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ISPT No.2

Statement of Financial Position

as at 30 June 2002

	Note	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
Current assets					
Cash assets	4	2,825	9,277	2,825	6,581
Receivables	5	3,451	990	10,090	4,618
Total current assets		6,276	10,267	12,915	11,199
Non-current assets					
Investment in controlled entity	6	-	-	45,500	47,768
Investment properties	7	415,900	406,200	370,400	361,200
Total non-current assets		415,900	406,200	415,900	408,968
Total assets		422,176	416,467	428,815	420,167
Current liabilities					
Payables	8	2,305	3,480	2,127	3,480
Provisions	9	26,565	23,518	26,565	23,518
Interest bearing liabilities	10(a)	-	24,702	-	24,702
Total current liabilities		28,870	51,700	28,692	51,700
Non-current liabilities					
Interest bearing liabilities	10(a)	82,500	26,670	82,500	26,670
Other payables	10(b)	-	-	6,817	3,700
Total non-current liabilities		82,500	26,670	89,317	30,370
Total liabilities		111,370	78,370	118,009	82,070
Net assets		310,806	338,097	310,806	338,097
Unitholders' equity					
Units on issue	11	280,589	314,641	280,589	314,641
Investment revaluation reserve	12	30,217	23,456	30,217	23,456
Total Unitholders' equity		310,806	338,097	310,806	338,097

Statement of Financial Performance

for the year ended 30 June 2002

	Note	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
Revenues from ordinary activities					
Rental income		42,521	36,775	37,856	33,222
Distribution income from controlled entity		–	–	3,762	3,656
Interest income		147	349	147	240
Other income		9	56	9	43
Total revenues from ordinary activities		42,677	37,180	41,774	37,161
Expenses from ordinary activities					
Property outgoings		9,670	5,371	8,767	5,371
Trustee and Trust Manager's expenses		649	2,230	649	2,230
Termination fee		–	1,600	–	1,600
Borrowing costs		5,303	3,855	5,303	3,855
Other expenses from ordinary activities	2	507	643	507	624
Total expenses from ordinary activities		16,129	13,699	15,226	13,680
Net profit		26,548	23,481	26,548	23,481
Increase in investment revaluation reserve	12	6,761	10,215	6,761	10,215
Total revenues, expenses and valuation adjustments attributable to Unitholders and recognised directly in Unitholders funds		6,761	10,215	6,761	10,215
Total changes in equity other than those resulting from transactions with Unitholders as Unitholders		33,309	33,696	33,309	33,696

Statement of Distribution

for the year ended 30 June 2002

Net profit		26,548	23,481	26,548	23,481
Undistributed income brought forward		–	15	–	15
Total distributable income		26,548	23,496	26,548	23,496
Distribution payable	3	26,548	23,496	26,548	23,496
Undistributed income carried forward		–	–	–	–

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Statement of Cash Flows

for the year ended 30 June 2002

	Note	Consolidated 30/06/02 \$(000) inflows (outflows)	Consolidated 30/06/01 \$(000) inflows (outflows)	Trust 30/06/02 \$(000) inflows (outflows)	Trust 30/06/01 \$(000) inflows (outflows)
Cash flows from operating activities					
Rent received		40,044	34,706	38,414	31,269
Payments to suppliers		(11,989)	(8,037)	(8,164)	(7,923)
Security deposits received		9	5	9	5
Other income		147	352	147	243
Borrowing costs		(5,303)	(4,057)	(5,303)	(4,057)
Net cash provided by operating activities	13	22,908	22,969	25,103	19,537
Cash flows from investing activities					
Purchases of/additions to investment properties		(2,940)	(3,667)	(2,439)	(3,261)
Net cash used in investing activities		(2,940)	(3,667)	(2,439)	(3,261)
Cash flows from financing activities					
Redemption of units		(49,540)	-	(49,540)	-
Proceeds from borrowings		56,628	-	56,628	3,700
Repayment of borrowings		(25,500)	(17,200)	(25,500)	(17,200)
Distribution paid		(8,008)	-	(8,008)	-
Net cash used in financing activities		(26,420)	(17,200)	(26,420)	(13,500)
Net increase/(decrease) in cash held		(6,452)	2,102	(3,756)	2,776
Cash at beginning of year		9,277	7,175	6,581	3,805
Cash at end of year	4	2,825	9,277	2,825	6,581

Notes forming part of the Financial Statements

for the year ended 30 June 2002

1. Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report which has been drawn up in accordance with applicable Australian Accounting Standards, other mandatory professional requirements and the requirements of the Trust Deed dated 13 March 1998 (as amended). It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year unless otherwise specified.

(c) Principles of consolidation

The consolidated financial report of the economic entity includes the financial report of The Industry Superannuation Property Trust No. 2 ('Trust'), and its controlled entity. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions between the controlled entity are eliminated in full.

(d) Revenue recognition

Rent

Rent is brought to account on an accrual basis and, if not received at balance date, is reflected in the statement of financial position as a receivable. The collectibility of receivables are reviewed on an ongoing basis.

Interest

Interest is brought to account on an accrual basis and, if not received at balance date, is reflected in the statement of financial position as a receivable.

Distribution revenue from property trust investment

Distribution revenue is recognised when the Trust's right to receive payment is established.

(e) Expenses

Property expenses

Property expenses consist of rates, taxes and other property outgoings in relation to investment properties where such expenses are the responsibility of the Trust or its controlled entity.

(f) Manager's expense

On 1st July 2001, ISPT Pty Ltd replaced National Asset Management as manager of the Trust.

(g) Trustee's expense

The Trustee of the Trust is not entitled to a fee but is reimbursed for expenses in accordance with the terms of the Trust Deed. ISPT Pty Ltd is acting as Trustee and Trust Manager of ISPT No. 2.

(h) Trustee's assets and expenses

ISPT Pty Ltd is a pure trustee company acting for and behalf of ISPT No. 2. Accordingly, where ISPT Pty Ltd has incurred expenses or purchased assets on behalf of the Trust, these items are to be recorded as expenses and assets (liabilities) of the Trust.

(i) Receivables

Receivables are recognised at the amounts receivable as they are due no more than 30 days from the date of recognition. The collectibility of debts is reviewed at balance date and specific provision is made for any doubtful accounts, while uncollectible amounts are written off.

(j) Trade creditors and payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Employee entitlements

Provision is made for employee benefits accumulated in the Trustee Company, ISPT Pty Ltd, as a result of employees rendering services for ISPT Pty Ltd as the Trustee and the Trust Manager up to the reporting date. Liabilities arising within 12 months of the reporting date are measured at their nominal amounts.

(l) Taxation

Under current income tax legislation, the Trust and its controlled entity are not liable for income tax, provided that the taxable income is fully distributed to Unitholders each year. Distributable income includes capital gains arising from the disposal of property investments. Unrealised gains and losses on investments are transferred to the investment revaluation reserve and are not distributed or assessable until realised.

(m) Interest bearing liabilities

Interest bearing liabilities are recorded at cost and classified as either current or non-current, current being amounts payable in the next 12 months and non-current being amounts payable after twelve months

(n) Distribution payable

The provision for distribution is the income payable to Unitholders. The Trust is required to fully distribute, thus this will always equate to the net income for the year to date.

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Notes forming part of the Financial Statements

for the year ended 30 June 2002

1. Summary of significant accounting policies (continued)

(o) Lease incentives

Lease incentives in the form of fitout or other capital expenditure are capitalised to the cost of the relevant properties. Non-capital lease incentives are brought to account as an expense.

(p) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Investment properties are measured on a fair value basis giving consideration to the full annual independent valuation and three supplementary quarterly valuations obtained for each property.

Valuations

The valuations are based on the price at which a property might reasonably be expected to be sold at the date of the valuation, assuming:

- (i) a willing but not anxious, buyer and seller;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to the market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued;
- (v) only takes into account instructions given by the Trustee and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Trustee;
- (vi) that the Trust has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
- (vii) that the Trust has sufficient resources to negotiate an agreement for the sale of the property.

Fair value has been determined by:

- (i) net cash flows discounted to their present value using a market determined risk adjusted rate;
- (ii) capitalisation of income; or
- (iii) comparable sales.

When carrying values differ to their net fair value, the carrying values are revalued accordingly. Revaluation increments are credited directly to the investment revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of investment previously recognised as an expense in the profit and loss account, the increment is recognised immediately as revenue in the profit and loss account. Revaluation decrements are recognised immediately as expenses in the profit and loss account, except that, to the extent that a credit balance exists in the investment revaluation reserve in respect of the same class of assets, they are debited directly to the investment revaluation reserve. Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Investment properties (developments)

Investment properties (developments) are measured at cost.

Disposal of assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of the disposal and the proceeds on disposal and is included in the results in the year of disposal.

(q) Depreciation

In accordance with Accounting Standard AAS 4: Depreciation of Non-Current Assets, investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis in Note 1 (p). Taxation allowances for building, plant and equipment depreciation are claimed by the Trust and are declared as tax deferred components of distributions.

(r) Other investments

In accordance with the provisions of the Trust Deed, the Trust is able to invest in a controlled entity where the underlying assets are real property or an interest in land or real estate. Where the Trust has invested in these types of investments, the units are valued on the basis of the net fair value on a monthly basis. Revaluation increments and decrements are accounted for in accordance with Note 1 (p).

(s) Definition of cash

For the purpose of the financial report, cash is defined as cash at bank and cash on deposit.

(t) Application of units

Initial issues of units were at one dollar. Subsequent issues of units are at the current unit value which is determined by dividing the net tangible asset by the number of units on issue on the relevant day less accrued income. An initial minimum subscription of \$500,000 is required under the Trust Deed and no single subscriber is permitted to own in excess of 35% of the issued units of the Trust unless resolved otherwise by Special Resolution.

(u) Redemption of units

The Trust shall not be obliged to repurchase or redeem units. The Trustee shall not agree to redeem units if it is not in the best interests of the Unitholders or if the 10% limit referred to below is breached. A Unitholder may not redeem more than 10% of units on issue unless approved by Unitholders by Special Resolution.

(v) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(w) Rounding off of amounts

Amounts in the financial report have been rounded off to the nearest one thousand dollars as available under ASIC Class order 98/0100. The Trust is an entity to which the class order applies.

Notes forming part of the Financial Statements

for the year ended 30 June 2002

Note	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
2. Other expenses from ordinary activities				
Legal fees	35	81	35	78
Auditors' remuneration	17	35	17	35
Accounting fees – Permanent Trustees	329	–	329	–
Other expenses	126	527	126	511
	507	643	507	624
2(a) Auditors' remuneration				
	\$	\$	\$	\$
Amounts received or due to be received by the Auditor of ISPT No. 2				
Audit fees	14,247	25,000	14,247	25,000
Other services	3,249	10,000	3,249	10,000
	17,496	35,000	17,496	35,000
	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
3. Distribution				
Distribution payable				
30 June 2002 distribution	26,548	23,496	26,548	23,496
The tax deferred component of distribution for the year ended 30 June 2002 was 34% (2001: 30% plus 13% as the tax free component).				
Paid/payable in cash	4,910	8,008		
Reinvestment in units	21,638	15,488		
Total	26,548	23,496		
4. Cash				
Cash at bank	492	9,277	492	6,581
Short term money market (bank bills)	2,000	–	2,000	–
Cash on call	333	–	333	–
	2,825	9,277	2,825	6,581

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Notes forming part of the Financial Statements for the year ended 30 June 2002

	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
5. Receivables				
Rent receivable	796	122	770	122
Distribution receivable	-	-	-	3,656
Trade and other debtors	1,354	280	1,240	268
Deferred leasing costs	-	122	-	122
Prepayments	1,301	466	1,293	450
ISPT No. 2 head trust loan account	-	-	6,787	-
	3,451	990	10,090	4,618

Details of terms and conditions of receivables are set out in Note 1 (i).

6. Investment in controlled entity

Non-current

Investment in controlled entity at fair value dated 30 June 2002:

Industry Superannuation Property Trust No. 2				
- National Bank House	-	-	45,500	47,768

The fair value of units in the controlled entity was based on the net asset backing as shown in the last balance sheet as set out in Note 1 (r). The ownership interest in the controlled entity is 100% & the country of registration of the controlled entity is Australia.

Notes forming part of the Financial Statements

for the year ended 30 June 2002

Description and purchase date	Acquisition costs plus additions at cost \$(000)	Fair valuation and date \$(000)	Independent valuer	Book value 30/06/02 \$(000)	Book value 30/06/01 \$(000)
7. Investment properties					
Directly owned properties					
500 Bourke Street ⁽¹⁾ Melbourne, VIC Commercial/freehold 25/03/98	127,686	133,700 31/12/01	Jones Lang LaSalle Garry Longden FAPI	133,700	129,000
22 King William Street ⁽¹⁾ Adelaide, SA Commercial/freehold 25/03/98	11,169	11,600 31/12/01	CB Richard Ellis David Booth AAPI	11,600	11,600
477 Pitt Street Sydney, NSW Commercial/freehold 22/04/99	147,402	168,100 15/06/02	CB Richard Ellis Roger Price AAPI	168,100	163,600
Sub-total directly owned properties	286,257	313,400		313,400	304,200
50% investment properties					
Forrest Chase Shopping Centre Cnr Murray Street and Forrest Place, Perth, WA Retail/freehold 01/05/00	60,236	57,000 15/06/02	Knight Frank Marc Crowe AAPI	57,000	57,000
Sub-total 50% investment properties	60,236	57,000		57,000	57,000
Total directly owned properties	346,493	370,400		370,400	361,200
Other non-directly owned properties					
255 Adelaide Street ⁽¹⁾ Brisbane, QLD Commercial/freehold 25/03/98	39,189	45,500 31/12/01	Jones Lang LaSalle Will Weinman AAPI	45,500	45,000
Total non-directly owned properties	39,189	45,500		45,500	45,000
Total investment properties	385,682	415,900		415,900	406,200

Reconciliations

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current and previous financial year are set out below.

Note	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
Carrying amount at start of year	406,200	393,343	361,200	350,343
Additions	2,939	2,642	2,439	642
Net revaluation increments	12 6,761	10,215	6,761	10,215
Balance at end of year	415,900	406,200	370,400	361,200

⁽¹⁾ These buildings have been retained at the 31 December 2001 valuation pending finalisation of rent reviews with major tenants. Note 21 provides an update on the subsequent outcomes of those rent reviews.

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Notes forming part of the Financial Statements for the year ended 30 June 2002

	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
8. Payables				
Accrued expenses	2,197	3,462	2,087	3,462
Income received in advance	108	18	40	18
	2,305	3,480	2,127	3,480
Terms and conditions of payables set out in Note 1 (j)				
9. Provisions				
Distribution payable	26,548	23,496	26,548	23,496
Employee entitlements	17	22	17	22
	26,565	23,518	26,565	23,518
Terms and conditions of distribution payable set out in Note 1 (n)				
Terms and conditions of employee entitlements set out in Note 1 (k)				
10(a) Interest bearing liabilities				
Current				
Cash advance facility	-	24,702	-	24,702
Non-current				
Cash advance facility	82,500	26,670	82,500	26,670
	82,500	51,372	82,500	51,372
Borrowings are financed by a cash advance facility from National Australia Bank and are subject to a negative pledge. Funding is by way of bank bills.				
Refer to Note 13 for the Trust's credit access and refer to Note 19 for details of this facility.				
10(b) Other payables				
Inter-entity loan	-	-	6,817	3,700

Notes forming part of the Financial Statements

for the year ended 30 June 2002

	Consolidated 30/06/02 ('000)	Consolidated 30/06/01 ('000)	Trust 30/06/02 ('000)	Trust 30/06/01 ('000)
11. Units on issue				
(a) Number of units on issue ('000)				
Opening balance	310,744	292,411	310,744	292,411
Units issued – new units	18,416	18,333	18,416	18,333
Units issued – distribution re-investment plan	14,235	–	14,235	–
Redemption of units	(64,232)	–	(64,232)	–
Closing balance	279,163	310,744	279,163	310,744
(b) Amount of units on issue (\$'000)				
Opening balance	314,641	295,318	314,641	295,318
Units issued – new units	20,250	–	20,250	–
Units issued – distribution re-investment plan	15,488	19,331	15,488	19,331
Redemption of units	(69,897)	–	(69,897)	–
Prior year non-distribution	–	15	–	15
Write off of non-deductible costs	107	(23)	107	(23)
Closing balance	280,589	314,641	280,589	314,641
Unitholder disclosure rights				
A Unitholder shall be entitled under the Trust Deed to a beneficial interest in the Trust Fund shall not, otherwise than as provided in the Deed, be entitled:				
(a) to in any way interfere with the exercise by the Trustee in the exercise of their powers in relation to the Trust Fund or otherwise under this Deed;				
(b) to exercise any rights, powers or privileges in respect of any investment; or				
(c) to lodge a caveat claiming an estate or interest in any land or real estate acquired as an investment of the Fund or otherwise.				
Each unit confers an equal interest in the capital of the Trust and an equal right to the distributions of the Trust.				
For detail on issue/redemption of units see Note 1 (t) and 1 (u).				
12. Investment revaluation reserve				
Opening balance	23,456	13,241	23,456	13,241
Net unrealised gain on revaluation of investment properties – ISPT No. 2	6,761	10,215	6,761	10,215
Balance at the end of the year	30,217	23,456	30,217	23,456
Movement in revaluation of investment properties				
500 Bourke Street, Melbourne	2,729	2,000	2,729	2,000
22 King William Street, Adelaide	27	209	27	209
477 Pitt Street, Sydney	3,696	9,278	3,696	9,278
255 Adelaide Street, Brisbane ⁽ⁱ⁾	411	1,861	411	1,861
Forrest Chase Shopping Centre, Perth	(102)	(3,133)	(102)	(3,133)
	6,761	10,215	6,761	10,215

⁽ⁱ⁾ In relation to the parent entity the amounts disclosed relate to the revaluation movements for the underlying property held via investments in subsidiary trusts.

Nature and purpose of reserve

The investment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in the accounting policy Note 1 (p). The balance standing to the credit of the reserve is only available for the payment of distributions in limited circumstances as permitted by the Trust Deed.

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Notes forming part of the Financial Statements for the year ended 30 June 2002

	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
13. Reconciliation of net profit to net cash provided by operating activities				
Net profit	26,548	23,481	26,548	23,481
(Increase)/decrease in receivables	(2,477)	(1,664)	(5,472)	(5,031)
(Increase)/decrease in investments other	-	-	2,268	-
Increase/(decrease) in accounts payable	(1,180)	1,175	1,764	1,110
Non-deductible expenses	-	(23)	-	(23)
Increase/(decrease) in employee provisions	17	-	(5)	-
Net cash provided by operating activities	22,908	22,969	25,103	19,537
The economic entity has access to the following line of credit:				
Cash advance facility limit				
Cash advance facility – NAB	108,000	79,000	108,000	79,000
Drawn down as above	(82,500)	(51,372)	(82,500)	(51,372)
Undrawn amount	25,500	27,628	25,500	27,628

14. Leases

Substantially all of the property owned by the Trust is leased to third parties under operating leases as at 30 June 2002.

Lease terms vary between tenants and some leases include percentage rental payments based on sales volume. Future minimum rental revenues under non-cancellable operating leases at 30 June 2002 are as follows:

	\$(000)
30 June 2003	36,755
30 June 2004	31,992
30 June 2005	30,881
30 June 2006	26,065
30 June 2007	22,686
Thereafter	39,530

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retail sales by tenants in excess of stipulated minimums and do not include recovery of outgoings. \$648,753 of percentage rent has been recognised as revenue during the year. Where a lease is currently on a monthly basis or expires its income cannot be guaranteed and therefore assumed to be zero. Where reviews are to market or CPI (underpinned or not) it has been assumed the change in rent is nil.

Notes forming part of the Financial Statements

for the year ended 30 June 2002

	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
15. Capital commitments				
Expenditure on refurbishment of property				
due not later than one year	4,511	3,226	3,266	3,098
due later than two years and not later than five years	2,368	743	1,642	596
	6,879	3,969	4,908	3,694

These amounts are minimum capital commitments due as part of lease obligations and do not include any capital that may also be expended on any other building.

	Commercial 30/06/02 \$(000)	Commercial 30/06/01 \$(000)	Retail 30/06/02 \$(000)	Retail 30/06/01 \$(000)	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)
16. Statement of operation of segments						
Business segments						
Revenue						
Revenue	36,393	31,619	6,128	5,156	42,521	36,775
Unallocated revenue					156	405
Total Revenue					42,677	37,180
Result						
Segment result	28,415	26,233	4,436	4,663	32,851	30,896
Unallocated segment result					(6,303)	(7,415)
Net profit					26,548	23,481
Assets						
Segment assets	358,900	349,200	57,000	57,000	415,900	406,200
Unallocated corporate assets					6,276	10,267
Consolidated total assets					422,176	416,467

The consolidated entity's business segments are located throughout Australia.

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Notes forming part of the Financial Statements

for the year ended 30 June 2002

17. Related party disclosure

(a) The Manager

On 1st July 2001, ISPT Pty Ltd (ABN 28 064 041 283) was appointed Manager of the Trust, replacing National Asset Management Limited.

Directors of the Manager

The names of each person holding the position of director of ISPT Pty Ltd during the year were:

Brian Pollock (Chairman), Arthur Apted (Managing Director), Michael Barker, Trevor Boucher, James Coghlan, John Griffiths, John Maynes, Elana Rubin and John Sutton.

Since the end of the previous financial year no director of the Manager, has received or become entitled to receive any benefit because of a contract made by the Trust with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest. Mr Barker was paid a consultants fee during a period where he acted as a consultant rather than a director.

Certain directors are members and, in some instances a director of the trustee of a unitholder in the Trust:

Director	Member of	Director of
Brian Pollock	Finsuper	Nil
Arthur Apted	STA, HESTA & AGEST	STA
Michael Barker	Nil	Nil
Trevor Boucher	AGEST & CARE	Nil
James Coghlan	LAS	LAS
John Griffiths	HESTA	HESTA
John Maynes	Nil	Nil
Elana Rubin	ARF	ARF & Unisuper
John Sutton	Cbus	Cbus

(b) Manager's remuneration

The Trustee as Manager is only entitled to reimbursement of expenses.

	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)	Trust 30/06/02 \$(000)	Trust 30/06/01 \$(000)
(i) Manager's expenses for the year received directly from the Trust	649	1,707	649	1,707
(ii) Termination fee paid to previous manager	-	1,600	-	1,600

Balances owed to the Manager

The following amounts relating to the above fees

were included in accounts payable as owed to the Manager.

(iii) From 30 June 2001 the Trust and the previous Manager agreed to terminate the Management Agreement dated 20 March 1998 that existed between the parties. Compensation of \$1.6 million paid and payable to the previous Manager by the Trust has been expensed in the 2001 financial year.

(c) Related party transactions

Trust investing activities

The Trust has no investment in the Manager, the Trustee or their affiliates.

The Trust has no investments in other trusts managed by the Manager.

Unitholder investing activities

Details of holdings in the Trust (while under the management of National Australia Management Ltd) by the Manager, its affiliates, or other trusts managed by the Manager or its affiliates are set out below:

Entity	Interest held in the Trust at 30/06/02 %	Interest held in the Trust at 30/06/01 %	Distributions paid/payable by the Trust 30/06/02 \$(000)	Distributions paid/payable by the Trust 30/06/01 \$(000)
National Asset Management Property Investor Trust	-	9.5	262	2,518
National Asset Management Direct Property Trust	-	10.8	294	2,245

Notes forming part of the Financial Statements

for the year ended 30 June 2002

18. Contingencies

There were no contingent liabilities at balance date.

19. Additional financial instruments disclosures

Details of terms and conditions in respect of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at 30 June 2002, are set out below.

Interest rate risk exposures

30 June 2002	Note	Floating interest rate \$('000)	Fixed interest maturing in 1 year or less \$('000)	Fixed interest maturing in over 1 to 5 years \$('000)	Fixed interest maturing in more than 5 years \$('000)	Non-interest bearing \$('000)	Total \$('000)
Financial assets							
Cash at bank	4	492	-	-	-	-	492
Short term money market (bank bills)	4	-	2,000	-	-	-	2,000
Cash on call	4	333	-	-	-	-	333
Receivables	5	-	-	-	-	3,451	3,451
		825	2,000	-	-	3,451	6,276
Weighted average interest rate		4.23%	4.79%				
Financial liabilities							
Payables	8	-	-	-	-	2,305	2,305
Provisions	9	-	-	-	-	26,565	26,565
Interest bearing liabilities	10(a)	28,500	39,000	15,000	-	-	82,500
		28,500	39,000	15,000	-	28,870	111,370
Net financial assets (liabilities)		29,325	(37,000)	(15,000)	-	(25,419)	(105,094)
Weighted average interest rate		5.12%	5.87%	5.99%			

The Trust's maximum exposure to credit risk at 30 June 2002 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

The aggregate net fair values of financial assets and liabilities equate to carrying values as at 30 June 2002.

30 June 2001

Financial assets							
Cash	4	-	9,277	-	-	-	9,277
Receivables	5	-	-	-	-	990	990
		-	9,277	-	-	990	10,267
Weighted average interest rate			4.25%				
Financial liabilities							
Payables	8	-	-	-	-	3,480	3,480
Provisions	9	-	-	-	-	23,518	23,518
Interest bearing liabilities	10(a)	-	24,702	26,670	-	-	51,372
		-	24,702	26,670	-	26,998	78,370
Net financial (liabilities)		-	(15,425)	(26,670)	-	(26,008)	(68,103)
Weighted average interest rate			6.84%	6.01%			

The Trust's maximum exposure to credit risk at 30 June 2001 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

The aggregate net fair values of financial assets and liabilities equate to carrying values as at 30 June 2001.

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ISPT No.2

Notes forming part of the Financial Statements

for the year ended 30 June 2002

20. Management Expense Ratio (MER)

MER is the ratio of expenses pertaining to the management of ISPT No. 2 to total average assets. Total average assets is based on the total monthly assets. MER related expenses includes trust management fees, trust expenses, audit fees and accounting fees.

	Note	Consolidated 30/06/02 \$(000)	Consolidated 30/06/01 \$(000)
Actual MER related expenses		996	3,864
Total average assets		417,447	404,731
MER %		0.24%	0.95%
Reconciliation of MER related expenses			
Manager and Trustee expenses	17(a)	650	3,829
Permanent Trustee fees	2	329	-
Auditors' remuneration	2(a)	17	35
		996	3,864

21. Subsequent events

Note 7 lists buildings which were retained at the 31 December 2001 valuation pending finalisation of rent reviews with major tenants. Subsequent to year end the rents were finalised. The value of the properties will be adjusted in the September quarter valuation to reflect the new rents. The anticipated valuations based on the preliminary independent valuations on 15 June 2002 prepared in anticipation of the rents being determined at that time are as follows:

	Fair valuation \$(000)	Date	Independent valuer	
500 Bourke Street, Melbourne, VIC	143,000	15/06/02	Jones Lang LaSalle	Sally Bourke, AAPI
22 King William Street, Adelaide, SA	12,000	15/06/02	CB Richard Ellis	John Kenny, FAPI
255 Adelaide Street, Brisbane, QLD	45,000	15/06/02	Jones Lang LaSalle	Will Weinman, AAPI

There has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

22. Additional information

The Trustee and Manager

The Trustee and Manager of the Trust is ISPT Pty Ltd (ABN 28 064 041 283), 27-29 Little Lonsdale St, Melbourne, Victoria.

Period of the Trust

The Trust commenced on 13 March 1998 and the period of the Trust is limited to a term of 80 years.

Principal activity of the Trust

The principal activity of the Trust is investment in income producing commercial, industrial and retail properties, with any surplus funds being invested in short term securities.

Borrowing policy of the Trust

The Trust Deed provides authority to borrow up to 25% of the net assets in the fund, as defined by the Trust Deed, with a special resolution of Unitholders required to raise it above this level, limited to 35% of the net assets of the fund.

Net tangible assets

At 30 June 2002, the consolidated net tangible assets of the Trust in respect of each unit was \$1.113351 (2001 \$1.088042).

Statement by the Manager and Trustee

The financial report has been prepared by Permanent Trustee Company Limited under delegation from the Trustee and has been audited by Ernst & Young, who were appointed by the Trustee and whose report is attached. In accordance with a resolution of the Trustee of The Industry Superannuation Property Trust No. 2 (the Trust), ISPT Pty Ltd as Trustee states that in the opinion of the Trustee:

- (a) the financial report of the Trust and of the consolidated entity:
 - (i) presents fairly the Trust's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complies with applicable Australian Accounting Standards, statutory requirements, other mandatory professional reporting requirements and the terms of the Trust Deed, as amended;
- (b) there are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable; and
- (c) the Trust has operated during the year ended 30 June 2002 in accordance with the provisions of the Trust Deed dated 13 March 1998, as amended.

The Trustee is not aware of any material matters that require disclosure and that have not been disclosed. The Trustee is not aware of any material matters which have occurred since the date of the financial report that require disclosure and that have not been disclosed.

ISPT Pty Ltd
ABN 28 064 041 283



Arthur Abted
Director
Sydney
21 August 2002

financial reports

ISPT No.2

To the Unitholders of the Industry Superannuation Property Trust No. 2

Scope

We have audited the financial report of Industry Superannuation Property Trust No. 2 (the 'Trust') for the financial year ended 30 June 2002, as set out on pages 110 - 125, including the Statement by the Manager and Trustee. The financial report includes the financial statements of the Trust, and the consolidated financial statements of the economic entity comprising the Trust and the entity it controlled at year's end or from time to time during the financial year. The Trustee is responsible for the financial report. Permanent Trustee Company Limited, at the request of the Trustee, has prepared the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the Unitholders of the Trust.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, and the terms of the Trust Deed dated 13 March 1998, as amended so as to present a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position and performance as represented by the results of their operations and their cashflows. The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Trust is properly drawn up:

- (a) so as to present fairly the Trust's and the consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date;
- (b) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements; and
- (c) in accordance with the terms of the Trust Deed dated 13 March 1998, as amended.



Ernst & Young



Chris Lawton
Partner
Sydney, August 2002