COMMENTARY ON THE FINANCIAL REPORTS

The following commentary is provided to assist security holders in reviewing and interpreting the combined results of Investa Property Group (Group) for the half-year ended 31 December 2001.

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

Statement of Financial Performance

The Group reported a total net profit of $44.6 million after company tax. Before adjustment for net increases in property valuations, underlying net profit was $39.0m as compared with $29.1 million in the previous corresponding period, an increase of 34%.

This growth in earnings reflects the increase in operating revenue in both the Company and the Trust. Total Group revenue was $67.2 million comprising $57.1 million from property and unit trust investments, $9.6 million from the operating activities of the Company and total interest income of $0.5 million.

Positive market rent reviews and an increase in income from its investments in 80 Pacific Highway Trust and Investa Brisbane Commercial Trust which were not held in the corresponding prior period, accounted for the growth in Trust income.

Company revenue included $4.1 million from fees and expense reimbursement in respect of the corporate property services agreement with Westpac Banking Corporation, $3.7 million from the development operations, $0.4 million from retail syndication management fees and $0.4 million from the wholesale funds management business. The property management business generated $1.3 million of income for the Company, but it is not recognised in Group income as it is eliminated on consolidation, with the benefit being reflected in lower expenses for the Group.

Property related expenses have decreased to $9.6 million from $11.0 million in the previous corresponding period due mainly to the internalisation of property management services for the Group's properties in New South Wales and Victoria. Employee expenses and amortisation of intangibles are significantly higher compared to the period ending 31 December 2000, as the prior period only incurred 1 month of expenditure.

Borrowing costs have decreased by 15% to $7.9 million from $9.3 million for the previous period. This is attributable to a lower level of borrowings as a portion of the proceeds from equity raisings undertaken to facilitate Group expansion, became available for the reduction of debt.

The distribution for the period increased 9.5% to 7.3 cents per stapled security from 6.6678 cents per stapled security for the previous corresponding period. This is comprised of a distribution of 7.15 cents per unit from the Trust and a fully franked dividend from the Company of 0.15 cents per share.

The net tangible asset backing for the Group has increased to $1.65 at 31 December 2001 per unit from $1.58 per unit at 31 December 2000.

In total $40.0 million was distributed leaving $1.9 million as an amount available for distribution in future periods.

Statement of Financial Position

Total assets within the Group increased 22% from $1,159.9 million at 30 June 2001 to $1,419.1 million at 31 December 2001 due mainly to the purchase of property development inventory upon the acquisition of Silverton Limited and an increase in investments held by the Company.

The property development inventory is comprised of a portfolio of commercial/industrial developments and sites and four parcels of residential development land. The value of this inventory at 31 December 2001 was $137.7 million.

The Company has also made investments in both the Martin Place Trust and Suncorp Metway Balanced Property Fund holding 42% and 8% of the issued units respectively. It is the intention that both investments will be sold down to external investors within the next 12 months.

During the period the Group restructured its funding arrangements. As part of the restructure, the Trust issued $250 million of commercial notes in the form of commercial mortgage backed securities and utilised the proceeds to retire existing bank facilities. A new bank facility for $75 million was established, which was drawn down to $7 million at 31 December 2001. The Group has increased borrowings by $80.3 million during the period which is primarily due to a new $70 million facility acquired when Silverton Limited was purchased. The gearing for the Group has increased to 23%, up from 21% for the previous period.

During the period to 31 December 2001, the Group raised $145 million from the issue of new equity securities. This was comprised of institutional placements of 66.9 million stapled securities ($125.5 million), the reinvestment of dividends ($13.0 million) under the Distribution Reinvestment Plan and $6.5 million raised through the Group's Security Purchase Plan.