

FINANCIAL REPORT ISPT No.2

Statement of Financial Position as at 30 June 2003

	Note	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
Current assets					
Cash assets	4	8,127	2,825	8,127	2,825
Receivables	5	4,060	3,451	4,096	10,090
Total current assets		12,187	6,276	12,223	12,915
Non-current assets					
Investment in controlled trust	6	-	-	47,000	45,500
Investment properties	7	646,950	415,900	599,950	370,400
Total non-current assets		646,950	415,900	646,950	415,900
Total assets		659,137	422,176	659,173	428,815
Current liabilities					
Payables	8	6,388	2,305	6,159	2,127
Provisions	9	31,118	26,565	31,118	26,565
Interest bearing liabilities	10	15,000	-	15,000	-
Total current liabilities		52,506	28,870	52,277	28,692
Non-current liabilities					
Interest bearing liabilities	10	80,000	82,500	80,000	82,500
Other payables	11	-	-	265	6,817
Total non-current liabilities		80,000	82,500	80,265	89,317
Total liabilities		132,506	111,370	132,542	118,009
Net assets		526,631	310,806	526,631	310,806
Unitholders' funds					
Units on issue	12	492,544	280,589	492,544	280,589
Investment revaluation reserve	13	34,087	30,217	34,087	30,217
Total Unitholders' funds		526,631	310,806	526,631	310,806

Statement of Financial Performance and Distribution year ended 30 June 2003

	Note	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
Statement of Financial Performance					
Revenues from ordinary activities					
Rental income		51,437	42,521	46,972	37,856
Distribution from controlled trust		–	–	3,600	3,762
Interest income		387	147	387	147
Other income		19	9	19	9
Total revenues from ordinary activities		51,843	42,677	50,978	41,774
Expenses from ordinary activities					
Property outgoings		13,642	9,670	12,671	8,767
Trustee and Trust Manager's expenses	18(b)	1,202	649	1,202	649
Borrowing costs		5,458	5,303	5,458	5,303
Other expenses	2	453	507	453	507
Total expenses from ordinary activities		20,755	16,129	19,784	15,226
Net profit		31,088	26,548	31,088	26,548
Increase in investment revaluation reserve	13	3,870	6,761	3,870	6,761
Total changes in equity other than those resulting from transactions with Unitholders as Unitholders		34,958	33,309	34,958	33,309
Statement of Distribution					
Net profit		31,088	26,548	31,088	26,548
Undistributed income brought forward		–	–	–	–
Total distributable income		31,088	26,548	31,088	26,548
Distribution payable	3	31,088	26,548	31,088	26,548

FINANCIAL REPORT ISPT No.2

Statement of Cash Flows year ended 30 June 2003

	Note	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
Cash flows from operating activities					
Rent received		55,947	40,044	52,392	34,652
Payments to suppliers		(15,530)	(11,989)	(15,583)	(8,164)
Distribution received – controlled trust		–	–	3,600	3,762
Other income		416	156	416	156
Borrowing costs		(6,033)	(5,303)	(6,033)	(5,303)
Net cash flows from operating activities	14	34,800	22,908	34,792	25,103
Cash flows from investing activities					
Purchases of/additions to investment properties		(227,405)	(2,940)	(227,397)	(2,439)
Net cash flows used in investing activities		(227,405)	(2,940)	(227,397)	(2,439)
Cash flows from financing activities					
Proceeds from units issued		185,999	(49,540)	185,999	(49,540)
Proceeds from borrowings		34,500	56,628	34,500	56,628
Repayment of borrowings		(22,000)	(25,500)	(22,000)	(25,500)
Distribution paid		(592)	(8,008)	(592)	(8,008)
Net cash from (used in) financing activities		197,907	(26,420)	197,907	(26,420)
Net increase/(decrease) in cash held		5,302	(6,452)	5,302	(3,756)
Add cash at beginning of year		2,825	9,277	2,825	6,581
Cash at end of year	4	8,127	2,825	8,127	2,825

Notes to the Financial Statements year ended 30 June 2003

1. Summary of significant accounting policies

(a) Basis of accounting

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 in accordance with the historical cost convention except for property investments, which are carried at fair value.

(b) Changes in accounting policies

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

The Trust has applied the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time for the year ended 30 June 2003. The new standard requires that a provision for distribution can only be recognised in the Statement of Financial Position if the distribution has been declared, determined or publicly recommended prior to balance date. The Trust Deed requires the fund's Distributable Income to be distributed to unitholders annually. As a liability for distributions arises upon the derivation of profits by the Trust, a provision for distribution has been recognised at balance date.

There has been no effect of the revised policy on the current or previous year financial statements.

(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 trust. The balances and effects of transactions between the controlled trust 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 controlled 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 trust.

(f) Trustee's fee

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 Manager of ISPT No.2.

(g) 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.

(h) 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.

(i) Payables

Liabilities for trade creditors and other amounts 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.

(j) Employee entitlements

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

(k) Taxation

Under current income tax legislation, the Trust and its controlled trust 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.

(l) 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 twelve months and non-current being amounts payable after twelve months.

(m) 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.

(n) 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, including leasing fees, are brought to account as an expense.

FINANCIAL REPORT ISPT No.2

Notes to the Financial Statements the year ended 30 June 2003

1. Summary of significant accounting policies (continued)

(o) Investment properties

Investment properties comprise 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. The directors of the trustee company assess the carrying value of each investment property to ensure its carrying value does not materially differ from its fair value. Where carrying values differ from fair value, those assets are adjusted to their fair value.

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 adjusted 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.

(p) Depreciation

In accordance with Accounting Standard AAS4: 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 (o). Taxation allowances for building, plant and equipment depreciation are claimed by the Trust and are declared as tax deferred components of distributions.

(q) Other investments

In accordance with the provisions of the Trust Deed, the Trust is able to invest in a controlled trust 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(o).

(r) Definition of cash

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

(s) 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 assets 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.

(t) 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.

(u) Comparatives

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

(v) 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 to the Financial Statements year ended 30 June 2003

Note	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
2. Other expenses from ordinary activities				
Legal fees	44	35	44	35
Auditor's remuneration	81	17	81	17
Accounting fees – Permanent Trustees	296	329	296	329
Other expenses	32	126	32	126
	453	507	453	507
2a. Auditor's remuneration				
	\$	\$	\$	\$
Amounts received or due to be received by Ernst & Young for:				
An audit or review of the financial report of the entity and any entity in the consolidated entity.				
	43,102	14,247	43,102	14,247
Other services in relation to the entity and any other entity in the consolidated entity.				
	37,455	3,249	37,455	3,249
	80,557	17,496	80,557	17,496
3. Distribution				
	\$'000	\$'000	\$'000	\$'000
Distribution payable for the year ended 30 June	31,088	26,548	31,088	26,548
The tax deferred component of the distribution for the year ended 30 June 2003 was 44.7% (2002: 34%). The distribution will be paid out in cash to unitholders within 60 days, utilising undrawn loan facilities (Note 14) and cash generated from operations.				
Paid/payable in cash	31,088	4,910		
Reinvestment in units	-	21,638		
	31,088	26,548		
4. Cash				
Cash at bank	4,828	492	4,828	492
Cash on call	3,299	2,333	3,299	2,333
	8,127	2,825	8,127	2,825
5. Receivables				
Rent receivable	650	796	601	770
Trade and other debtors	1,188	1,354	1,283	1,240
Prepayments	2,222	1,301	2,212	1,293
Amount receivable from controlled trust	-	-	-	6,787
	4,060	3,451	4,096	10,090

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

6. Investment in controlled trust

– At fair value

	Country of Incorporation	Equity held 2003	Equity held 2002	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
Non-current					
Industry Superannuation Property Trust	Australia	100%	100%	47,000	45,500
No.2 – National Bank House Unit Trust					

The fair value of units in the controlled trust was based on the net asset backing as shown in the last balance sheet [refer Note 1(q)].

FINANCIAL REPORT ISPT No.2

Notes to the Financial Statements year ended 30 June 2003

Description	Acquisition Date	Acquisition costs plus additions at cost \$'000	Latest independent valuation and date \$'000	Independent valuer	Fair value 2003 \$'000	Fair value 2002 \$'000
7. Investment properties						
Directly owned properties						
500 Bourke Street Melbourne, VIC Commercial/freehold	March 1998	129,666	143,500 15 June 2003	Jones Lang Lasalle Garry Longden FAPI	143,500	133,700
22 King William Street Adelaide, SA Commercial/freehold	March 1998	11,987	13,450 15 June 2003	CB Richard Ellis John Kenny FAPI	13,450	11,600
477 Pitt Street Sydney, NSW Commercial/freehold	April 1999	148,910	175,500 15 June 2003	FPD Savills Steven Kearney AAPI	175,500	168,100
Wintergarden Complex Brisbane, QLD Retail/other/freehold	February 2003	160,159	151,000 15 June 2003	CB Richard Ellis Danny Mohr AAPI	151,000	-
Forrest Chase Shopping Centre Perth, WA Retail/freehold	May 2000 (50%) December 2002 (50%)	122,413	116,500 15 June 2003	Knight Frank Marc Crowe AAPI	116,500	57,000
Total directly owned properties		573,135	599,950		599,950	370,400
Other non-directly owned properties						
255 Adelaide Street Brisbane, QLD Commercial/freehold	March 1998	39,729	47,000 15 June 2003	Jones Lang LaSalle Will Weinman AAPI	47,000	45,500
Total non-directly owned properties		39,729	47,000		47,000	45,500
Total investment properties		612,864	646,950		646,950	415,900

Reconciliation of carrying amount of investment properties

Note	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
Carrying amount at start of year	415,900	406,200	370,400	361,200
Additions	227,181	2,939	226,641	2,439
Net revaluation increments	13 3,869	6,761	2,909	6,761
Carrying amount at end of year	646,950	415,900	599,950	370,400

Notes to the Financial Statements year ended 30 June 2003

Note	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
8. Payables				
Accrued expenses	2,768	2,197	2,539	2,087
Income received in advance	3,620	108	3,620	40
	6,388	2,305	6,159	2,127
Terms and conditions of payables set out in Note 1(i)				
9. Provisions				
Distribution payable	31,088	26,548	31,088	26,548
Employee entitlements	30	17	30	17
	31,118	26,565	31,118	26,565
Terms and conditions of distribution payable set out in Note 1(m) Terms and conditions of employee entitlements set out in Note 1(j)				
10. Interest bearing liabilities				
Current Cash advance facility	15,000	-	15,000	-
Non-current Cash advance facility	80,000	82,500	80,000	82,500
	95,000	82,500	95,000	82,500
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 14 for the Trust's credit access and refer to Note 20 for details of this facility.				
11. Other payables				
Inter-entity loan	-	-	265	6,817
12. Units on issue				
(a) Number of units on issue ('000)	'000	'000	'000	'000
Opening balance	279,163	310,744	279,163	310,744
Units issued – new applications	159,152	18,416	159,152	18,416
Units issued – distribution reinvestment plan	23,314	14,235	23,314	14,235
Redemption of units	-	(64,232)	-	(64,232)
Closing balance	461,629	279,163	461,629	279,163
(b) Amount of units on issue (\$'000)	\$'000	\$'000	\$'000	\$'000
Opening balance	280,589	314,641	280,589	314,641
Units issued – new applications	185,999	20,250	185,999	20,250
Units issued – distribution reinvestment plan	25,956	15,488	25,956	15,488
Redemption of units	-	(69,897)	-	(69,897)
Write off of non-deductible costs	-	107	-	107
Closing balance	492,544	280,589	492,544	280,589

Unitholder disclosure rights

A unitholder shall be entitled under the Trust Deed to a beneficial interest in the Trust 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 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 Trust or otherwise.

Each unit confers an equal interest in the capital of the Trust and an equal right to the distributions of the Trust. On 1 July 2002, 23,313,572 units were issued at \$1.113351 per unit as a consequence of the distribution policy of the Trust. These units share equally with existing units in subsequent distributions.

For detail on issue/redemption of units see Note 1(s) and 1(t).

FINANCIAL REPORT ISPT No.2

Notes to the Financial Statements year ended 30 June 2003

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
13. Investment revaluation reserve				
Balance at beginning of year	30,217	23,456	30,217	23,456
Net unrealised gain on revaluation of investment properties	3,870	6,761	3,870	6,761
Balance at end of year	34,087	30,217	34,087	30,217
Movement in revaluation of investment properties				
500 Bourke Street, Melbourne	7,820	2,729	7,820	2,729
22 King William Street, Adelaide	1,032	27	1,032	27
477 Pitt Street, Sydney	5,893	3,696	5,893	3,696
Wintergarden Complex, Brisbane	(9,158)	-	(9,158)	-
255 Adelaide Street, Brisbane*	959	411	959	411
Forrest Chase Shopping Centre, Perth	(2,676)	(102)	(2,676)	(102)
	3,870	6,761	3,870	6,761
*In relation to the parent entity the amounts disclosed relate to the revaluation movements for the underlying property held via an investment in a controlled trust.				
Nature and purpose of reserve				
The Investment revaluation reserve is used to record increments and decrements on the revaluation of investment properties, as described in the accounting policy Note 1(o). 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.				
14. Reconciliation of net profit to net cash provided by operating activities				
Net profit	31,088	26,548	31,088	26,548
(Increase)/decrease in receivables	(407)	(2,477)	(120)	(5,472)
(Increase)/decrease in investments other	-	-	-	2,268
Increase/(decrease) in payables	4,106	(1,180)	3,811	1,764
Increase/(decrease) in employee provisions	13	17	13	(5)
Net cash provided by operating activities	34,800	22,908	34,792	25,103
The Trust has access to the following line of credit:				
Cash advance facility limit				
Cash advance facility – NAB	190,000	108,000	190,000	108,000
Drawn down	(95,000)	(82,500)	(95,000)	(82,500)
Undrawn amount	95,000	25,500	95,000	25,500

Notes to the Financial Statements year ended 30 June 2003

15. Leases

All of the property owned by the Trust is leased to third parties under operating leases as at 30 June 2003. 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 2003 are as follows:

	Consolidated \$'000	ISPT No.2 \$'000
Not later than one year	61,180	56,229
Later than one year and not later than five years	190,417	176,323
Later than five years	157,290	157,290

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. \$1,033,901 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.

16. Capital expenditure commitments

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
Estimated capital expenditure contracted for at balance date but not provided for:				
Expenditure on refurbishment of property				
– due not later than one year	3,668	4,511	2,668	3,266
– due later than one year and not later than five years	3,652	2,368	2,335	1,642
	7,320	6,879	5,003	4,908

17. Segment Information

	Commercial		Retail		Other		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Business segments								
Revenue								
Segment revenue	35,684	36,393	14,331	6,128	1,528	-	51,543	42,521
Unallocated revenue							300	156
Total Revenue							51,843	42,677
Result								
Segment result	26,845	28,415	9,954	4,436	1,167	-	37,966	32,851
Unallocated result							(6,878)	(6,303)
Net profit							31,088	26,548
Assets								
Segment assets	379,450	358,900	216,500	57,000	51,000	-	646,950	415,900
Unallocated assets							12,187	6,276
Total assets							659,137	422,176

Unallocated revenue and unallocated results are non-property items that cannot be aligned to a segment. It includes amounts such as interest income and borrowing costs.

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

FINANCIAL REPORT ISPT No.2

Notes to the Financial Statements year ended 30 June 2003

18. Related party disclosure

(a) The Manager

ISPT Pty Ltd (ABN 28 064 041 283) is the Trustee and Trust Manager.

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), Brian Baker, Michael Barker, Trevor Boucher, James Coghlan, John Griffiths, 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.

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	Nil
Brian Baker	Nil	Nil
Michael Barker	Nil	Nil
Trevor Boucher	AGEST & CARE	Nil
James Coghlan	LAS	Nil
John Griffiths	HESTA	HESTA
Elana Rubin	ARF	ARF & Unisuper
John Sutton	Cbus	Cbus

(b) Manager's expenses

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

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	ISPT No.2 2003 \$'000	ISPT No.2 2002 \$'000
Manager's expenses	1,202	649	1,202	649

(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.

19. Contingencies

There were no contingent liabilities at balance date.

Notes to the Financial Statements year ended 30 June 2003

20. 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 2003, are set out below.

Interest rate risk exposures

	Floating	Fixed interest	maturing in:	Non-	more than	interest	Total
	Note	rate	1 year	over 1 to	5 years	bearing	
		\$'000	or less	5 years	\$'000	\$'000	\$'000
			\$'000	\$'000			
2003							
Financial assets							
Cash at bank	4	4,828	-	-	-	-	4,828
Cash on call	4	3,299	-	-	-	-	3,299
Receivables	5	-	-	-	-	4,060	4,060
		8,127	-	-	-	4,060	12,187
Weighted average interest rate		4.43%					
Financial liabilities							
Payables	8	-	-	-	-	(6,388)	(6,388)
Provisions	9	-	-	-	-	(31,118)	(31,118)
Interest bearing liabilities	10	-	(15,000)	(80,000)	-	-	(95,000)
		-	(15,000)	(80,000)	-	(37,506)	(132,506)
Net financial assets (liabilities)		8,127	(15,000)	(80,000)	-	(33,446)	(120,319)
Weighted average interest rate			5.99%	5.96%			
2002							
Financial assets							
Cash at bank	4	492	-	-	-	-	492
Cash on call	4	333	2,000	-	-	-	2,333
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	(28,500)	(39,000)	(15,000)	-	-	(82,500)
		(28,500)	(39,000)	(15,000)	-	(28,870)	(111,370)
Net financial assets (liabilities)		(27,675)	(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 2003 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 2003.

The Trust has three cash advance facilities with the National Australia Bank which are subject to a negative pledge. Facility 1 is for \$100m maturing in March 2008. Facility 2 is for \$40m maturing February 2004 and Facility 3 is for \$50m maturing February 2004.

FINANCIAL REPORT ISPT No.2

Notes to the Financial Statements year ended 30 June 2003

21. 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 include trust management fees, trust expenses, audit fees and accounting fees.

	Note	Consolidated 2003 \$'000	Consolidated 2002 \$'000
Actual MER related expenses		1,579	995
Total average assets		545,958	417,447
MER %		0.29%	0.24%
Reconciliation of MER related expenses			
Manager and Trustee expenses	18(b)	1,202	649
Permanent Trustee fees	2	296	329
Auditor's remuneration	2a	81	17
		1,579	995

22. Subsequent events

There has been no 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.

23. Additional information

The Trustee

The Trustee and Manager of the Trust is ISPT Pty Ltd (ABN 28 064 041 283), 114 William Street, 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 of the fund, as defined by the Trust Deed, with a Special Resolution of Unitholders required to raise it above this level.

Net tangible assets

At 30 June 2003, the consolidated net tangible assets of the Trust in respect of each unit was \$1.140809 (2002, \$1.113351).

Independent audit report to Unitholders of Industry Superannuation Property Trust No.2

Scope

The financial report and Trustee's 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 Statement by the Manager and Trustee for Industry Superannuation Property Trust No.2 (the 'Trust') and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the Trust and the entities it controlled during that year.

The Trustee is responsible for preparing a financial report that presents fairly the financial position and performance of the Trust and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Trust Deed dated 13 March 1998, as amended. 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 of the financial report in order to express an opinion on it to the Unitholders of the Trust. 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.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of their performance as represented by the results of their 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 the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustee.

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.

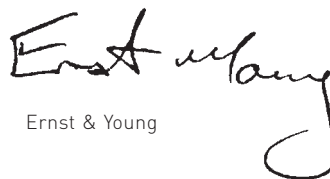
We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Manager and Trustee.

Independence


We are independent of the Trust, and have met the independence requirements of Australian professional ethical pronouncements. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Industry Superannuation Property Trust No.2 and the consolidated entity present fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and consolidated entity's financial position as at 30 June 2003, and of their performance as represented by the results of their operations and cash flows for the year then ended.



Ernst & Young



Chris Lawton
Partner
Sydney, 26 August 2003

Statement by the Manager and Trustee

The financial report has been prepared by 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 2003 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 2003 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 Apted
Director
Sydney 26 August 2002