

INTERIM REPORT 2003

for the six months ended 30 SEPTEMBER



- **THE TRUST'S OBJECTIVE IS TO PROVIDE UNITHOLDERS WITH AN ATTRACTIVE AND RELIABLE INCOME STREAM WHILE MAINTAINING AND ENHANCING THE QUALITY OF ITS PROPERTY PORTFOLIO THROUGH ACTIVE MANAGEMENT.**

CHAIRMAN'S REVIEW

Dear Investor

The six months ended 30 September 2003 has been a period of consolidation for the Trust, which has been able to strengthen its balance sheet and develop its leasing profile.

The Trust recorded a pre-tax operating surplus of \$6.7m for the six months. While this was down on an \$8.3m net surplus for the six months ended 30 September 2002, the latest result includes the impact of property sales on the group's rental income.

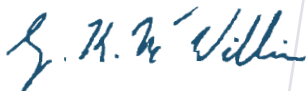
As unitholders you will receive a second quarterly gross dividend of 2.375 cents per unit, comprising 2.165 cents in cash and imputation credits of 0.21 cents. This brings total gross distributions for the year to 4.75 cents per unit and is consistent with forecasts advised in May this year.

This distribution will be paid on 19 December 2003 with the record date for unitholders being 5 December 2003.

Key achievements during the period included the settlement of the sales of BNZ Vincent Street and Greenpark Office Park and the successful leasing activity in Unisys House. The proceeds of the sales were used to reduce debt and at balance date the Trust's ratio of debt to gross assets has been lowered to 35.6%. The 6,592 square metres of vacant space in Unisys House has been successfully leased to the Crown Law Office and Securities Commission. These agreements take the occupancy of this building to 100% and are on more favourable terms than the previous occupier.

With the New Zealand property market generally having sound fundamentals, your directors and the manager of the Trust will continue to look for opportunities to enhance the value of your investment and ensure an attractive and reliable income stream for you.

We look forward to doing this with your support.



Geoff McWilliam
Chairman

MANAGER'S REVIEW

Net property income was \$10.9m for the latest half year, compared with \$12.9m a year earlier. The primary reason for the decrease was the impact of property sales aimed at reducing debt.

Total operating expenses were reduced to \$1.1m, down 6% from \$1.2m, a year earlier, while interest and finance charges were reduced nearly 12% to \$3.0m from \$3.4m as a result of the debt reduction strategy.

The operating expenses exclude a \$208,000 one-off loss on investment realisations.

The Trust's total borrowings as at 30 September 2003 were \$77.5m, representing 35.6% of gross assets. This compares with borrowings of \$90m as at 30 September 2002, which represented 37.9% of gross assets.

The net reduction of debt during the six months to 30 September 2003 was \$8.1m. Settlement proceeds from BNZ Vincent Street and Greenpark Office Park, Auckland, were utilised to reduce debt, while the acquisition of a property at 573-579 Colombo Street, Christchurch, was funded through borrowing facilities. The new property is closely located to the Trust's major retail asset, South City Centre.

Net Tangible Asset Backing

Net tangible asset backing (NTA) was 95.49 cents per unit as at 30 September 2003 compared with 95.88 cents as at 31 March 2003. There have been no revaluations of assets during the six-month period.

Occupancy

There has been considerable leasing success, particularly in Wellington over the past six months. One of the largest leasing transactions in the Wellington market this year was announced by the Trust in July with the Crown Law Office agreeing to lease four floors of Unisys House for nine years.

Occupancy across the portfolio was 96% as at 30 September 2003, compared with 99% at 31 March 2003 (99% at 30 September 2002).

Subsequent to the end of this reporting period an unconditional agreement has been entered into with the Securities Commission to occupy the two remaining vacant floors of Unisys House. The Trust is refurbishing these floors and the Securities Commission will take occupation from 1 February 2004.

This leasing will take the occupancy of Unisys House to 100% and overall portfolio occupancy to 97%. In total 11,200 square metres of space has been leased or re-leased over the six months to 30 September 2003 and the weighted average lease expiry profile has improved to 3.9 years (3.7 years at 31 March 2003).

Industry Outlook

The low interest rate environment and a good balance between supply and demand in the majority of real estate markets has produced sound fundamentals for the sector. The economic environment over the past six months has, on balance, been good for tenant demand although there are signals that pressures will be faced in the second half of the year.

The rising New Zealand dollar and slow global growth coupled with an indication that interest rates may rise next year should provide more challenging conditions within which to operate.

However we remain confident that the Trust's assets are well placed to deliver a stable and consistent revenue stream within this environment.



John Dakin
Fund Manager

COLONIAL FIRST STATE PROPERTY TRUST

Consolidated Statement of Financial Performance

	Unaudited for the 6 months ended 30 Sept 2003 (\$000)	Audited for the year ended 31 March 2003 (\$000)	Unaudited for the 6 months ended 30 Sept 2002 (\$000)
Net property income	10,914	24,956	12,903
Interest and other income	135	175	92
Operating expenses	(1,131)	(2,346)	(1,200)
Operating surplus	9,918	22,785	11,795
Interest and finance charges	(3,026)	(6,593)	(3,454)
Loss on realisation of investments	(208)	(256)	–
Net operating surplus before income tax	6,684	15,936	8,341
Taxation expense	(734)	(2,084)	(1,185)
Net operating surplus after income tax	5,950	13,852	7,156
Net devaluation	–	(5,451)	–
Net surplus for the period	5,950	8,401	7,156

The accompanying notes form an integral part of these financial statements.

COLONIAL FIRST STATE PROPERTY TRUST

Consolidated Statement of Movements in Investors' Funds

	Unaudited for the 6 months ended 30 Sept 2003 (\$000)	Audited for the year ended 31 March 2003 (\$000)	Unaudited for the 6 months ended 30 Sept 2002 (\$000)
Investors' Funds at beginning of period	139,030	143,969	143,969
Total recognised revenue and expenses			
Net surplus for the period	5,950	8,401	7,156
	5,950	8,401	7,156
Distributions to investors			
Distributions	(6,518)	(13,340)	(6,583)
	(6,518)	(13,340)	(6,583)
Investors' Funds at end of period	138,462	139,030	144,542

The accompanying notes form an integral part of these financial statements.


COLONIAL FIRST STATE PROPERTY TRUST
Consolidated Statement of Financial Position

	Unaudited as at 30 Sept 2003 (\$000)	Audited as at 31 March 2003 (\$000)	Unaudited as at 30 Sept 2002 (\$000)
ASSETS			
Current Assets			
Cash and deposits	1,316	514	732
Debtors	699	1,674	2,122
Total Current Assets	2,015	2,188	2,854
Non-Current Assets			
Investment properties	215,583	225,373	234,624
Total Non-Current Assets	215,583	225,373	234,624
Total Assets	217,598	227,561	237,478
LIABILITIES			
Current Liabilities			
Creditors	1,681	2,976	2,931
Non-Current Liabilities			
Borrowings	77,455	85,555	90,005
Total Liabilities	79,136	88,531	92,936
Net Assets	138,462	139,030	144,542
EQUITY			
Unitholders funds	141,310	141,310	141,310
Retained earnings	(2,848)	(2,280)	3,232
Investors' Funds	138,462	139,030	144,542
Net tangible assets (cents per unit)	95.49	95.88	99.68

The accompanying notes form an integral part of these financial statements.

The Board of Colonial First State Property (NZ) Limited, the Manager of Colonial First State Property Trust, authorised these statements for issue on 8 December 2003.

For and on behalf of the Board



Geoff McWilliam

COLONIAL FIRST STATE PROPERTY TRUST
Consolidated Statement of Cash Flows

	Unaudited for the 6 months ended 30 Sept 2003 (\$000)	Audited for the year ended 31 March 2003 (\$000)	Unaudited for the 6 months ended 30 Sept 2002 (\$000)
CASH FLOWS FROM/(APPLIED TO) OPERATING ACTIVITIES			
Cash was provided from:			
Net property income	11,005	24,496	12,950
Interest received	135	179	96
	<u>11,140</u>	<u>24,675</u>	<u>13,046</u>
Cash was applied to:			
Operating expenses	(1,071)	(2,606)	(1,449)
Interest paid	(3,138)	(7,011)	(4,067)
Taxes paid	(366)	(1,576)	(562)
	<u>(4,575)</u>	<u>(11,193)</u>	<u>(6,078)</u>
Net Cash Inflow from Operating Activities	6,565	13,482	6,968
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from/(applied to):			
Net disposal/(acquisition) of investment properties	8,855	19,519	15,044
Net Cash Inflow/(Outflow) from Investing Activities	8,855	19,519	15,044
CASH FLOWS FROM/(APPLIED TO) FINANCING ACTIVITIES			
Cash was applied to:			
Borrowings	(8,100)	(21,100)	(16,650)
Distributions to Unitholders	(6,518)	(13,340)	(6,583)
	<u>(14,618)</u>	<u>(34,440)</u>	<u>(23,233)</u>
Net Cash (Outflow)/Inflow from Financing Activities	(14,618)	(34,440)	(23,233)
Net increase/(decrease) in cash and deposits held	802	(1,439)	(1,221)
Opening cash and deposits held	514	1,953	1,953
Cash and deposits balance at 30 September	1,316	514	732

The accompanying notes form an integral part of these financial statements.

COLONIAL FIRST STATE PROPERTY TRUST

Notes to the Financial Statements

For the six months ended 30 September 2003

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The reporting entity is Colonial First State Property Trust (the "Trust") which was formed under the Unit Trust Act 1960 and is listed on the New Zealand Exchange. These interim financial statements have been prepared in accordance with FRS 24: Interim Financial Statements, and should be read in conjunction with the previous annual report.

Principal activity

The principal activity of the Trust during the period was to provide unitholders with an income stream through investing in a diversified portfolio of investment properties.

Basis of measurement

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Trust, except that the investment properties have been revalued and recorded in the financial statements as set out in (b) below.

Accounting policies adopted

(a) Consolidation of Group Financial Statements

The consolidated financial statements have been prepared from the financial statements of the Trust and its subsidiary company, Colonial First State Property Aggregated Limited. This subsidiary company has been consolidated in the financial statements, using the purchase method of acquisition, from the date of its acquisition, which is the date at which the Trust was entitled to its income. This subsidiary company is 100% owned by the Trust and its principal activity is property investment. It has the same balance date as the Trust.

(b) Investment Properties

Investment properties are recorded at cost (including acquisition costs) and then in subsequent years, stated at net current value as determined by independent registered valuers (less estimated disposal costs) at each annual balance date. Unrealised increases or decreases in the value of the investment portfolio is taken directly to the asset revaluation reserve except where the revaluations are below cost, in which case the deficit is taken to the Statement of Financial Performance.

Where the net effect of the revaluation process is a positive revaluation, then to the extent that that value reverses a negative revaluation previously taken to the Statement of Financial Performance, that value will be credited to the Statement of Financial Performance.

COLONIAL FIRST STATE PROPERTY TRUST**Notes to the Financial Statements (continued)**

For the six months ended 30 September 2003

1. STATEMENT OF ACCOUNTING POLICIES (continued)**(c) Depreciation**

No accounting depreciation is provided in respect of investment properties since the annual valuation takes into account the state of each property at valuation date, however tax depreciation is taken into account in calculating the tax charge.

(d) Revenue Recognition

Lease agreements with tenants provide for base monthly rental charges and recovery of certain outgoings. Additional rent based on business turnover applies to some leases. Revenue is recognised on an accrual basis.

(e) Repairs and Maintenance

Repairs and maintenance expenditure not recovered from tenants is expensed as incurred. Capital expenditure, including lease fit-outs for lease incentives, is capitalised to the cost of properties.

(f) Leasing Commissions

Leasing commissions are deferred and written off over a three-year period.

(g) Taxation

The Trust and its subsidiary follow the liability method of accounting for deferred taxation. Other than stated below, the income taxation charge against the surplus for the period is the estimated liability in respect of that surplus after allowing for permanent differences.

Tax effect accounting has been applied on a partial basis to timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from tax losses, is only recognised if there is virtual certainty of realisation. No deferred tax liability is recognised in respect of tax depreciation timing differences as it is currently intended that ownership of the Portfolio will be maintained.

(h) Debtors

Debtors are stated at their net realisable value, net of non-recoverable amounts.

(i) Cash and Deposits

Bank deposits are stated at cost.

(j) Financial Instruments

Financial instruments carried on the Statement of Financial Position include cash and bank balances, investments, receivables, creditors and borrowings.

COLONIAL FIRST STATE PROPERTY TRUST

Notes to the Financial Statements (continued)

For the six months ended 30 September 2003

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(k) Goods and Services Tax

The financial statements are stated exclusive of Goods and Services Tax.

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

“cash” is considered to be cash on hand and current accounts in banks, and deposits on call net of bank overdrafts;

“investing activities” are those activities relating to acquisition, holding and disposal of fixed assets, property investments and security investments;

“financing activities” are those activities that result in changes in the size and composition of the capital structure of the Trust and its subsidiaries, including both debt and equity;

“operating activities” include all transactions and other events that are not investing or financing activities.

2. RECONCILIATION OF NET OPERATING SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Unaudited for the 6 months ended 30 Sept 2003 (\$000)	Audited for the year ended 31 March 2003 (\$000)	Unaudited for the 6 months ended 30 Sept 2002 (\$000)
Net operating surplus after taxation	5,950	13,852	7,156
Non-cash items			
Deferred tax	(2)	(2)	–
	(2)	(2)	–
Movements in working capital			
Trade creditors	20	569	(220)
Other creditors	49	(660)	397
Trade debtors	(38)	(470)	262
Other debtors	(67)	63	62
Current tax asset	(302)	493	(689)
	(338)	(5)	(188)
Items classified as investing			
Loss on sale of property	208	256	–
Movement in accrued capital expenditure	247	(294)	–
Movement in deposit on sale of property	500	(325)	–
	955	(363)	–
Net cash flows from operating activities	6,565	13,482	6,968

COLONIAL FIRST STATE PROPERTY TRUST**Notes to the Financial Statements (continued)**

For the six months ended 30 September 2003

3. RELATED PARTY TRANSACTIONS

The Manager of Colonial First State Property Trust is Colonial First State Property (NZ) Limited, a subsidiary of Colonial First State Investments (NZ) Limited, and the ultimate parent company is Commonwealth Bank of Australia (CBA), incorporated in New South Wales, Australia.

For the six months ending 30 September 2003 the following related party transactions with subsidiary companies within the CBA group occurred:

- Management fees of \$787,000 were paid to Colonial First State Property (NZ) Limited (30 September 2002: \$980,000). These payments were in accordance with the Trust Deed.
- ASB Bank provided finance by way of a revolving credit facility to the Trust. The interest paid in relation to that finance was \$659,000 (30 September 2002: \$1,154,000)
- Property management fees of \$32,500 were paid to Kiwi Property Management Limited (30 September 2002: nil), a related entity of Colonial First State Property (NZ) Limited.

4. EVENTS SUBSEQUENT TO BALANCE DATE

At a Board meeting held on 17 November 2003, the Board approved the payment of a distribution to unitholders. This payment, made up of 2.165 cents per unit (cpu) and imputation credits of 0.21 cpu, will be made on 19 December 2003.

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Manager

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John William Duncan, CA (Auckland)

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