

property trust

ANNUAL REPORT – for the year ended 31 March 2001



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Highlights for the year

Net surplus of \$12.941m.

Total cash distribution for the year of 10.69 cents per unit (cpu) including imputation credits attached of 1.27 cpu, up 0.29 cents on the Prospectus forecast.

Portfolio 99.35% tenanted (by area).

Panasonic House purchased during the year for \$9.85m and revalued at year end to \$11.4m. Rent reviews at Panasonic House during the year added \$208,000 p.a. to rental income.

Extensions to 'The Warehouse' at South City were completed and 'The Warehouse' was trading out of the expanded area prior to Christmas.



Highlights

Chairman's Report



Bruce Abraham, Chairman

Financial Highlights

	For the year ended 31 March 2001	10 month period 1 June 1999 to 31 March 2000
Gross Revenue	\$22,325,000	\$17,207,000
Net Surplus	\$12,941,000	\$8,549,000
Earnings per unit	8.92c	5.90c
Distributions	\$13,659,000	\$10,730,000
Total Assets	\$207,521,000	\$196,073,000
Debt to Total Assets	30.9%	26.5%
Net Asset Values	\$138,411,000	\$139,138,000

**I AM PLEASED TO
REPORT THAT THE
COLONIAL FIRST STATE
PROPERTY TRUST
AGAIN ACHIEVED A
PROFIT WELL IN
EXCESS OF
EXPECTATIONS.**

Net surplus for the year to 31 March 2001 was \$12.9m. Net income for the year was \$22.3m reflecting a continuation of strong tenancies and favourable rental reviews. The Trust's NTA at balance date was 95.5 cents per unit.

The Directors have declared a final quarterly gross dividend of 2.6696 cents per unit (made up of a 2.32 cents per unit cash distribution and a 0.3496 cents imputation credit). Total gross distributions for the year to 31 March 2001 amounted to 10.69 cents per unit. This means a return of 10.69% on the issue price after allowing for imputation credits.

Major activity in the Trust's portfolio focused on the purchase of Panasonic House in Wellington and further development of the highly successful South City Shopping Centre in Christchurch.

Leasing activity was relatively high over the last year with high quality tenants being secured. Further commentary on lease negotiations is covered in the Manager's Report section on pages 4 to 7.

The Trust's unit price has appreciated steadily over the last 12 months as investors sought quality high yielding listed property in an environment of falling market interest rates. The Colonial First State Property Trust gave a total pre-tax return of 34.6% for the year to 31 March 2001 (21.7% capital appreciation plus 12.9% income) compared to 20.2% gross return achieved by the NZSE Property Share Index.

During the year David May and Enzo Silverii resigned as Directors of Colonial First State Property (NZ) Ltd and Michael Gibbs-Harris was appointed a new Director. More recently Geoffrey McWilliam (General Manager Colonial First State Property Group-Sydney) has replaced Sandy Calder on the Board.

In summary this has been a highly successful year for investors in the Trust. We continue to look at opportunities to grow the portfolio and at the same time improve the sustainability of the income return.



Bruce Abraham
Chairman

Lloyd Cundy, General Manager



New Zealand Property Market

Overall the property investment market would best be described as flat during the year ending 31 March 2001.

Structural changes in demand continue to impact the office sector as business mergers and rationalisations continue along with a trend of falling space utilisation by staff.

Decentralisation to suburban and fringe locations continues to occur.

**DEMAND FOR RETAIL
ACCOMMODATION
REMAINS STRONG
PARTICULARLY IN
PRIME STRIP
LOCATIONS AND
REGIONAL CENTRES.**

On a positive note leasing activity during the year in both Auckland and Wellington has been strong but the Auckland CBD market remains oversupplied at 16% vacancy which is up 2% for the corresponding period last year. The Wellington CBD has on the other hand strengthened with the vacancy rate now at 6.4%.

Demand for retail accommodation remains strong particularly in prime strip locations and regional centres.

Consumer confidence has been reasonably strong during the year however spending is expected to be constricted going forward particularly in Auckland as the global economy continues to slow.

The industrial sector has had a steady year with substantial new supply added during 2000. Rentals have remained steady along with yields and demand for good quality industrial property is very strong.

Returns from property have remained income driven with capital values in general remaining fairly stable. However, Auckland CBD stock continues to come under downward valuation pressure.

In the coming year we expect the market to show improved performance across the board. In the main this will be driven by increased investment demand due to low interest rates (cost of borrowing) and attractive property yields.

Auckland Property Portfolio

A total of 10 new leases were signed during the year. Of these, 6 were to new tenants and the balance to existing tenants who took the opportunity to renew their leases.

This has maintained our 100% occupancy in Auckland.

On an unfortunate note we had to release Savoy Equities from their obligations at the IBM Building during the year, however this space was immediately taken up by Boffa Miskell and Greys Worldwide.

Existing tenants who recommitted were in the Windsor Court property where we also signed Caltex Starmart as a new tenant.

NEW TENANTS DURING THE YEAR WERE:

Boffa Miskell	IBM Building
Greys Worldwide	IBM Building
Tenbless Developments	Public Trust House
Caltex NZ Limited	Windsor Court
NZIE	Greenpark

Wellington Property Portfolio

During the year Panasonic House was added to the portfolio. The Trust paid \$9.85m for the property which at year end had increased in value to \$11.4m (15.7%).

This increase was due largely to the successful negotiation of the EDS lease and a rent review due for NEC both of which added \$208,000 p.a. to the net income along with an increase in the average weighted lease term.

In summary, this property provides all the characteristics of a value-added opportunity for the Trust:

- High yield
- Advantageous purchase price
- Rental and capital growth
- Strong tenancy profile
- Fringe location / large floor plates

At Unisys House the Transpower rent review was finalised. Transpower who occupy a total area of 6,000sqm agreed to an increase in rental of \$57,200 p.a.

Apart from several small new leasings and normal ongoing rent reviews the Wellington portfolio was stable.

Christchurch Property Portfolio

The Christchurch portfolio is dominated by the South City Shopping Centre.

Following the successful redevelopment in 1999 / 2000, a further opportunity arose during the year to expand the existing Warehouse store by 1,000sqm.

This has enabled The Warehouse to offer their full product range which has had a positive impact in terms of foot traffic and Centre turnover. Foot traffic has grown from 2.6m to 3.6m and turnover has increased from \$36m to \$60m in the period March 1999 to March 2001.

Leasing

In the year ending 31 March 2001, 31 new leases or lease extensions were negotiated.

At year end the official vacancy for the portfolio was 0.65% (by area).

The breakdown of these new occupancy arrangements is as follows:

Commercial Office	5,507sqm
Retail	6,885sqm

Lease Expiry Profile

In the year ending 31 March 2002 the Trust has 20 leases due to expire accounting for 12.5% of the net total rent roll.

Of these, 3 have already been re-negotiated accounting for 3% of the net total rent roll.

The major lease expiry in the 2001 / 2002 year is the Department of Labour who occupy 5,774sqm in Unisys House.

The average weighted lease term of the portfolio at year end is 3.85 years.

Capital Expenditure

The Trust incurred capital expenditure of \$2.9m during the year, the bulk of this (\$1.5m) was incurred completing the extension for The Warehouse at South City.

Valuation

On a like for like comparison, the portfolio valuation remained static during the year. The opening gross value was \$196,260,000 and closed at \$207,640,000. After allowing for disposal costs and capital expenditure during the year, the result was a valuation write-down of 0.78%, equating to \$1,611,000.



Lloyd Cundy
General Manager



IBM CENTRE

Building type	Fringe CBD office
Valuation 31/3/01	22,700,000
Annualised net income	2,360,000
Property yield	10.40%
Net lettable area	6,190 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	3.99
Major tenants	IBM New Zealand Ltd Boffa Miskell Ltd Greys Worldwide NZ Ltd

PASSPORT UNITED HOUSE

Building type	Fringe office
Valuation 31/3/01	17,800,000
Annualised net income	1,768,000
Property yield	9.93%
Net lettable area	4,801 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	6.02
Major tenants	Passport United Travel Ltd Network Travel Ltd John Peebles Associates Ltd Guidant Australia Pty Ltd Sony Music Entertainment (NZ) Ltd



BNZ VINCENT STREET

Building type	Fringe CBD office
Valuation 31/3/01	8,300,000
Annualised net income	885,000
Property yield	10.66%
Net lettable area	4,580 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	3.99
Major tenants	BNZ Branch Properties Ltd



KODAK BUILDING

Building type	Fringe CBD office/warehouse
Valuation 31/3/01	8,100,000
Annualised net income	910,000
Property yield	11.23%
Net lettable area	5,878 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	2.50
Major tenants	Kodak New Zealand Ltd



NOKIA BUILDING

Building type	Fringe CBD office/warehouse
Valuation 31/3/01	6,700,000
Annualised net income	810,000
Property Yield	12.09%
Net lettable area	4,840 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	0.59
Major tenants	Ricoh Office Automation Ltd Otis Elevator Company Ltd Nokia Telecommunications NZ Ltd

EDS BUILDING

Building type	High tech industrial
Valuation 31/3/01	5,870,000
Annualised net income	588,000
Property yield	10.02%
Net lettable area	2,757 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	6.70
Major tenants	GCS Limited (EDS)

**GREENPARK**

Building type	Office park
Valuation 31/3/01	6,900,000
Annualised net income	796,000
Property yield	11.54%
Net lettable area	4,331 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	1.85
Major tenants	Special Education Services New Zealand Institute of Education McCann-Erickson

PUBLIC TRUST HOUSE

Building type	Fringe office
Valuation 31/3/01	16,250,000
Annualised net income	1,562,000
Property yield	9.61%
Net lettable area	4,590 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	4.32
Major tenants	Public Trust of NZ Ltd Vector Limited



WINDSOR COURT

Building type	Fringe CBD office
Valuation 31/3/01	5,300,000
Annualised net income	555,000
Property Yield	10.47%
Net lettable area	2,237 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	3.29
Major tenants	Walters Williams & Co. BNZ Branch Properties Ltd Caltex (NZ) Limited (Starmart)



NESTLÉ BUILDING

Building type	Industrial
Valuation 31/3/01	7,650,000
Annualised net income	807,000
Property yield	10.55%
Net lettable area	10,147 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	6.00
Major tenants	Nestlé New Zealand Limited



SOVEREIGN CENTRE

Building type	CBD office
Valuation 31/3/01	17,800,000
Annualised net income	2,058,000
Property yield	11.56%
Net lettable area	10,237 sm
Occupancy	97%
Weighted ave lease expiry (yrs)	3.40
Major tenants	Colonial Service Corporation (NZ) Ltd Brierley Investments Ltd Brierley Investments (Wellington) Ltd

**UNISYS HOUSE**

Building type	CBD office
Valuation 31/3/01	41,000,000
Annualised net income	4,901,000
Property yield	11.95%
Net lettable area	22,090 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	3.07
Major tenants	Unisys (NZ) Ltd Transpower NZ Ltd Department of Labour

**PANASONIC HOUSE**

Building type	Fringe CBD office/retail
Valuation 31/3/01	11,400,000
Annualised net income	1,369,000
Property yield	12.01%
Net lettable area	9,923 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	3.68
Major tenants	EDS NEC Telecom Air New Zealand



SOUTH CITY SHOPPING CENTRE

Building type	Shopping centre
Valuation 31/3/01	27,000,000
Annualised net income	2,914,000
Property Yield	10.79%
Net lettable area	13,036 sm
Occupancy	97.4%
Weighted ave lease expiry (yrs)	4.01
Major tenants	The Warehouse Ltd Foodstuffs (South Island) Properties Ltd



TRIMBLE NAVIGATION BUILDING

Building type	High tech office
Valuation 31/3/01	4,870,000
Annualised net income	542,000
Property yield	11.13%
Net lettable area	4,427 sm
Occupancy	100%
Weighted ave lease expiry (yrs)	4.15
Major tenants	Trimble Navigation NZ Ltd

1. Principal activity

The principal activity of the Trust during the year was to provide Unitholders with an income stream through investing in a diversified portfolio of Investment Properties.

2. Operating results

The Group's net surplus for the year ended 31 March 2001 was \$12,941,000 (10 months ended 31 March 2000: \$8,549,000) [Trust: \$12,891,000 (10 months ended 31 March 2000: \$4,320,000)] after allowing for a net devaluation in the property portfolio of \$1,611,000 (10 months ended 31 March 2000: \$3,702,000) [Trust: Nil (10 months ended 31 March 2000: Nil)].

3. Distributions

The following distributions have been declared during the year:

	Cash (cpu)	Imputation credits (cpu)	Total (cpu)
22 September 2000 – paid	2.4500	0.2242	2.6742
15 December 2000 – paid	2.3200	0.3541	2.6741
16 March 2001 – paid	2.3300	0.3463	2.6763
22 June 2001 – payable	2.3200	0.3496	2.6696
	9.4200	1.2742	10.6942

4. Corporate Governance

The Manager and the Trustee are responsible for the overall corporate governance of the Trust. The philosophy of the Manager and the Trustee in regard to corporate governance is in accordance with the philosophy set down in the Trust Deed, company law and the NZSE Listing Rules.

5. Committees

The Manager has a formally constituted audit committee. The Committee consists of three Directors and a quorum is achieved with two being present. The Committee assists the Manager with discharging its responsibilities for corporate governance, particularly those relating to financial matters and internal and external audit. The Committee meets on a quarterly basis (and more frequently if necessary) and reports to the Board.

6. Responsibilities of the Manager

The Manager must exercise its functions diligently and in the best interests of Unitholders. It must also ensure that the operation of the Trust is carried on and conducted in a proper and efficient manner.

The Manager manages the assets of the Trust and is responsible for all investment decisions with absolute discretion as to the exercise of its powers in accordance with the Trust Deed and the law. The Manager also performs a number of the administrative functions of the Trust, maintains the Trust accounts, prepares notices and reports to Unitholders, liaises regularly with the Trustee and ensures price sensitive information is reported to the NZSE in accordance with the continuous disclosure requirements.

7. Role of the Trustee

The Trustee is Perpetual Trust Limited. The Trustee's primary duties and obligations are to exercise reasonable diligence and vigilance in protecting the rights and interests of the Unitholders under the terms of the Trust Deed and at law. The Trustee must also monitor and supervise the Manager and hold the Trust's assets on behalf of Unitholders.

COLONIAL FIRST STATE PROPERTY TRUST

Statement of Financial Performance

		For the year ended 31 March 2001		For the 10 months ended 31 March 2000	
	Note	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Total operating income	2	16,446	22,325	9,445	17,207
Total operating expenses	3	(1,210)	(1,263)	(328)	(428)
Operating surplus before interest expense and income tax		15,236	21,062	9,117	16,779
Interest and finance charges		(4,320)	(4,320)	(2,646)	(2,646)
Operating surplus before income tax		10,916	16,742	6,471	14,133
Taxation refund/(expense)	4	1,975	(2,190)	(2,151)	(1,882)
Net operating surplus before devaluation		12,891	14,552	4,320	12,251
Net devaluation	6	–	(1,611)	–	(3,702)
Net surplus for the period		12,891	12,941	4,320	8,549

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

COLONIAL FIRST STATE PROPERTY TRUST

Statement of Movements in Equity

		For the year ended 31 March 2001		For the 10 months ended 31 March 2000	
	Note	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Total equity at beginning of the period		134,909	139,138	–	–
Total recognised revenue and expenses					
Net surplus for the period		12,891	12,941	4,320	8,549
		12,891	12,941	4,320	8,549
Contributions from owners					
Issued and paid capital	10	(9)	(9)	141,319	141,319
		(9)	(9)	141,319	141,319
Distributions to owners					
Dividend / distributions		(13,659)	(13,659)	(10,730)	(10,730)
		(13,659)	(13,659)	(10,730)	(10,730)
Total equity at 31 March		134,132	138,411	134,909	139,138

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

COLONIAL FIRST STATE PROPERTY TRUST

Statement of Financial Position

		As at 31 March 2001		As at 31 March 2000	
	Note	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Assets					
Current Assets					
Cash and deposits		16	336	277	657
Debtors	5	87	1,621	56	1,119
Total Current Assets		103	1,957	333	1,776
Non-Current Assets					
Investment properties	6	–	205,564	–	194,297
Investment in subsidiaries	7	40,072	–	37,822	–
Advances to subsidiaries		162,063	–	155,143	–
Total Non-Current Assets		202,135	205,564	192,965	194,297
Total Assets		202,238	207,521	193,298	196,073
Liabilities					
Current Liabilities					
Creditors	8	4,051	5,055	6,479	5,025
Non-Current Liabilities					
Borrowings	9	64,055	64,055	51,910	51,910
Total Liabilities		68,106	69,110	58,389	56,935
Net Assets		134,132	138,411	134,909	139,138
Equity					
Unitholders funds	10	141,310	141,310	141,319	141,319
Retained earnings		(7,178)	(2,899)	(6,410)	(2,181)
Equity attributable to Unitholders		134,132	138,411	134,909	139,138

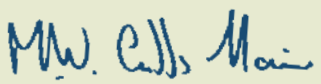
The accompanying notes form an integral part of these financial statements.

For and on behalf of the Board



Bruce Abraham

8 June 2001



Mike Gibbs-Harris

8 June 2001

COLONIAL FIRST STATE PROPERTY TRUST

Statement of Cash Flows

		For the year ended 31 March 2001		For the 10 months ended 31 March 2000	
	Note	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Cash Flows from/(applied to) Operating Activities					
Cash was provided from:					
Net property income		–	21,889	–	17,027
Dividends received		16,340	–	9,016	–
Interest received		10	115	150	198
Other income		96	97	279	279
		16,446	22,101	9,445	17,504
Cash was applied to:					
Operating expenses		(1,058)	(1,269)	(231)	(479)
Interest paid		(4,208)	(4,208)	(2,372)	(2,372)
Taxes paid		(631)	(2,255)	414	(2,293)
		(5,897)	(7,732)	(2,189)	(5,144)
Net Cash Inflow from Operating Activities	11	10,549	14,369	7,256	12,360
Cash Flows (applied to) Investing Activities					
Acquisition of investment properties		–	(13,051)	–	(197,689)
Advances to subsidiaries		(6,921)	–	(155,555)	–
Investment in subsidiaries		(2,250)	–	(37,410)	–
Net Cash Outflow from Investing Activities		(9,171)	(13,051)	(192,965)	(197,689)
Cash Flows from/(applied to) Financing Activities					
Cash was provided from:					
Borrowings		12,145	12,145	51,910	51,910
Unitholders funds		–	–	145,000	145,000
		12,145	12,145	196,910	196,910
Cash was applied to:					
Issue costs		(9)	(9)	(3,674)	(3,674)
Dividends paid to unitholders		(13,775)	(13,775)	(7,250)	(7,250)
		(13,784)	(13,784)	(10,924)	(10,924)
Net Cash (Out)/Inflow from Financing Activities		(1,639)	(1,639)	185,986	185,986
Net (decrease)/increase in cash held		(261)	(321)	277	657
Opening cash balance		277	657	–	–
Cash balances at 31 March		16	336	277	657

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

1. Statement of accounting policies

STATUTORY BASE OF REPORTING ENTITY

The reporting entity is Colonial First State Property Trust ("Trust"). The consolidated financial statements are those of the Trust and its subsidiaries and are prepared in accordance with the Financial Reporting Act 1993.

PRINCIPAL ACTIVITY

The principal activity of the Trust during the year 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 subsidiaries. The subsidiaries have been consolidated in the financial statements from the date of their acquisition, which is the date at which the Trust was entitled to their income. All significant transactions between group companies are eliminated on consolidation. The Trust's subsidiaries are:

- Colonial First State Property Aggregated Limited
- Colonial First State Property Consolidated Limited
- Colonial First State Property Customhouse Quay Limited
- Colonial First State Property Durham Street Limited
- Colonial First State Property Nelson Street Limited
- Colonial First State Property The Terrace Limited

These subsidiary companies are 100% owned by the Trust and their principal activity is property investment. They each have 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 investment properties are 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 the value reverses a negative revaluation previously taken to the Statement of Financial Performance, the value will be credited to the Statement of Financial Performance.

(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 subsidiaries follow the liability method of accounting for deferred taxation. Other than stated below, the income taxation charge against the surplus for the year 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) Receivables

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

(i) Securities and Bank Deposits

Bank deposits are stated at cost.

(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, 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 which 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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year, or from those disclosed in the Prospectus.

2. Operating Income

	For the year ended 31 March 2001		For the 10 months ended 31 March 2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Net property income	–	22,113	–	16,730
Dividends received	16,340	–	9,016	–
Interest received	10	115	150	198
Other income	96	97	279	279
	16,446	22,325	9,445	17,207

3. Operating Expenses

	For the year ended 31 March 2001		For the 10 months ended 31 March 2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Auditors' remuneration:				
– KPMG audit services	18	28	5	45
– KPMG other services	–	2	–	5
Other operating expenses	383	424	323	378
Management fee	809	809	–	–
	1,210	1,263	328	428

4. Income Tax Expense

(i) Income tax expense:

Net operating surplus before income tax	106	16,742	6,471	14,133
Prima facie tax at 33%	35	5,524	2,135	4,664
Adjustment for tax effect of:				
Permanent differences:				
– Non-taxable income	(1,994)	–	–	(299)
– Non-deductible expenses	28	28	16	49
– Other	(44)	(80)	–	80
– Depreciation	–	(3,282)	–	(2,612)

Income tax expense per the Statement of Financial Performance

	(1,975)	2,190	2,151	1,882
Taxation charge represented by:				
Current tax	(1,975)	2,143	2,151	1,882
Deferred tax	–	47	–	–
	(1,975)	2,190	2,151	1,882

(ii) Deferred tax

Balance at beginning of the year	–	–	–	–
Recognised in the Statement of Financial Performance	–	47	–	–
Balance at 31 March	–	47	–	–

As explained in Note 1 (g), the Trust applies the partial method of accounting to timing differences. Tax depreciation is claimed but 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. The total taxation liability that would arise if all properties were sold at current carrying values is \$4,142,000 (2000: \$1,390,000).

(iii) Imputation credit memorandum account

Balance at beginning of the year	1,041	20
Movements for the year:		
Income tax paid	2	65
Provisional tax paid	2,300	2,394
	3,343	2,479
Imputation credits paid	(1,368)	(1,438)
Balance at 31 March	1,975	1,041

5. Debtors

	2001		2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Other debtors	43	58	56	71
Deferred tax	–	47	–	–
Current tax asset	44	692	–	482
Trade debtors	–	824	–	566
	87	1,621	56	1,119

6. Investment Properties

	Valuation 31 March 2001	Additions / Disposals	Valuation 31 March 2000	Property Revaluation / (Devaluation)
	\$'000	\$'000	\$'000	\$'000
BNZ Vincent Street	8,300	685	8,500	(885)
Sovereign Centre	17,800	348	19,500	(2,048)
EDS Building	5,870	–	5,875	(5)
Greenpark	6,900	129	6,850	(79)
IBM Centre	22,700	–	23,650	(950)
Kodak Building	8,100	–	8,300	(200)
Nestlé Building	7,650	–	7,865	(215)
Nokia Building	6,700	–	7,100	(400)
Panasonic House	11,400	9,945	–	1,455
Passport United House	17,800	–	18,300	(500)
Public Trust House	16,250	–	16,800	(550)
South City Shopping Centre	27,000	1,494	24,660	846
Trimble Navigation Building	4,870	–	4,820	50
Windsor Court	5,300	277	4,740	283
Unisys House	41,000	–	39,300	1,700
	207,640	12,878	196,260	(1,498)
Less estimated cost of disposal	(2,076)	–	(1,963)	(113)
Total Net Current Value	205,564	12,878	194,297	(1,611)

The Trust's properties were valued as at 31 March 2001 by independent registered valuer CB Richard Ellis. The valuation is on the basis of current value net of the disposal costs as estimated by the Manager.

At 31 March 2000, the Portfolio was devalued by \$1,739,000, an estimate of the cost of disposal was also included (\$1,963,000), giving a total devaluation of \$3,702,000.

7. Investment in Subsidiaries

	2001		2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Investment in Colonial First State Property Nelson Street Limited	750	–	–	–
Investment in Colonial First State Property Customhouse Quay Limited	1,500	–	–	–
Investment in Colonial First State Property The Terrace Limited	37,822	–	37,822	–
	40,072	–	37,822	–

These subsidiary companies are 100% owned by the Trust and their principal activity is property investment.

8. Creditors

	2001		2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Other creditors	687	962	432	519
Trade creditors	–	729	–	1,026
Current tax liability	–	–	2,567	–
Distribution payable	3,364	3,364	3,480	3,480
	4,051	5,055	6,479	5,025

9. Borrowings

The Trust has a revolving Credit Facility of \$64,800,000 (31 March 2000: \$59,800,000) with WestpacTrust Bank. To date a total of \$64,055,000 (31 March 2000: \$51,910,000) has been drawn down.

The Trust and its Subsidiaries have entered into a Guarantee and Indemnity Agreement and a Negative Pledge with WestpacTrust Bank.

10. Unitholders Funds

	2001		2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Issued and paid capital	145,000	145,000	145,000	145,000
Less accumulated issue costs	(3,690)	(3,690)	(3,681)	(3,681)
	141,310	141,310	141,319	141,319

There were 145,000,000 \$1.00 units in issue at 31 March 2001 (145,000,000 \$1.00 units in issue at 31 March 2000).

11. Reconciliation of Net Operating Surplus with Cash Flows from operating activities

	For the year ended 31 March 2001		For the 10 months ended 31 March 2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Net cash flows from operating activities	10,549	14,369	7,256	12,360
Movements in:				
Trade creditors	–	124	–	(716)
Other creditors	(256)	(443)	(425)	(512)
Current tax liability	2,567	–	(2,567)	–
Trade debtors	–	258	–	–
Other debtors	(13)	(13)	–	566
Current tax asset	44	210	56	71
Deferred tax	–	47	–	482
Net operating surplus before devaluation	12,891	14,552	4,320	12,251

12. Related Party Transactions

Colonial First State Property Trust was established as a unit trust in New Zealand, under the Unit Trusts Act 1960. The Colonial First State Property Trust is managed by 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) (ACN 123 123 124), incorporated in New South Wales, Australia.

For the year ending 31 March 2001 the following related party transactions with subsidiary companies within the CBA group occurred:

- services provided by Colonial Service Corporation (NZ) Limited have cost \$12,000 during the year (10 months ended 31 March 2000: \$9,000). These relate to provision of taxation advice and have been provided at an arms length basis under normal business terms and conditions
- no services were provided by Jacques Martin New Zealand Limited during the year (10 months ended 31 March 2000: \$5,000). These relate to provision of public relation services and have been provided at an arms length basis under normal business terms and conditions
- management fees of \$809,000 were paid to Colonial First State Property (NZ) Limited during the year (10 months ended 31 March 2000: Nil). These payments were in accordance with the Trust Deed. Reimbursements of \$37,000 were also made to the company in relation to travel and public relations (10 months ended 31 March 2000: Nil).

13. Advances to Subsidiaries

An advance was made by Colonial First State Property Trust to each of the subsidiaries to finance the purchase of the Investment Properties at the time the Trust and its subsidiaries were set-up. Other payments made on behalf of the subsidiaries by Colonial First State Property Trust include GST and Provisional Tax.

The subsidiary companies make quarterly dividend payments to the Trust.

14. Segmental information

Colonial First State Property Trust operates in the New Zealand property industry.

15. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at 31 March 2001 (31 March 2000: Nil).

16. Events subsequent to balance date

At a Board Meeting held on 30 April 2001, it was decided to simplify the structure of the Trust by amalgamating the six subsidiary companies into one company – Colonial First State Property Aggregated Limited. The reasons behind this decision were to save costs associated with running six companies (audit, legal and administrative). This became effective from 31 May 2001.

17. Financial Instruments

The following financial assets and liabilities which potentially subject the company to financial risk have been recognised in the financial statements:

	As at 31 March 2001		As at 31 March 2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Cash and bank balances	16	336	277	657
Trade debtors	–	824	–	566
Other debtors	43	58	56	71
Current tax asset	44	692	–	482
Trade creditors	–	(729)	–	(1,026)
Other creditors	(687)	(962)	(432)	(519)
Current tax liability	–	–	(2,567)	–
Distribution payable	(3,364)	(3,364)	(3,480)	(3,480)
Net carrying amount of recognised financial instruments	(3,948)	(3,145)	(6,146)	(3,249)

CREDIT RISK

In the normal course of the business the company incurs credit risk from debtors.

CURRENCY RISK

There are no amounts receivable or payable in foreign currencies. Accordingly, the directors believe that the Company has no exposure to currency risk.

INTEREST RATE RISK

All fixed rate deposits are subject to market risk in the event of interest rate changes.

	2001		2000	
	Trust \$'000	Group \$'000	Trust \$'000	Group \$'000
Deposits	16	336	277	657

17. Financial Instruments (continued)

CREDIT FACILITIES

Colonial First State Property Trust and its subsidiary companies have a credit facility with WestpacTrust of \$64,800,000. At 31 March 2001, \$64,055,000 (at 31 March 2000, \$51,910,000) had been drawn down, at the following interest rates:

	2001		2000	
	\$'000		\$'000	
Tranche 1	39,160	6.53%	41,410	6.53%
Tranche 2	10,500	6.76%	10,500	6.76%
Tranche 3	2,250	8.00%	–	–
Tranche 4	1,800	7.85%	–	–
Tranche 5	9,345	7.64%	–	–
Tranche 6	1,000	7.66%	–	–

A line of Credit charge on the facility amount is charged at a rate of 0.37% per annum.

18. Trust Deed

There were no changes to the Trust Deed during the year to 31 March 2001.

19. Additional Information

(i) The Trust terminates on the earlier of:

- the 80th anniversary of the day the Trust commenced, less one day; or
- the date appointed by the Manager giving not less than three months' written notice to the Unitholders and the Trustee; or
- the date on which the Trust is terminated under the Trust Deed or by operation of law.

(ii) The Manager held no Units in the Trust at 31 March 2001 (at 31 March 2000: Nil), however other entities within the CBA Group held 90,665,000 units at 31 March 2001 (at 31 March 2000: 91,884,500 units).

(iii) The Net Tangible Asset Backing per unit at 31 March 2001 was 95.46 cents (at 31 March 2000 was 95.96 cents).

(iv) The basic earnings per unit is 8.92 cents (at 31 March 2000 was 5.89 cents).

(v) From 1 April 2000 to 31 March 2001, the Manager was entitled to be paid monthly in arrears a management fee of 0.35% (plus GST) per annum of the book value of the gross assets of the Trust and thereafter at the rate of 0.70% (plus GST). In the period to 31 March 2000, the Manager was not entitled to receive a management fee.

The book value of the Trust's assets will be determined by reference to the Trust's most recently audited Statement of Financial Position, but will be recalculated monthly to reflect changes in the value of the Trust's assets as a result of acquisition or sale of properties during a financial year.

20. Trustee Information

The Trustee is Perpetual Trust Limited. In accordance with the Trust Deed, the Trustee will receive from the Trust a fee agreed with the Manager. This fee has initially been set at 0.03% per annum of the total assets of the Trust, subject to a maximum annual fee of \$60,000 (plus GST), payable semi-annually in arrears. If the total assets of the Trust exceed \$250 million, the Manager and the Trustee will review the trustee fee arrangements.

21. Comparison of Actual Results to Prospectus Forecast Financial Information

	As at 31 March 2001		As at 31 March 2000	
	Prospectus Forecast \$'000	Consolidated Actual \$'000	Prospectus Forecast \$'000	Consolidated Actual \$'000
Consolidated Financial Performance				
Net property income	21,311	22,113	16,538	16,730
Total expenses	5,206	5,371	3,055	2,597
Net operating surplus before devaluation	13,328	14,552	11,331	12,251
Devaluation	–	(1,611)	–	(3,702)
Net surplus	13,328	12,941	11,331	8,549

Comments on significant variances:

The higher net property income has resulted from the purchase of Panasonic House during the year and higher than expected rent reviews.

Total expenses include the net interest paid during the period, plus other expenses paid less other income received. With the addition of Panasonic House to the Property Portfolio, increased finance charges were incurred.

	As at 31 March 2001		As at 31 March 2000	
	Prospectus Forecast \$'000	Consolidated Actual \$'000	Prospectus Forecast \$'000	Consolidated Actual \$'000
Summarised Consolidated Statement of Financial Position				
Total assets	205,317	207,521	203,591	196,073
Total liabilities	63,091	69,110	62,383	56,935
Net assets	142,226	138,411	141,208	139,138

Comments on significant variances:

The Net Assets reflect the net devaluation of the investment properties, as noted in Note 6.

The investment properties were written down by 1,498,000 (31 March 2000: \$1,739,000) and taking into account the estimated cost of disposal, by a further \$113,000 (31 March 2000: \$1,963,000).

Additional borrowings were taken out during the year to finance the purchase of Panasonic House.

**To the Unitholders of Colonial First State Property Trust**

We have audited the financial statements on pages 15 to 26. The financial statements provide information about the past financial performance and financial position of the trust and group as at 31 March 2001. This information is stated in accordance with the accounting policies set out on pages 18 to 19.

Manager's and Trustee's responsibilities

The Manager and Trustee are responsible for the preparation of financial statements which give a true and fair view of the financial position of the trust and group as at 31 March 2001 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and Trustee and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Manager and Trustee in the preparation of the financial statements
- whether the accounting policies are appropriate to the trust's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments for the trust and certain subsidiaries in the area of taxation advice. The firm has no other interest in the trust or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the trust as far as appears from our examination of those records;
- the financial statements on pages 15 to 26:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the trust and group as at 31 March 2001 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 8 June 2001 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

Wellington.

Twenty Largest Unitholders at 11 May 2001

(as required by NZSE Listing Rule 10.5.3 (b))

	Units held	% of total issued units
Newburgh Nominees o/a Colonial First State Property Account	90,665,000	62.53
The Trustees Executors and Agency Company of New Zealand Limited – A/c NZCSD	843,200	0.58
Dimock, Mr L H	350,959	0.24
Van Dam, Mr W & Parker, Mr E	344,000	0.24
Lee, Mr P & Others	300,000	0.20
Forbar Custodians Limited	285,000	0.19
Accident Rehabilitation and Compensation Insurance Corporation – A/c NZCSD	270,483	0.18
Jones, Mr & Mrs R H J	250,000	0.17
Brunt, Mr & Mrs R C	200,000	0.14
Brunton, Mrs C	200,000	0.14
Campbell, Mr J R	200,000	0.14
Carney J & Others	200,000	0.14
Coker, Mr R B	200,000	0.14
Craig, Mr R F and Aaders, Mr H A	200,000	0.14
Hamilton Holdings Limited	200,000	0.14
Johnson, Mr E A & Others	200,000	0.14
Knox Home Trust Board Inc	200,000	0.14
Patel, Mr D	200,000	0.14
Ross, Mrs N E	200,000	0.14
Frater Williams Custodial Services Limited	175,000	0.12
	95,683,642	65.99

Distribution of Unitholders and Unit Holding

(as required by NZSE Listing Rule 10.5.3 (d))

	Holding count	% of holders	Holding quantity	% of total issued units
200 to 499	1	0.03	300	0.00
500 to 999	2	0.05	1,026	0.00
1,000 to 1,999	22	0.57	25,500	0.02
2,000 to 4,999	820	21.37	2,594,278	1.79
5,000 to 9,999	1,070	27.88	6,008,616	4.14
10,000 to 49,999	1,736	45.23	28,917,978	19.94
50,000 to 99,999	134	3.49	7,598,260	5.24
100,000 to 499,999	52	1.35	8,015,859	5.53
500,000 to 999,999	–	–	–	–
1,000,000 to 999,999,999	1	0.03	91,838,183	63.34
	3,838	100.00	145,000,000	100.00

Manager

Colonial First State
Property (NZ) Limited
Level 14
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117 Customhouse Quay
Wellington
Telephone: 0800 652 111
Facsimile: 04 460 4285

Directors to the Manager

Bruce Railton Abraham (*Chairman*), BSc,
MBA (Cape Town)
Wellington

Michael Wyn Gibbs-Harris, MA (Oxon), CFA
Wellington – appointed 9 October 2000

Geoffrey Keith McWilliam, BE Civil
Engineering (NSW)
Sydney – appointed 19 April 2001

Enzo Silverii, CPA, FAII, ASIA
– resigned 14 July 2000

David John May, BSc (Hons), FIA, FIAA
– resigned 1 September 2000

Alexander James Calder, BA, LLB, MSc (Bldg), FAPI
– appointed 23 February 2000,
resigned 27 March 2001

Solicitors to the Manager

KPMG Legal
89 The Terrace
Wellington

Auditors of the Trust

KPMG
135 Victoria Street
Wellington

Trustee

Perpetual Trust Limited
Level 5
111-115 Customhouse Quay
Wellington

Registrar

Computershare
Registry Services Limited
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