

# **Investa Property Group**

Consisting of the combined reports of Investa Property Trust ARSN 088 705 882 and  
Investa Properties Limited ABN 54 084 407 241

## **Combined Half-Year Report**

**31 December 2003**

**Combined Half-Year Report – 31 December 2003**

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# Investa Property Group

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## Directors' Report

The directors of Investa Properties Limited present their report for the Investa Property Group (the Group) for the half-year ended 31 December 2003.

This report includes the combined results of Investa Properties Limited (IPL) and Investa Property Trust (IPT), for which IPL acts as Responsible Entity, for the half-year ended 31 December 2003.

### Directors

The following persons were directors of IPL during the whole of the financial period and up to the date of this report unless otherwise stated:

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

### Principal activities

During the period, the principal 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.

### Dividends and distributions

Dividends and distributions paid and payable to stapled securityholders for the half-year ended 31 December 2003 were \$113,724,000 (2002: \$62,238,000) which is equivalent to 8.15 cents per stapled security (2002: 7.70 cents per stapled security). All dividends were fully franked.

### Review of operations

During the period the Group completed the acquisition of Principal Office Fund which has subsequently been renamed Delta Office Fund (DOF). A summary of combined revenue and results are set out below:

	<b>31 December 2003 \$'000</b>	31 December 2002 \$'000
Total revenue from ordinary activities	<b>372,626</b>	161,748
Net profit after company tax attributable to securityholders of Investa Property Group (including net revaluation increments)	<b>102,687</b>	58,552
Transfer from contributed equity to amounts available for distribution	<b>13,283</b>	6,807
Amounts available for distribution brought forward from previous period	<b>8,507</b>	3,141
Dividends & distributions paid and payable	<b>(113,724)</b>	(62,238)
Amounts available for distribution carried forward at 31 December	<b>10,753</b>	6,262
Total value of Group assets at 31 December	<b>4,365,323</b>	2,211,771

### Rounding of amounts to nearest thousand dollars

The Group is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investment Commission, relating to 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 of IPL.



I K Payne  
Chairman  
Sydney, 29 January 2004

### Discussion and Analysis on Combined Financial Statements for the half-year ended 31 December 2003

The following commentary is provided to assist securityholders in reviewing and interpreting the combined results of the Group for the half-year ended 31 December 2003.

There are separate reports for IPT and IPL, and a combined report for the Group.

#### Combined Statement of Financial Performance

Profit for the Group after tax and outside equity interests was \$102,687,000 compared to \$58,552,000 in the previous corresponding period, primarily reflecting the significant increase in the property investment portfolio of the Group. The following summary highlights the key contributors to the performance of the Group for the period.

#### Net Income

Net income is up 81% to \$160,200,000 reflecting significant growth in the business. Key contributors to this growth include:

- Portfolio net income has increased from \$60,700,000 to \$122,900,000 due to the acquisition of DOF, a full six month effect of the Telstra properties purchased during the corresponding prior period and other acquisitions, including 209 Kingsway, South Melbourne, Penrhyn House, ACT, 589 Collins Street, Melbourne, State Law Building, Brisbane, and Kings Row, Brisbane.
- Syndication fee income has increased from \$1,700,000 to \$3,200,000 reflecting higher funds under management than the previous period and fees from the recent launch of the Investa Sixth Commercial Trust. Investa continues to broaden its syndication fee base by earning equity placement fees on units directly placed with investors.
- Wholesale fee income is \$300,000 below the prior period (down to \$800,000) as the prior period fee included non-recurring items. Wholesale fee income is derived from the two wholesale schemes managed by the Group, Martin Place Trust (known as the Martin Place Wholesale Syndicate (MPWS)) and Investa Commercial Property Fund.
- Corporate Property Services has continued to provide services to Westpac generating a net contribution of \$1,100,000, up from \$700,000 in the prior period.
- Asset management fee income continues to grow increasing by \$800,000 to \$3,100,000 due to the acquisition of DOF, other acquisitions made by IPG and growth in assets managed for the syndication business.
- Development income is up from \$7,800,000 to \$11,800,000. The result for the development business was underpinned by sales of residential lots at Manly, Queensland, Mill Park Lakes, Melbourne and Quinns Beach, Western Australia totalling \$17,500,000.

In addition, there have been sales of 14 units at Turner Street, Melbourne plus land at Eden Park, North Ryde, Sydney and Acacia Ridge, Brisbane. The land at Eden Park was sold to the Investa Fifth Commercial Trust and construction on the high tech office building is underway. Profit will be recognised progressively over the life of the project with \$400,000 being recognised in the current period.

Overall the development business has continued to deliver strong margins of 47% on cost (46% in the previous period).

- Investment income is up from \$5,900,000 to \$10,400,000. Investment income includes distribution and rental income derived from assets either held in preparation for syndication, sell down or assets for sale.

### Discussion and Analysis on Combined Financial Statements for the half-year ended 31 December 2003 (continued)

#### Combined Statement of Financial Performance (continued)

During the period investment income was earned from the Group's investment in Investa Commercial Property Fund (\$5,100,000), MPWS (\$1,000,000), Macarthur Central (\$3,500,000), the Investa Brisbane Commercial Trust (\$300,000) and other (\$500,000).

- Investment sales profit is up by \$1,500,000 to \$4,100,000. Profits were made on the disposal of 115 Grenfell Street, Adelaide (\$1,100,000), a portion of IPG's interest in MPWS (\$1,100,000), 7-13 Tomlins Street, Townsville (\$900,000) and 185 Macquarie Street, Sydney (\$1,792,000).

#### Expenses

- Operating expenses have increased by \$6,100,000 during the period reflecting the increased scale of the Group's operations. A large percentage of the increase is due to the growth in employee numbers which have grown from 125 at 31 December 2002 to 177 at 31 December 2003, reflecting an increase in personnel costs of \$3,600,000 to \$11,751,000.

Other operating expenses such as insurance, accommodation and travel have increased during the period. Trust expenses are also higher due to the take on of DOF's expense base and the payment of external responsible entity fees during the period that the Group was not the responsible entity for DOF.

In addition to these costs Investa has undertaken a detailed review of its systems and processes resulting in an increased spend (\$300,000) in IT and systems related costs in the current period to accommodate the expanded business.

- Borrowing costs include interest expense and line facility fees and have increased on the corresponding period (by \$25,776,000 to \$41,245,000) due to the increase in borrowings required to partly fund the acquisition of DOF plus the existing debt within DOF. This increase is partially offset by a lower average cost of funds arising from proactive interest rate risk management.
- Amortisation of intangibles and depreciation is up by \$1,600,000 due to the goodwill created on the acquisition of DOF. This goodwill will be written off over the period in which the benefits are expected to extend, which is estimated to be 20 years.
- In accordance with its investment revaluation policy, the trust recognised a net revaluation decrement in its revaluation reserve for the current financial period of \$17,380,000, which is 0.4% of the Group's assets as at 31 December 2003.

#### Earnings and Distribution

Earnings per security before amortisation and after tax has increased to 8.35 cents per security from 8.07 cents per security in the prior period. The distribution for the period has increased from 7.70 cents per security to 8.15 cents per security, reflecting both the increase in earnings and a transfer from contributed equity. The amount available for distribution carried forward at 31 December 2003 is \$10,753,000 (0.77 cents per security).

Based on the result for the period and the Group's forecast for the second half of the current financial year, Investa is on track to deliver full year earnings of 16.52 cents per security as disclosed in the Bidders Statement lodged with ASIC on 2 June 2003.

### Discussion and Analysis on Combined Financial Statements for the half-year ended 31 December 2003 (continued)

#### Combined Statement of Financial Position

Assets have increased by 69% to \$4,365,323,000 since 30 June 2003, primarily driven by the increase in the property portfolio due to the acquisition of the properties mentioned above.

In order to assist in the funding of the DOF transaction, a new \$550,000,000 facility (\$405,000,000 drawn down during the current financial period) was arranged with a syndicate of banks lead by Commonwealth Bank of Australia. Interest bearing liabilities have increased from \$849,600,000 as at 30 June 2003 to \$1,599,239,000, which includes additional debt within DOF of \$417,639,000 that is consolidated upon acquisition and offset by other loan repayments of \$71,000,000.

Gearing has increased from 32.9% at 30 June 2003 to 36.6% at 31 December 2003.

Contributed equity increased in the period by \$976,767,000 due in part to the issue of units of \$968,850,000 for equity consideration to acquire DOF offset by transfers from contributed equity to distributable income (\$13,283,000) and Asset Revaluation Reserves (\$5,750,000).

#### Combined Statement of Cash Flows

**Cash flow from operating activities** has increased to \$85,462,000 in the period. The results include the impact of the acquisition of the DOF properties and also impact on borrowing costs which increased to \$38,004,000 reflecting the higher borrowings in the Group. Operating cash flows were also impacted by increased tax payments made of \$8,457,000 mainly in the Development operations reflecting their increased profitability.

**Net cash flow from investing activities** for the year was a significant outflow of \$374,540,000 reflecting:

- payment for the acquisition for DOF of \$414,272,000;
- payment to acquire 441 St. Kilda Road, Melbourne for \$47,494,163;
- payment for investment in a related entity, Investa Sixth Commercial Trust of \$15,509,000; and
- capital expenditure on investment properties of \$32,640,000 (the majority of which was incurred on the 126 Phillip Street development)

which was partially offset by proceeds received on disposal of property investments of \$143,501,000.

The acquisitions have been funded by an increase in external borrowings of \$537,090,000 resulting in a **net cash inflow from financing activities** of \$292,141,000, which has been offset by payment of distributions of \$63,964,000 together with repayments of external borrowings of \$180,500,000.

## Investa Property Group

### Combined Statement of Financial Performance For the half-year ended 31 December 2003

	31 December 2003 \$'000	31 December 2002 \$'000
	Notes	
Revenue from operating activities	<b>210,782</b>	105,291
Other revenues from ordinary activities	<b>2,966</b>	-
Proceeds on disposal of investments	<b>147,501</b>	41,941
Share of distribution from associates	<b>9,963</b>	12,149
Interest revenue	<b>1,414</b>	2,367
<b>Total revenue from ordinary activities</b>	<b>372,626</b>	<b>161,748</b>
Cost of development inventory sold	<b>(23,520)</b>	(16,915)
Property outgoing	<b>(30,244)</b>	(13,575)
Employee expenses	<b>(11,751)</b>	(8,159)
Repairs and maintenance	<b>(3,908)</b>	(1,584)
Borrowing costs	<b>(41,245)</b>	(15,469)
Amortisation of intangibles	<b>(3,347)</b>	(1,789)
Book value of investments sold	<b>(142,913)</b>	(39,316)
Depreciation of property, plant & equipment	<b>(171)</b>	(172)
Other expenses from ordinary activities	<b>(8,213)</b>	(2,765)
<b>Profit from ordinary activities before income tax expense</b>	<b>107,314</b>	<b>62,004</b>
Company income tax expense	<b>(2,269)</b>	(3,452)
<b>Profit from ordinary activities after income tax expense</b>	<b>105,045</b>	58,552
Net profit attributable to outside equity interest	<b>(2,358)</b>	-
<b>Net profit attributable to stapled securityholders of Investa Property Group</b>	<b>102,687</b>	<b>58,552</b>
<b>Total revenues, expenses and valuation adjustments attributable to stapled securityholders of Investa Property Group recognised directly in equity</b>	<b>(17,380)</b>	<b>2,667</b>
<b>Total changes in equity other than those resulting from transactions with stapled securityholders as owners</b>	<b>85,307</b>	<b>61,219</b>
Distribution paid and payable	9 <b>113,724</b>	62,238
	<b>Cents</b>	Cents
Distribution paid and payable in cents per stapled security	9 <b>8.15</b>	7.70
Basic and diluted earnings per stapled security	<b>8.08</b>	7.83
Basic and diluted earnings per stapled security (before revaluation)	<b>8.08</b>	7.83
Basic and diluted earnings per stapled security (before revaluation and amortisation)	<b>8.35</b>	8.07

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

## Investa Property Group

### Combined Statement of Financial Position As at 31 December 2003

		<b>31 December 2003 \$'000</b>	30 June 2003 \$'000
	Notes		
<b>Current assets</b>			
Cash assets		<b>13,002</b>	9,939
Receivables		<b>53,321</b>	37,470
Property development inventories		<b>16,874</b>	20,056
Other investments	4(a)	<b>131,893</b>	156,404
Total current assets		<b>215,090</b>	223,869
<b>Non-current assets</b>			
Deferred tax asset		<b>2,470</b>	2,574
Intangibles		<b>125,627</b>	39,870
Property, plant and equipment		<b>1,200</b>	1,032
Loans to employees		<b>14,100</b>	9,232
Other investments	4(b)	<b>247,389</b>	374,186
Property development inventories		<b>122,890</b>	113,430
Investment properties	5	<b>3,636,557</b>	1,817,577
Total non-current assets		<b>4,150,233</b>	2,357,901
<b>Total assets</b>		<b>4,365,323</b>	<b>2,581,770</b>
<b>Current liabilities</b>			
Payables		<b>48,549</b>	23,021
Provisions	6	<b>60,681</b>	39,025
Current tax liabilities		<b>36</b>	4,661
Total current liabilities		<b>109,266</b>	66,707
<b>Non-current liabilities</b>			
Interest bearing liabilities		<b>1,599,239</b>	849,600
Deferred tax liability		<b>6,624</b>	6,041
Total non-current liabilities		<b>1,605,863</b>	855,641
<b>Total liabilities</b>		<b>1,715,129</b>	<b>922,348</b>
<b>Net assets</b>		<b>2,650,194</b>	<b>1,659,422</b>
<b>Equity</b>			
Contributed equity	7(a)	<b>2,556,808</b>	1,580,041
Reserves	8(b)	<b>39,244</b>	50,874
Amounts available for distribution	8(a)	<b>10,753</b>	8,507
Outside equity interest in controlled entities		<b>43,389</b>	20,000
<b>Total equity</b>		<b>2,650,194</b>	<b>1,659,422</b>

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



## Investa Property Group

### Combined Statement of Cash Flows For the half-year ended 31 December 2003

	31 December 2003 Notes	31 December 2002 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	246,580	132,333
Cash payments in the course of operations	(130,674)	(55,496)
Interest received	1,501	5,044
Distributions from associates	14,516	14,450
Borrowing costs paid	(38,004)	(15,589)
Income taxes paid	(8,457)	(6)
<b>Net cash inflow from operating activities</b>	<b>85,462</b>	<b>80,736</b>
<b>Cash flows from investing activities</b>		
Payment for investments	(15,509)	(210,078)
Payment for investment properties	(47,494)	(601,819)
Proceeds from sale of property investments	143,501	41,941
Loans to employee share plan	(4,868)	(3,712)
Payment for property, plant and equipment	(340)	(116)
(Payment)/refund for due diligence costs	(2,918)	976
Payment for controlled entity	(414,272)	-
Capital expenditure on investment properties	(32,640)	(2,158)
<b>Net cash (outflow) from investing activities</b>	<b>(374,540)</b>	<b>(774,966)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(180,500)	(94,700)
Proceeds from borrowings	537,090	382,200
Proceeds from issue of securities	-	431,490
Payment for costs associated with issue of securities	(485)	(8,679)
Borrowings to related entities	-	(6,391)
Repayments of borrowing from related entity	-	27,390
Dividends/distributions paid	(63,964)	(31,168)
<b>Net cash inflow from financing activities</b>	<b>292,141</b>	<b>700,142</b>
<b>Net increase in cash held</b>	<b>3,063</b>	<b>5,912</b>
Cash at the beginning of the financial period	9,939	22,873
<b>Cash at the end of the financial period</b>	<b>13,002</b>	<b>28,785</b>

Non-cash financing and investing activities

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

## Notes to the Combined Financial Statements For the half-year ended 31 December 2003

### Note 1. Basis of Preparation of Combined Financial Report

This general purpose combined Financial Report for the half-year ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2003 and any announcements made by The Group during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Stock Exchange.

The units in IPT are 'stapled' to the shares in IPL. All transactions in either security can only be in the form of transactions in The Group stapled securities.

Unless otherwise stated the accounting policies adopted are consistent with those of the previous financial year and corresponding half-year.

### Note 2. Acquisition of controlled entities

On 21 May 2003 IPT acquired 78,351,484 units in DOF, representing an 8.4% holding. On 26 May 2003 IPL as responsible entity of IPT announced its intention to make an off market scrip and cash offer to acquire the remaining units in DOF 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 DOF unitholders on 20 June 2003.

On 14 August 2003, IPT owned 51.18% of the units in DOF therefore effectively gaining control of DOF on this day. Subsequent to 14 August 2003 IPT has purchased the remaining 48.82% of the units in DOF.

The assets and liabilities and results of DOF have been included in IPT's financial statements since the date of acquisition. A summary of the acquisition on the date control was gained by IPT is:

Fair value of identified net assets of the controlled entity acquired at 14 August 2003:

	<b>\$'000</b>
Investment properties	934,756
Cash	7,172
Receivables and other assets	843
Payables	(215,255)
Goodwill	50,899
	<u>778,415</u>
Cash consideration	313,292
Fair value of equity issued for consideration	450,737
	<u>764,029</u>
Costs of acquisition	14,386
	<u>778,415</u>

### Notes to the Combined Financial Statements For the half-year ended 31 December 2003

#### Note 2. Acquisition of controlled entities (continued)

IPT completed the purchase of DOF on 31 August 2003 resulting in a total fair value of consideration (excluding acquisition costs) of \$1,498,406,000. Fair value of identified net assets of the controlled entity at the date 100% of the units of DOF were acquired and the components of the consideration are:

	<b>\$'000</b>
Investment properties	1,834,536
Cash	7,447
Receivables and other assets	18,551
Payables	(435,693)
Goodwill	89,034
	<u>1,513,875</u>
Cash consideration	529,556
Fair value of equity issued for consideration	968,850
	<u>1,498,406</u>
Costs of acquisition	15,469
	<u>1,513,875</u>

Outflow of cash to acquire controlled entity, net of cash acquired:

	<b>\$'000</b>
Cash consideration (outflow)	(529,556)
Cash assets acquired	7,447
Capitalised costs of acquisition	(15,469)
Net (outflow) of cash	<u>(537,578)</u>

Note: The amount disclosed in the Combined Statement of Cash Flows as payment for a controlled entity is less than the net outflow of cash shown above due to certain of these payments being made in the year ended 30 June 2003.

#### Note 3. Segment Information

The combined entity operates in the following business segments:

##### *Investment portfolio*

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

##### *Services*

IPL is the Responsible Entity for IPT and for ten registered schemes. Annual management fees and establishment fees are earned. IPL also provides asset, property and facilities management services to properties managed by the Group.

##### *Property development*

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

##### *Short term investments*

IPL holds short term investments prior to syndication, disposal, or sell down to external investors.

## Investa Property Group

### Notes to the Combined Financial Statements For the half-year ended 31 December 2003

#### Note 3. Segment Information (continued)

	Investment Portfolio \$'000	Services \$'000	Property Development \$'000	Short Term Investments \$'000	Elimination/ Unallocated \$'000	Consolidated \$'000
<b>31 December 2003</b>						
Revenue from ordinary activities	265,697	12,961	34,596	76,398	(17,026)	372,626
Segment profit <sup>1</sup>	122,900	2,590	8,053	14,075	(168)	147,450
Net profit after tax	90,987	2,174	3,393	138	5,995	102,687
Segment profit contribution (%)	83%	2%	5%	10%	-	100%
Segment assets	3,756,769	53,321	139,764	379,282	36,187	4,365,323
Segment liabilities	1,471,639	48,568	67,600	60,000	67,322	1,715,129
Depreciation and amortisation expense	-	415	584	-	2,519	3,518
Acquisition of property, plant and equipment	30,530	317	23	2,110	-	32,980
	<b>Investment Portfolio \$'000</b>	<b>Services \$'000</b>	<b>Property Development \$'000</b>	<b>Short Term Investments \$'000</b>	<b>Elimination/ Unallocated \$'000</b>	<b>Consolidated \$'000</b>
<b>31 December 2002 <sup>2</sup></b>						
Revenue from ordinary activities	82,931	11,831	24,669	69,569	(27,252)	161,748
Segment profit <sup>1</sup>	60,700	2,591	5,884	7,472	(664)	75,983
Net profit after tax	46,158	2,177	4,682	2,548	2,987	58,552
Segment profit contribution (%)	80%	3%	7%	10%	-	100%
Segment assets	1,668,469	24,786	104,406	351,078	63,032	2,211,771
Segmented liabilities	577,000	17,886	31,000	-	49,564	675,450
Depreciation and amortisation expense	-	481	515	-	965	1,961
Acquisition of property, plant and equipment	2,158	116	-	-	-	2,274

1. Segment profit represents earnings before interest, amortisation, depreciation and tax.

2. The 31 December 2002 comparative segment analysis has been restated to reflect the current segment apportionment.

## Investa Property Group

### Notes to the Combined Financial Statements For the half-year ended 31 December 2003

#### Note 4. Other investments

	<b>31 December 2003 \$'000</b>	30 June 2003 \$'000
<b>4(a) Current</b>		
<b>Investments in property:</b>		
7 – 13 Tomlins Street, Townsville	-	9,325
29 - 41 Lysaght Street, Brisbane	<b>11,799</b>	11,743
Macarthur Central Shopping Centre, Brisbane	<b>101,086</b>	100,796
<b>Investments in unlisted property trusts:</b>		
Martin Place Trust (known as the Martin Place Wholesale Syndicate)	<b>10,499</b>	25,937
Investa Fifth Commercial Trust	-	8,603
Investa Sixth Commercial Trust	<b>8,509</b>	-
<b>Total current</b>	<b>131,893</b>	<b>156,404</b>
Current investments in properties and unlisted property trusts are recorded at cost.		
<b>4(b) Non-current</b>		
<b>Investments in property:</b>		
Kings Row, Brisbane <sup>1</sup>	<b>66,300</b>	66,073
231 Elizabeth Street, Sydney <sup>1</sup>	<b>116,764</b>	116,724
209 Kingsway, Melbourne <sup>1</sup>	<b>102,851</b>	102,851
1 Market Street, Sydney <sup>1</sup>	<b>212,361</b>	210,446
<b>Total properties</b>	<b>498,276</b>	496,094
Less: properties held in investment portfolio (refer to Note 5)	<b>(250,887)</b>	(249,067)
	<b>247,389</b>	247,027
<b>Investments in listed property trusts</b>		
DOF <sup>2</sup>	-	127,159
<b>Total non-current</b>	<b>247,389</b>	<b>374,186</b>

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

<sup>1</sup>This investment is held by Investa Commercial Property Fund. Investa Nominees Pty Limited, a 100% subsidiary of IPL, owned 77% of Investa Commercial Property Fund at 31 December 2003 (89% at 30 June 2003).

<sup>2</sup>On 21 May 2003 IPT acquired 78,351,484 units in DOF, representing an 8.4% holding. The investment in the previous period was carried at the cost of the units of \$123,795,345 plus acquisition costs. On 14 August 2003, IPT owned 51.18% of the units in DOF therefore effectively gaining control of DOF on this day. Refer to Note 2 for further details.

# Investa Property Group

## Notes to the Combined Financial Statements For the half-year ended 31 December 2003

### Note 5. Non-current assets – investment properties

Property	Type	Ownership	Acquisition Date	Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 31/12/03 \$'000	Consolidated book value 30/06/03 \$'000
<b>Non current assets</b>									
<b>Properties held by Investa Property Trust</b>									
62 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	26/02/88	28,762	30/06/02	27,500	P Harding, Knight Frank	27,518	27,507
64 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	01/07/94	24,033	31/03/02	16,100	A Martin, AAPI JLL Advisory	16,172	16,130
73 Northbourne Avenue, Canberra, ACT *	Offices 99 yr leasehold	100%	06/05/94	23,361	30/06/03	17,100	P Dempsey, FAPI Arthur Andersen	17,130	17,100
73 Miller Street, North Sydney, NSW *	Offices/ Freehold	100%	12/06/97	75,824	30/06/02	90,000	A Richard, FAPI CB Richard Ellis	90,341	90,319
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	32,000
32 Philip Street, Parramatta, NSW	Offices/ Freehold	100%	01/11/99		30/06/03	23,000	A Martin, AAPI JLL Advisory	-	23,000
55 Market Street, Sydney, NSW *	Offices/ Freehold	100%	31/07/98	123,008	30/06/02	138,000	D Castles, AAPI Landmark White	138,964	138,516
241 Adelaide Street, Brisbane, QLD	Offices/ 75 yr Leasehold	100%	10/09/98		31/12/02	17,000	J Porter, AAPI CBRE	-	17,026
410 Ann Street, Brisbane, QLD *	Offices/ Freehold	100%	23/11/87	60,209	31/12/03	62,500	S Boyd, AAPI, Jones Lang LaSalle	62,500	64,173
469 Latrobe Street, Melbourne, VIC *	Offices/ Freehold	100%	01/07/88	81,869	31/12/03	48,000	M Crowe AAPI, Knight Frank	48,000	53,289
485 Latrobe Street, Melbourne, VIC *	Offices/ Freehold	100%	10/09/98	91,103	30/06/02	111,000	G Longden, FAPI JLL Advisory	111,045	111,046
420 St Kilda Road, Melbourne, VIC	Offices/ Freehold	100%	12/12/86	24,893	30/06/03	27,500	C Plant JLL Advisory	27,707	27,500
109 St Georges Terrace, Perth, WA	Offices/ Freehold	100%	01/11/99	25,226	31/12/03	17,500	J Perillo AAPI, Knight Frank	17,500	25,726
<b>Total Properties held by Investa Property Trust</b>				<b>591,031</b>				<b>588,877</b>	<b>643,332</b>
<b>Properties held by controlled entities</b>									
<b>Investa Real Property Growth Trust</b>									
115 Grenfell Street, Adelaide, SA *	Offices/ Freehold	100%	04/05/89	-	30/06/03	28,600	J Pledge AAPI, Knight Frank	-	28,600
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	67,481	67,071
State Law Building, Brisbane, QLD	Offices/ Freehold	100%	31/01/03	85,983	31/12/02	83,000	I Gregory AAPI, Knight Frank	85,983	85,973
Kings Row, Brisbane, QLD <sup>1</sup>	Offices/ Freehold	50%	31/01/03	33,108	31/12/02	31,700	J Apted AAPI, Colliers International	33,222	33,108
1 Market Street, Sydney, NSW* <sup>1</sup>	Offices/ Freehold	50%	31/01/03	106,172	31/12/02	102,500	A Pannifex, AAPI Knight Frank	107,878	106,172
<b>Total - Investa Real Property Growth Trust</b>				<b>293,179</b>				<b>294,564</b>	<b>320,924</b>
<b>Lizabeth Trust</b>									
255 Elizabeth Street, Sydney, NSW*	Offices/ Freehold	50% 10% 40%	21/09/94 11/12/98 01/11/99	172,712	30/06/03	152,000	A Pannifex, AAPI Knight Frank	152,102	152,000
<b>Connect Property Trust</b>									
242 Exhibition Street, Melbourne, Vic*	Offices/ Freehold	100%	19/08/02	274,775	30/06/02	261,000	A Pannifex AAPI FPDSavills	274,775	274,523
231 Elizabeth Street, Sydney, NSW* <sup>1</sup>	Offices/ Freehold	50%	19/08/02	58,383	30/06/02	57,500	A Pannifex AAPI FPDSavills	58,362	58,362
310 Pitt Street, Sydney, NSW*	Offices/ Freehold	100%	08/10/02	125,531	30/06/02	120,000	A Pannifex AAPI FPDSavills	125,531	125,486
<b>Total – Connect Property Trust</b>				<b>458,689</b>				<b>458,668</b>	<b>458,371</b>

**Notes to the Combined Financial Statements  
For the half-year ended 31 December 2003**

**Note 5. Non-current assets – investment properties (continued)**

Property	Type	Ownership	Acquisition Date	Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 31/12/03 \$'000	Consolidated book value 30/06/03 \$'000
<b>Properties held by controlled entities (continued)</b>									
<b>Delta Office Fund</b>									
30% interest (as tenants-in-common) Grosvenor Place 225-235 George Street, Sydney	Offices/ Leasehold	30%	31/8/03	231,432	30/06/03	230,250	W Doherty, AAPI Colliers International	231,432	-
50% interest (as tenants-in-common) QV1 250 St George's Terrace, Perth	Offices/ Freehold	50%	31/8/03	153,035	30/06/03	152,500	M Crowe, AAPI Knight Frank	153,035	-
St Martins Tower 31 Market Street, Sydney	Offices/ Freehold	100%	31/8/03	125,000	31/12/03	125,000	S Fairfax AAPI & L Tredwell GAPI CBRE	125,000	-
Customs House 414 Latrobe Street, Melbourne	Offices/ Freehold	100%	31/8/03	44,800	30/06/03	44,800	R J Scrivener, FAPI, FRICS Urbis	44,800	-
Centennial Plaza Tower A 260 Elizabeth Street, Sydney	Offices/ Freehold	100%	31/8/03	60,000	30/06/03	60,000	D Hillier, AAPI & W Doherty, AAPI Colliers International	60,000	-
Centennial Plaza Tower B 270-280 Elizabeth Street, Sydney	Offices/ Freehold	100%	31/8/03	75,056	30/06/03	74,500	D Hillier, AAPI & W Doherty, AAPI Colliers International	75,056	-
Centennial Plaza Tower C 300 Elizabeth Street, Sydney	Offices/ Freehold	100%	31/8/03	87,936	30/06/03	87,000	D Hillier, AAPI & W Doherty, AAPI Colliers International	87,936	-
120 Collins Street, Melbourne	Offices/ Freehold	100%	31/8/03	320,000	31/12/03	320,000	D Gowing, FAPI CBRE	320,000	-
400 George Street, Sydney	Offices/ Freehold	100%	31/8/03	386,697	30/06/03	387,500	M S Smallhorn, FAPI & C R Carver GAPI Jones Lang LaSalle	386,697	-
Kindersley House 33 Bligh & 20-26 O'Connell Streets, Sydney	Offices/ Freehold	100%	31/8/03	60,000	31/12/03	60,000	S Fairfax AAPI & L Tredwell GAPI CBRE	60,000	-
50% interest (as tenants-in-common) Maritime Trade Towers 201 Kent Street, Sydney	Offices/ Leasehold	50%	31/8/03	110,133	30/06/03	110,000	D Castles, AAPI & L Tredwell GAPI CBRE	110,133	-
Sydney CBD Floor Space	Heritage Floor Space	100%	31/8/03	622	30/06/03	1,000	S Fairfax AAPI & L Tredwell GAPI CBRE	622	-
126 Phillip Street, Sydney – Development property	Offices/ Freehold (Develop)	100%	31/8/03	190,285	30/06/03	160,000	S Fairfax AAPI & L Tredwell GAPI CBRE	190,285	-
<b>Total – Delta Office Fund</b>				<u>1,844,996</u>				<u>1,844,996</u>	-
<b>441 Trust</b>									
441 St Kilda Road, Melbourne	Offices/ Leasehold	100%	30/10/03	<u>47,501</u>	30/10/03	45,000	B Smith FAPI Knight Frank	<u>47,501</u>	-
<b>Total Properties held by Controlled Entities</b>				<u>2,817,077</u>				<u>2,797,831</u>	-

**Notes to the Combined Financial Statements  
For the half-year ended 31 December 2003**

**Note 5. Non-current assets – investment properties (continued)**

Property	Type	Ownership	Acquisition Date	Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 31/12/03 \$'000	Consolidated book value 30/06/03 \$'000
<b>Properties held by Associates</b>									
<b>60 Martin Place Unit Trust</b>									
60 Martin Place, Sydney, NSW	Offices/Freehold	50%	01/11/99	80,595	30/09/03	93,500	P A Dempsey, FAPI Ernst & Young	93,144	91,825
<b>80 Pacific Highway Trust</b>									
80 Pacific Highway, North Sydney, NSW	Offices/Freehold	50%	04/05/01	45,442	31/12/03	44,000	MS Smallhorn, FAPI JLL Advisory	44,305	45,745
<b>Investa South Melbourne Trust</b>									
209 Kingsway, Melbourne, VIC <sup>1</sup>	Offices/Freehold	50%	31/01/02	51,425	01/08/02	50,000	G Longden FAPI JLL Advisory	51,425	51,425
<b>Penrhyn House Trust</b>									
Penrhyn House, Woden, ACT*	Offices/Freehold	50%	06/12/02	20,604	01/09/02	19,300	P Harding Knight Frank	20,649	20,649
<b>589 Collins Trust</b>									
589 Collins Street, Melbourne, VIC	Offices/Freehold	50%	31/01/03	28,517	01/12/02	28,000	JA Perillo, AAPI Knight Frank	28,506	28,486
<b>Total Properties held by Associates</b>				<u>226,583</u>				<u>238,029</u>	<u>238,130</u>
<b>Interests in unlisted property securities</b>									
<b>Investa Brisbane Commercial Trust</b>		20%	08/05/01	4,820				4,820	4,820
<b>Investa Sixth Commercial Trust</b>		15%	19/12/03	7,000				7,000	-
<b>Total interests in unlisted property securities</b>				<u>11,820</u>				<u>11,820</u>	<u>4,820</u>
<b>Total non-current investment</b>				<u>3,646,511</u>				<u>3,636,557</u>	<u>1,817,577</u>

Note: Properties not independently valued during the last 12 months are carried at directors' valuation at 31 December 2003.

\* These properties and units are used as security for the issue of a commercial note.

<sup>1</sup> Refer Note 4 for details of these 4 property investments.

**Note 6. Provisions**

	<b>30 December 2003 \$'000</b>	30 June 2003 \$'000
Provision for dividend and distribution*	<b>58,007</b>	35,322
Employee entitlements	<b>2,494</b>	2,709
Other	<b>180</b>	994
	<u><b>60,681</b></u>	<u>39,025</u>

\* This provision includes \$704,000 payable to the outside equity interests at 31 December 2003 (\$386,000 at 30 June 2003).

**Note 7. Contributed equity**

**(a) Paid up capital**

	<b>No of securities '000</b>	<b>31 December 2003 \$'000</b>	No of securities '000	30 June 2003 \$'000
IPT	<b>1,397,644</b>	<b>2,481,758</b>	885,529	1,559,908
IPL	<b>1,397,644</b>	<b>75,050</b>	885,529	20,133
		<u><b>2,556,808</b></u>		<u>1,580,041</u>



## Investa Property Group

### Notes to the Combined Financial Statements For the half-year ended 31 December 2003

#### Note 7. Contributed equity (continued)

##### (b) Reconciliation of contributed equity

	IPT		IPL	
	No. of Units	\$'000	No. of shares	\$'000
<b>Opening balance</b>	<b>885,529</b>	<b>1,559,908</b>	<b>885,529</b>	<b>20,133</b>
Issue of securities	498,308	915,156	498,308	53,694
Distributions reinvested	13,807	26,120	13,807	1,315
Cost of security placements	-	(393)	-	(92)
Transfer (to) amounts available for distribution	-	(13,283)	-	-
Transfer(to) asset revaluation reserve	-	(5,750)	-	-
<b>Closing balance</b>	<b>1,397,644</b>	<b>2,481,758</b>	<b>1,397,644</b>	<b>75,050</b>

#### Note 8. Reserves

##### (a) Amounts available for distribution

	31 December 2003 \$'000	31 December 2002 \$'000
Opening balance	8,507	3,141
Profit attributable to securityholders of the Group before transfer from reserves	102,687	58,552
Transfer from contributed equity	13,283	6,807
Dividends/distribution paid and payable	(113,724)	(62,238)
Closing balance	10,753	6,262

##### (b) Reserves

	31 December 2003 \$'000	31 December 2002 \$'000
<b>Asset revaluation reserve</b>		
Opening balance	50,874	46,565
(Decrement)/increment on revaluation of investment properties	(17,380)	2,667
Transfer from contributed equity	5,750	-
Closing balance	39,244	49,232

##### Share of (decrement) / increment on revaluation of investments

	31 December 2003 \$'000	31 December 2002 \$'000
469 Latrobe Street, Melbourne	(5,867)	-
410 Ann Street, Brisbane	(2,589)	-
109 St Georges Terrace, Perth	(8,452)	-
80 Pacific Highway Trust	(1,442)	-
241 Adelaide Street, Brisbane	-	(1,173)
Investa Sunlaw Trust	-	256
60 Martin Place, Sydney	970	3,584

##### Net (decrement) / increment recognised directly in asset revaluation reserve

	(17,380)	2,667
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Properties are valued on a rotational basis whereby approximately one-third of the assets are valued each year, with a period no longer than 3 years.

## Investa Property Group

### Notes to the Combined Financial Statements For the half-year ended 31 December 2003

#### Note 9. Dividends and distributions

	31 December 2003 \$'000	31 December 2003 Cents per stapled security	31 December 2002 \$'000	31 December 2002 Cents per stapled security
<b>Timing of dividends and distributions</b>				
The dividends/distributions were paid/payable as follows:				
30 September paid	56,421	4.05	29,629	3.80
31 December payable	57,303	4.10	32,609	3.90
	<u>113,724</u>	<u>8.15</u>	<u>62,238</u>	<u>7.70</u>

#### Note 10. Non-cash financing and investing activities

	31 December 2003 \$'000	31 December 2002 \$'000
Dividends/distributions satisfied by the issue of securities under the Group distribution reinvestment plan were as follows:		
August 2003: 9,273,318 @ \$2.01 (August 2002: 4,278,224 @ \$1.97)	18,639	8,428
November 2003: 4,534,142 @ \$1.94 (November 2002: 6,168,511 @ \$2.05)	8,796	12,645
	<u>27,435</u>	<u>21,073</u>
Issue of securities for the acquisition of DOF	968,780	-
	<u>996,215</u>	<u>21,073</u>

#### Note 11. Contingent liabilities

IPT has guaranteed the cash advance and contingent liability facilities of IPL with the Commonwealth Bank of Australia for \$16,000,000. IPT has also guaranteed the bank guarantee and Bill Facility agreement of Investa Developments Pty Limited and Silverton Limited (used to partially finance the inventory of development assets) with Westpac Banking Corporation for \$70,000,000.

#### Note 12. Events occurring after reporting date

There are no events occurring after the reporting date which materially affect the financial statements.

### Directors' Declaration

The directors declare that the combined financial statements and notes set out on pages 5 to 16:

- (a) comply with Accounting Standards, and other mandatory professional reporting requirements; and
- (b) present fairly the combined entity's financial position as at 31 December 2003 and of its combined performance, as represented by the results of its combined operations and combined cash flows for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the combined entity will be able to pay its debts as and when they become due and payable.

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



I K Payne  
Chairman  
Sydney  
29 January 2004

## Independent audit report to the securityholders of Investa Property Group

### Audit opinion

In our opinion, the financial report of Investa Property Group presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, the financial position of Investa Property Group as at 31 December 2003 and the results of its operations and cash flows for the half year ended on that date.

This opinion must be read in conjunction with the rest of our audit report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, for Investa Property Group (the Group), comprising Investa Properties Limited and Investa Property Trust and the entities they controlled, for the half year ended 31 December 2003.

The directors of Investa Properties Limited are responsible for the preparation and presentation of the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Audit approach

We conducted an independent audit in order to express an opinion to the securityholders of the Group. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Group's financial position and the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report .

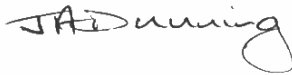
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PricewaterhouseCoopers



J A Dunning  
Partner

Sydney  
29 January 2004