Investa Properties Limited

ABN 54 084 407 241

Half-Year Report

31 December 2003

Half-Year Report – 31 December 2003

Contents

Directors' Report

The directors of Investa Properties Limited present their report together with the consolidated financial report of the Company and its controlled entities (together the "Company") for the half-year ended 31 December 2003.

Directors

The following persons were directors of Company during the whole of the financial period and up to the date of this report:

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 consolidated entity consisted of property and funds management, property development and holding short-term property investments. All business segments operate in one geographical area, Australia.

Dividends

Dividends paid and payable for the half-year ended 31 December 2003 were $5,579,223 (2002: $7,662,000) being 0.40 cents per share (2002: 0.95 cents per share).

Review of operations

A summary of the results is as follows:	**31 December 2003 $'000**	31 December 2002 $'000
Total revenue from ordinary activities	**123,955**	106,069
Net profit after tax	**3,447**	8,700
Profit attributable to outside equity interests	**(1,462)**	(497)
Profit attributable to members of Investa Properties Limited	**1,985**	8,203
Retained profits brought forward	**3,726**	2,943
Dividend paid and payable	**(5,579)**	(7,662)
Retained profits at 31 December	**132**	3,484
Total assets	**550,150**	327,496

Rounding of amounts

The Company is 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

I K Payne
Chairman
Sydney
29 January 2004

Discussion and analysis on the consolidated financial statements

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

Consolidated Statement of Financial Performance

Profit for the Company after tax and outside equity interests was $1,985,000 compared to $8,203,000 in the previous corresponding period. Significant increases in activity (see below) have been more than offset by increases in interest (particularly interest charges from Investa Property Trust (IPT)) and operating expenses. The interest charges from IPT result in increased revenue in IPT and are eliminated in the Investa Property Group (IPG) accounts reflecting the overall improved group performance. The following summary highlights the key contributors to the performance of the Company for the period

Net Income

Net income is up 44% to $36,600,000 reflecting the increased activity of the Company. Key contributors to this growth in net income include:

- 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.

- 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 by IPT of Principal Office Fund (which was renamed Delta Office Fund), other acquisitions made by IPT 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.

  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).

Discussion and analysis on the consolidated financial statements (Continued)

Consolidated Statement of Financial Performance (continued)

Expenses

The increase in net income has been offset by increases in expenses; significantly internal interest charges from IPT (refer below).

- Operating expenses have increased by $4,300,000 during the period reflecting the increased scale of the Company'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. In addition to these costs, the Company 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 paid on external and internal borrowings. Internal borrowings are loans made available by IPT to provide funds to the Company to enable it to make its investments.

  Borrowing costs have increased on the corresponding period (by $13,100,000 to $18,000,000) due to the increase in borrowings required to fund the acquisitions made by the Company during the period, including Macarthur Central and the investment in Investa Commercial Property Fund. Borrowing costs are also higher due to an increase in interest rates charged by IPT during the period.

Earnings and Dividend

Earnings per share before amortisation and after tax have decreased from 1.16 cents per share in the previous period to 0.16 cents per share in the current period. Reflecting the drop in earnings, the dividend per share has reduced from 0.95 cents per share to 0.40 cents per share. The difference in earnings per share and dividend per share is reflected in a reduction of retained profits, which are $132,000 at the end of the period.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position for the Company at 31 December 2003 reflects a high level of activity in the Company since 1 July 2003. Total assets have decreased from $569,987,000 as at 30 June 2003 to $550,150,000 as at 31 December 2003.

During the period, the Company sold several of its short term investments including:

- 12.5% interest in Investa Commercial Property Fund ($23,308,000);
- 7 – 13 Tomlins Street, Townsville ($10,304,000);
- a portion of the Company's interest in MPWS ($16,589,000); and
- investment in Investa Fifth Commercial Trust ($9,000,000).

The decrease in assets has been partially offset by the replenishment of property development inventories with a net increase of $6,278,000 after sales during the period.

Discussion and analysis on the consolidated financial statements (Continued)

Consolidated Statement of Financial Position (continued)

The funds generated from the net reduction in assets has been utilised to reduce debt in the company, from $498,130,000 in June 2003 to $411,992,000 at December 2003, with the predominant reduction being debt owed to a related entity, IPT. The external debt relates to loans associated with the development operations of $67,600,000 and a loan with Investa Commercial Property Fund of $60,000,000.

Consolidated Statement of Cash Flows

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

Cash flows from operating activities decreased by $34,877,000 from an inflow of $28,911,000 in the previous financial period to an outflow of $5,966,000, which is mainly attributable to:

- Additional borrowing costs paid of $6,406,000;
- Higher taxation payments of $8,451,000 relating primarily to the increased development activities;
- A reduction in receipts of $4,337,000 from management fees and rental income; and
- Increased payments of $21,924,000 mainly related to property inventories and property outgoings.

This reduction in cash flow has been offset by an increase in distributions received of $6,206,000 reflecting the impact of changes in holdings of short term investments.

Investing activities resulted in a net inflow of $48,965,000 which was mainly as a result of the proceeds from the sale of investments totalling $59,201,000. The proceeds from the sale of investments were used to repay debt to IPT, a related entity.

This compared to an outflow from investing activities in the corresponding prior period of $108,375,000, which included payments for investments of $163,863,000 used to acquire the investment interests in Cairns, Townsville, Perth and Adelaide for $79,500,000 as well as an interest in Investa Commercial Property Fund worth $84,363,000.

Financing activities resulted in a net outflow of $45,960,000 mainly as a result of a net repayment of borrowings to Investa Property Trust, a related entity, of $49,487,000 using the proceeds from the sale of investments to fund these repayments. The company raised an additional $8,000,000 from external lenders during the period to fund non-current property inventories.

In the corresponding prior period, the company had a net inflow of $84,093,000, which was mainly attributable to net funds received of $96,909,000 from IPT, a related entity, to fund the acquisition of property investments.

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

	Notes	**Half Year 31 December 2003 $'000**	Half Year 31 December 2002 $'000
Revenue from ordinary activities	2	**123,955**	106,069
Cost of development inventory sold		**(23,520)**	(16,915)
Employee expenses		**(11,751)**	(8,159)
Property outgoings & repairs and maintenance		**(2,222)**	(1,091)
Borrowing costs		**(18,014)**	(4,924)
Amortisation of intangibles and depreciation		**(999)**	(996)
Book value of investments sold		**(56,661)**	(59,180)
Other expenses from ordinary activities		**(5,071)**	(2,652)
Profit from ordinary activities before income tax expense		**5,717**	**12,152**
Income tax expense		**(2,270)**	(3,452)
Net Profit		**3,447**	**8,700**
Net profit attributable to outside equity interests		**(1,462)**	(497)
Net profit attributable to members of Investa Properties Limited		**1,985**	**8,203**
Total changes in equity other than those resulting from transactions with owners as owners		**1,985**	**8,203**
		Cents	Cents
Basic and diluted earnings per share		**0.16**	1.16

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

Consolidated Statement of Financial Position
As at 31 December 2003

	Notes	**31 December 2003 $'000**	30 June 2003 $'000
Current assets			
Cash assets		**2,499**	5,460
Receivables		**14,173**	10,174
Investments	4	**123,384**	156,404
Property development inventories		**16,874**	20,056
Total current assets		**156,930**	192,094
Non-current assets			
Deferred tax asset		**2,470**	2,575
Property, plant and equipment		**1,200**	1,032
Investments	4	**247,145**	245,381
Property development inventories		**122,890**	113,430
Loans to employees		**14,100**	9,232
Intangible assets		**5,415**	6,243
Total non-current assets		**393,220**	377,893
Total assets		**550,150**	**569,987**
Current liabilities			
Payables		**7,453**	6,766
Current tax liabilities		**36**	4,661
Loans from related entities		**113,716**	205,864
Provisions	5	**5,474**	6,335
Total current liabilities		**126,679**	223,626
Non-current liabilities			
Deferred tax liabilities		**6,624**	6,040
Loans from related entities		**170,676**	172,666
Interest and non interest bearing liabilities		**127,600**	119,600
Total non-current liabilities		**304,900**	298,306
Total liabilities		**431,579**	**521,932**
Net assets		**118,571**	**48,055**
Equity			
Contributed equity	6	**75,050**	20,133
Outside equity interest	7	**43,389**	24,196
Retained profits	8	**132**	3,726
Total equity		**118,571**	**48,055**

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

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

	Notes	**31 December 2003 $'000**	31 December 2002 $'000
Cash flows from operating activities			
Cash received from operations		**61,636**	65,973
Cash payments from operations		**(49,880)**	(39,941)
Payments for acquisition of property development inventories		**(11,985)**	-
Distributions received		**11,042**	4,836
Interest received		**260**	225
Borrowing costs paid		**(8,582)**	(2,176)
Income taxes paid		**(8,457)**	(6)
Net cash (outflow)/inflow from operating activities		**(5,966)**	**28,911**
Cash flows from investing activities			
Payment for property, plant & equipment		**(340)**	(116)
Capital expenditure on investment properties		**(2,110)**	-
(Payment)/refund for due diligence costs		**(2,918)**	976
Loans to employees		**(4,868)**	(3,712)
Payments for investments		**-**	(163,863)
Proceeds from sale of investments		**59,201**	58,340
Net cash inflow/(outflow) from investing activities		**48,965**	**(108,375)**
Cash flows from financing activities			
Repayment of borrowings		**-**	(23,500)
Proceeds from borrowings		**8,000**	3,000
Proceeds from issue of shares		**-**	15,350
Payment of share issue costs		**(92)**	(273)
Loan to related entity		**-**	-
Repayment of borrowings from related entity		**(66,530)**	(79,104)
Proceeds from borrowings from related entity		**17,043**	176,013
Dividends paid		**(4,381)**	(7,393)
Net cash (outflow)/inflow from financing activities		**(45,960)**	**84,093**
Net (decrease)/increase in cash held		**(2,961)**	4,629
Cash at the beginning of the reporting period		**5,460**	11,203
Cash at the end of the reporting period		**2,499**	**15,832**
Total non cash financing and investing activities	6		

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

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

Note 1. Basis of preparation of half-year financial report

This general purpose consolidated financial report for the interim half-year reporting period 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), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Investa Properties Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The units in Investa Property Trust are 'stapled' to the shares in Investa Properties Limited. All transactions in either security can only be in the form of transactions in Investa Property Group stapled securities.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Note 2. Revenue from ordinary activities

	Half year 31 December 2003 $'000	Half year 31 December 2002 $'000
Sales of property inventory	**29,485**	24,669
Management fees	**11,846**	9,906
Rent	**8,229**	5,434
Distribution from associates	**8,708**	1,997
Contracted revenue	**5,111**	-
Interest	**260**	248
Proceeds on disposal of investments	**59,201**	61,890
Other revenue	**1,115**	1,925
	123,955	106,069

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

Note 3. Segment information

31 December 2003	Services $'000	Property Development $'000	Investments $'000	Elimination/ Unallocated $'000	Consolidated $'000
Revenue from ordinary activities	**12,961**	**34,596**	**76,398**	**-**	**123,955**
Segment profit[1]	**2,590**	**8,053**	**14,075**	**(3,720)**	**20,998**
Net profit after tax	**2,174**	**3,393**	**138**	**(3,720)**	**1,985**
Segment profit contribution (%)	**10%**	**33%**	**57%**	**-**	**100%**
Segment assets	**14,173**	**139,764**	**370,529**	**25,684**	**550,150**
Segment liabilities	**7,453**	**128,604**	**283,388**	**12,134**	**431,579**
Depreciation and amortisation expense	**415**	**584**	**-**	**-**	**999**
Acquisition of property, plant and equipment	**317**	**23**	**2,110**	**-**	**2,450**
31 December 2002[2]					
Revenue from ordinary activities	11,831	24,669	69,569	-	106,069
Segment profit[1]	2,591	5,884	7,472	(1,824)	14,123
Net profit after tax	2,177	4,682	2,548	(1,204)	8,203
Segment profit contribution (%)	16%	37%	47%	-	100%
Segment assets	11,258	104,406	167,627	44,205	327,496
Segment liabilities	6,672	92,004	182,312	21,072	302,060
Depreciation and amortisation expense	481	515	-	-	996
Acquisition of property, plant and equipment	116	-	-	-	116

[1] Segment profit represents earnings before interest, amortisation, and depreciation and is after tax.
[2] The 31 December 2002 comparative segment analysis has been restated to reflect the current segment apportionment.

The Consolidated Entity operates solely in Australia.

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

Note 4. Investments

	31 December 2003 $'000	30 June 2003 $'000
Current		
Investments in properties:		
7 - 13 Tomlins Street, Townsville	**-**	9,325
Macarthur Central Shopping Centre, Brisbane	**101,086**	100,796
29 - 41 Lysaght Street, Brisbane	**11,799**	11,743
Investments in unlisted property trusts:		
Investa Fifth Commercial Trust	**-**	8,603
Martin Place Trust (known as the Martin Place Wholesale Syndicate)	**10,499**	25,937
Total current	**123,384**	156,404
Non-current		
Investments in properties:		
Kings Row, Brisbane [1]	**33,079**	32,965
Investments in unlisted property trusts:		
SUNPAC Property Fund [1]	**104,279**	102,629
Investa South Melbourne Trust [1]	**51,425**	51,425
231 Elizabeth Street Trust [1]	**58,362**	58,362
Total non-current	**247,145**	245,381

[1]These investments are held by Investa Commercial Property Fund. Investa Nominees Pty Limited, a 100% subsidiary of Investa Properties Limited, owned 76.7% of Investa Commercial Property Fund at 31 December 2003.

Note 5. Provisions

	31 December 2003 $'000	30 June 2003 $'000
Provision for dividend	**2,096**	2,213
Provision for dividend – outside equity interest	**704**	419
Employee entitlements	**2,494**	2,709
Other provisions	**180**	994
	5,474	6,335

Note 6. Contributed equity

	31 December 2003 $'000	30 June 2003 $'000
(a) Contributed equity		
Opening balance	**20,133**	559
Issue of shares *	**55,009**	20,010
Issue costs	**(92)**	(436)
Closing balance	**75,050**	20,133
* Non-cash financing and investing activities:		
- Issue of securities for the acquisition of DOF	**53,694**	-
- Dividends/distributions satisfied by the issue of securities under the Group distribution reinvestment plan (refer Note 9)	**1,315**	765
Total non cash financing and investing activities	**55,009**	765
(b) Number of shares		
Opening balance	**885,529**	600,822
Issue of shares	**512,115**	284,707
Closing balance	**1,397,644**	885,529

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

Note 7. Outside equity Interest

	31 December 2003 $'000	30 June 2003 $'000
Interest in share capital	**43,389**	24,196

The outside equity interest represents a 23.3% (10.75% at 30 June 2003) interest in Investa Commercial Property Fund held by three external investors. In the Consolidated Statement of Financial Performance the outside equity interest represents the portion of profit attributable to external investors. The outside equity interests have increased since 30 June 2003 due to the sale of units in Investa Commercial Property Fund.

Note 8. Retained profits

	31 December 2003 $'000	30 June 2003 $'000
Retained profits at the beginning of the period	**3,726**	2,943
Net profit attributable to members of Investa Properties Limited	**1,985**	14,170
Dividends provided for or paid	**(5,579)**	(13,387)
Retained profits at the end of the period	**132**	3,726

Note 9. Dividends

	31 December 2003 $'000	**31 December 2003 Cents per share**	31 December 2002 $'000	31 December 2002 Cents per share
Timing of dividends				
30 September paid	**3,483**	**0.25**	3,900	0.50
31 December payable	**2,096**	**0.15**	3,762	0.45
	5,579	**0.40**	7,662	0.95

Dividends actually paid or satisfied by issue of shares under the dividend reinvestment plan during the half-year were:

	31 December 2003 $'000	31 December 2002 $'000
Paid in cash	**4,381**	7,393
Satisfied by issue of shares	**1,315**	765
	5,696	8,158

Note 10. Contingent liabilities

There are no material contingent liabilities at 31 December 2003.

Note 11. 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 financial statements and notes set out on pages 5 to 11:

(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 consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the consolidated 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.

I K Payne
Chairman
Sydney
29 January 2004

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwcglobal.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent audit report to the members of Investa Properties Limited

Audit opinion

In our opinion, the financial report of Investa Properties Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Investa Properties Limited as at 31 December 2003 and of its performance for the half-year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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, and the directors' declaration for Investa Properties Limited (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises both Investa Properties Limited (the Company) and the entities it controlled during that half-year.

The directors of Investa Properties Limited are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. 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 for the Company to lodge the financial report with the Australian Securities and Investments Commission. 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 the *Corporations Act 2001*, Accounting Standard AASB *1029: Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by 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 accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in a document containing information in addition to the financial report, our procedures include reading the other information 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 directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

J A Dunning
Partner

Sydney
29 January 2004