase of an 8.4% stake in Principal Office Fund for \$127,159,000 including acquisition costs; and
- Net loans to related entities of \$201,396,000 were made during the period to fund Investa Properties Limited's acquisitions of an interest in five Telstra properties and its investment in Investa Commercial Property Fund;

partially offset by:

- Proceeds on disposal of 3 investments including 50% interests in SUNPAC Property Fund (1 Market Street, Sydney) and 231 Elizabeth Street, both as part of the restructure of the Group's wholesale fund and 260 Queen Street, Brisbane for a total of \$176,591,000.

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 \$817,758,000. The split is:

- Equity raised net of costs of \$422,798,000; and
- Net increases in borrowings of \$394,960,000.

Investa Property Trust

Statements of Financial Performance For the year ended 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from ordinary activities					
Rent		141,053	97,562	71,704	71,041
Distributions from associates		27,297	17,685	20,584	17,685
Other revenues from ordinary activities	4	204,280	4,493	204,546	24,894
Total revenue from ordinary activities		372,630	119,740	296,834	113,620
Property outgoings		(29,801)	(21,216)	(17,015)	(15,805)
Repairs and maintenance		(3,749)	(2,388)	(1,899)	(1,794)
Borrowing costs		(35,962)	(17,090)	(34,421)	(17,090)
Increment/(decrement) on revaluations of investment properties	13(a)	-	6,876	(7,526)	41,753
Amortisation of intangibles		(1,930)	(1,930)	(1,930)	(1,930)
Other expenses from ordinary activities	2	(186,874)	(4,073)	(127,255)	(3,958)
Net profit		114,314	79,919	106,788	114,796
Net increase in asset revaluation reserve		3,139	46,565	3,139	11,688
Total revenues, expenses and valuation adjustments attributable to unitholders of Investa Property Trust recognised directly in equity	13(a)	3,139	46,565	3,139	11,688
Total changes in equity other than those resulting from transactions with unitholders as owners		117,453	126,484	109,927	126,484
Distributions paid and payable	14	118,509	78,377		
		Cents	Cents		
Distributions paid and payable (cents per units)	14	14.00	13.69		
Basic and diluted earnings per unit (cents per unit)	25	14.12	14.01		
Basic and diluted earnings per unit (before revaluation and after amortisation)	25	14.12	12.81		
Basic and diluted earnings per unit (before revaluation and before amortisation)	25	14.35	13.14		

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

Investa Property Trust

Statements of Financial Position As at 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current assets					
Cash assets		2,781	11,670	442	10,105
Receivables	5	29,142	14,946	24,871	17,249
Investment properties	9	4,196	-	-	-
Loans to related entities	7	205,864	29,577	385,916	29,577
Total current assets		241,983	56,193	411,229	56,931
Non-current assets					
Intangibles	6	33,627	35,557	33,627	35,557
Loans to related entities	7	172,665	142,086	172,665	142,086
Other investment	8	127,159	-	127,159	-
Investment properties	9	1,817,577	1,150,319	1,593,050	1,148,594
Total non-current assets		2,151,028	1,327,962	1,926,501	1,326,237
Total assets		2,393,011	1,384,155	2,337,730	1,383,168
Current liabilities					
Payables	10	14,683	7,079	9,402	6,092
Provision for distribution	14	32,765	18,121	32,765	18,121
Total current liabilities		47,448	25,200	42,167	24,213
Non-current liabilities					
Interest bearing liabilities	11	730,000	269,000	680,000	269,000
Total non-current liabilities		730,000	269,000	680,000	269,000
Total liabilities		777,448	294,200	722,167	293,213
Net assets		1,615,563	1,089,955	1,615,563	1,089,955
Equity					
Contributed equity	12(a)	1,583,173	1,043,191	1,610,524	1,078,068
Reserves	13(a)	27,351	46,565	-	11,688
Amounts available for distribution	13(b)	5,039	199	5,039	199
Total equity		1,615,563	1,089,955	1,615,563	1,089,955

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

Investa Property Trust

Statements of Cash Flows For the year ended 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations		142,793	101,495	74,306	72,192
Cash payments in the course of operations		(32,126)	(34,175)	(16,635)	(25,420)
Interest received		2,770	2,376	3,628	2,326
Trust distribution income from controlled entities		-	-	56,971	20,226
Distributions from associates		24,254	18,284	17,541	18,284
Borrowing costs paid		(34,243)	(14,857)	(32,702)	(14,857)
Net cash inflow from operating activities	23	103,448	73,123	103,109	72,751
Cash flows from investing activities					
Proceeds from sale of property and investments		176,591	-	117,098	-
Payments for additional investment in controlled entity		-	-	(555,117)	-
Capital expenditure payments		(7,537)	(4,996)	(2,996)	(3,891)
Loans to related entities		(457,738)	(244,233)	(624,785)	(244,233)
Repayment from loans to related entities		256,342	74,103	255,732	74,104
Payment for investment in listed trust		(127,159)	-	(127,159)	-
Redemption of units in controlled entity		-	-	92,558	-
Payment for investment in property		(516,726)	-	-	-
Payments for investments in associates		(106,402)	-	(100,861)	-
Purchase of controlled entity, net of cash acquired	19	(147,466)	-	-	-
Net cash (outflow) from investing activities		(930,095)	(175,126)	(945,530)	(174,020)
Cash flows from financing activities					
Proceeds from issues of units		488,038	132,057	488,038	132,057
Proceeds from borrowings		655,700	81,800	655,700	81,800
Proceeds from issue of commercial notes		213,000	249,405	213,000	249,405
Payments for cost associated with issue of commercial notes		(1,040)	(1,018)	(1,040)	(1,018)
Repayment of borrowings		(472,700)	(305,800)	(457,700)	(305,800)
Payments for cost associated with issue of units		(9,353)	(5,649)	(9,353)	(5,649)
Distributions paid		(55,887)	(48,576)	(55,887)	(48,576)
Net cash inflow from financing activities		817,758	102,219	832,758	102,219
Net (decrease)/increase in cash held		(8,889)	216	(9,663)	950
Cash at the beginning of the financial year		11,670	11,454	10,105	9,155
Cash at the end of the financial year		2,781	11,670	442	10,105
Non-cash financing and investing activities	24				
Financing	11				

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

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

Note 1. Summary of significant accounting policies

Investa Property Trust (the "Trust") was constituted on 15 July 1977.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Trust Constitution, 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 basis of the going concern 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 the Trust investments have been revalued. It is recommended that this report be read in conjunction with any public pronouncements made by the Trust during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001. The accounting policies adopted are consistent with those of the previous period unless otherwise specified.

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.

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

(b) Principles of consolidation

The consolidated Financial Statements incorporate all the assets, liabilities and net operating results of the controlled entities. The effects of all transactions between controlled entities in the Trust have been eliminated in full. Certain property investments are held via joint ownership arrangements (refer Note 20). 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.

(c) Revenue recognition

Rent

Rent is brought to account on an accrual basis and, if not received at the balance date, is reflected in the Statements of Financial Position as a receivable.

Distribution

Distribution revenue is brought to account on an accrual basis and, if not received at the balance date, is reflected in the Statement of Financial Position as a receivable. Recoverability of receivables is reviewed on an ongoing basis. Debts, which are known to be not collectable, are written off.

Interest

Interest is brought to account on an accrual basis and, if not received at the balance date, is reflected in the Statements of Financial Position as a receivable.

Disposal of assets

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

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

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 and are brought to account on an accruals basis.

Borrowing costs

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

Responsible Entity fee

In accordance with the provisions of the Trust Constitution, the Responsible Entity is entitled to payment of a fee. The fee represents the total expenses recoverable by the Responsible Entity in managing the Trust plus 5% of these expenses.

(e) 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 unitholders each year.

(f) Investment properties

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

The basis of valuation of investment properties is fair value being the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

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

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Statements of Financial Performance in the year of disposal.

Interests held by Investa Property Trust in controlled trusts are brought to account at valuation based on the net tangible asset backing at the end of each period.

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

Expenses capitalised to properties may include the cost of acquisition, additions, refurbishment, redevelopment, and fees incurred.

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

Note 1. Summary of significant accounting policies (continued)

(g) Cash

For the purposes of the Statements 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.

(h) 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.

(i) Payables

These amounts represent liabilities for amounts owing by the Trust 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.

(j) Maintenance and repairs

Plant of the Trust 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 in accordance with note 1(f). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(k) Earnings per unit

- i) **Basic Earnings per Unit**
Basic earnings per unit is determined by dividing the operating profit attributable to unitholders of the Trust by the weighted average number of units outstanding during the year.
- ii) **Diluted Earnings per Unit**
Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit by taking into account amounts unpaid on units and any reduction in earnings per unit that will probably arise from the exercise of options outstanding during the year.

(l) Intangible asset

Intangible assets have been recorded at the cost of acquisition and amortised on a straight line basis over twenty years, being the period during which the benefits are expected to be realised. The carrying value of each intangible asset is reviewed by management and the Board of Directors at the reporting date.

(m) Derivatives

The Trust has entered into interest rate swap agreements to hedge against the risk of an increase in interest rates on the Trust's debt (refer to Note 15). Derivative financial instruments are not held for speculative purposes and are not recognised in the financial statements on inception. The net payments or receipts due under the swap agreement are accounted for on an accrual basis and included in borrowing costs expense.

(n) 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 written down to its recoverable amount. To the extent that the revaluation decrement reverses a revaluation increment previously credited to and still included in the balance of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise, the decrement is recognised as an expense in the Statement of Financial Performance.

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

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

Note 1. Summary of significant accounting policies (continued)

(o) Distributions

Provision is made to distribute income to unitholders each year in accordance with constitution of the Trust.

(p) 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.

Note 2. Other expenses from ordinary activities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Carrying amount of investment property sold	183,451	-	125,089	-
Disposal cost for investment property sold	141	-	141	-
Legal fees	122	107	118	40
Provision for doubtful debts	41	613	41	613
Release of previous years provision for doubtful debts	(619)	-	(619)	-
Responsible Entity fees	1,944	2,667	1,944	2,667
Trustee/Custody fees	139	194	139	133
Auditor's remuneration (note 3)	128	143	128	132
Other expenses	1,527	349	274	373
	186,874	4,073	127,255	3,958

Note 3. Remuneration of auditors

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Remuneration for audit of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the Trust – PricewaterhouseCoopers	108,369	100,370	108,369	100,370
Remuneration for other services:				
Auditor of the Trust – PricewaterhouseCoopers:				
Taxation advice	19,209	30,750	19,209	20,945
Other services	-	11,590	-	11,050
	127,578	142,710	127,578	132,365

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

Note 4. Other revenues from ordinary activities

	Consolidated		Parent entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from operating activities				
Distributions from controlled entities	-	-	54,623	20,458
Interest income	16,884	4,493	21,492	4,436
Revenue from outside operating activities				
Sale of investment property	184,591	-	126,229	-
Other	2,805	-	2,202	-
	204,280	4,493	204,546	24,894

Note 5. Receivables

	Consolidated		Parent entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Rent receivable	3,371	5,111	2,356	4,958
Less: Provision for doubtful debts	(41)	(619)	(41)	(619)
	3,330	4,492	2,315	4,339
Distribution receivable from controlled entity	-	-	1,063	3,411
Distribution receivable from associates	5,817	2,774	5,817	2,774
Prepayments	7,631	5,353	6,309	4,421
Loan*	8,000	-	8,000	-
Other	4,364	2,327	1,367	2,304
	29,142	14,946	24,871	17,249

* 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

Note 6. Intangibles

	Consolidated		Parent entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Restructure costs	4,754	4,754	4,754	4,754
Payment for relinquishment of management rights	33,850	33,850	33,850	33,850
	38,604	38,604	38,604	38,604
Less: accumulated amortisation	(4,977)	(3,047)	(4,977)	(3,047)
	33,627	35,557	33,627	35,557

Investa Property Trust

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

Note 7. Loans to related entities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Current				
Investa South Melbourne Trust ¹	-	29,577	-	29,577
Investa Real Property Growth Trust ¹	-	-	180,052	-
Investa Properties Limited ¹	19,231	-	19,231	-
Investa Nominees Pty Limited ¹	38,495	-	38,495	-
Investa Development Holdings Pty Limited ²	61,004	-	61,004	-
Investa Third Industrial Trust ¹	11,784	-	11,784	-
Macarthur Central Trust ¹	75,350	-	75,350	-
Total current	205,864	29,577	385,916	29,577
Non-current				
Investa Properties Limited ¹	-	42,986	-	42,986
Investa Nominees Pty Limited ¹	172,665	27,248	172,665	27,248
Investa Development Holdings Pty Limited ²	-	61,003	-	61,003
Investa Third Industrial Trust ¹	-	10,849	-	10,849
Total non-current	172,665	142,086	172,665	142,086
Total loans to related entities	378,529	171,663	558,581	171,663

These loans arise as new capital is principally sourced by Investa Property Trust and loaned to Investa Properties Limited (or its subsidiaries) as required to support their investment activities.

1 – These loans accrue interest at market rates.

2 – This loan does not presently accrue interest.

Note 8. Other investment

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Principal Office Fund	127,159	-	127,159	-

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 21 for further details.

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

Note 9. 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
Current assets									
Townsville Trust		45%	11/11/02	4,196	-	-	-	4,196	-
Total current assets				4,196				4,196	-
Non current assets									
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	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 Market Street, Sydney, NSW* ¹	Offices/ Freehold	50%	31/01/03	106,172	31/12/02	102,500	A Pannifex, AAPI Knight Frank	106,172	-
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 FPD Savills	274,523	-
231 Elizabeth Street, Sydney, NSW* ¹	Offices/ Freehold	50%	19/08/02	58,362	30/06/02	57,500	A Pannifex AAPI FPD Savills	58,362	-
310 Pitt Street, Sydney, NSW*	Offices/ Freehold	100%	08/10/02	125,484	30/06/02	120,000	A Pannifex AAPI FPD Savills	125,486	-
Total - Connect Property Trust				458,364				458,371	-
Total investment in controlled entities				973,715				931,295	247,627

Investa Property Trust

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

Note 9. Investment properties (continued)

Property	Type	Ownership	Acquisition date	Cost including all additions \$'000	Independent valuation date \$'000	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30/06/03 \$'000	Consolidated book value 30/06/02 \$'000
Investment in associates									
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 JLL Advisory	51,425	-
Penrhyn House Trust									
Penrhyn 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				<u>231,598</u>				<u>242,950</u>	<u>240,919</u>
Total non-current investment				<u>1,836,860</u>				<u>1,817,577</u>	<u>1,150,319</u>
Total Investment				<u>1,841,056</u>				<u>1,821,773</u>	<u>1,150,319</u>

* These properties and units are used as security for the issue of the commercial notes referred to in Note 11.

** 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.

¹ These properties are indirectly held through the ownership of units in unlisted property trusts.

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:

	Consolidated		Parent entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Carrying amount at start of year	1,150,319	1,091,885	1,148,594	1,091,262
Additions	847,570	4,993	566,406	3,891
Disposals/redemption	(183,451)	-	(125,089)	-
Revaluation increments	3,139	53,441	3,139	53,441
Carrying amount at end of year	<u>1,817,577</u>	<u>1,150,319</u>	<u>1,593,050</u>	<u>1,148,594</u>

Note 10. Payables

	Consolidated		Parent entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade creditors	14,056	6,042	9,009	5,258
Rent paid in advance	440	897	319	725
Tenant deposits	187	140	74	109
	<u>14,683</u>	<u>7,079</u>	<u>9,402</u>	<u>6,092</u>

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

Note 11. Interest bearing liabilities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Secured non current liabilities				
Commercial notes	463,000	250,000	463,000	250,000
Cash advance facility	267,000	19,000	217,000	19,000
Total secured liabilities	730,000	269,000	680,000	269,000

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
Westpac Banking Corporation	110,000	93,000	30/06/04 ¹	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

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Unrestricted access was available at balance date to the following cash advance facilities:				
Total facilities	810,000	100,000	760,000	100,000
Used at balance date	267,000	19,000	217,000	19,000
Unused at balance date	543,000	81,000	543,000	81,000

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

Note 12. Contributed equity

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
(a) Value of units				
Opening balance	1,043,191	892,971	1,078,068	927,848
Issue of units	536,016	160,441	536,016	160,441
Cost for issue of units and non deductible costs	(9,352)	(5,648)	(9,352)	(5,648)
Transfer from asset revaluation reserve	22,353	-	22,353	-
Transfer to distributable income	(9,035)	(4,573)	(16,561)	(4,573)
Closing balance	1,583,173	1,043,191	1,610,524	1,078,068

	Consolidated		Parent entity	
	2003	2002	2003	2002
	No.'000	No.'000	No.'000	No.'000
(b) Number of units				
Opening balance	600,822	515,490	600,822	515,490
Distributions reinvested - 31/07/01 @ \$1.76 Per unit	-	3,871	-	3,871
Placement of units - 24/09/01 @ \$1.87 per unit	-	21,670	-	21,670
Placement of units - 05/11/01 @ \$1.88 per unit	-	45,212	-	45,212
Distributions reinvested - 30/11/01 @ \$1.96 per unit	-	3,142	-	3,142
Security Purchase Plan - 28/12/01 @ \$1.88 per unit	-	3,476	-	3,476
Distributions reinvested - 28/02/02 @ \$1.99 per unit	-	4,668	-	4,668
Distributions reinvested - 31/05/02 @ \$2.03 per unit	-	3,293	-	3,293
Placement of units - 16/08/02 @ \$1.89 per unit	142,500	-	142,500	-
Distributions reinvested - 24/08/02 @ \$1.97 per unit	4,278	-	4,278	-
Placement of units - 14/09/02 @ \$1.89 per unit	32,104	-	32,104	-
Placement of units - 22/10/02 @ \$2.05 per unit	45,000	-	45,000	-
Distributions reinvested - 23/10/02 @ \$2.02 per unit	6,056	-	6,056	-
Security Purchase Plan - 30/12/02 @ \$2.02 per unit	5,384	-	5,384	-
Placement of units - 28/01/03 @ \$2.10 per unit	35,443	-	35,443	-
Distributions reinvested - 21/02/03 @ \$2.10 per unit	6,344	-	6,344	-
Distributions reinvested - 08/05/03 @ \$2.06 per unit	7,598	-	7,598	-
Closing balance	885,529	600,822	885,529	600,822

Distribution reinvestment plan

The Trust has established a distribution reinvestment plan under which holders of ordinary units may elect to have all or part of their distribution entitlements satisfied by the issue of new ordinary units rather than by being paid in cash. Units are issued under the plan at the Volume Weighted Average Price. This is the average price of the security weighted by volume over the 5 business days up to and including the relevant record date.

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.

Placement of units

The Trust issued units 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.

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

Note 13. Reserves (continued)

(b) Amounts available for distribution

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Amounts available for distribution at the beginning of the financial year	199	960	199	960
Net profit	114,314	79,919	106,788	114,796
Transfer to asset revaluation reserve	-	(6,876)	-	(41,753)
Transfer from contributed equity*	9,035	4,573	16,561	4,573
Distributions provided for or paid	(118,509)	(78,377)	(118,509)	(78,377)
Amounts available for distribution at the end of the financial year	5,039	199	5,039	199

* This transfer represents \$5,363,326 income support on unit placements and amortisation of intangibles of \$3,670,919. In the parent entity there is also a transfer of \$7,526,430 relating to a portion of the realised gain from the sale of SUNPAC Property Fund.

Note 14. Distributions paid and payable

	2003	2003	2002	2002
	\$'000	Cents per unit	\$'000	Cents per unit
Timing of distributions				
The distributions were paid/payable as follows:				
30 September	25,730	3.30	18,670	3.575
31 December	28,847	3.45	20,523	3.575
31 March	31,167	3.55	21,063	3.525
30 June final payable *	32,765	3.70	18,121	3.016
	118,509	14.00	78,377	13.691

*The 30 June 2003 distribution will be paid on 22 August 2003.

Distributions actually paid or satisfied by the issue of units under the distribution reinvestment plan during the year were:

	2003	2002
	\$'000	\$'000
Paid in cash	55,887	48,576
Satisfied by the issue of units (note 24)	47,978	28,945
	103,865	77,521

Movements in the provision for distributions during the year are as follows:

	2003
	\$'000
Carrying amount at the start of the year	18,121
Payments made during the year	(103,865)
Additional provisions recognised	118,509
Carrying value at the end of the year	32,765

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

Note 15. 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, ensuring that tenants have appropriate financial standing and obtaining bank guarantees from lessees where appropriate.

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

(b) Market risk

Market risk is the risk that the value of the Trust'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 Trust 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 asset or liability will fluctuate due to changes in market interest rates. The Trust'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:

2003	Notes	Floating interest rate \$'000	1 year or less \$'000	Fixed interest maturing in:			Total \$'000
				Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	
Financial assets							
Cash assets		2,781	-	-	-	-	2,781
Receivables	5	-	8,000	-	-	21,142	29,142
Related party loans	7	317,526	-	-	-	61,003	378,529
		320,307	8,000	-	-	82,145	410,452
Weighted average interest rate		6.31%	7.50%				
Financial liabilities							
Payables	10	-	-	-	-	14,683	14,683
Interest bearing liabilities	11	535,000	-	195,000	-	-	730,000
Interest rate swaps*		(541,000)	-	541,000	-	-	-
Interest rate swaps*		95,000	-	(95,000)	-	-	-
		89,000	-	641,000	-	14,683	744,683
Net financial (liabilities) /assets		231,307	8,000	(641,000)	-	67,462	(334,231)
Weighted average interest rate		5.27%		6.14%			

* notional principal amount

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

Note 15. Financial instruments (continued)

(d) Interest rate risk exposures (continued)

2002	Notes	Floating interest rate \$'000	1 year or less \$'000	Fixed interest maturing in:			Total \$'000
				Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	
Financial assets							
		11,670	-	-	-	-	11,670
	5	-	-	-	-	14,946	14,946
	7	110,660	-	-	-	61,003	171,663
		122,330	-	-	-	75,949	198,279
Weighted average interest rate							
		6.06%					
Financial liabilities							
	10	-	-	-	-	7,079	7,079
	11	169,000	-	-	100,000	-	269,000
		(155,000)	50,000	105,000	-	-	-
		14,000	50,000	105,000	100,000	7,079	276,079
Weighted average interest rate							
		5.60%	6.28%	6.50%	6.00%		
Net financial (liabilities) / assets							
		108,330	(50,000)	(105,000)	(100,000)	68,870	(77,800)

* notional principal amount

(e) Off-balance sheet financial instrument financial assets/(liabilities)

	Consolidated		Parent entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Interest rate swaps	(11,962)	(840)	(10,564)	(840)

The off-balance sheet value of financial liabilities represents the present value of estimated future cash flows 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	300,000	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 Financial Statements (continued)
For the year ended 30 June 2003**

Note 16. Contingent assets and liabilities

Guarantees

Details and estimates of maximum amounts of contingent liabilities in relation to guarantees are as follows:

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Guarantees	86,000	16,000	86,000	16,000

The Trust has guaranteed the cash advance and contingent liabilities facilities of Investa Properties Limited and Investa Developments Holdings Pty Limited.

These guarantees may give rise to liabilities in the Trust if the related entities do not meet their obligations under the terms of the loans subject to the guarantees.

Principal Office Fund

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 (comprising of shares in Investa Properties Limited and units in Investa Property Trust) 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 investment in Principal Office Fund will be held by Investa Property Trust. The proceeds from the issue of shares in Investa Properties Limited, will be loaned to Investa Property Trust to assist in the funding of the acquisition.

The contingent asset represents the Principal Office Fund units that will be acquired with the contingent liability representing the cash, equity and loan from Investa Properties Limited required to fund the acquisition.

Note 17. Commitments for expenditure

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
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	2,574	1,234

Note 18. Related parties

Responsible Entity

Investa Properties Limited was the Responsible Entity for the year ended 30 June 2003.

Directors

The names of persons who were directors of 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.

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

Note 18. Related parties (continued)

Conflict of interest

No director of the Responsible Entity has become entitled to receive any benefits because of a contract made by the Trust 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, unless otherwise stated below.

Directors' holding of units

The relevant interests (direct and indirect holdings) of each director of Investa Properties Limited in the issued units of the Trust at the year end are set out below:

	Number of units	
	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	-

Responsible Entity's fees and other transactions

	2003 Responsible Entity \$'000	2002 Responsible Entity \$'000
Fees for the year paid by the Trust to Investa Properties Limited in accordance with the Trust Constitution	<u>1,944</u>	<u>2,667</u>
	1,944	2,667
Aggregate of amounts payable to Responsible Entity at year end	241	272
Property management fees paid to Investa Asset Management Pty Limited	3,726	418
Property Management fees paid to Investa Asset Management (QLD) Pty Limited	390	50

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.

Related party transactions

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

During the year the consolidated entity received \$14,997,000 in interest income (2002:\$3,888,000) on the loans made to Investa Properties Limited and its subsidiaries.

Unitholdings in related parties

Interests held in the following classes of related parties are set out in the following notes:

- (a) Controlled entities - Note 19
- (b) Associates - Note 20

Investa Property Trust

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

Note 19. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding		Carrying value of parent entity's investment	
			2003 %	2002 %	2003 \$'000	2002 \$'000
Investa Custodian Pty Limited	Australia	Ordinary	100%	100%	-	-
Lizabeth Trust	Australia	Ordinary	100%	100%	348,211	153,105
Investa Real Property Growth Trust	Australia	Ordinary	100%	100%	98,193	92,797
Connect Property Trust*	Australia	Ordinary	100%	-	260,373	-
					706,777	245,902

* This trust was formed during the year.

The following entities are controlled by Investa Property Trust as they are wholly owned sub trusts of Investa Real Property Growth Trust and Connect Property Trust:

Name of entity	Country of incorporation	Class of shares/units	Equity holding	Equity holding
			2003 %	2002 %
242 Exhibition Street Trust	Australia	Ordinary	100	-
310 Pitt Street Trust	Australia	Ordinary	100	-
Investa Sunlaw Trust	Australia	Ordinary	100	-
Suncorp Metway Commercial Property Fund	Australia	Ordinary	100	-

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)
	<u>151,275</u>
Cash consideration	<u>151,275</u>
Outflow of cash used to acquire controlled entity net of cash acquired	
Cash Consideration	<u>151,275</u>
Less balances acquired:	
Cash	<u>3,809</u>
Outflow of cash	<u><u>147,466</u></u>

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

Note 19. Investments in controlled entities (continued)

Reconciliations

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

	2003	2002
	\$'000	\$'000
Carrying amount at start of year	245,902	246,173
Increase in investment in controlled entities	202,186	-
Additions	260,373	-
Revaluation (decrements)/increments	(1,684)	(271)
Carrying amount at end of year	706,777	245,902

Note 20. Investments in associates

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

Name of Trust	Ownership interest		Consolidated Carrying amount	
	2003	2002	2003	2002
	%	%	\$'000	\$'000
SUNPAC Property Fund	-	50%	-	102,029
60 Martin Place Unit Trust	50%	50%	91,825	88,325
80 Pacific Highway Trust	50%	50%	45,745	45,745
Investa Brisbane Commercial Trust	20%	20%	4,820	4,820
Investa South Melbourne Trust*	50%	50%	51,425	-
Penryhn House Trust	50%	-	20,649	-
589 Collins Trust	50%	-	28,486	-
			242,950	240,919

*investment was for \$1 in 2002

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	2002
	\$'000	\$'000
Profits from ordinary activities	27,297	17,685
Assets	741,709	248,128
Liabilities	42,819	10,161

Reconciliations

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

	2003	2002
	\$'000	\$'000
Carrying amount at start of year	240,919	232,415
Additions	100,860	280
Disposals	(102,029)	-
Revaluation increments	3,200	8,224
Carrying amount at end of year	242,950	240,919

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

Note 20. Investments in associates (continued)

Results attributable to associates

	2003	2002
	\$'000	\$'000
Operating profits before income tax	27,297	17,697
Income tax expense	-	-
Operating profits after income tax expense	27,297	17,697
Less: Distributions received/receivable	(27,297)	(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

Share of associate's capital commitments

	2003	2002
	\$'000	\$'000
Capital commitments	-	37,895

The prior year commitment relates to the Trust's 50% share of 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.

Note 21. 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 units issued to fund the acquisition in the period from 1 July 2003 to 28 July 2003 have not been brought to account at 30 June 2003.

Other matters

On 1 July 2003 Townsville Trust sold 7-13 Tomlins Street, Townsville for \$10.9 million. Investa Real Property Growth Trust, 100% sub trust of Investa Property Trust, owns 45% of Townsville Trust. The financial effect of this transaction has not been brought to account at 30 June 2003.

Note 22. Segment information

The Consolidated Entity operates solely in the business of investment in commercial property in Australia.

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

Note 23. Reconciliation of net profit to net cash inflow from operating activities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Net profit	114,314	79,919	106,788	114,796
(Increment)/decrement on revaluation of investment properties	-	(6,876)	7,526	(41,753)
Amortisation of intangibles	1,930	1,930	1,930	1,930
Change in operating assets and liabilities:				
Increase in receivables	(20,400)	(3,865)	(16,445)	(4,376)
Increase in payables	7,604	2,015	3,310	2,154
Net cash inflow from operating activities	103,448	73,123	103,109	72,751

Note 24. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Issuance under Distribution Reinvestment Plan:				
Distributions reinvested – 31 July 2001	-	6,813	-	6,813
Distributions reinvested – 30 November 2001	-	6,159	-	6,159
Distributions reinvested – 28 February 2002	-	9,289	-	9,289
Distributions reinvested – 31 May 2002	-	6,684	-	6,684
Distributions reinvested – 24 August 2002	8,133	-	8,133	-
Distributions reinvested – 22 November 2002	11,943	-	11,943	-
Distributions reinvested – 21 February 2003	12,830	-	12,830	-
Distributions reinvested – 23 May 2003	15,072	-	15,072	-
	47,978	28,945	47,978	28,945

Note 25. Earnings per unit

	Consolidated	
	2003	2002
Basic and diluted earnings per unit (cents)	14.12 c	14.01 c
Basic earnings per unit (cents) before revaluation, after amortisation	14.12 c	12.81 c
Basic earnings per unit (cents) before revaluation, before amortisation	14.35 c	13.14 c
Weighted average number of units outstanding during the year used in the calculation of basic earnings per unit	809,850,175	570,361,749

Directors' Declaration

The directors of Investa Properties Limited, the Responsible Entity of Investa Property Trust declare that the financial statements and notes set out on pages 9 to 31:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Trust and the consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001;
- (b) there are reasonable grounds to believe that the Trust and the consolidated entity will be able to pay their debts as and when they become due and payable; and
- (c) the Trust and the consolidated entity has operated in accordance with the provisions of the Constitution dated 15 July 1977 (as amended), during the year ended 30 June 2003.

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



I K Payne
Chairman
Sydney
29 July 2003

Independent Audit Report to the Unitholders of Investa Property Trust

Audit opinion

In our opinion, the financial report, set out on pages 9 to 32:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Investa Property Trust as at 30 June 2003 and of its performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards, the Trust Constitution and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

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 (the Responsible Entity). It includes the consolidated financial statements of Investa Property Trust (the Trust), which incorporates Investa Property Trust and the entities it 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 Trust 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 the Corporations Act 2001, the Trust Constitution, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Trust's and the 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.

Independence

As auditor, we are required to be independent of the Trust 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, the Corporations Act 2001 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 3 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