

Investa Property Trust

ARSN 088 705 882

Half-Year Report

31 December 2004

Investa Property Trust

Half-Year Report – 31 December 2004

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Investa Property Trust

Directors' Report

The directors of Investa Properties Limited, the Responsible Entity of Investa Property Trust present their report together with the Consolidated Financial Report of the 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 Investa Properties Limited 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 activity of the Trust continued to consist of investment in commercial properties.

Distributions

Distributions paid and payable by the Trust for the half-year ended 31 December 2004 were \$120,643,000 (31 December 2003: \$108,145,000) which is equivalent to 8.25 cents per unit (31 December 2003: 7.75 cents per unit).

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	<u>314,219</u>	<u>265,697</u>
Net profit attributable to unitholders	114,852	100,700
Amounts available for distribution brought forward from previous period	5,698	5,039
Transfer from contributed equity to distributable income	6,164	13,285
Distributions paid and payable	(120,643)	(108,145)
Amounts available for distribution carried forward at 31 December	<u>6,071</u>	<u>10,879</u>
Value of Trust assets at 31 December	<u>4,466,819</u>	<u>4,099,199</u>

On 8 September 2004, the Trust sold a 25% beneficial interest in the property at 400 George Street to Prudential Properties Trusty Pty Limited for \$98,750,000 and realised a profit on sale of \$1,281,000.

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 its part, the Trust issued units to the value of \$56,764,000 and secured external debt of \$40,000,000 both offset by a corresponding related party loan to Investa Developments Pty Limited.

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Directors' Report (continued)

For a more detailed explanation of the results for the half-year, refer to the discussion and analysis of the consolidated financial statements.

Likely developments and expected results of operations

The Trust 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 Responsible Entity 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 Trust 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
Chairman
Sydney
2 February 2005

Auditors' Independence Declaration

As the lead auditor for the audit of Investa Property Trust 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 Trust and the entities it controlled during the period.



PricewaterhouseCoopers



J A Dunning
Partner

Sydney
2 February 2005

Investa Property Trust

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

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

Consolidated Statement of Financial Performance

Net profit before revaluations for the period to 31 December 2004 increased relative to the previous corresponding period to \$114,852,000 from \$100,700,000, reflecting the full six-month effect of the acquisition of Delta (Delta Office Fund, formerly Principal Office Fund) in August 2003.

Distribution per unit increased 6.5% to 8.25 cents per unit from 7.75 cents per unit in the corresponding period. Earnings per unit before amortisation and revaluations of 8.18 cents per unit were slightly higher than the prior period of 8.12 cents per unit. The amount available for distribution carried forward as at 31 December 2004 was \$6,071,000, or 0.41 cents per unit.

Rental income increased by 11% to \$159,055,000 due to the full six-month effect of the Delta portfolio. On a like for like basis, net property income grew by 2.3% over the previous comparative period.

The Trust sold the following properties and investments during the period:

	Gross Proceeds on Sale \$'000	Cost of Sale \$'000	Profit on Sale \$'000
25% of 400 George Street, Sydney	98,750	97,469	1,281
73 Northbourne Avenue, Canberra	17,500	17,328	172
Sale of interest in Investa Sixth Commercial Trust	5,174	5,174	-
Total	121,424	119,971	1,453

Other revenue from ordinary activities for this period was comprised solely of interest income of \$17,041,000 and included \$16,018,000 of interest earned on loans to Investa Properties Limited and its subsidiaries to facilitate the expansion of the Company's activities.

Operating expenses including rates and taxes, property outgoings and repairs and maintenance, increased on the corresponding period by \$2,340,000 to \$34,391,000, reflecting the increase in the property portfolio due to the full six-month effect of the acquisition of Delta.

Borrowing costs, which include interest expenses and line facility fees, are broadly in line with the previous corresponding period.

Included in other expenses is the management fee paid to Investa Properties Limited and other general operating expenses of the Trust.

The consolidated entity, in accordance with its investment revaluation policy, recognised directly in its Asset Revaluation Reserve a net revaluation increment for the current financial period of \$1,488,000.

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

Consolidated Statement of Financial Position

Trust assets increased by 4.9%, or \$208,341,000, to \$4,466,819,000 during the period. This was primarily due to the increase in the carrying value of 126 Phillip Street from \$251,477,000 to \$332,394,000 due to ongoing construction and an increase in loans to related entities of \$105,459,000. These increases have been offset by asset sales, including the disposal of 73 Northbourne Avenue, Canberra. Although 25% of 400 George Street was also sold, this investment property continues to be consolidated as the Trust owns 75%. As a result, the Statement of Financial Position now includes outside equity interests in controlled entities.

Interest bearing liabilities increased from \$1,555,500,000 as at 30 June 2004 to \$1,571,245,000 at 31 December 2004. The Trust has replaced its previously secured bank debt with a combination of unsecured bank debt, a \$325,545,000 private placement in the US with maturities in 2014 and 2016, a \$175,000,000 issue of fixed and floating rate notes maturing in 2009 and the issue of Australian Dollar Commercial Paper.

Gearing has decreased from 36.5% at 30 June 2004 to 35.2% at 31 December 2004.

Contributed equity increased during the period by \$84,240,000. This was the result of the issue of units in respect of the Trust's Distribution Reinvestment Plan and the Group's acquisition of a 40% interest in CPG Australia Pty Limited, offset by transfers from contributed equity to distributable income of \$6,164,000.

Consolidated Statement of Cash Flows

Cash flow from operating activities increased by 23%, or \$20,550,000, to \$109,780,000 compared to the prior period. The net operating cash flow from the property portfolio increased by \$16,710,000, mainly attributable to the full six-month impact of the Delta portfolio. Interest income receipts increased by \$7,339,000, due to the increase in loans advanced to related entities, while interest payments also increased by \$3,366,000 relative to prior period.

Net cash flow from investing activities for the period was an inflow of \$13,223,000, reflecting the sale of a 25% interest in 400 George Street for \$98,750,000, the sale of 73 Northbourne Avenue for \$17,500,000 and the sell down of the Trust's investment in Investa Sixth Commercial Trust, realising a net \$4,505,000. These were mostly offset by capital expenditure on investment properties of \$106,952,000, the majority of which was incurred on the 126 Phillip Street development.

Net cash flow from financing activities for the period was a net outflow of \$123,781,000. Net proceeds from external borrowings were \$17,355,000, while \$56,572,000 was loaned to related entities during the period. Distributions of \$84,564,000 were paid by the consolidated entity to unitholders and outside equity interests.

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Consolidated 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			
Rent		159,055	142,955
Distributions from associates		16,699	16,557
Proceeds on sale of investment properties		121,424	88,300
Other revenue from ordinary activities		17,041	17,885
Total revenue from ordinary activities		314,219	265,697
Property outgoings			
Property outgoings		(30,658)	(28,560)
Repairs and maintenance		(3,733)	(3,491)
Borrowing costs		(36,848)	(38,405)
Amortisation of intangibles		(3,306)	(2,449)
Book value of investment properties sold		(119,971)	(86,253)
Other expenses from ordinary activities		(2,710)	(4,597)
Net profit		116,993	101,942
Net profit attributable to outside equity interests		(2,141)	(1,242)
Net profit attributable to unitholders of the Trust		114,852	100,700
Net increase / (decrease) in asset revaluation reserve	6	1,488	(17,380)
Total revenues, expenses and valuation adjustments attributable to unitholders of the Trust recognised directly in equity		1,488	(17,380)
Total changes in equity other than those resulting from transactions with unitholders as owners		116,340	83,320
Distributions paid and payable	8	120,643	108,145
		Cents	Cents
Distributions paid and payable (cents per unit)	8	8.25	7.75
Basic and diluted earnings (cents per unit)		7.95	7.93
Basic and diluted earnings per unit (before revaluation)		7.95	7.93
Basic and diluted earnings per unit (before revaluation and before amortisation)		8.18	8.12

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

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Consolidated Statement of Financial Position As at 31 December 2004

		31 December 2004 \$'000	30 June 2004 \$'000
	Notes		
Current assets			
Cash assets		3,106	3,884
Receivables		48,732	29,434
Loans to related entities		104,006	103,811
Investment properties	2	-	24,132
Total current assets		155,844	161,261
Non-current assets			
Intangibles		117,596	120,566
Loans to related entities		382,887	277,623
Investment properties	2	3,810,492	3,699,028
Total non-current assets		4,310,975	4,097,217
Total assets		4,466,819	4,258,478
Current liabilities			
Payables		50,859	40,907
Interest bearing liabilities		-	120,000
Provision for distribution	3	61,254	56,678
Total current liabilities		112,113	217,585
Non-current liabilities			
Loans from related entities		8,445	13,296
Interest bearing liabilities		1,571,245	1,435,500
Total non-current liabilities		1,579,690	1,448,796
Total liabilities		1,691,803	1,666,381
Net assets		2,775,016	2,592,097
Equity			
Contributed equity	4	2,658,386	2,574,146
Outside equity interest	5	96,818	-
Reserves	6	13,741	12,253
Amounts available for distribution	7	6,071	5,698
Total equity		2,775,016	2,592,097

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

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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		180,994	168,266
Cash payments in the course of operations		(63,729)	(66,989)
Interest received		14,653	7,314
Distributions from associates		16,784	16,195
Borrowing costs paid		(38,922)	(35,556)
Net cash inflow from operating activities		<u>109,780</u>	<u>89,230</u>
Cash flows from investing activities			
Capital expenditure payments		(106,952)	(28,612)
Payments for investments in associates		(1,249)	(15,509)
Payment for controlled entity		-	(414,272)
Proceeds from sale of investments		5,174	-
Proceeds from sale of property investments		116,250	84,300
Payments for investments in property		-	(47,494)
Net cash inflow / (outflow) from investing activities		<u>13,223</u>	<u>(421,587)</u>
Cash flows from financing activities			
Payments for costs associated with issues of units		-	(393)
Proceeds from borrowings		1,087,855	529,090
Repayment of borrowings		(1,070,500)	(180,500)
Distributions paid	8	(84,564)	(59,583)
Proceeds from the repayment of borrowings from related entities		49,892	66,530
Loans to related entities		(106,464)	(17,043)
Net cash (outflow) / inflow from financing activities		<u>(123,781)</u>	<u>338,101</u>
Net (decrease) / increase in cash held		(778)	5,744
Cash at the beginning of the reporting period		<u>3,884</u>	<u>2,781</u>
Cash at the end of the reporting period		<u><u>3,106</u></u>	<u><u>8,525</u></u>
Total non-cash financing and investing activities	4		

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

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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 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, and the Trust Constitution dated 15 July 1977 (as amended).

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 the Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Trust as at 31 December 2004 and the results of all the controlled entities for the half-year ended on that date. The effects of all transactions between controlled entities in the Trust have been eliminated in full.

The units in the 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 half-year.

Note 2. Investment properties

	31 December 2004 \$'000	30 June 2004 \$'000
Current Investment properties	-	24,132
Non-current Investment properties	3,810,492	3,699,028

Property details

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
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

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

Note 2. 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									
Properties 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	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}	120 yr leasehold 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 properties held by Investa Property Trust				588,590				588,745	576,593
Properties held by controlled entities									
Investa Real Property Growth Trust									
1 Market Street, Sydney, NSW ^{3&6}	Offices/ Freehold	50%	31/01/96	110,859	31/12/04	106,750	S Kearney, AAPI, FPDSavills	107,733	110,334
State Law Building, Brisbane, QLD ¹	Offices/ Freehold	100%	31/12/02	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%	02/10/97	69,180	30/06/02	66,500	M Caruana, FAPI Knight Frank	68,335	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				275,646				290,108	294,700
Lizabeth Trust									
255 Elizabeth Street, Sydney, NSW ^{3&7}	Offices/ Freehold	50%	21/09/94						
		10%	11/12/98						
		40%	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	31/12/04	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&6}	Offices/ Freehold	50%	19/08/02	58,362	31/12/04	60,500	A Pannifex, AAPI FPDSavills	60,314	58,362
Total - Connect Property Trust				460,822				468,569	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

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

Note 2. 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	386,719	386,697
120 Collins Street, Melbourne, Vic ¹	Offices/ Freehold	100%	31/01/94	316,770	31/12/03	320,000	Jones Lang LaSalle D Gowing, FAPI CBRE	321,883	320,020
126 Phillip Street, Sydney, NSW ^{1&2}	Offices/ Freehold	100%	31/12/96	334,037	-	-	-	332,394	251,477
Development property 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 FPD Savills	234,944	233,344
50% interest (as tenants-in-common) QV 1 250 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

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

Note 2. 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)									
Properties 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
Investa South Melbourne Trust									
209 Kingsway, Melbourne, VIC ⁶	Offices/ Freehold	50%	31/01/02	51,425	31/12/04	52,500	G Longden, AAPI Jones Lang LaSalle	52,524	51,425
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 properties held by associates				227,223				240,276	238,048
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
Total interests in unlisted property securities				14,264				14,264	11,820
Total non-current investment properties				3,790,040				3,810,492	3,699,028

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.

Valuations

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

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

Note 3. Provision for distribution

	31 December 2004 \$'000	30 June 2004 \$'000
Provision for distribution	<u>61,254</u>	<u>56,678</u>

Movement in provision

Movement in the provision for distribution during the period is set out below:

	Distribution \$'000
31 December 2004	
Carrying amount at the start of the financial period	56,678
Movement during the period	
Distributions made	(116,200)
Distributions made to outside equity interest	(2,008)
Additional provisions recognised	120,643
Additional provisions recognised in respect of outside equity interests	2,141
Carrying amount at the end of the financial period	<u>61,254</u>

Note 4. Contributed equity

	Date	No of units '000	31 December 2004 \$'000	No of units '000	30 June 2004 \$'000
Opening balance		1,434,890	2,574,146	885,529	1,583,173
Unit issue Delta acquisition	29/07/03	-	-	83,614	153,559
Unit issue Delta acquisition	06/08/03	-	-	8,228	15,111
Unit issue Delta acquisition	14/08/03	-	-	33,695	61,882
Unit issue Delta acquisition	20/08/03	-	-	106,170	194,984
Distributions reinvested	22/08/03	-	-	9,273	17,614
Unit issue Delta acquisition	27/08/03	-	-	102,891	188,962
Unit issue Delta acquisition	02/09/03	-	-	102,573	188,378
Unit issue Delta acquisition	09/09/03	-	-	31,855	58,503
Unit issue Delta acquisition	11/09/03	-	-	3,316	6,090
Unit issue Delta acquisition	14/10/03	-	-	25,966	47,687
Distributions reinvested	21/11/03	-	-	4,534	8,506
Placement of units	20/02/04	-	-	26,042	48,350
Distributions reinvested	20/02/04	-	-	4,853	9,012
Distributions reinvested	21/05/04	-	-	6,351	11,915
Distributions reinvested	20/08/04	8,076	14,961	-	-
Distributions reinvested	21/11/04	9,632	18,679	-	-
Unit issue CPG Australia Pty Limited acquisition	21/12/04	29,126	56,764	-	-
Costs for issue of units		-	-	-	(1,522)
Transfer (to) distributable income		-	(6,164)	-	(18,058)
Closing balance		<u>1,481,724</u>	<u>2,658,386</u>	1,434,890	2,574,146

Investa Property Trust

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

Note 4. Contributed equity (continued)

	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)	56,764	915,154
Distributions satisfied by the issue of units under the Group's distribution reinvestment plan	33,640	26,120
Total non-cash financing and investing activities	<u>90,404</u>	<u>941,274</u>

Distribution Reinvestment Plan (DRP) issues

The 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 Properties Limited or the Trust. During the period ended 31 December 2004, the Group issued 17,707,529 (year ended 30 June 2004: 25,012,239) securities under the DRP, and the percentage allocated to the Trust was 96.5% (30 June 2004: 96.7%).

Placement of units

The Trust issued 29,126,213 units 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 the Trust (year ended 30 June 2004: 524,349,589 units issued, including 498,307,922 in respect of the Delta acquisition, with 3.3% of the proceeds allocated to Investa Properties Limited and 96.7% allocated to the Trust). A corresponding related party loan to Investa Developments Pty Limited was recognised in consideration for this unit issue.

Note 5. Outside equity interest

	31 December 2004 \$'000	30 June 2004 \$'000
Interest in unitholders equity	<u>96,818</u>	-

As at 31 December 2004, the outside equity interest represents a 25% external interest held by Prudential Properties Trusty Pty Limited in Beta Trust, the entity that beneficially owns 400 George Street, Sydney.

Note 6. Reserves

	31 December 2004 \$'000	31 December 2003 \$'000
Asset revaluation reserve		
Opening balance	12,253	27,351
Transfer from contributed equity	-	5,750
Increment / (decrement) on revaluation of investment properties	1,488	(17,380)
Closing balance	<u>13,741</u>	<u>15,721</u>

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.

Investa Property Trust

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

Note 6. Reserves (continued)

	31 December 2004 \$'000	31 December 2003 \$'000
Increment / (decrement) on revaluation of investment properties		
Revaluation of investment properties		
Grosvenor Place, 225-235 George Street, Sydney	1,254	-
242 Exhibition Street, Melbourne	5,795	-
73 Miller Street, North Sydney	(3,726)	-
64 Northbourne Avenue, Canberra	(198)	-
469 Latrobe Street, Melbourne	-	(5,867)
410 Ann Street, Brisbane	-	(2,589)
109 St George's Terrace, Perth	-	(8,452)
1 Market Street, Sydney,	(3,181)	-
Kings Row, Brisbane	(2,635)	-
231 Elizabeth Street, Sydney	1,952	-
Revaluation of investment in associates		
60 Martin Place Unit Trust	1,128	970
80 Pacific Highway Trust	-	(1,442)
Investa South Melbourne Trust	1,099	-
Total increment / (decrement) on revaluation of investment properties	1,488	(17,380)

Note 7. Amounts available for distribution

	31 December 2004 \$'000	31 December 2003 \$'000
Amounts available for distribution at the beginning of the financial period	5,698	5,039
Net profit	114,852	100,700
Transfer from contributed equity	6,164	13,285
Distributions provided for or paid	(120,643)	(108,145)
Amounts available for distribution at the end of the financial period	6,071	10,879

Investa Property Trust

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

Note 8. Distributions paid and payable

	31 December 2004 Cents per unit	31 December 2004 \$'000	31 December 2003 Cents per unit	31 December 2003 \$'000
Timing of distributions				
The distributions were paid and payable as follows:				
30 September paid	4.125	59,522	3.80	52,938
31 December payable	4.125	61,121	3.95	55,207
	<u>8.25</u>	<u>120,643</u>	<u>7.75</u>	<u>108,145</u>

The 31 December 2004 distribution will be paid on 21 February 2005. The provision for distribution as at 31 December 2004 includes an amount of \$133,000 payable to an outside equity interest.

Distributions actually paid or satisfied by issue of units under the distribution reinvestment plan during the half-year ended 31 December 2004 were as follows:

	31 December 2004 \$'000	31 December 2003 \$'000
Paid in cash	84,564	59,583
Satisfied by the issue of units	33,644	26,120
	<u>118,208</u>	<u>85,703</u>

Distributions paid in cash during the half-year ended 31 December 2004 include \$2,141,000 paid in respect of the outside equity interest.

Note 9. Contingent liabilities and contingent assets

The Trust 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 Investa Properties Limited. The bank guarantees may give rise to liabilities if the Trust 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 Trust if CPT does not meet its obligations under the loan agreement.

The Trust 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 Trust has a 50% interest. The Trust is not presently entitled to recognise any benefit associated with this guarantee, which remains in force until 2009.

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. If exercised, the option would require a debt and equity issue by the Trust with a corresponding related party loan to Investa Developments Pty Limited.

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

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

Note 10. Segment information

The Trust operates solely in the business of investment in commercial property in Australia.

Note 11. Events occurring after reporting date

Since the end of the period, the directors of the Responsible Entity have not become aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the Trust, the results of these operations, or the state of 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 Trust'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 Responsible Entity 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 Trust'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

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

Note 12. Impact of adopting Australian equivalents to IFRS (continued)

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.

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.

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 Trust.

Investa Property Trust

Directors' Declaration

In the opinion of the directors of Investa Properties Limited, the Responsible Entity of Investa Property Trust:

- (a) the Consolidated Financial Statements and notes set out on pages 7 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (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
 - (iii) the Trust has operated in accordance with the provisions of the Constitution dated 15 July 1977 (as amended), during the half-year ended 31 December 2004.

- (b) there are reasonable grounds to believe that the Trust 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

Independent audit report to the unitholders of Investa Property Trust

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Investa Property Trust (the consolidated entity) 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 Trust:

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

The directors of Investa Properties Limited (the Responsible Entity) are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order for the 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.

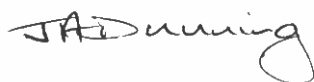
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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



PricewaterhouseCoopers



J A Dunning
Partner

Sydney
2 February 2005