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 Consolidated Financial Report of Investa Properties Limited and its controlled entities (together the "Company") 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 Company consisted of property and funds management, property development and holding short-term property investments. All business segments operate in one geographical area, Australia.

Dividends

No dividends were declared by the Company during the half-year ended 31 December 2004 (31 December 2003: $5,579,000 fully franked, equivalent to 0.40 cents per share).

Review of operations

A summary of the consolidated results for the period is as follows:

	31 December 2004 $'000	31 December 2003 $'000
Total revenue from ordinary activities	**115,379**	123,955
Net profit after tax	**1,744**	3,447
Profit attributable to outside equity interests	**(924)**	(1,462)
Profit attributable to the members of Investa Properties Limited	**820**	1,985
Retained profits brought forward	**3,230**	3,726
Dividends paid and payable	**-**	(5,579)
Retained profits at 31 December	**4,050**	132
Total assets at 31 December	**594,556**	550,150

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.

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

Directors' Report (continued)

Likely developments and expected results of operations

The Company 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 Company is managing this transition and what the likely impact will be, is contained in Note 12 to the Consolidated 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 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 Consolidated Financial Report. Amounts in the Directors' Report and Consolidated 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
2 February 2005

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Auditors' Independence Declaration

As the lead auditor for the audit of Investa Properties Limited 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 Properties Limited and the entities it controlled during the period.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

J A Dunning
Partner

Sydney
2 February 2005

Discussion and analysis of the Consolidated Financial Statements for the half-year ended 31 December 2004

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

Consolidated Statement of Financial Performance

The profit for the Company after tax and outside equity interests was $820,000 compared to $1,985,000 in the previous corresponding period. This was primarily due to reduced profits from the sale of investments (down $2,507,000) and reduced funds management income, offset by improved margins in the Development business.

As a result, earnings per share before amortisation and after tax have decreased from 0.23 cents per share in the previous corresponding period to 0.11 cents per share in the current period. No dividend was declared by the Company during the current period.

1. Analysis of Segment Contribution

Revenue from operating activities was down 5% to $61,485,000 while proceeds from the sale of investments also declined 9% to $53,894,000. As a result the segment profit contribution, being earnings before interest, amortisation and depreciation and after tax, declined from $20,998,000 to $14,600,000. Key contributors to this were:

a. Services

The Services business continued to grow with the full six-month impact of the Delta (Delta Office Fund formerly Principal Office Fund) acquisition on the Asset Management business and Corporate Property Services successfully securing another major client, SunCorp Metway Limited. This however, was 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.

b. Property Development

Development revenue of $35,203,000 was slightly lower than last 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.

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.

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

b. Property Development (continued)

Through this transaction Investa acquires an 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.

c. 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 profit contribution declined from $14,075,000 in the previous corresponding period to $8,760,000 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 its investment in Investa Commercial Property Fund to external parties.

Profits from the sale of short-term investments were down from $2,541,000 to $33,000, which was realised from the sale of units in Investa Commercial Property Fund.

2. Analysis of Other Expenses

Other expenses, which include borrowing costs, amortisation and depreciation, decreased by $5,233,000 from $19,013,000 to $13,780,000 and included the following:

- Borrowing costs, which include interest expense and line facility fees, decreased from the previous corresponding period by $5,262,000 to $12,752,000 due mainly to the reduction of debt following the sale of Investa Commercial Property Fund units described above.

- Amortisation of intangibles and depreciation of $1,028,000 was in line with the prior period.

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.

- Other expenses which increased by $2,979,000 from $5,071,000 to $8,050,000 due to $1,750,000 of costs associated with the preparation of the bid for the Lensworth Group and a general increase in expenses following the expansion of the Group's operating activities.

Consolidated Statement of Financial Position

During the period total assets increased from $593,788,000 at 30 June 2004 to $594,556,000 at 31 December 2004 following an increase in the Company's property development inventory from $169,435,000 at 30 June 2004 to $224,403,000 at 31 December 2004 and the acquisition of a 40% interest in CPG Australia Pty Limited for $102,000,000 inclusive of costs. This has been offset by the deconsolidation of Investa Commercial Property Fund following a reduction in the Company's interest from 76.3% to 47.6% over the period, which has reduced total assets by $165,208,000. The Company no longer recognises any outside equity interest in Investa Commercial Property Fund.

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

Consolidated Statement of Cash Flows

Operating activities generated a net cash outflow of $57,022,000 for the period, compared with an outflow of $5,966,000 in the previous corresponding period. The movement was mainly attributable to:

- Increased borrowing costs of $5,834,000, due mainly to the funding of development inventory;
- Higher payments for restocking development property inventories of $57,567,000 (including Deer Park and Henley Brook);
- Reduced distribution receipts of $4,554,000 due to the sale of interests in Investa Commercial Property Fund;
- Increased net receipts from operations of $11,258,000 mainly due to lower payments in respect of development operations; and
- Lower income tax payments of $5,676,000.

Investing activities generated a net cash inflow of $970,000 for the period, which was mainly as a result of the net proceeds from the sale of short-term investments totalling $51,218,000, offset by payments for investments of $42,503,000, comprising the $40,000,000 cash component in respect of CPG Australia Pty Limited and the purchase of a 15.8% interest in Collins Property Trust for $2,503,000.

Financing activities resulted in a net inflow of $52,773,000, mainly as a result of the net proceeds of loans from Investa Property Trust, a related entity, amounting to $56,743,000.

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

	Notes	**31 December 2004 $'000**	31 December 2003 $'000
Total revenue from ordinary activities	2	**115,379**	123,955
Cost of development inventory sold		**(21,589)**	(23,520)
Employee expenses		**(14,359)**	(11,751)
Property outgoings & repairs and maintenance		**(1,745)**	(2,222)
Borrowing costs		**(12,752)**	(18,014)
Depreciation and amortisation expenses		**(1,028)**	(999)
Book value of investments sold		**(53,861)**	(56,661)
Other expenses from ordinary activities		**(8,050)**	(5,071)
Profit from ordinary activities before income tax expense		**1,995**	5,717
Income tax expense		**(251)**	(2,270)
Net Profit		**1,744**	3,447
Net profit attributable to outside equity interests		**(924)**	(1,462)
Net profit attributable to the members of Investa Properties Limited		**820**	1,985
Total changes in equity other than those resulting from transactions with owners as owners		**820**	1,985
Dividends paid and payable		**-**	5,579
		Cents	Cents
Dividends paid and payable (cents per share)		**-**	0.40
Basic and diluted earnings (cents per share)		**0.06**	0.16
Basic and diluted earnings per share (before amortisation)		**0.11**	0.23

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 2004

	Notes	31 December 2004 $'000	30 June 2004 $'000
Current assets			
Cash assets		**1,211**	4,491
Receivables		**26,322**	22,072
Investments	4	**111,802**	111,654
Property development inventories		**21,892**	34,519
Total current assets		**161,227**	172,736
Non-current assets			
Loans to related entity		**8,445**	13,296
Deferred tax asset		**6,491**	5,358
Property, plant and equipment		**1,269**	1,029
Investments	4	**192,957**	249,854
Property development inventories		**202,511**	134,916
Loans to employees		**17,898**	12,012
Intangible assets		**3,758**	4,587
Total non-current assets		**433,329**	421,052
Total assets		**594,556**	593,788
Current liabilities			
Payables		**10,702**	9,524
Income tax liabilities		**-**	1,269
Loans from related entity		**104,006**	102,201
Provisions	5	**3,887**	9,380
Total current liabilities		**118,595**	122,374
Non-current liabilities			
Deferred tax liabilities		**7,212**	6,077
Loans from related entity		**382,887**	277,623
Interest bearing liabilities		**-**	63,000
Total non-current liabilities		**390,099**	346,700
Total liabilities		**508,694**	469,074
Net assets		**85,862**	124,714
Equity			
Contributed equity	6	**81,812**	77,356
Outside equity interest	7	**-**	44,128
Retained profits	8	**4,050**	3,230
Total equity		**85,862**	124,714

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 2004

	Notes	31 December 2004 $'000	31 December 2003 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		**58,448**	61,636
Cash payments in the course of operations		**(35,434)**	(49,880)
Payments for acquisition of property development inventories		**(69,552)**	(11,985)
Distributions received		**6,488**	11,042
Interest received		**225**	260
Borrowing costs paid		**(14,416)**	(8,582)
Income taxes paid		**(2,781)**	(8,457)
Net cash (outflow) from operating activities		**(57,022)**	(5,966)
Cash flows from investing activities			
Payments for property, plant & equipment		**(444)**	(340)
Payments for capital expenditure		**(147)**	(2,110)
Payments for due diligence costs		**(1,269)**	(2,918)
Loans to employees		**(5,885)**	(4,868)
Payments for investments		**(42,503)**	-
Net proceeds from sale of investments		**51,218**	59,201
Net cash inflow from investing activities		**970**	48,965
Cash flows from financing activities			
Proceeds from borrowings		**-**	8,000
Payment of share issue costs		**(3)**	(92)
Repayment of borrowings to related entity		**(49,722)**	(66,530)
Proceeds from borrowings from related entity		**106,465**	17,043
Dividends paid		**(3,967)**	(4,381)
Net cash inflow / (outflow) from financing activities		**52,773**	(45,960)
Net (decrease) in cash held		**(3,280)**	(2,961)
Cash at the beginning of the reporting period		**4,491**	5,460
Cash at the end of the reporting period		**1,211**	2,499
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 2004

Note 1. Basis of preparation of the Consolidated Financial Report

This general purpose Consolidated Financial Report for the half-year period 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, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim Consolidated 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 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

	31 December 2004 $'000	31 December 2003 $'000
Sales of property development inventory	**34,042**	34,596
Management fees	**14,317**	11,846
Rent	**6,427**	8,229
Interest	**224**	260
Proceeds on disposal of investments	**53,894**	59,201
Other revenue	**952**	1,115
Distributions from associates	**5,523**	8,708
Total revenue from ordinary activities	**115,379**	123,955

Note 3. Segment information

The consolidated entity operates solely in Australia in the following business segments:

Services
Investa Properties Limited is the Responsible Entity for Investa Property 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 Investa Property Group.

Property development
Investa Properties Limited engages in retail, commercial and industrial development, as well as medium density and broad acre residential subdivision.

Short-term investments
Investa Properties Limited holds short-term investments in unlisted property trusts prior to either 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 Consolidated Financial Statements (continued)
For the half-year ended 31 December 2004

Note 3. Segment information (continued)

	Services $'000	Property Development $'000	Short-term Investments $'000	Elimination/ Unallocated $'000	Consolidated $'000
31 December 2004					
Revenue from ordinary activities					
- Operating	**15,223**	**35,203**	**11,059**	**-**	**61,485**
- Sale of investments	**-**	**-**	**53,894**	**-**	**53,894**
	15,223	**35,203**	**64,953**	**-**	**115,379**
Segment profit[1]	**2,254**	**7,955**	**8,760**	**(4,369)**	**14,600**
Net profit after tax	**1,788**	**4,520**	**(1,119)**	**(4,369)**	**820**
Segment profit contribution (%)	**12%**	**42%**	**46%**	**-**	**100%**
Segment assets	**3,630**	**346,184**	**219,236**	**25,506**	**594,556**
Segment liabilities	**1,413**	**289,136**	**215,340**	**2,805**	**508,694**
Depreciation and amortisation expense	**466**	**562**	**-**	**-**	**1,028**
Acquisition of property, plant and equipment	**428**	**16**	**147**	**-**	**591**
31 December 2003					
Revenue from ordinary activities					
- Operating	12,961	36,018	15,775	-	64,754
- Sale of investments	-	-	59,201	-	59,201
	12,961	36,018	74,976	-	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

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

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

Note 4. Investments

	31 December 2004 $'000	30 June 2004 $'000
Current investments		
Investments in properties:		
Macarthur Central Shopping Centre, Brisbane	**101,302**	101,154
Investments in unlisted property trusts:		
Martin Place Trust	**10,500**	10,500
Total current investments	**111,802**	111,654
Non-current investments		
Investments in unlisted companies:		
CPG Australia Pty Limited [1]	**102,000**	-
Investments in properties:		
Kings Row, Brisbane [2]	**-**	33,338
Investments in unlisted property trusts:		
Collins Property Trust	**2,503**	-
Investa Commercial Property Fund	**88,454**	-
SUNPAC Property Fund [2]	**-**	106,729
Investa South Melbourne Trust [2]	**-**	51,425
231 Elizabeth Street Trust [2]	**-**	58,362
Total non-current investments	**192,957**	249,854

[1] 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.

[2] These investments are held by Investa Commercial Property Fund ("ICPF"). At 30 June 2004, ICPF was consolidated on the basis that the Company had a controlling interest of 76.3%. At 31 December 2004, ICPF is no longer consolidated, but is recorded as a non-current investment on the basis that the Company's interest has fallen to 47.6%.

Note 5. Provisions

	31 December 2004 $'000	30 June 2004 $'000
Employee entitlements		
Annual leave	**1,128**	998
Long service leave	**593**	440
Other entitlements	**2,140**	3,485
Provision for dividend	**-**	4,431
Other provisions	**26**	26
Total provisions	**3,887**	9,380

Movement 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 Employee Entitlements $'000**	**Dividend $'000**	**Other $'000**	**Total Provisions $'000**
Carrying amount at the start of the financial period	998	440	3,485	4,431	26	9,380
Movement during the period						
Payments made	(102)	(13)	(2,618)	(4,431)	-	(7,164)
Additional provisions recognised	232	166	1,273	-	-	1,671
Carrying amount at the end of the financial period	1,128	593	2,140	-	26	3,887

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

Note 6. Contributed equity

	No of shares '000	**31 December 2004 $'000**	No of shares '000	30 June 2004 $'000
Opening balance	**1,434,890**	**77,356**	885,529	20,133
Share issue Delta acquisition – 29/07/03	**-**	**-**	83,614	9,010
Share issue Delta acquisition – 06/08/03	**-**	**-**	8,228	887
Share issue Delta acquisition – 14/08/03	**-**	**-**	33,695	3,631
Share issue Delta acquisition – 20/08/03	**-**	**-**	106,170	11,440
Dividends reinvested – 22/08/03	**-**	**-**	9,273	1,025
Share issue Delta acquisition – 27/08/03	**-**	**-**	102,891	11,086
Share issue Delta acquisition – 02/09/03	**-**	**-**	102,573	11,052
Share issue Delta acquisition – 09/09/03	**-**	**-**	31,855	3,432
Share issue Delta acquisition – 11/09/03	**-**	**-**	3,316	357
Share issue Delta acquisition – 14/10/03	**-**	**-**	25,966	2,798
Dividends reinvested – 21/11/03	**-**	**-**	4,534	290
Placement of shares – 20/02/04	**-**	**-**	26,042	1,650
Dividends reinvested – 20/02/04	**-**	**-**	4,853	308
Dividends reinvested – 21/05/04	**-**	**-**	6,351	407
Dividends reinvested – 20/08/04	**8,076**	**544**	-	-
Dividends reinvested – 21/11/04	**9,632**	**679**	-	-
Share issue – CPG Australia Pty Limited acquisition – 21/12/04	**29,126**	**3,236**	-	-
Costs for issue of shares	**-**	**(3)**	-	(150)
Closing balance	**1,481,724**	**81,812**	1,434,890	77,356

		31 December 2004 $'000		30 June 2004 $'000
Non-cash financing and investing activities:				
Issue of securities for the acquisition of CPG Australia Pty Limited on 21/12/2004 (30 June 2004: Delta)		**3,236**		53,693
Dividends/distributions satisfied by the issue of shares under the Group distribution reinvestment plan		**1,223**		2,030
Total non-cash financing and investing activities		**4,459**		55,723
Proceeds from share issue		**-**		1,650
Total issue of shares		**4,459**		57,373

Distribution reinvestment plan (DRP) issues

Investa Property Group has established a distribution reinvestment plan under which holders of ordinary securities may elect to have all or part of their distribution entitlements satisfied by the issue of new ordinary securities rather than by being paid in cash. Under the stapled security structure the capital raised under the DRP 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: 25,012,239) securities under the DRP and allocated 3.5% of the proceeds to the Company (30 June 2004: 3.3%) and 96.5% to Investa Property Trust (30 June 2004: 96.7%).

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

Note 6. Contributed equity (continued)

Placement of shares

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

There were no cash flows arising in the Company in respect of the placement of shares used to acquire a 40% interest in CPG Australia Pty Limited on 21 December 2004.

Note 7. Outside equity interest

	31 December 2004 $'000	30 June 2004 $'000
Interest in Shareholder's equity	**-**	44,128

The outside equity interest at 30 June 2004 represented a combined 23.7% interest in the Investa Commercial Property Fund held by external investors. During the period, the Company has sold down its interest in Investa Commercial Property Fund and now holds a 47.6% interest. As a result, the Company no longer consolidates its interest in Investa Commercial Property Fund, which is now recorded as an investment (refer Note 4). In the Consolidated Statement of Financial Performance, the outside equity interest represents the portion of profit attributable to external investors during the period the Company was consolidating Investa Commercial Property Fund up until 8 September 2004.

Note 8. Retained profits

	31 December 2004 $'000	31 December 2003 $'000
Retained profits at the beginning of the period	**3,230**	3,726
Net profit attributable to the members of Investa Properties Limited	**820**	1,985
Dividends provided for or paid	**-**	(5,579)
Retained profits at the end of the period	**4,050**	132

Note 9. Dividends

	31 December 2004 $'000	**31 December 2004 Cents per share**	31 December 2003 $'000	31 December 2003 Cents per share
Interim dividends				
30 September paid – fully franked	**-**	**-**	3,483	0.25
31 December payable – fully franked	**-**	**-**	2,096	0.15
	-	**-**	5,579	0.40

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 tax rate of 30% (31 December 2003: 30%)	**11,283**	9,605

The above amounts represent the balance of the franking account at the end of the 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 parent entity if distributable profits of its controlled entities were paid as dividends.

Note 10. Contingent assets and liabilities

The Company 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 Company 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 Company 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 schemes' 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 Company to raise debt and equity, via the Group, 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.

There are no material contingent liabilities at 31 December 2004 (31 December 2003: Nil).

Note 11. 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 or may significantly affect the operations of the Company, the results of those operations, or state of the Company's affairs in future financial periods.

Note 12. 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 Company'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 Company has established a Project Control Group (PCG) and Technical Review Committee comprising key internal staff and external advisers. The PCG has developed a comprehensive 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 Company's existing accounting policies include the following:

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.

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 Company.

Directors' Declaration

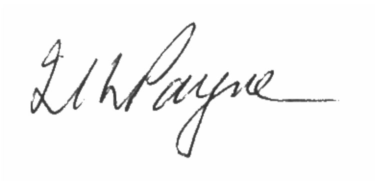
In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 17 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 consolidated entity's financial position as at 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the company 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

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Independent audit report to the members of Investa Properties Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Investa Properties Limited (the consolidated entity) for the half-year ended 31 December 2004 included on Investa Property Group's web site. The Company's 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 Properties Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of financial position of Investa Properties Limited (the consolidated entity) as at 31 December 2004 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 2004. The consolidated entity comprises both Investa Properties Limited (the company) and the entities it controlled during that half-year.

The directors of the company 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.

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Audit approach

We conducted an independent audit in order for the consolidated entity 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. 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 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.

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 and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
2 February 2005