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

Half-Year Report

31 December 2004

Half-Year Report – 31 December 2004

Contents

Directors' Report

The directors of Investa Properties Limited present their report together with the Combined Financial Report of Investa Property Group (the "Group") for the half-year ended 31 December 2004.

This report includes the combined results for Investa Properties Limited and its controlled entities (together the "Company") and for Investa Property Trust and its controlled entities (together the "Trust") for the half-year ended 31 December 2004.

Directors

The following persons were directors of the Company 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
P D Campbell
J I Messenger
J S Murray
D R Page

J S Murray was appointed a director on 1 November 2004 and P D Campbell was appointed a director on 22 December 2004.

Principal activities

During the period the principal activities of the Group continued to consist of investment in commercial property, funds and property 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 2004 were $120,643,000 (31 December 2003: $113,724,000) which is equivalent to 8.25 cents per stapled security (31 December 2003: 8.15 cents per stapled security) and is comprised solely of a distribution from the Trust.

Review of operations

A summary of Group combined revenue and results for the period is set out below:

	31 December 2004 $'000	31 December 2003 $'000
Total revenue from ordinary activities	**414,904**	372,626
Net profit after company tax attributable to the securityholders	**114,576**	102,687
Transfer from contributed equity to distributable income	**6,419**	13,283
Amounts available for distribution brought forward from previous period	**8,669**	8,507
Dividends and distributions paid and payable	**(120,643)**	(113,724)
Amounts available for distribution carried forward at 31 December	**9,021**	10,753
Value of Group assets at 31 December	**4,709,718**	4,365,323

On 21 December 2004, Investa Developments Pty Limited acquired a 40% interest in CPG Australia Pty Limited for $100,000,000, comprising $40,000,000 cash and $60,000,000 of Investa Property Group securities, plus $2,000,000 in acquisition costs, with put and call options on the remaining 60% of the business exercisable between July and September 2005. The total consideration is expected to be $250,000,000 plus the assumption of $325,000,000 of debt, which translates to a total acquisition value of $575,000,000. The purchase agreement includes a potential performance based payment up to a maximum of $60,000,000 which is subject to the financial performance of CPG Australia Pty Limited over the 3 years ending 30 September 2007 and is payable in 2007.

Directors' Report (continued)

For a more detailed explanation of the results for the half-year, refer to the discussion and analysis of the Combined Financial Statements.

Likely developments and expected results of operations

The Group is required to adopt Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board for reporting periods beginning on or after 1 January 2005. A summary of how the Group is managing this transition and what the likely impact will be, is contained in Note 15 to the Combined Financial Statements.

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration, as required under section 307C of the *Corporations Act 2001,* is set out on page 4.

Rounding of amounts

The Group 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 Combined Financial Report. Amounts in the Directors' Report and Combined 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
2 February 2005

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Auditors' Independence Declaration

As the lead auditor for the audit of Investa Property Group for the period ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Investa Property Group and the entities it controlled during the period.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
2 February 2005

Discussion and Analysis of the Combined Financial Statements for the half-year ended 31 December 2004

The following commentary will assist securityholders when reviewing and interpreting the results of the Group for the half-year.

Combined Statement of Financial Performance

Profit for the Group after tax and outside equity interests increased by 12% to $114,576,000, from $102,687,000 in the previous corresponding period. The earnings improvement reflected the inclusion of the full six-month impact of Delta (Delta Office Fund, formerly Principal Office Fund) earnings, partly offset by reduced profits from the sale of investments which were down from $4,588,000 to $1,486,000.

These items, when combined with the increase in the average number of securities from 1,270,327,262 to 1,444,763,348, resulted in a 1.6% decrease in the earnings per security before amortisation from 8.35 cents per security for the previous corresponding period to 8.22 cents per security. The distribution for the half-year was 8.25 cents per security compared to 8.15 cents per security previously.

The following summary highlights the key contributors to the performance of the Group for the period.

1. Analysis of Segment Contribution

Excluding proceeds from the sale of investments, revenue from operating activities increased by 6.4% from $225,125,000 to $239,586,000 and total segment profit contribution, being earnings before interest, amortisation, and depreciation and after tax, increased by 4.1% from $147,450,000 to $153,518,000. Key contributors to this were:

a. Investment Portfolio

Portfolio revenue increased from $160,371,000 to $177,463,000, resulting in the segment profit contribution improving by $9,542,000 to $132,442,000. This largely reflects the full six-month effect of the Delta properties purchased during the prior comparable period.

b. Services

The Services business continued to grow with the full six-month impact of the Delta acquisition on the Asset Management business and Corporate Property Services successfully securing another major client, SunCorp Metway Limited. This however, has been offset by a reduction in Syndication fee income compared to the corresponding prior period which included upfront fees from the launch of the Investa Sixth Commercial Trust in December 2003.

Overall, Services segment profit contribution decreased from $2,590,000 to $2,254,000.

c. Property Development

Development revenue of $35,203,000 was slightly lower than the previous corresponding half-year's $36,018,000 and the segment profit contribution also declined marginally from $8,053,000 to $7,955,000 due to higher operating expenses, attributable mainly to $1,750,000 of costs associated with the preparation of the bid for the Lensworth Group, which were largely offset by improved margins.

The following table summarises residential lots sales for the first half:

Project	**Lots**
Mill Park Lakes	115 lots @ $150,000/lot average
Quinns Beach	5 lots @ $317,000/lot average
Total	**120 Lots**

In addition, there were 7 units sold at Turner Street, Melbourne, final settlement on land at Eden Park in North Ryde, Sydney (sold to Investa Fifth Commercial Trust) and the sale of the remaining land at Manly, Brisbane.

Discussion and Analysis of the Combined Financial Statements for the half-year ended 31 December 2004 (continued)

Combined Statement of Financial Performance (continued)

The Development Company acquired 194 hectares of industrial land at Deer Park, Melbourne for a total cost of $35,224,000 in September 2004 and made final settlement of $14,500,000 on 61 hectares of residential land at Henley Brook, Western Australia.

On 21 December 2004, Investa Developments Pty Limited acquired a 40% interest in CPG Australia Pty Limited for $100,000,000, comprising $40,000,000 cash and $60,000,000 of Investa Property Group securities, plus $2,000,000 in acquisition costs, with put and call options on the remaining 60% of the business exercisable between July and September 2005. The total consideration is expected to be $250,000,000 plus the assumption of $325,000,000 of debt, which translates to a total acquisition value of $575,000,000. The purchase agreement includes a potential performance based payment up to a maximum of $60,000,000 which is subject to the financial performance of CPG Australia Pty Limited over the 3 years ending 30 September 2007 and is payable in 2007.

Through this transaction Investa has acquired a 40% indirect interest in a portfolio of approximately 4,400 lots, which are either owned or controlled, of residential development land for subdivision, predominantly in Greater Sydney, and CPG's substantial contract home building business. The Company's main housing brands are Clarendon Homes, Domaine Homes, Bellevale Homes and Greenway Homes.

d. Investments

Investment income includes distribution and rental income derived from assets either held in preparation for syndication, sell down or assets for sale. This represents a key element of the Group's strategy as we are able to draw on the strength of the Group's balance sheet as we hold assets either for future sale or syndication.

Investment segment contribution declined from $14,075,000 in the previous corresponding period to $10,867,000 due to a reduction in the profit on sale of investments and a decline in short-term investment income following the Group's sell down during the period of part of its investment in Investa Commercial Property Fund and Investa Sixth Commercial Trust to external parties.

Profits from the sale of investments, including both short-term investments and investment properties, were down $3,102,000 to $1,486,000. During the current period, a profit of $172,000 was realised on the sale of 73 Northbourne Avenue, Canberra and a profit of $1,281,000 was realised on the sale of a 25% interest in 400 George Street, Sydney.

2. Analysis of Expenses

Other expenses, which include borrowing costs, amortisation and depreciation, decreased by $5,821,000 from $44,763,000 to $38,942,000 and included the following:

- Borrowing costs include interest expenses and line facility fees and have decreased from the previous corresponding period by $6,637,000 to $34,608,000, primarily due to the reduction in debt following the sales of investments described above. Expenditure on qualifying assets (including the development project at 126 Phillip Street in Sydney) has increased total borrowings without any associated increase in borrowing cost expense, as these borrowing costs are capitalised to the carrying value of the qualifying asset.
- Amortisation of intangibles and depreciation of $4,334,000 is up by $816,000 due to the full six-month effect of the goodwill recognised on acquisition of Delta.

Included in the segment profit contribution were the following expenses:

- Employee expenses, which increased from $11,751,000 to $14,359,000, reflecting the increase in staff numbers from 177 to 243 over the period, associated mainly with the growth of corporate property services, asset management and development activities.
- Group operating expenses increased by $2,017,000 to $10,230,000, primarily due to $1,750,000 of costs associated with the preparation of the bid for the Lensworth Group and a general increase in expenses attributable to the expansion of the Group's operating activities.

Discussion and Analysis of the Combined Financial Statements for the half-year ended 31 December 2004 (continued)

Combined Statement of Financial Position

Total Group assets increased by 6% from $4,459,351,000 at 30 June 2004 to $4,709,718,000 at 31 December 2004.

The composition of total assets has changed as the Group implements its strategy to improve the contribution of the Company to Group earnings. The Group has increased its property development inventory from $169,435,000 at 30 June 2004 to $223,306,000 at 31 December 2004 and also acquired a 40% interest in CPG Australia Pty Limited for $102,000,000, inclusive of costs, with put and call options on the remaining 60% of the business exercisable between July and September 2005. During the period the carrying value of 126 Phillip Street increased substantially from $251,477,000 to $332,394,000, reflecting the ongoing cost of construction. The sale of 73 Northbourne Avenue, Canberra for $17,500,000 reduced assets accordingly.

At 30 June 2004, Investa Commercial Property Fund ("ICPF") was consolidated on the basis that the Group held a controlling interest of 76.3%. At 31 December 2004, ICPF is no longer consolidated following the sell down of the Group's interest to 47.6%. The Group does however consolidate 3 sub-trusts in which ICPF has a 50% interest, being 231 Elizabeth Street Trust, Investa South Melbourne Trust and Sunpac Property Fund, on the basis that when combined with Investa Property Trust's 50% direct investment, the combined Group's interest in these sub-trusts is 73.8%. This change results in a net increase in total assets of $57,603,000.

The total debt outstanding as at 31 December 2004 was $1,571,245,000, compared to $1,618,500,000 at 30 June 2004. The gearing for the Group decreased to 33.4%, down from 36.3% at 30 June 2004.

During the period to 31 December 2004, the Group raised $34,865,000 under the Group's Distribution Reinvestment Plan and $60,000,000 from the issue of securities as part consideration for the 40% interest acquired in CPG Australia Pty Limited.

Outside equity interest increased by a net $168,241,000 during the period, reflecting the 25% external interest in 400 George Street and the 26.2% external interests in 231 Elizabeth Street Trust, Investa South Melbourne Trust and Sunpac Property Fund.

The net tangible asset backing as at 31 December 2004 increased to $1.80 from $1.78 at 30 June 2004.

Combined Statement of Cash Flows

Net cash flow from operating activities decreased by $30,525,000 compared to the prior period, to $54,937,000. The net operating cash flow from the investment portfolio increased by $15,988,000, mainly attributable to the full six-month impact of the Delta portfolio. The Company generated additional operating cash flows of $11,258,000, offset by additional purchases of property development inventory of $57,567,000 (including Deer Park and Henley Brook) and a reduction in distribution receipts of $4,535,000 associated with the reduction in the Group's interest in Investa Commercial Property Fund.

Net cash flow from investing activities for the period was an inflow of $13,787,000 reflecting:

- sale of 25% interest in 400 George Street, Sydney ($98,750,000);
- sell down of the Group's short-term investment in Investa Commercial Property Fund ($51,218,000);
- sale of 73 Northbourne Avenue, Canberra ($17,500,000); and
- sell down of the Group's short-term investment in Investa Sixth Commercial Trust ($4,505,000).

These were mostly offset by:

- capital expenditure on investment properties of $108,085,000, of which $80,917,000 was incurred on the 126 Phillip Street development;
- cash consideration in respect of the acquisition of a 40% interest in CPG Australia Pty Ltd of $40,000,000;
- an increase in employee share acquisition plan loans of $5,885,000; and
- costs relating to the preparation of the bid for the Lensworth Group of $1,269,000.

Net cash flow from financing activities for the period was a net outflow of $73,328,000, comprising net proceeds from borrowing of $17,355,000 and payment of $91,430,000 in distributions to securityholders and outside equity interests.

Combined Statement of Financial Performance
For the half-year ended 31 December 2004

	Notes	31 December 2004 $'000	31 December 2003 $'000
Revenue from ordinary activities	2	**414,904**	372,626
Cost of development inventory sold		**(21,533)**	(23,520)
Property outgoings		**(31,706)**	(30,244)
Employee expenses		**(14,359)**	(11,751)
Repairs and maintenance		**(3,896)**	(3,908)
Borrowing costs		**(34,608)**	(41,245)
Amortisation of intangibles		**(4,134)**	(3,347)
Book value of investments sold		**(173,832)**	(142,913)
Depreciation of property, plant & equipment		**(200)**	(171)
Other expenses from ordinary activities		**(10,230)**	(8,213)
Profit from ordinary activities before income tax expense		**120,406**	107,314
Company income tax expense		**(251)**	(2,269)
Profit from ordinary activities after income tax expense		**120,155**	105,045
Net profit attributable to outside equity interest	8	**(5,579)**	(2,358)
Net profit attributable to the stapled securityholders of Investa Property Group		**114,576**	102,687
Net increase/(decrease) in asset revaluation reserves	9	**1,488**	(17,380)
Total revenues, expenses and valuation adjustments attributable to the stapled securityholders of Investa Property Group recognised directly in equity		**1,488**	(17,380)
Total changes in equity other than those resulting from transactions with stapled securityholders as owners		**116,064**	85,307
Distributions and dividends paid and payable	11	**120,643**	113,724
		Cents	Cents
Distributions and dividends paid and payable (cents per stapled security)	11	**8.25**	8.15
Basic and diluted earnings (cents per stapled security)		**7.93**	8.08
Basic and diluted earnings per stapled security (before revaluation)		**7.93**	8.08
Basic and diluted earnings per stapled security (before revaluation and before amortisation)		**8.22**	8.35

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

Combined Statement of Financial Position
As at 31 December 2004

	Notes	31 December 2004 $'000	30 June 2004 $'000
Current assets			
Cash assets		**4,412**	9,016
Receivables		**78,617**	54,021
Property development inventories		**21,892**	34,519
Other investments	4	**122,394**	111,654
Investment properties	5	**-**	24,132
Total current assets		**227,315**	233,342
Non-current assets			
Deferred tax asset		**6,491**	5,358
Intangibles		**121,354**	125,153
Property, plant and equipment		**1,269**	1,029
Loans to employees		**17,898**	12,012
Property development inventories		**201,414**	134,916
Investment in associates	4	**102,000**	248,513
Investment properties	5	**4,031,977**	3,699,028
Total non-current assets		**4,482,403**	4,226,009
Total assets		**4,709,718**	4,459,351
Current liabilities			
Payables		**62,591**	50,637
Interest bearing liabilities		**-**	120,000
Provisions	6	**66,235**	66,058
Current tax liabilities		**-**	1,269
Total current liabilities		**128,826**	237,964
Non-current liabilities			
Interest bearing liabilities		**1,571,245**	1,498,500
Deferred tax liabilities		**7,212**	6,077
Total non-current liabilities		**1,578,457**	1,504,577
Total liabilities		**1,707,283**	1,742,541
Net assets		**3,002,435**	2,716,810
Equity			
Contributed equity	7	**2,740,200**	2,628,237
Outside equity interest in controlled entities	8	**212,369**	44,128
Reserves	9	**40,845**	35,776
Amounts available for distribution	10	**9,021**	8,669
Total equity		**3,002,435**	2,716,810

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

Combined Statement of Cash Flows
For the half-year ended 31 December 2004

	Notes	31 December 2004 $'000	31 December 2003 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		**259,730**	246,580
Cash payments in the course of operations		**(173,559)**	(130,674)
Interest received		**1,264**	1,501
Distributions from associates		**9,981**	14,516
Borrowing costs paid		**(39,698)**	(38,004)
Income taxes paid		**(2,781)**	(8,457)
Net cash inflow from operating activities		**54,937**	85,462
Cash flows from investing activities			
Proceeds from sales of investments		**56,392**	59,201
Payments for investment properties		**-**	(47,494)
Proceeds from sales of property investments		**116,250**	84,300
Loans to employees		**(5,885)**	(4,868)
Payments for property, plant and equipment		**(444)**	(340)
Payments for due diligence costs		**(1,269)**	(2,918)
Payments for controlled entity		**-**	(414,272)
Payments for investment in associates		**(43,172)**	(15,509)
Payments for capital expenditure		**(108,085)**	(32,640)
Net cash inflow / (outflow) from investing activities		**13,787**	(374,540)
Cash flows from financing activities			
Repayment of borrowings		**(1,070,500)**	(180,500)
Proceeds from borrowings		**1,087,855**	537,090
Proceeds from issues of securities		**580**	-
Payment for costs associated with issue of securities		**(3)**	(485)
Borrowings to related entities		**-**	-
Proceeds from borrowing from related entity		**170**	-
Dividends and distributions paid		**(91,430)**	(63,964)
Net cash (outflow) / inflow from financing activities		**(73,328)**	292,141
Net (decrease) / increase in cash held		**(4,604)**	3,063
Cash at the beginning of the financial period		**9,016**	9,939
Cash at the end of the financial period		**4,412**	13,002
Non-cash financing and investing activities	12		

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 2004

Note 1. Basis of preparation of the Combined Financial Report

This general purpose Combined Financial Report for the half-year ended 31 December 2004 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 and the Corporations Act 2001.

This interim Combined 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 2004 and any announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The units in the Trust are 'stapled' to the shares in the Company. 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. Revenue from ordinary activities

	31 December 2004 $'000	31 December 2003 $'000
Sales of property inventory	**34,042**	34,596
Rent	**185,106**	166,997
Distributions from associates	**8,932**	9,963
Other revenue from ordinary activities	**10,315**	12,155
Proceeds on disposal of investment properties and other investments	**175,318**	147,501
Interest revenue	**1,191**	1,414
Total revenue from ordinary activities	**414,904**	372,626

Note 3. Segment information

The Group operates solely in Australia in the following business segments:

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

Services
The Company is the Responsible Entity for the Trust and for ten registered schemes upon which up-front establishment and ongoing management fees are earned. The Company also provides asset, property and facilities management services to properties managed by the Group.

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

Short-term investments
The Company holds short-term investments in unlisted property trusts prior to syndication, disposal, or the sell down of units to external investors. Distribution income is earned from the investments and profits and losses are generated at the time of sale of the investments.

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 3. Segment information (continued)

31 December 2004	**Investment Portfolio $'000**	**Services $'000**	**Property Development $'000**	**Short-Term Investments $'000**	**Elimination/ Unallocated $'000**	**Consolidated $'000**
Revenue from ordinary activities						
- Operating revenue	**177,463**	**15,223**	**35,203**	**11,697**	**-**	**239,586**
- Sale of property	**-**	**-**	**-**	**175,318**	**-**	**175,318**
	177,463	**15,223**	**35,203**	**187,015**	**-**	**414,904**
Segment profit [1]	**132,442**	**2,254**	**7,955**	**10,867**	**-**	**153,518**
Net profit after tax	**104,589**	**1,788**	**4,480**	**3,719**	**-**	**114,576**
Segment profit contribution (%)	**86%**	**2%**	**5%**	**7%**	**-**	**100%**
Segment assets	**4,110,440**	**3,630**	**345,087**	**233,499**	**17,062**	**4,709,718**
Segment liabilities	**1,198,588**	**1,413**	**289,136**	**215,340**	**2,806**	**1,707,283**
Depreciation and amortisation expense	**3,305**	**466**	**563**	**-**	**-**	**4,334**
Acquisition of property, plant and equipment	**107,938**	**428**	**16**	**147**	**-**	**108,529**

31 December 2003	**Investment Portfolio $'000**	**Services $'000**	**Property Development $'000**	**Short-Term Investments $'000**	**Elimination/ Unallocated $'000**	**Consolidated $'000**
Revenue from ordinary activities						
- Operating revenue	160,371	12,961	36,018	15,775	-	225,125
- Sale of property	-	-	-	147,501	-	147,501
	160,371	12,961	36,018	163,276	-	372,626
Segment profit [1]	122,900	2,590	8,053	14,075	(168)	147,450
Net profit after tax	90,987	2,174	4,745	4,949	(168)	102,687
Segment profit contribution (%)	83%	2%	5%	10%	-	100%
Segment assets	3,794,844	14,173	139,764	390,858	25,684	4,365,323
Segment liabilities	1,283,550	7,453	128,604	283,388	12,134	1,715,129
Depreciation and amortisation expense	2,519	415	584	-	-	3,518
Acquisition of property, plant and equipment	30,530	317	23	2,110	-	32,980

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

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 4. Other investments

	31 December 2004 $'000	30 June 2004 $'000
Current		
Investments in property:		
Macarthur Central Shopping Centre, Brisbane	**101,302**	101,154
Investments in unlisted property trusts:		
Martin Place Trust	**10,500**	10,500
Investa Commercial Property Fund [1]	**10,592**	-
Total current	**122,394**	111,654
Non-current		
Investments in unlisted companies:		
CPG Australia Pty Limited [2]	**102,000**	-
Investments in property:		
Kings Row, Brisbane [3]	**-**	66,820
Investments in unlisted property trusts:		
231 Elizabeth Street Trust - 231 Elizabeth Street, Sydney [1]	**-**	116,915
Investa South Melbourne Trust - 209 Kingsway, Melbourne [1]	**-**	102,804
Sunpac Property Fund - 1 Market Street, Sydney [1]	**-**	215,576
Total investments	**102,000**	502,115
Less: properties held in investment portfolio (refer Note 5)	**-**	(253,602)
Total non-current	**102,000**	248,513

[1] At 30 June 2004, Investa Commercial Property Fund ("ICPF") was consolidated on the basis that the Group held a controlling interest of 76.3%. At 31 December 2004, ICPF is no longer consolidated following the sell down of the Group's interest to 47.6%. The Group does however consolidate 3 sub-trusts in which ICPF has a 50% interest, being 231 Elizabeth Street Trust, Investa South Melbourne Trust and Sunpac Property Fund, on the basis that when combined with Investa Property Trust's 50% direct investment, the combined Group's interest in these sub-trusts is 73.8% and consequently the gross values of the 3 underlying properties are now recorded as investment properties (refer Note 5). The investment of $10,592,000 represents the Group's remaining interest in ICPF after the consolidation of the 3 sub-trusts.

[2] On 21 December 2004, Investa Developments Pty Limited acquired a 40% interest in CPG Australia Pty Limited for $100,000,000, comprising $40,000,000 cash and $60,000,000 of Investa Property Group securities, plus $2,000,000 in acquisition costs, with put and call options on the remaining 60% of the business exercisable between July and September 2005. The total consideration is expected to be $250,000,000 plus the assumption of $325,000,000 of debt, which translates to a total acquisition value of $575,000,000. The purchase agreement includes a potential performance based payment up to a maximum of $60,000,000 which is subject to the financial performance of CPG Australia Pty Limited over the 3 years ending 30 September 2007 and is payable in 2007.

Note 5. Investment properties

	31 December 2004 $'000	30 June 2004 $'000
Current		
Investment property	**-**	24,132
Non-current		
Investment property	**4,031,977**	3,669,028

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 5. Investment properties (continued)

Property	Type	Ownership	Acquisition Date / (Sale date)	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Independent Valuer	Consolidated book value 31/12/04 $'000	Consolidated book value 30/06/04 $'000
Current assets									
Investa Sixth Commercial Trust		13%	(21/07/04)	-	-	-	-	-	6,949
73 Northbourne Avenue, Canberra, ACT	Offices 99 yr leasehold	100%	(12/07/04)	-	-	-	-	-	17,183
Total current assets				-				-	24,132
Non-current assets									
Property held by Investa Property Trust									
55 Market Street, Sydney, NSW [3 & 7]	Offices/ Freehold	100%	31/07/98	126,615	30/06/02	138,000	D Castles, AAPI Landmark White	**142,571**	140,084
485 Latrobe Street, Melbourne, VIC [3]	Offices/ Freehold	100%	10/09/98	91,765	30/06/02	111,000	G Longden, FAPI JLL Advisory	**111,707**	111,210
73 Miller Street, North Sydney, NSW [3]	Offices/ Freehold	100%	12/06/97	76,209	31/12/04	87,000	S Young, AAPI FPDSavills	**87,000**	90,592
410 Ann Street, Brisbane, QLD [3]	Offices/ Freehold 120 yr leasehold	100%	23/11/87	60,821	31/12/03	62,500	S Boyd,AAPI Jones Lang LaSalle	**63,113**	62,604
469 Latrobe Street, Melbourne, VIC [3 & 7]	Offices/ Freehold	100%	01/07/88	83,886	31/12/03	48,000	J Perillo, AAPI Knight Frank	**50,018**	48,439
50-60 Talavera Road, North Ryde, NSW [3]	Offices/ Freehold	100%	01/11/99	32,821	30/06/03	32,000	D McGrath, AAPI FPDSavills	**32,078**	32,025
420 St Kilda Road, Melbourne,VIC	Offices/ Freehold	100%	12/12/86	25,192	30/06/03	27,500	D Magree, AAPI m3 Property	**28,006**	27,842
62 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	26/02/88	28,877	30/06/02	27,500	P Harding, FAPI Knight Frank	**27,633**	27,568
109 St George's Terrace, Perth, WA [7]	Offices/ Freehold	100%	01/11/99	34,345	31/12/03	17,500	M Crowe, AAPI Knight Frank	**26,619**	19,963
64 Northbourne Avenue, Canberra, ACT	Offices 96 yr leasehold	100%	01/07/94	28,059	31/12/04	20,000	RC Price, AAPI CB Richard Ellis	**20,000**	16,266
Total property held by Investa Property Trust				588,590				588,745	576,593
Property held by controlled entities									
Investa Real Property Growth Trust									
1 Market Street, Sydney, NSW [3 & 8]	Offices/ Freehold	100%	31/01/96	162,705	31/12/04	213,500	S Kearney, AAPI, FPDSavills	**213,500**	110,334
State Law Building, Brisbane, QLD [1]	Offices/ Freehold	100%	31/01/03	85,823	31/12/02	83,000	I Gregory, AAPI, Knight Frank	**83,040**	83,000
110 George Street, Parramatta, NSW [3]	Offices/ Freehold	50% 50%	02/10/97 15/12/98	69,180	30/06/02	66,500	M Caruana, FAPI Knight Frank	**68,389**	67,885
Kings Row, Brisbane, QLD [1]	Offices/ Freehold	50%	31/01/03	9,784	31/12/04	31,000	J Apted, AAPI, Jones Lang LaSalle	**31,000**	33,481
Total - Investa Real Property Growth Trust				327,492				**395,929**	294,700
Lizabeth Trust									
255 Elizabeth Street, Sydney, NSW [3 & 7]	Offices/ Freehold	50% 10% 40%	21/09/94 11/12/98 01/11/99	175,051	30/06/03	152,000	D Castles, AAPI Landmark White	**154,441**	152,195
Connect Property Trust									
242 Exhibition Street, Melbourne, VIC [1 & 3]	Offices/ Freehold	100%	19/08/02	276,705	31/1204	282,500	R Bowman, AAPI FPDSavills	**282,500**	275,251
310 Pitt Street, Sydney, NSW [1 & 3]	Offices/ Freehold	100%	08/10/02	125,755	30/06/02	120,000	A Pannifex, AAPI FPDSavills	**125,755**	125,664
231 Elizabeth Street, Sydney, NSW [3 & 8]	Offices/ Freehold	100%	19/08/02	117,096	31/12/04	121,000	A Pannifex, AAPI FPDSavills	**121,000**	58,362
Total – Connect Property Trust				519,556				**529,255**	459,277
441 Trust									
441 St Kilda Road, Melbourne, VIC [3]	Offices/ Leasehold	100%	30/10/03	48,049	30/10/03	45,000	B Smith, FAPI Knight Frank	**48,049**	47,691
Investa South Melbourne Trust									
209 Kingsway, Melbourne, VIC [8]	Offices/ Freehold	100%	31/01/02	102,801	31/12/04	105,000	G Longden, AAPI Jones Lang La Salle	**105,000**	51,425

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 5. Investment properties (continued)

Property	Type	Ownership	Acquisition Date / (Sale date)	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value 31/12/04 $'000	Consolidated book value 30/06/04 $'000
Non-current assets (continued)									
Delta Office Fund									
400 George Street, Sydney, NSW [1 & 5]	Offices/ Freehold	100%	31/10/99	361,116	30/06/03	387,500	M S Smallhorn, FAPI & C R Carver GAPI Jones Lang LaSalle	**386,719**	386,697
126 Phillip Street, Sydney, NSW [1 & 2] Development property	Offices/ Freehold (Develop)	100%	31/12/96	334,037	-	-	-	**332,394**	251,477
120 Collins Street, Melbourne, VIC [1]	Offices/ Freehold	100%	31/01/94	316,770	31/12/03	320,000	D Gowing, FAPI CBRE	**321,883**	320,020
30% interest (as tenants-in-common) Grosvenor Place 225-235 George Street, Sydney, NSW	Offices/ Leasehold	30%	31/05/88	306,524	30/09/04	234,600	A Pannifex, FAPI FPDSavills	**234,944**	233,344
50% interest (as tenants-in-common QV1 250 St George's Terrace, Perth, WA	Offices/ Freehold	50%	31/12/98	143,159	30/06/04	159,000	S Nutall, AAPI & J Fenner, AAPI CBRE	**159,462**	159,000
St Martins Tower 31 Market Street, Sydney, NSW [1]	Offices/ Freehold	100%	30/09/00	106,041	31/12/03	125,000	S Fairfax, AAPI & L Tredwell, GAPI CBRE	**127,086**	126,440
50% interest (as tenants-in-common) Maritime Trade Towers 201 Kent Street, Sydney, NSW [1]	Offices/ Leasehold	50%	31/12/00	97,090	30/06/03	110,000	D Castles, AAPI Landmark White	**111,739**	111,615
Centennial Plaza Tower C 300 Elizabeth Street, Sydney, NSW [1]	Offices/ Freehold	100%	30/09/00	83,493	30/06/03	87,000	D Hillier, AAPI & W Doherty, AAPI Colliers International	**89,207**	88,743
Centennial Plaza Tower B 270-280 Elizabeth Street, Sydney, NSW [1]	Offices/ Freehold	100%	30/09/00	74,441	30/06/03	74,500	D Hillier, AAPI & W Doherty, AAPI Colliers International	**75,468**	75,427
Kindersley House 33 Bligh & 20-26 O'Connell Streets, Sydney, NSW [1]	Offices/ Freehold	100%	31/12/01	77,537	31/12/03	60,000	S Fairfax, AAPI & L Tredwell, GAPI CBRE	**61,685**	60,519
Centennial Plaza Tower A 260 Elizabeth Street, Sydney, NSW [1]	Offices/ Freehold	100%	30/09/00	53,665	30/06/03	60,000	D Hillier, AAPI & W Doherty, AAPI Colliers International	**60,017**	60,000
Customs House 414 Latrobe Street, Melbourne, VIC [1]	Offices/ Freehold	100%	31/07/97	46,190	30/06/03	44,800	R J Scrivener, FAPI, FRICS Urbis	**44,814**	44,800
Sydney CBD Floor Space [1 & 4]	Heritage Floor Space	100%	30/06/00	332	30/06/03	1,000	S Fairfax, AAPI & L Tredwell, GAPI CBRE	**622**	622
Total – Delta Office Fund				2,000,395				**2,006,040**	1,918,704

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 5. Investment properties (continued)

Property	Type	Ownership	Acquisition Date / (Sale date)	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value 31/12/04 $'000	Consolidated book value 30/06/04 $'000
Non-current assets (continued)									
Property held by Associates									
60 Martin Place Unit Trust									
60 Martin Place, Sydney, NSW [6]	Offices/ Freehold	50%	01/11/99	80,878	30/09/04	95,000	A Pannifex, FAPI FPDSavills (NSW)	**94,273**	93,144
80 Pacific Highway Trust									
80 Pacific Highway, North Sydney, NSW [6]	Offices/ Freehold	50%	04/05/01	45,745	31/12/03	44,000	MS Smallhorn, FAPI JLL Advisory	**44,304**	44,304
589 Collins Trust									
589 Collins Street, Melbourne, VIC [6]	Offices/ Freehold	50%	28/02/03	28,526	01/12/02	28,000	JA Perillo, AAPI Knight Frank	**28,526**	28,526
Penrhyn House Trust									
Penrhyn House, Woden, ACT [3 & 6]	Offices/ Freehold	50%	06/12/02	20,649	01/09/02	19,300	P Harding, FAPI Knight Frank	**20,649**	20,649
Total property held by Associates				175,798				**187,752**	186,623
Interests in unlisted property securities									
Investa Sixth Commercial Trust		20%	19/12/03	9,444				**9,444**	7,000
Investa Brisbane Commercial Trust		20%	08/05/01	4,820				**4,820**	4,820
Collins Property Trust		17%	01/12/04	2,502				**2,502**	-
Total interests in unlisted property securities				16,766				**16,766**	11,820
Total non-current investments				3,954,498				**4,031,977**	3,699,028
Total investments				3,954,498				**4,031,977**	3,723,160

[1] These properties are indirectly held through the ownership of units in unlisted property trusts.
[2] The 126 Phillip Street property is under development and will only be independently valued on completion, which is expected to occur in September 2005.
[3] These properties and units are used as security for the issue of a commercial note.
[4] The carrying value of the Floor Space has been reduced since the last valuation due to a partial sale.
[5] The property is recorded at its full value as at 31 December 2004 due to the consolidation of Beta Trust on the basis that the Trust holds a 75% controlling interest.
[6] These properties are indirectly held through the ownership of a 50% interest in unlisted property trusts and the carrying value represents 50% of the net tangible assets of the relevant trust.
[7] Significant capital expenditure programmes are in progress on these properties which are expected to translate into corresponding increases in valuation when complete.
[8] These properties are indirectly held through the ownership of a 73.8% controlling interest in unlisted property trusts and are carried at 100% of their underlying value due to the consolidation of these trusts.

Valuations

Investment properties not independently valued during the last 12 months are carried at directors' valuation at 31 December 2004.

Note 6. Provisions

	31 December 2004 $'000	30 June 2004 $'000
Provision for dividends and distributions*	**62,348**	61,109
Employee entitlements		
Annual leave	**1,128**	998
Long service leave	**593**	440
Other entitlements	**2,140**	3,485
Other provisions	**26**	26
Total provisions	**66,235**	66,058

* This provision includes $1,227,000 payable to the outside equity interests at 31 December 2004 (30 June 2004: $844,000).

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 6. Provisions (continued)

Movements in provisions
The movement in each class of provision during the period is set out below:

31 December 2004	Annual Leave $'000	Long service leave $'000	* Other entitlements $'000	Other provisions $'000	Distributions $'000	Total $'000
Carrying amount at the start of the financial period	998	440	3,485	26	61,109	66,058
Movement during the period						
Amounts paid out	(102)	(13)	(2,618)	-	-	(2,733)
Distributions made	-	-	-	-	(122,639)	(122,639)
Additional provisions recognised	232	166	1,273	-	123,878	125,549
Carrying amount at the end of the financial period	1,128	593	2,140	26	62,348	66,235

* This includes a provision for performance bonus, director's retirement allowance, and managing director's long-term incentive.

Note 7. Contributed equity

Paid up capital

	No of securities '000	**31 December 2004 $'000**	No of securities '000	30 June 2004 $'000
Investa Property Trust	**1,481,724**	**2,658,388**	1,434,890	2,550,881
Investa Properties Limited	**1,481,724**	**81,812**	1,434,890	77,356
		2,740,200		2,628,237

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 7. Contributed equity (continued)

Reconciliation of contributed equity	Investa Property Trust No of Units '000	Investa Property Trust $'000	Investa Properties Limited No of Shares '000	Investa Properties Limited $'000
Opening balance	**1,434,890**	**2,550,881**	**1,434,890**	**77,356**
Distributions reinvested – 22/08/04	8,076	14,961	8,076	544
Distributions reinvested – 20/11/04	9,632	18,681	9,632	679
Security issue CPG Australia Pty Limited acquisition – 21/12/04	29,126	56,764	29,126	3,236
Costs for issue of securities	-	-	-	(3)
Transfer from asset revaluation reserve	-	23,520	-	-
Transfer to distributable income	-	(6,419)	-	-
Closing balance	**1,481,724**	**2,658,388**	**1,481,724**	**81,812**

Distribution reinvestment plan issues (DRP)

The Group has established a distribution reinvestment plan under which holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by being paid in cash. Under the stapled security structure the capital raised under the distribution reinvestment plan can be attributed to either Investa Property Trust or the Company. During the half-year ended 31 December 2004, the Group issued 17,707,529 (year ended 30 June 2004: 25,011,000) securities under the DRP, and allocated 3.5% to the Company (year ended 30 June 2004: 3.3%) and 96.5% to the Trust (year ended 30 June 2004: 96.7%).

Placement of securities

The Group issued 29,126,213 securities during the half-year ended 31 December 2004 in relation to the Group's acquisition of a 40% interest in CPG Australia Pty Limited on 21 December 2004 and allocated 5.6% of the issue to Investa Properties Limited and 94.4% to Investa Property Trust (year ended 30 June 2004: 524,349,589 units issued, including 498,307,922 in respect of the Delta Office Fund acquisition, with 3.3% of the proceeds allocated to Investa Properties Limited and 96.7% allocated to Investa Property Trust).

Note 8. Outside equity interests

	31 December 2004 $'000	30 June 2004 $'000
Interest in unitholders equity	**212,369**	44,128

At 30 June 2004, the outside equity interest represented a 23.7% interest held by external investors in Investa Commercial Property Fund ("ICPF"). As at 31 December 2004, the outside equity interest represented a 26.2% interest held by external investors in 231 Elizabeth Street Trust, Investa South Melbourne Trust and Sunpac Property Fund, plus a 25% external interest in Beta Trust, the entity that beneficially owns 400 George Street, Sydney. In the Combined Statement of Financial Performance, the outside equity interest represents the portion of profit attributable to external investors in ICPF for the period 1 July 2004 to 8 September 2004, during which time the results of ICPF were consolidated in the Group results, together with the profit attributable to external investors in Beta Trust.

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 9. Reserves

	31 December 2004 $'000	31 December 2003 $'000
Asset revaluation reserve		
Opening balance	**35,776**	50,874
Net increment/(decrement) on revaluation of investment properties (see below)	**1,488**	(17,380)
Transfer (to)/from contributed equity	**(23,520)**	5,750
Asset revaluation reserve recognised on consolidation of 231 Elizabeth Street Trust, Investa South Melbourne Trust and Sunpac Property Fund	**27,101**	-
Closing balance	**40,845**	39,244

Nature and purpose of the asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

	31 December 2004 $'000	31 December 2003 $'000
Increment/(decrement) on revaluation of investment properties		
Revaluation of investment properties		
469 Latrobe Street, Melbourne	**-**	(5,867)
410 Ann Street, Brisbane	**-**	(2,589)
109 St George's Terrace, Perth	**-**	(8,452)
Grosvenor Place, Sydney	**1,254**	-
242 Exhibition Street, Sydney	**5,795**	-
73 Miller Street, North Sydney	**(3,726)**	-
64 Northbourne Avenue, Canberra	**(198)**	-
1 Market Street, Sydney	**(3,181)**	-
Kings Row, Brisbane	**(2,635)**	-
231 Elizabeth Street, Sydney	**1,952**	-
Revaluation of investment in associates		
80 Pacific Highway Trust	**-**	(1,442)
60 Martin Place Unit Trust	**1,128**	970
Investa South Melbourne Trust	**1,099**	-
Total increment/(decrement) on revaluation of investment properties	**1,488**	(17,380)

Note 10. Amounts available for distribution

	31 December 2004 $'000	31 December 2003 $'000
Amounts available for distribution at the beginning of the financial period	**8,669**	8,507
Profit attributable to the securityholders of the Group	**114,576**	102,687
Transfer from contributed equity	**6,419**	13,283
Dividends and distributions paid and payable	**(120,643)**	(113,724)
Amounts available for distribution at the end of the financial period	**9,021**	10,753

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 11. Dividends and distributions

	31 December 2004 $'000	**31 December 2004 Cents per stapled security**	31 December 2003 $'000	31 December 2003 Cents per stapled security
Timing of dividends and distributions				
The dividends and distributions were paid/payable as follows:				
30 September paid	**59,522**	**4.125**	56,421	4.05
31 December payable[1]	**61,121**	**4.125**	57,303	4.10
	120,643	**8.25**	113,724	8.15

[1] The 31 December 2004 distribution will be paid on 21 February 2005.

Franked dividends

Whilst no Company dividends were paid during the current period (31 December 2003: 0.40 cents per security, fully franked), the following franking credits arising from the payment of Company income tax remain available for the franking of dividends in subsequent financial periods:

	31 December 2004 $'000	31 December 2003 $'000
Franking credits available for subsequent financial periods based on a company tax rate of 30% (31 December 2003: 30%)	**11,283**	9,605

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial periods.

The consolidated amounts include franking credits that would be available to the Company if distributable profits of its controlled entities were paid as dividends.

Note 12. Non-cash financing and investing activities

	31 December 2004 $'000	31 December 2003 $'000
Dividends and distributions satisfied by the issue of securities under the Group distribution reinvestment plan were as follows:		
August 2004: 8,075,584 @ $1.92 (August 2003: 9,273,318 @ $2.01)	**15,505**	18,639
November 2004: 9,631,945 @ $2.01 (November 2003: 4,534,142 @ $1.94)	**19,360**	8,796
	34,865	27,435
Issue of securities in respect of the acquisition of 40% of CPG Australia Pty Limited on 21 December 2004 @ $2.06 (2003: Delta acquisition @ $1.94)	**60,000**	968,780
	94,865	996,215

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 13. Contingent liabilities and contingent assets

The Group had contingent liabilities of $11,209,000 at 31 December 2004 (30 June 2004: $3,421,000) in the form of bank guarantees of $3,209,000 and an $8,000,000 guarantee in respect of the loan obligations of Collins Property Trust ("CPT"), a scheme managed by the Company. The bank guarantees may give rise to liabilities if the Group does not meet its obligations under the terms of the guarantees, although none are anticipated. The guarantee of the loan obligations of CPT may give rise to liabilities for the Group if CPT does not meet its obligations under the loan agreement.

The Group had a contingent asset of $676,493 at 31 December 2004 (30 June 2004: $906,396) in the form of a rental income guarantee relating to the property at 441 St Kilda Road, Melbourne, having claimed $323,507 to date (30 June 2004: $93,604) against the $1,000,000 guarantee amount. The remaining guarantee may give rise to an asset in the event that the rental yield on the property falls below a contractually agreed minimal rental yield.

The vendor of 589 Collins Street, Melbourne provided a rental guarantee in the amount of $3,500,000 in which the Group has a 50% interest. The Group is not presently entitled to recognise any benefit associated with this guarantee, which remains in force until 2009.

The Group is entitled to management fees in respect of the 8 Syndicate and 2 Wholesale Schemes which it manages. In accordance with the terms of each scheme's prospectus, a portion of the base management fees may be postponed for a period of time. The Group may be separately entitled to additional performance based fees if the performance of the scheme exceeds prospectus forecasts or if profits are generated in the scheme on the sale of properties. The Group has the right to recover the full amount of any fees postponed in previous periods, provided in any period where a recovery of fees is made, it shall not reduce that managed scheme's distribution for the period below the prospectus forecast. The total postponed fees as at 31 December 2004 were $4,604,000 (30 June 2004: $3,968,000).

The acquisition of a 40% interest in CPG Australia Pty Limited by Investa Developments Pty Limited on 21 December 2004 was accompanied by a put and call option over the remaining 60% of the business, exercisable between July and September 2005. If exercised, the option would require the Group to raise debt and equity to finance the additional investment. The total consideration is expected to be $250,000,000 plus the assumption of $325,000,000 of debt, which translates to a total acquisition value of $575,000,000. The purchase agreement includes a potential performance based payment up to a maximum of $60,000,000 which is subject to the financial performance of CPG Australia Pty Limited over the 3 years ending 30 September 2007 and is payable in 2007.

Other than as disclosed above, no other contingent liabilities or assets existed as at 31 December 2004.

Note 14. Events occurring after reporting date

Since the end of the period, the directors of the Company have not become aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs in future financial periods.

Note 15. Impact of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) has issued Australian equivalents to International Financial Reporting Standards (A-IFRS) for application to reporting periods beginning on or after 1 January 2005. The application of A-IFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with A-IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of A-IFRS to that comparative period. Most adjustments required on transition to A-IFRS will be made retrospectively, against opening retained earnings as at 1 July 2004.

In order to manage the transition to A-IFRS, the Group has established a Project Control Group (PCG) and Technical Review Committee comprising key internal staff and external advisers. The PCG has developed a comprehensive

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 15. Impact of adopting Australian equivalents to IFRS (continued)

transition plan to identify, resolve and implement required accounting policy changes, and this plan is currently on schedule.

Major changes identified to date that will be required to the Group's existing accounting policies include the following:

Investment properties
Under AASB140 *Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value are recognised in the net profit or loss for the period in which they arise. This will result in a change to the current accounting policy which requires that fair value increments be recognised in the asset revaluation reserve, except to the extent that they reverse a decrement previously recognised as an expense in the profit and loss account, and fair value decrements be recognised in the profit and loss account, except to the extent that they reverse an increment previously recognised in the asset revaluation reserve.
This change will have an initial impact as the revaluation reserve is reclassified to retained earnings at 1 July 2004 and is likely to result in volatility in future earnings, without any associated volatility in distributions.

Lease incentives
All lease incentives, whether in the form of rent-free, cash or fitout contribution, will be capitalised and recognised as a reduction in rental income over the relevant lease term on a straight line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished. This will only result in a change to the current treatment of fitout contribution, which is currently capitalised to Investment Property. This change may have an initial impact on retained earnings at 1 July 2004, but is not likely to produce any earnings volatility, as lower rental income will be offset by a notional fair value gain on the revaluation of Investment Property.

Financial instruments
Under AASB139 *Financial Instruments: Recognition and Measurement*, all derivatives are recorded in the balance sheet at fair value, and subjected to rigorous hedge designation and effectiveness testing. Ineffectiveness precludes the use of hedge accounting, requiring gains or losses on derivatives to be recognised in the net profit and loss for the period. The current standard requires that gains or losses on foreign exchange hedge contracts be recognised as deferred gains or losses in the statement of financial position. The current standard does not require the recognition of unrealised interest rate swap contracts in the financial statements. In the event that hedge accounting is adopted, this is not likely to result in earnings volatility. In the event that hedge accounting is not adopted, this is likely to result in volatility in future earnings, without any associated volatility in distributions.

Business combinations
Under AASB3 *Business Combinations*, amortisation of goodwill is prohibited, and is replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years. Under AASB138 *Intangible Assets*, intangible assets with a finite life will continue to be amortised over that useful life, however intangible assets with an indefinite life will not be amortised but will be subject to an annual impairment test. These changes may have an initial impact on retained earnings at 1 July 2004 and will result in a reduction in future amortisation expense. In the event of any impairment it will be recognised immediately in the statement of financial performance.

Lease revenue recognition
AASB117 *Leases* requires lease income to be recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the asset is diminished. Whilst technical interpretation of this standard is still pending, the standard may require fixed rental increases on each lease contract to be calculated upfront and spread evenly over the term of the lease. This change would have an initial impact on retained earnings at 1 July 2004 and may result in changes in the timing of future income recognition.

Notes to the Combined Financial Statements (continued)
For the half-year ended 31 December 2004

Note 15. Impact of adopting Australian equivalents to IFRS (continued)

Disclosure and presentation of equity

AASB132 *Financial Instruments: disclosure and presentation* prescribes the criteria for recognising a financial instrument as either debt or equity. Whilst technical interpretation of this standard is still pending, the standard may require that units in trusts be classified as debt rather than equity and that distributions to unitholders be classified as borrowing costs. This would not result in any substantive change in the financial position of the Trust, but would significantly alter the presentation of unitholders equity in the Consolidated Financial Statements.

Income tax

Under AASB112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity. This change will have an initial impact on retained earnings and is likely to alter the future carrying values of deferred tax assets and liabilities.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to A-IFRS. Where there are choices of accounting policies available, decisions have not yet been made and for this reason it is not yet possible to reliably quantify the future impact of the transition to A-IFRS on the financial statements of the Group.

Directors' Declaration

In the directors' opinion:

(a) the Combined Financial Statements and notes set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Group's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

I K Payne
Chairman
Sydney
2 February 2005

PRICEWATERHOUSECOOPERS

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Independent audit report to the securityholders of Investa Property Group

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Investa Property Group (the Group) for the half-year ended 31 December 2004 included on Investa Property Group's web site. The Investa Properties Limited directors are responsible for the integrity of the Investa Property Group web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Investa Property Group (defined below) presents fairly in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, the financial position of Investa Property Group as at 31 December 2004 and its performance 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, and the directors' declaration 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 2004.

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.

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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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with 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 Group'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.

Our procedures include reading the other information included with the financial 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 directors or management.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

J A Dunning — Sydney

Partner — 2 February 2005