ASX announcement

24.08.17

Investa Office Fund (ASX:IOF)
Full Year 2017 Financial Results

Investa Office Fund (ASX:IOF) today releases its financial results for the year ended 30 June 2017.

The financial results pack includes:

- Appendix 4E;
- Financial Report;
- ASX Release;
- Results Presentation;
- Property Portfolio Book; and
- Appendix 3C - Announcement of buy-back.

To access the live webcast of the results presentation which commences at 10am AEST today please click here.

-ENDS-

About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an ASX-listed real estate investment trust (A-REIT) and is included in the S&P/ASX100 index. IOF is a leading owner of investment grade office buildings and receives rental income from a tenant register comprised predominately of Government and blue chip tenants. As at 30 June 2017, IOF had total assets under management of AU$3.8 billion with 20 investments located in CBD markets throughout Australia. IOF's focus is on delivering attractive risk-adjusted returns to its unitholders from a portfolio of high quality assets located in the key CBD office markets of Australia.

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The first choice in Australian office.

Appendix 4E

Preliminary Final Report
Year ended 30 June 2017

Name of Entity: Investa Office Fund

ARSN: Investa Office Fund comprising Armstrong Jones Office Fund ARSN 090 242 229 and Prime Credit Property Trust ARSN 089 849 196

Results for announcement to the market

	Comparison to 30 June 2016
Revenues from ordinary activities	down 3.4% to $210.0m
Profit from ordinary activities after tax attributable to members	down 4.5% to $471.6m
Net profit for the period attributable to members	down 4.5% to $471.6m
Property Council FFO(i)	up 4.0% to $182.6m

	30 June 2017	**30 June 2016**
Net tangible assets per unit	$4.79	$4.23

(i) Investa Office Fund (IOF) reports net profit attributed to unitholders in accordance with Australian Accounting Standards (AAS). Investa Listed Funds Management Limited, as the Responsible Entity of IOF considers the non-AAS measure, Property Council Funds From Operations (Property Council FFO) an important indicator of the underlying performance of IOF. To calculate Property Council FFO, net profit attributable to unitholders is adjusted to exclude non-cash and other items such as the amortisation of tenant incentives, fair value gains/losses on investment property, fair value gains/losses on the mark to market of derivatives, the straight-lining of rent, non-FFO deferred tax benefits and expenses and other unrealised or one-off items.

Distributions	**Amount per unit (cents)**	**$m**
Interim - 31 December 2016 (Paid 28 February 2017)	10.0	61.4
Final – 30 June 2017 (Scheduled to be paid on 31 August 2017)	10.2	62.6
Total	20.2	124.0
Previous corresponding period (30 June 2016)	19.6	120.4
Record date for determining entitlements to the final distribution	30 June 2017	

Note: Franked amount per unit is not applicable

Other significant information and commentary on results
See attached ASX announcement

For all other information required by Appendix 4E, please refer to the following attached documents:

- Directors' report
- Audited financial report
- Results presentation
- Property portfolio

Andrew Murray
Company Secretary

24 August 2017

INVESTA OFFICE FUND

ANNUAL FINANCIAL REPORT

30 June 2017

Investa Office Fund comprises
Armstrong Jones Office Fund ARSN 090 242 229 and
Prime Credit Property Trust ARSN 089 849 196

www.investa.com.au

Contents

Investa Office Fund was formed by the stapling of the units in two Australian registered schemes, Armstrong Jones Office Fund (ARSN 090 242 229) and Prime Credit Property Trust (ARSN 089 849 196). Investa Listed Funds Management Limited (ABN 37 149 175 655; AFS licence number 401414) is the Responsible Entity of both schemes, and is incorporated and domiciled in Australia. The registered office of Investa Listed Funds Management Limited is Level 6, Deutsche Bank Place, 126 Phillip Street, Sydney, New South Wales.

This report is not an offer or invitation to subscribe or purchase, or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor.

Before making an investment in Investa Office Fund, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

The responsibility for preparation of the financial statements and any financial information contained in this financial report rests solely with the Directors of the Responsible Entity. This financial report was authorised for issue by the Directors on 24 August 2017. The Responsible Entity has the power to amend and reissue this financial report.

DIRECTORS' REPORT

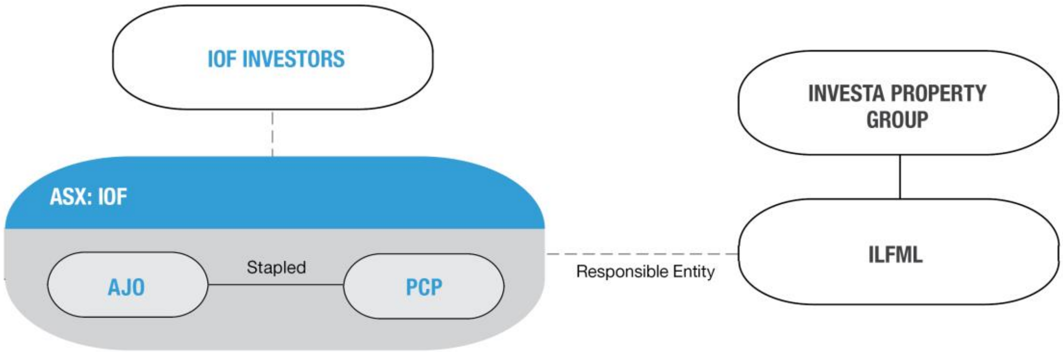
ABOUT INVESTA OFFICE FUND

Investa Office Fund (IOF) is an externally managed ASX-listed real estate investment trust (A-REIT) included in the ASX100 index. IOF's principal activity is being a leading owner of investment grade office buildings receiving rental income from a tenant register comprising predominantly government and blue chip tenants. IOF has total assets under management of $3.8 billion, with 20 investments located in core CBD markets throughout Australia.

IOF was formed by the stapling of the units in two trusts, Armstrong Jones Office Fund (AJO Trust) and Prime Credit Property Trust (PCP Trust) (collectively defined as the Trusts). AJO Trust and its controlled entities are collectively defined as AJO. PCP Trust and its controlled entities are collectively defined as PCP. AJO Trust has been identified as the Parent for preparing Consolidated Financial Reports.

IOF is managed by the Investa Office management platform (the Management Platform) which is ultimately owned by ICPF Holdings Limited (ICPFH), an entity stapled to the Investa Commercial Property Fund (ICPF) to form Investa Property Group (IPG). IPG is ultimately owned by wholesale investors. IOF's Responsible Entity, Investa Listed Funds Management Limited (ILFML) is a wholly owned subsidiary of ICPFH. The Management Platform provides services including investment, asset, property and development management, capital transactions, research, leasing, tax and financial services to IOF.

The Directors' Report is a combined Directors' Report that covers both IOF and PCP.



BUSINESS STRATEGIES AND RISKS

Business strategies

To deliver attractive risk-adjusted returns investing in high quality Australian investment grade office buildings by leveraging IPG's fully integrated specialist property Management Platform to outperform. This will be achieved by:

- active management of the property portfolio to drive income and capital returns;
- identifying and implementing value add and development opportunities to create high quality investment properties;
- enhancing the property portfolio quality, scale and diversification with selective acquisitions and divestments;
- applying an active approach to capital and risk management; and
- ensuring best in class responsible investment (environmental, social and governance).

DIRECTORS' REPORT (CONTINUED)

BUSINESS STRATEGIES AND RISKS (CONTINUED)

Material risks

Risk	Description	Mitigation
Market cycle	Economic growth and the economic environment present risks to tenant vacancies, the property valuation cycle, the availability of funding, interest rates, and foreign exchange rates	- Active and prudent asset investment and capital management. This is discussed further in this table below
Vacancy levels	The level of vacancy can impact rental returns and the market value of office property. A high vacancy level is likely to result in lower income returns and place downward pressure on property values	- Ability to utilise the specialist skills and expertise of the Management Platform which has a primary focus on providing quality workplaces with strong amenities and a high level of tenant service to encourage tenant retention and attraction - Low levels of existing vacancy of 3% and weighted average lease expiry (WALE) of 5.1 years across the property portfolio
Property valuation cycle	Conditions prevailing in the general economic environment and the property investment markets affect the value of property investments. Declining property values increase IOF's gearing levels, which may increase the risk of a breach of financial covenants	- Target gearing range (25-35%) appropriately reflects the property valuation cycle and maintains sufficient headroom to financial covenants - Investments are in high quality institutional grade office buildings diversified across Australian CBD markets
Availability of funding	The availability of funding can impact liquidity and: - the ability to invest in both the existing property portfolio and/or attractive acquisitions - the ability to refinance maturing debt facilities	- Utilising diversified sources of financing and staggering debt maturities across multiple years with no large debt maturity in any one year - Managing debt levels to the target gearing range over the medium term (subject to short term variations if required) - Maintaining an investment grade credit rating of BBB+
Interest rates	The movement of interest rates can affect the amount of interest payable as well as impact investor sentiment towards property assets and hence, market values. Higher interest rates typically increase interest costs and may reduce investment demand for property assets, while low interest rates typically reduce interest costs and can encourage increased investment activity	- Prudent use of interest rate derivatives to reduce the impact of interest rate fluctuations. IOF has the following hedge ratio policy: • 50-80% for years 1-3 • 20-60% for years 4-5 • 0-60% for >5 years
Exchange rate risk	There is a risk that the movement in currency exchange rates will increase the payments due and the level of debt denominated in foreign currencies	- Utilising cross currency swap hedging arrangements to hedge exposure to exchange rate risk on the USD 325 million US Private Placements (USPPs). These arrangements minimise interest rate and exchange rate risks

DIRECTORS' REPORT (CONTINUED)

FINANCIAL PERFORMANCE AND FUTURE OUTLOOK

Financial results

A summary of IOF's and PCP's results for the year is set out below:

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Net profit attributable to unitholders	471.6	493.8	235.1	223.0
Property Council Funds from Operations (FFO)	182.6	175.6	na	na
Per stapled unit:	Cents	Cents	Cents	Cents
Basic and diluted earnings per unit from net profit(1)	76.8	80.4	na	na
FFO per unit	29.7	28.6	na	na
Distributions per unit	20.2	19.6	10.7	13.0

(1) The basic and diluted earnings per unit from net profit for AJO and PCP as at 30 June 2017 were 38.5 cents (30 June 2016: 44.1 cents) and 38.3 cents (30 June 2016: 36.3 cents) respectively.

IOF delivered a net profit attributable to unitholders for the year ended 30 June 2017 of $471.6 million, down 4.5% from the previous year. Basic and diluted earnings per stapled unit from net profit for the year ended 30 June 2017 were 76.8 cents, compared to 80.4 cents for the previous year. The decrease was primarily due to the combined fair value change in derivatives and foreign exchange being $74.8 million lower than the prior year. This was partially offset by property valuation increases of $360.4 million, $44.2 million higher than the prior period.

Distributions per unit increased by 3.1% to 20.2 cents per unit ($124.0 million) from 19.6 cents per unit ($120.4 million) in the previous year. This includes 10.2 cents per unit ($62.6 million) in respect of the six months to 30 June 2017 and is expected to be paid on 31 August 2017.

FFO for the year ended 30 June 2017 increased by 4.0% to $182.6 million, mainly due to higher occupancy in the Brisbane portfolio and improving effective rents in Sydney. This increase was partially offset by the divestments of 383 La Trobe Street, Melbourne and 800 Toorak Road, Melbourne and the withdrawal of 151 Clarence Street, Sydney for redevelopment.

FFO for the year ended 30 June 2017 and 30 June 2016 has been calculated as follows:

	IOF	
	30 June 2017 $m	30 June 2016 $m
Net profit attributable to unitholders	471.6	493.8
Adjusted for:		
Net (gain)/loss on change in fair value of:		
Investments(1)	(360.4)	(316.2)
Derivatives(2)	47.5	(56.5)
Net foreign exchange (gain)/loss(3)	(15.1)	14.4
Amortisation of incentives	36.0	32.3
Straight-lining of lease revenue	3.8	3.6
Other	(0.8)	4.2
FFO	**182.6**	**175.6**

(1) Net gain on change in fair value of investments includes the fair values of investment properties held by IOF and investment properties held through equity accounted investments.

(2) Net loss/(gain) on change in fair value of derivatives is predominately due to the change in the fair values of IOF's cross currency interest rate swaps, used to manage IOF's exposure to foreign exchange rate movements on its US dollar denominated US Private Placements (USPPs).

(3) Net foreign exchange (gain)/loss is driven by the change in carrying amount of the USPPs, which for accounting purposes are translated into Australian dollars using the foreign exchange rate at the year end.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL PERFORMANCE AND FUTURE OUTLOOK (CONTINUED)

Financial position

A summary of IOF's and PCP's net asset position as at 30 June 2017 and 30 June 2016 is set out below:

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Total assets	3,923.0	3,783.4	1,929.0	1,946.0
Total liabilities	979.1	1,187.1	320.2	506.6
Net assets	**2,943.9**	**2,596.3**	**1,608.8**	**1,439.4**
Net tangible assets per unit (dollars)	**4.79**	**4.23**	**2.62**	**2.34**

The value of IOF's and PCP's total assets is derived using the basis of preparation set out in section A of the 30 June 2017 Consolidated Financial Statements. The net tangible assets per unit is calculated by dividing the total equity attributable to unitholders of IOF or PCP by the number of units on issue.

Total assets increased by 3.7%, mainly due to positive valuations of IOF's investment property portfolio partially offset by the fair value movements in IOF's cross currency interest rate swaps which, although remained in an asset position, have a lower mark to market value than in the prior year. Total assets were also impacted by the sale of 383 La Trobe Street, Melbourne and 800 Toorak Road, Melbourne.

Total liabilities decreased by 17.5%, predominantly due to the repayment of debt from the proceeds of the sale of 383 La Trobe Street and 800 Toorak Road, both in Melbourne.

Capital management

	IOF	
	30 June 2017	30 June 2016
Drawn debt ($m)	890.5	1,092.7
Drawn debt – look-through ($m)(1)	826.0	1,013.0
Undrawn committed debt – look-through ($m)	389.0	186.0
Gearing ratio – look-through	21.4%	27.7%
Weighted average debt expiry – look-through	4.7 years	5.0 years
Average amount of debt hedged – look-through(2)	50.1%	35.9%
Covenant gearing ratio – look-through	25.1%	31.4%
Interest coverage – look-through	4.8x	4.3x

(1) Represents IOF's look-through drawn debt, based on the foreign exchange hedge rate on the US Private Placements.
(2) IOF was 90.8% hedged (including fixed debt) as at 30 June 2017 (30 June 2016: 44.4%).

The key events for the current financial period and up to the date of this report include:

- The $350 million bank debt facility maturing in March 2017 was refinanced in July 2016. The new bank debt facility agreements totalling $350 million have maturity dates between July 2019 and July 2021.
- IOF issued inaugural Green Medium Term Notes (Green Bond) in April 2017 to the value of $150 million maturing in April 2024. This was the first Australian dollar green bond issuance by a non-financial corporate and the first certified issuance by an Australian property entity.
- IOF's $125 million Medium Term Notes maturing in November 2017 have been transferred from non-current liabilities to current liabilities as at 30 June 2017. The strategy is to repay the expiring Medium Term Notes with existing undrawn bank debt facilities.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL PERFORMANCE AND FUTURE OUTLOOK (CONTINUED)

IOF's policy is to hedge forecast borrowings using interest rate derivatives, based on hedge ratio range limits. The hedge ratio range limits were revised during the period to reflect the current economic environment. The table below outlines the previous and revised hedge ratio range limits:

Years	Revised hedge ratio range limits (%)	Previous hedge ratio range limits (%)
1 – 3	50-80	30-80
4 - 5	20-60	0-75
>5	0-60	0-75

During the year ended 30 June 2017, the level of interest rate hedging was increased by $1,000 million of forward start interest rate derivatives. These interest rate derivatives have various start dates ranging from June 2017 to January 2023 and mitigate the impact of potential interest rate increases during this period.

Future financial prospects

a) Market conditions

Leading indicators of activity are providing a positive outlook for the Australian economy and conditions for major Australian office markets. In particular, favourable business conditions and increasing business confidence provide a solid outlook for further growth in white collar employment and demand for office space. Sydney and Melbourne continue to outperform the other Australian capital city office markets and should further benefit from a solid pipeline of infrastructure development in the coming years. In addition, growth in smaller tenant specialist business services are also providing a solid source of demand for Sydney and Melbourne office space. Low vacancy leasing market conditions have been supported by a lack of new office space in these markets, which will continue to prevail in the coming year.

While office market conditions in both Brisbane and Perth continue to lag Sydney and Melbourne, the outlook for these markets is improving. Stronger demand for Brisbane office space in particular is being driven by smaller tenants occupying prime market space. Consequently, vacancy in the Brisbane prime office market has declined in the past year, while vacancy in the secondary market has continued to ease. Perth is following a similar trend to Brisbane, albeit at the very early stages of cyclical improvement and with some lag to the Brisbane market. Nonetheless, Perth prime office demand is leading the cyclical turnaround and has been driven by expansion in both the energy sector and specialist business services, while the contraction in mining sector demand appears to have stabilised. Similar to the lack of new office development in other markets, both Brisbane and Perth are seeing a hiatus in office development with very little new space to be added in the coming year.

b) Earnings guidance

IOF's 30 June 2018 forecast earnings guidance (based on FFO) is 30.0 cents per unit (30 June 2017 actual: 29.7 cents per unit) with a full year distribution of 20.3 cents per unit (30 June 2017 actual: 20.2 cents per unit). This guidance is subject to prevailing market conditions, no material changes to the portfolio and no capital transactions. This guidance does not include the impact of the on-market buy-back of up to 5% of IOF's stapled securities as disclosed under 'Events occurring after the reporting period' below.

PROPERTY AND INVESTMENT PORTFOLIOS

At 30 June 2017, IOF held interests in 20 investment properties located in the key central business districts of major Australian cities. The portfolio is valued at $3,824.3 million with a total net lettable area of 389,582 sqm at IOF's share.

Property portfolio

The key events for the current financial year and up to the date of this report include:

- Completed 116,805 sqm of leasing across the total portfolio, including:
  - The successful negotiation of an 11.5 year lease extension with Telstra for 63,372 sqm at 242 Exhibition Street, Melbourne. This lease will provide a long term income stream and de-risks the Melbourne portfolio;
  - The execution of a 10 year lease extension of 11,973 sqm to the Commonwealth of Australia at 836 Wellington Street, Perth on terms favourable to the current market conditions;
  - Extension of Allens lease over 8,424 sqm for 7.5 years and a new 7 year lease to Property NSW over 2,888 sqm at 126 Phillip Street, Sydney. These leases have extended the WALE of the property by 1.3 years to 5.7 years;
  - 5,063 sqm of leasing at 567 Collins Street, Melbourne increasing occupancy at the property to 91%; and
  - 17 leases signed over 4,647 sqm at 6 O'Connell Street, Sydney.

DIRECTORS' REPORT (CONTINUED)

PROPERTY AND INVESTMENT PORTFOLIOS (CONTINUED)

Property portfolio (continued)

- The Barrack Place development at 151 Clarence Street, Sydney is progressing well. With demolition complete, construction is well underway and practical completion is on target for third quarter 2018. To date 35% of the total floor area has been leased.
- The disposal of:
  - IOF's 50% share of 800 Toorak Road, Melbourne settled on 23 February 2017 for $140.5 million less committed costs of $0.3 million. The sale reflected an 11% premium to the 30 June 2016 book value; and
  - 383 La Trobe Street, Melbourne which settled on 17 January 2017 for $70.7 million at a 31% premium to its book value prior to announcement of the sale.

IOF's Sydney properties, which comprise 63% of the portfolio by value, performed well during the year. Occupancy remained high at 99% due to strong tenant demand, particularly within the professional and business service sectors. The Sydney market is also benefiting from constrained supply supported by the withdrawal of lower-grade office space for either office redevelopment, conversion to an alternative use or to make way for new transport infrastructure. High levels of demand and declining vacancies have led to effective rental growth, particularly in A and B grade properties. This has seen growth in face rents and declines in incentives for both renewals and new leases, which are anticipated to continue for the immediate future.

The Sydney portfolio includes two properties with the potential for strategic repositioning over the next two years. The timing of the repositioning provides an opportunity where supply and demand fundamentals are anticipated to be at an attractive point in the property cycle.

- 388 George Street, Sydney provides an attractive opportunity to drive long term returns for Unitholders when IAG depart post their lease expiry in October 2018. IOF owns 50% of the building which comprises a 39,000 sqm A grade tower located in a prime position in the heart of Sydney's CBD. The building has the potential to be fully refurbished including the activation of five office atriums, the plans for which received development approval in June this year. New end of trip facilities and enhanced tenant and retail amenity will further transform the asset and the marketing and leasing campaign is well underway; and
- 347 Kent Street, Sydney is a 26,000 sqm A grade tower in which Australia and New Zealand Banking Group Limited (ANZ) currently will reside until January 2019. This building presents an attractive opportunity to be refurbished to drive performance in the future. IOF is on track to reposition the building over the next three years with a relocated and significantly enhanced entrance foyer, newly activated leasable areas, new mechanical services, improved amenity and refurbished office floors. The Development Application for the major works has been significantly progressed with Council and the marketing campaign has commenced subject to continuing discussions with ANZ regarding their tenancy.

The Melbourne portfolio comprises two high quality properties making up 16% of the overall portfolio by value. These are securely positioned with a long overall WALE of 11.8 years and 100% occupancy.

The Brisbane portfolio, representing 15% of the portfolio by value, continues to benefit from improving office market conditions with occupancy increasing to 93% over the year from 90% at 30 June 2016.

Despite the continued challenging leasing conditions in Perth, which represents 4% of the portfolio by value, IOF has experienced significant leasing success with new leases signed on over 14,607 sqm, including the retention of the Commonwealth of Australia at 836 Wellington Street. The lobby refurbishment at 66 St Georges Terrace completed during the year, placing this asset in a stronger position to compete going forward. Portfolio occupancy in Perth increased from 79% to 88% and the WALE was extended from 2.9 years to 6.0 years in the year to 30 June 2017.

Key metrics for the portfolio include:

	IOF	
Key metric	**30 June 2017**	**30 June 2016**
Occupancy	97%	96%
Tenant retention	85%	77%
Like-for-like net property income growth	4.7%	3.1%
Weighted average lease expiry	5.1 years	4.8 years

DIRECTORS' REPORT (CONTINUED)

PROPERTY AND INVESTMENT PORTFOLIOS (CONTINUED)

Property valuations

There were two independent valuation programs undertaken during the year:

- At 31 December 2016, 11 properties were independently valued resulting in a valuation increase over book value of $160.9 million or 4% of total portfolio value; and
- At 30 April 2017, all 20 properties were independently valued resulting in a valuation increase over book value of $182.9 million or 5% of total portfolio value.

The total valuation increase over book value for the year was 10% (30 June 2016: 9%), with a weighted average capitalisation rate for the portfolio at 30 June 2017 of 5.74% (30 June 2016: 6.20%).

The strong valuation results were driven by the strengthening Sydney office market, continued tightening of capitalisation rates along the Eastern seaboard markets and extensive accretive leasing across the portfolio.

Highlights in the Sydney portfolio, which increased 12% over the period included:

- Active leasing, increased market rents, reduced incentives and capitalisation rate compression drove valuation uplifts at 6 O'Connell Street of $38.9 million (22%), Piccadilly Complex of $33.8 million (13%), 10-20 Bond Street of $33.3 million (13%), 111 Pacific Highway of $32.6 million (19%) and 99 Walker Street of $25.5 million (12%);
- Barrack Place at 151 Clarence Street increased by $47.2 million (50%) reflecting the strong investment demand for prime office assets. The independent valuation of this property was based on the estimated market value as if the proposed development was complete less adjustments to reflect the status of and remaining risk within the development; and
- 388 George Street and 347 Kent Street increased by $35.3 million (7%) in aggregate reflecting both properties' enhancement potential and positive movement in the Sydney leasing and capital markets. The independent valuations incorporate the impact of the upcoming lease expiries in financial year 2019 and significant capital allowances and downtime provisions to refurbish and lease the properties.

IOF's properties in Melbourne increased by 4%, with a valuation uplift of $16.6 million (5%) for 567 Collins Street and an $8.2 million (3%) increase for 242 Exhibition Street. IOF also recorded a valuation increase of $13.1 million (10%) at 800 Toorak Road reflecting the contracted sale price of the property during the year.

The Brisbane portfolio increased by $52.7 million (11%) reflecting market transactional evidence driving capitalisation rate compression. The valuation of 140 Creek Street increased by $25.8 million (14%) and 295 Ann Street increased by $17.2 million (15%).

OTHER SIGNIFICANT EVENTS OCCURING DURING THE YEAR

Investa Office Management Platform Joint Venture Proposal

As part of the 2011 transaction, when Investa Property Group (then controlled by Morgan Stanley) acquired the management rights of IOF from ING, IOF obtained an opportunity to acquire 50% of the Management Platform once IOF's commercial office assets equalled or exceeded $3.5 billion.

In August 2016, IOF received a Certificate of Valuation from the Management Platform confirming that the value of IOF's commercial office assets was greater than $3.5 billion, and, as a result, IOF had 12 months to decide whether it wished to acquire an interest in the Management Platform.

The Independent Board of Directors undertook an operational and governance review to assess how IOF works with the Management Platform. The Independent Board concluded that a restructure which would allow IOF greater influence over the future direction and operation of the Management Platform would ensure stability and improved alignment to the benefit of unitholders. Following this review, unitholders were asked to vote on the proposal to acquire a 50% interest in the Management Platform for a purchase price of $45 million (adjusted for working capital and other agreed reimbursement adjustments) at a meeting of unitholders on 31 May 2017. Unitholders voted against proceeding with the proposal to acquire a 50% interest in the Management Platform. IOF continues to be externally managed by ILFML.

Cromwell Property Group (CMW)

During the year, ILFML received highly conditional, non-binding and indicative approaches from CMW referring to the possibility of an all cash arrangement to acquire all of IOF's issued capital. Following CMW's execution of a confidentiality agreement on 7 April 2017, CMW was granted access to due diligence in relation to IOF. Information was made available to CMW between 12 April 2017 and 22 May 2017, and since this period the Independent Directors of ILFML have not received any communications from CMW.

DIRECTORS' REPORT (CONTINUED)

OTHER SIGNIFICANT EVENTS OCCURING DURING THE YEAR (CONTINUED)

Trailing fees

Macquarie Capital (Australia) Limited (Macquarie) and Fort Street Advisers Pty Limited (Fort Street) were previously appointed as advisers to assist with the strategic review of IOF undertaken in 2015. Under the mandates with these advisors it was possible that IOF may have been required to pay trailing fees, if certain events relating to the control or management of IOF occurred within specified timeframes. Fort Street's entitlement to any potential fees ceased on 1 June 2017. IOF reappointed Macquarie as its financial adviser in relation to the Investa Office Management Platform Joint Venture Proposal and any possible control transaction in light of the approaches by CMW referred to above. As part of the reappointment of Macquarie, which is on market based terms, Macquarie agreed to waive its entitlement to any trailing fees under its prior mandates with IOF. The new mandates with Macquarie include a 12 month trailing fee provision post their termination.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On the date of this report, the Responsible Entity on behalf of AJO Trust and PCP Trust announce an on-market buy-back of up to 5% of IOF's stapled securities.

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with within this report or the financial report that has significantly affected or may significantly affect the operations of IOF or PCP, the results of those operations, or the state of IOF's or PCP's affairs in future financial periods.

DIRECTORS

The following persons were Directors of ILFML during the year and up to the date of this report, unless otherwise stated:

Richard Longes	Independent Non-Executive Chairman
Robert Seidler AM	Independent Non-Executive Director
John Fast	Independent Non-Executive Director
Geoffrey Kleemann	Independent Non-Executive Director
Jonathan Callaghan	Executive Director (resigned 13 December 2016)

Units in the Trusts held by Directors and Alternate Directors of ILFML as at 30 June 2017 were:

	Number of units
Richard Longes	15,000
Robert Seidler AM	11,579
John Fast	15,000
Geoffrey Kleemann	15,000

INTERESTS IN THE TRUSTS

There was no movement in the units on issue of IOF or PCP during the current year.

ILFML and its related parties had the following interest in the Trusts:

	Number of units held			
	IOF		PCP	
Name	30 June 2017 '000	30 June 2016 '000	30 June 2017 '000	30 June 2016 '000
Investa Office Management Holdings Pty Limited	-	1	-	1
Investa Commercial Property Fund	57,666	-	57,666	-
	57,666	**1**	**57,666**	**1**

Fees paid and payable to and the number of units in the Trusts held by the Responsible Entity and its related parties as at the end of the financial year are set out in section E1 of the notes to the Consolidated Financial Statements.

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL REGULATION

The Directors of the Responsible Entity are satisfied that adequate systems are in place for the management of the Trusts' environmental responsibility and compliance with various licence requirements and regulations. Further, the Directors are not aware of any material breaches of these requirements and, to the best of their knowledge, all activities have been undertaken in compliance with environmental requirements.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND THE AUDITOR

The officers of the Responsible Entity are covered under an insurance policy maintained by ICPF Holdings Limited on behalf of all its subsidiaries, including the Responsible Entity. IOF and PCP have not paid any insurance premium for any person who is or has been a director or officer of the Responsible Entity.

The Responsible Entity may indemnify, on a full indemnity basis and to the full extent permitted by law, each officer against all losses or liabilities incurred by the person as an officer of the Responsible Entity. The Responsible Entity and IOMHPL (a parent company of the Responsible Entity) have provided a Deed of Indemnity, Access and Insurance in favour of the Directors of the Responsible Entity. The Deed indemnifies these persons on a full indemnity basis to the extent permitted by law for all liabilities incurred as a director or officer of the Responsible Entity.

PricewaterhouseCoopers (PwC) as auditor of IOF and PCP is not indemnified out of the assets of IOF.

AUDIT AND NON-AUDIT FEES

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

The Directors of the Responsible Entity have adopted a policy governing Auditor Independence which specifies that the auditing firm should not provide services that are or could be perceived to be in conflict with the role of auditor. Each non-audit service is considered in the context of this policy. The Responsible Entity may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with IOF and PCP are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided are detailed in section E4 of the Consolidated Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

ROUNDING OF AMOUNTS

The Trusts are of a kind of entity referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and in the Consolidated Financial Statements. Amounts in the Directors' report and the Consolidated Financial Statements have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars.

This report is made in accordance with a resolution of the Directors.

RA Longes
Chairman
Sydney
24 August 2017

Auditor’s Independence Declaration

As lead auditor for the audit of Investa Office Fund and Prime Credit Property Trust for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Investa Office Fund and the entities it controlled during the year and Prime Credit Property Trust and the entities it controlled during the year.

A S Wood
Partner
PricewaterhouseCoopers

Sydney
24 August 2017

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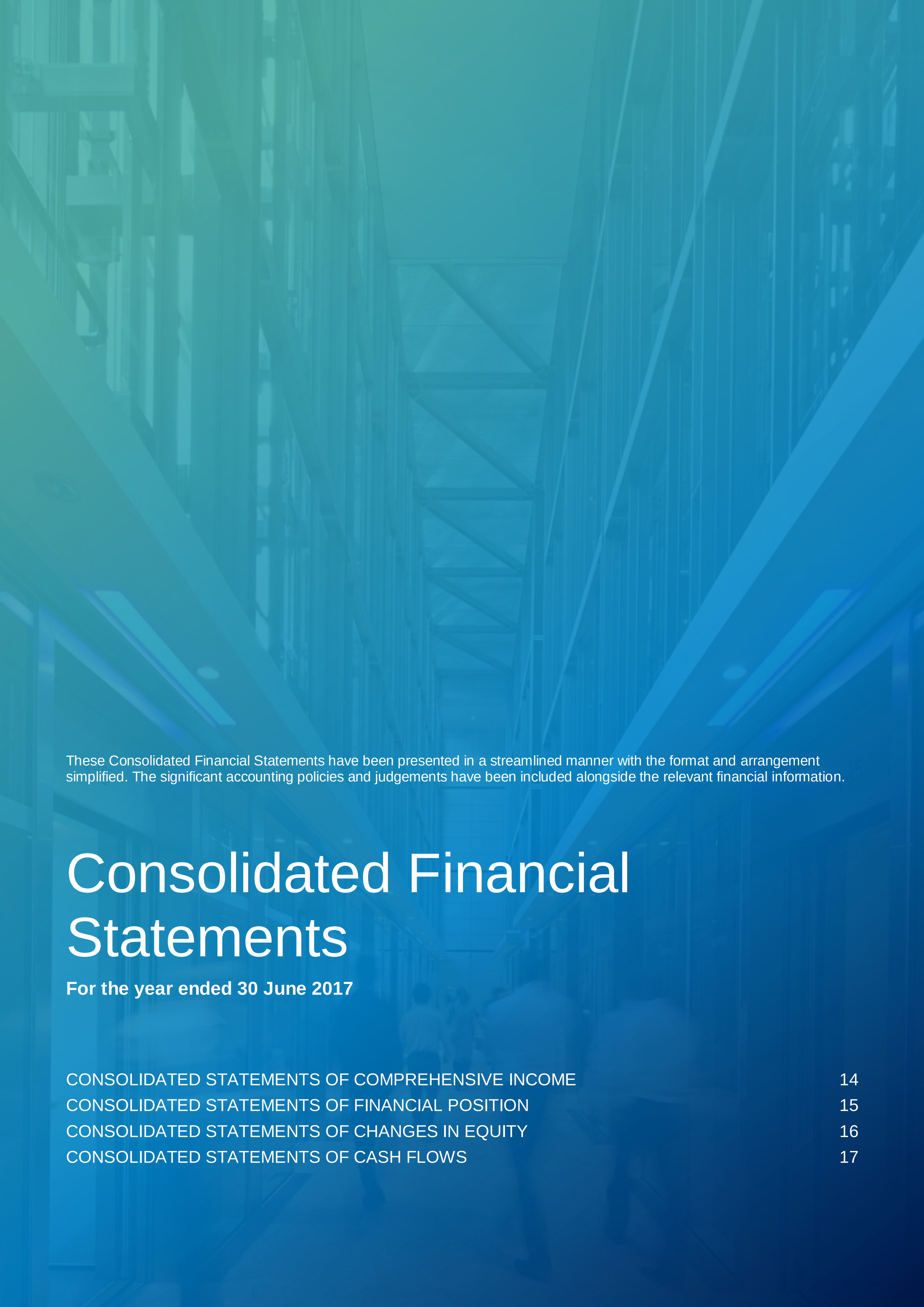


These Consolidated Financial Statements have been presented in a streamlined manner with the format and arrangement simplified. The significant accounting policies and judgements have been included alongside the relevant financial information.

Consolidated Financial Statements

For the year ended 30 June 2017

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

		IOF		PCP	
	Note	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Revenue					
Property revenue		209.7	207.4	79.2	79.6
Interest income		0.3	9.9	0.2	9.8
		210.0	**217.3**	**79.4**	**89.4**
Other income					
Net gain on change in fair value of:					
Investment properties	C1	328.2	233.4	134.8	51.4
Derivative financial instruments		-	56.5	-	20.1
Share of net profit of equity accounted investments	C3	75.0	115.5	75.0	115.5
Net foreign exchange gain		14.9	-	5.9	-
Expenses					
Property expenses		(51.2)	(50.9)	(19.5)	(20.7)
Net loss on change in fair value of:					
Derivative financial instruments		(47.5)	-	(18.1)	-
Finance costs		(38.4)	(43.2)	(11.8)	(15.1)
Responsible Entity's fees		(13.5)	(12.3)	(7.6)	(7.2)
Other expenses		(3.1)	(2.2)	(1.4)	(1.6)
Transaction costs		(2.5)	(5.5)	(1.3)	(2.7)
Net loss on disposal of assets		(0.3)	(0.5)	(0.3)	(0.7)
Net foreign exchange loss		-	(14.3)	-	(5.4)
Profit before income tax		**471.6**	**493.8**	**235.1**	**223.0**
Income tax		-	-	-	-
Net profit for the year		**471.6**	**493.8**	**235.1**	**223.0**
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**471.6**	**493.8**	**235.1**	**223.0**
Attributable to unitholders of:					
AJO		236.5	270.8	-	-
PCP		235.1	223.0	235.1	223.0
		471.6	**493.8**	**235.1**	**223.0**
Distributions and earnings per unit					
Distributions per unit (cents)	B3	20.2	19.6	10.7	13.0
Basic and diluted earnings per unit from net profit					
Per stapled unit (cents)	B2	76.8	80.4	na	na
Per unit of AJO (cents)	B2	38.5	44.1	na	na
Per unit of PCP (cents)		na	na	38.3	36.3

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

		IOF		PCP	
		30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
	Note	**$m**	**$m**	**$m**	**$m**
Current assets					
Cash and cash equivalents		4.0	2.1	1.5	1.4
Receivables		8.1	12.6	4.2	7.5
Derivative financial instruments	D3	0.9	-	-	-
		13.0	14.7	5.7	8.9
Assets held for sale	C2	-	70.5	-	70.5
		13.0	85.2	5.7	79.4
Non-current assets					
Investment properties	C1	2,973.2	2,752.9	1,036.1	1,007.6
Investments accounted for using the equity method	C3	848.6	801.8	848.6	801.8
Derivative financial instruments	D3	88.2	143.5	38.6	57.2
		3,910.0	3,698.2	1,923.3	1,866.6
Total assets		**3,923.0**	**3,783.4**	**1,929.0**	**1,946.0**
Current liabilities					
Payables		24.2	25.7	8.2	10.0
Distribution payable	B3	62.6	60.2	35.0	37.5
Derivative financial instruments	D3	1.7	4.2	-	0.9
Borrowings	D2	125.0	337.0	-	198.0
		213.5	427.1	43.2	246.4
Non-current liabilities					
Borrowings	D2	762.2	752.2	276.2	259.9
Derivative financial instruments	D3	3.4	7.8	0.8	0.3
		765.6	760.0	277.0	260.2
Total liabilities		**979.1**	**1,187.1**	**320.2**	**506.6**
Net assets		**2,943.9**	**2,596.3**	**1,608.8**	**1,439.4**
Equity					
Contributed equity	D6	2,142.3	2,142.3	1,193.8	1,193.8
Retained earnings		801.6	454.0	415.0	245.6
Total equity		**2,943.9**	**2,596.3**	**1,608.8**	**1,439.4**
Attributable to unitholders of:					
AJO:					
Contributed equity	D6	948.5	948.5	-	-
Retained earnings		386.6	208.4	-	-
		1,335.1	1,156.9	-	-
PCP		1,608.8	1,439.4	1,608.8	1,439.4
Total equity		**2,943.9**	**2,596.3**	**1,608.8**	**1,439.4**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2017

		Attributable to unitholders of IOF		
		Contributed equity	**Retained earnings**	**Total equity**
	Note	**$m**	**$m**	**$m**
Balance at 1 July 2015		2,142.3	80.6	2,222.9
Net profit for the year		-	493.8	493.8
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	493.8	493.8
Transactions with unitholders in their				
capacity as equity holders:				
Distributions paid or payable	B3	-	(120.4)	(120.4)
		-	(120.4)	(120.4)
Balance at 30 June 2016		2,142.3	454.0	2,596.3
Balance at 1 July 2016		**2,142.3**	**454.0**	**2,596.3**
Net profit for the year		-	471.6	471.6
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**471.6**	**471.6**
Transactions with unitholders in their				
capacity as equity holders:				
Distributions paid or payable	B3	-	(124.0)	(124.0)
		-	(124.0)	(124.0)
Balance at 30 June 2017		**2,142.3**	**801.6**	**2,943.9**

		Attributable to unitholders of PCP		
		Contributed equity	**Retained earnings**	**Total equity**
	Note	**$m**	**$m**	**$m**
Balance at 1 July 2015		1,193.8	102.5	1,296.3
Net profit for the year		-	223.0	223.0
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	223.0	223.0
Transactions with unitholders in their				
capacity as equity holders:				
Distributions paid or payable	B3	-	(79.9)	(79.9)
		-	(79.9)	(79.9)
Balance at 30 June 2016		1,193.8	245.6	1,439.4
Balance at 1 July 2016		**1,193.8**	**245.6**	**1,439.4**
Net profit for the year		-	235.1	235.1
Other comprehensive income		-	-	-
Total comprehensive income for the year		**-**	**235.1**	**235.1**
Transactions with unitholders in their				
capacity as equity holders:				
Distributions paid or payable	B3	-	(65.7)	(65.7)
		-	(65.7)	(65.7)
Balance at 30 June 2017		**1,193.8**	**415.0**	**1,608.8**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 30 June 2017

		IOF		PCP	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Note	$m	$m	$m	$m
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		250.3	247.6	87.7	96.3
Payments to suppliers (inclusive of GST)		(88.1)	(90.0)	(34.1)	(39.4)
Distributions received from equity accounted investments		28.2	29.9	28.2	29.9
Interest received		0.3	0.3	0.2	0.1
Finance costs paid		(38.0)	(42.6)	(12.6)	(14.9)
Net cash inflow from operating activities	E3	**152.7**	**145.2**	**69.4**	**72.0**
Cash flows from investing activities					
Payments for investment properties		(53.0)	(54.7)	(35.9)	(27.9)
Proceeds from disposal of investment properties and assets held for sale	C1	211.1	-	211.1	-
Payments on disposal of assets		(0.3)	(0.7)	(0.3)	(0.7)
Repayments of loans to equity accounted investments		-	(76.1)	-	(76.1)
Proceeds from loans from equity accounted investments		-	27.5	-	27.5
Net cash inflow/(outflow) from investing activities		**157.8**	**(104.0)**	**174.9**	**(77.2)**
Cash flows from financing activities					
Distributions paid to unitholders		(121.6)	(119.8)	(68.2)	(77.4)
Proceeds from borrowings		600.0	506.0	253.0	371.0
Repayments of borrowings		(787.0)	(429.0)	(429.0)	(288.0)
Net cash (outflow)/inflow from financing activities		**(308.6)**	**(42.8)**	**(244.2)**	**5.6**
Net increase/(decrease) in cash and cash equivalents		**1.9**	**(1.6)**	**0.1**	**0.4**
Cash and cash equivalents at the beginning of the year		2.1	3.6	1.4	1.0
Effects of exchange rate changes on cash and cash equivalents		-	0.1	-	-
Cash and cash equivalents at the end of the year		**4.0**	**2.1**	**1.5**	**1.4**
Non-cash investing and financing activities	E3				

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

Notes to the Consolidated Financial Statements

A REPORT OVERVIEW

This section details the structure of Investa Office Fund (IOF) and sets out the basis upon which IOF's Consolidated Financial Statements are prepared and consolidated. The preparation requires the use of certain critical accounting estimates which, along with the specific accounting policies, have been discussed in the relevant accounting notes of this report.

IOF

IOF was formed by the stapling of the units in two Australian trusts, Armstrong Jones Office Fund (AJO Trust) and Prime Credit Property Trust (PCP Trust) (collectively defined as the Trusts). AJO Trust and its controlled entities form a group collectively defined as AJO. PCP Trust and its controlled entities form a group collectively defined as PCP. AJO Trust (deemed the parent entity) and PCP Trust have common business objectives and operate as an economic entity collectively known as IOF. The securities of IOF are listed on the Australian Securities Exchange (ASX) under the code "IOF". The Responsible Entity of IOF is Investa Listed Funds Management Limited (ILFML).

The stapling structure will cease to operate at the earlier of:

(i) Approval by a special resolution of the members of AJO Trust and PCP Trust, the date determined by ILFML, in its capacity as the trustee of AJO Trust or PCP Trust, as the unstapling date; or

(ii) The termination of either AJO Trust or PCP Trust.

The ASX reserves the right (but without limiting its absolute discretion) to remove AJO Trust or PCP Trust, or both, from the official list if any of their units cease to be stapled together, or if any equity securities that are issued by AJO Trust or PCP Trust which are not stapled to equivalent securities in AJO Trust or PCP Trust.

About this report

As permitted by instrument 2015/838, issued by the Australian Securities and Investments Commission (ASIC), this Annual Financial Report includes the financial reports of IOF and PCP.

As permitted by Class Order 13/1050, this Annual Financial Report presents the Consolidated Financial Statements and accompanying notes of both IOF and PCP.

Basis of preparation

These Consolidated Financial Statements are prepared on the going concern basis using the historical cost conventions, modified, where applicable, by the revaluation of financial assets and liabilities (including derivative financial instruments) and investment properties, which are measured at fair value. The Directors note that IOF and PCP are in a net current asset deficiency position as at 30 June 2017 due to the provision for distribution, payables and maintaining minimal cash and cash equivalents. Further, IOF has current borrowings as at 30 June 2017. IOF and PCP have the ability to settle payables and pay the distribution on 31 August 2017 using sufficient undrawn debt facilities. IOF has the capacity to refinance current debt with non-current debt, when required.

All figures are presented in Australian dollars unless otherwise stated and all amounts have been rounded to the nearest hundred thousand dollars, or in certain cases the nearest thousand dollars, in accordance with ASIC Corporations Instrument 2016/191.

Basis of preparation (continued)

These general purpose Consolidated Financial Statements have been prepared in accordance with Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Consolidated Financial Statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

IOF and PCP are for-profit entities for the purpose of preparing the Consolidated Financial Statements.

The Directors of the Responsible Entity have authorised the Annual Financial Report for issue and have the power to amend and reissue the Annual Financial Report.

The preparation of the Consolidated Financial Statements requires the use of certain critical accounting estimates. The accounting estimates that are deemed significant to IOF and PCP relate to investment properties and derivative financial instruments. These are discussed in sections C1 and D3 respectively.

Principles of consolidation

The Consolidated Financial Statements of IOF incorporate the assets, liabilities and results of AJO Trust (the Parent) and its subsidiaries and PCP Trust and its subsidiaries as at, and for the year ended 30 June 2017. PCP's Consolidated Financial Statements incorporate the assets, liabilities and results of PCP Trust and its subsidiaries as at, and for the year ended 30 June 2017.

Subsidiaries are all entities (including structured entities) over which the Trusts have control. The Trusts control an entity when they are exposed to, or have the rights to, variable returns from their involvement with the entity and have the ability to affect those returns through their power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trusts. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by IOF.

Intercompany transactions, balances and unrealised gains on transactions between AJO's and PCP's entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by IOF.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity respectively.

B RESULTS

This section details the results and performance of IOF and PCP for the year including segmental analysis and the key accounting policies and estimates associated with the results.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties. Revenue is recognised when the amount of revenue can be reliably measured, payment is probable and specific criteria have been met for each of IOF's and PCP's activities.

Property revenue

IOF and PCP are lessors of operating leases. Rental income arising from operating leases on investment properties is accounted for on an accruals basis. Rental income relating to operating leases that have fixed increments in future periods are recognised on a straight line basis net of any incentives provided. Incentives provided are expensed on a straight line basis over the life of the related lease and offset against income in the Consolidated Statements of Comprehensive Income.

Interest income

Recognised on an accrual basis using the effective interest method.

Gain or loss on disposal of assets

Recognised when entitlement to the benefits and risks of the asset has effectively passed. The gain or loss is calculated as the difference between the carrying amount of the asset at the time of the disposal and the consideration received.

Expenses such as Responsible Entity fees and property expenses are recognised on an accruals basis. Finance costs include interest expenses which are recognised on an accrual basis using the effective interest method.

B1 SEGMENT INFORMATION

IOF and PCP invest solely in investment grade office buildings that are intended for lease. IOF and PCP operate only within Australia and hence investment grade office buildings in Australia is deemed to be the sole operating segment.

Only the single segment information of IOF is provided to the chief operating decision makers (defined to be the Directors of the Responsible Entity, ILFML). For this reason the segment information has only been disclosed for IOF.

The following presents Property Council Funds From Operations (FFO), as defined by the Property Council of Australia, for the single operating segment of IOF and provides a reconciliation of the result from IOF's operating segment to FFO as well as a reconciliation from FFO to the net profit attributable to unitholders. ILFML considers the non-AAS measure, FFO an important indicator of the underlying performance of IOF. Since IOF and PCP operate in a single segment the assets and liabilities are those disclosed in the Consolidated Statements of Financial Position.

	IOF	
	30 June 2017	**30 June 2016**
	$m	**$m**
Net Property Income (NPI)	201.2	200.1
Interest income	0.4	0.7
Finance costs	(38.2)	(43.1)
Responsible Entity's fees	(13.5)	(12.3)
Net foreign exchange (loss)/gain	(0.2)	0.1
Other expenses	(3.1)	(2.2)
	146.6	**143.3**
Amortisation of tenant incentives	36.0	32.3
FFO	**182.6**	**175.6**
FFO per unit (cents)	**29.7**	**28.6**

		IOF	
		30 June 2017	**30 June 2016**
	Note	**$m**	**$m**
FFO		182.6	175.6
Net gain/(loss) on change in fair value of:			
Investment properties	C1	328.2	233.4
Equity accounted investments		32.2	82.8
Derivative financial instruments(1)		(47.5)	56.5
Net foreign exchange gain/(loss)(2)		15.1	(14.4)
Amortisation of tenant incentives		(36.0)	(32.3)
Straight-lining of lease revenue	C1	(3.8)	(3.6)
One-off and other items:			
Transaction costs including those associated with the Dexus proposal		-	(5.5)
Transaction costs associated with the IOM joint venture proposal		(2.5)	-
Other items		3.3	1.3
Net profit attributable to unitholders		**471.6**	**493.8**

(1) Net (loss)/gain on change in fair value of derivatives is predominantly due to changes in the fair values of IOF's cross currency interest rate swaps, used to mitigate IOF's exposure to foreign exchange rate movements on its US dollar denominated US Private Placements (USPPs).

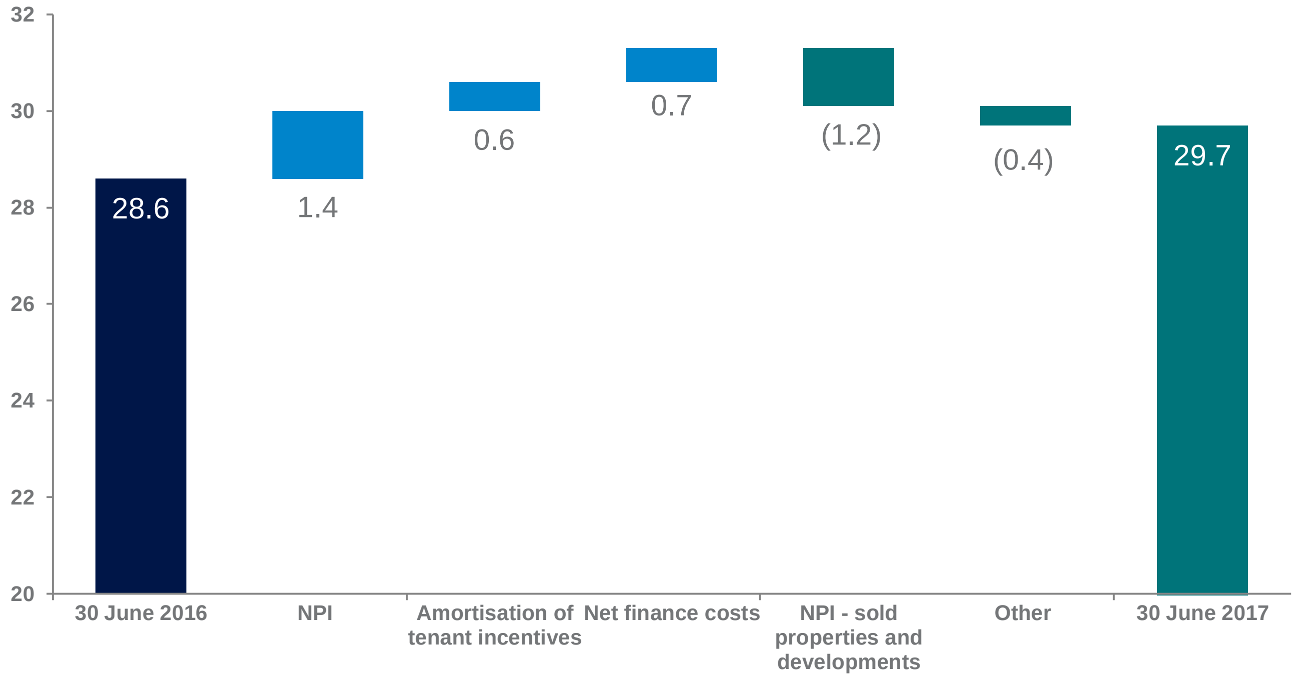
(2) Net foreign exchange gain/(loss) is driven by the change in carrying amount of the USPPs, which for accounting purposes are translated to Australian dollars using the foreign exchange rate at the year end.

B1 SEGMENT INFORMATION (CONTINUED)

The reconciliation between revenue and expenses per the Statement of Comprehensive Income and NPI disclosed for the purposes of reporting FFO (above) is shown below:

		IOF	
		30 June 2017	30 June 2016
	Note	$m	$m
Property revenue		209.7	207.4
Property expenses		(51.2)	(50.9)
Add: share of revenue and expenses from investment properties held in equity accounted investments		39.1	39.8
Adjust for:			
Straight-lining of lease revenue	C1	3.8	3.6
Other items		(0.2)	0.2
NPI		**201.2**	**200.1**

The detailed movement in IOF's FFO per unit (cents) over the year is shown below:



B2 EARNINGS PER UNIT

Earnings per unit is a measure to compare IOF's performance over different reporting periods. Basic earnings per unit are calculated on net profit attributable to unitholders of IOF, divided by the weighted average number of issued units. As there are no potentially dilutive units on issue, diluted earnings per unit is the same as basic earnings per unit.

	IOF	
	30 June 2017	30 June 2016
Per stapled unit		
Weighted average number of units outstanding (thousands)	614,047	614,047
Net profit attributable to unitholders ($ millions)	471.6	493.8
Basic and diluted earnings per unit (cents)	76.8	80.4

	AJO		PCP	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Per unit of AJO and PCP				
Weighted average number of units outstanding (thousands)	614,047	614,047	614,047	614,047
Net profit attributable to unitholders ($ millions)	236.5	270.8	235.1	223.0
Basic and diluted earnings per unit (cents)	38.5	44.1	38.3	36.3

B3 DISTRIBUTIONS

IOF and PCP accrue for distributions approved on or before the end of the reporting period but not paid at the end of the reporting period. The distribution for the half year ended 30 June 2017 is scheduled to be paid on 31 August 2017.

	IOF		PCP	
	30 June 2017 Cents	30 June 2016 Cents	30 June 2017 Cents	30 June 2016 Cents
Distributions paid or payable in respect of the following periods at the following rates (in cents per unit):				
Half-year ended 31 December	10.0	9.8	5.0	6.9
Half-year ended 30 June	10.2	9.8	5.7	6.1
	20.2	**19.6**	**10.7**	**13.0**
	$m	**$m**	**$m**	**$m**
The total amounts of these distributions were:				
Half-year ended 31 December	61.4	60.2	30.7	42.4
Half-year ended 30 June	62.6	60.2	35.0	37.5
Total distributions paid or payable	**124.0**	**120.4**	**65.7**	**79.9**

C INVESTMENT PROPERTIES AND EQUITY ACCOUNTED INVESTMENTS

This section includes detailed information regarding IOF's and PCP's investment properties, assets held for sale, capital commitments and equity accounted investments.

C1 INVESTMENT PROPERTIES

IOF's and PCP's principal activity is to own investment grade (Premium, A or B) office buildings that generate rental and other property income.

At 30 June 2017, IOF owned or held an interest in 20 office properties across Australia. These properties are located in Sydney (10), Brisbane (5), Melbourne (2), Perth (2) and Canberra (1), comprising:

- 14 wholly owned properties;
- 3 properties owned 50% being jointly operated with external parties; and
- 3 properties held through investments in joint venture entities accounted for using the equity method of accounting (see section C3). An effective 50% of these joint venture entities is owned by Investa Commercial Property Fund (ICPF), a related party of IOF.

Key changes to the investment property portfolio during the year

Disposals

On 17 July 2015, PCP exchanged contracts to sell 383 La Trobe Street, Melbourne for $70.7 million. Settlement occurred on 17 January 2017. This property was classified as an asset held for sale as at 30 June 2016. See C2 for more details.

On 21 September 2016, PCP entered into a conditional agreement in relation to the sale of its 50% share of 800 Toorak Road, Melbourne for $140.5 million less committed costs. On 7 December 2016 the sale became unconditional and settlement occurred on 23 February 2017.

Developments

The Barrack Place development at 151 Clarence Street, Sydney is progressing well. With demolition complete, construction is well underway and practical completion is on target for third quarter 2018. To date, 35% of the total floor area has been leased.

Investment property portfolio summary

	IOF		PCP	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Investment properties held through:	**$m**	**$m**	**$m**	**$m**
Direct ownership interests	2,973.2	2,752.9	1,036.1	1,007.6
Direct ownership interest, classified as held for sale	-	70.5	-	70.5
Equity accounted investments	851.1	802.5	851.1	802.5
Total portfolio	**3,824.3**	**3,625.9**	**1,887.2**	**1,880.6**

C1 INVESTMENT PROPERTIES (CONTINUED)

Investment property portfolio details

	Ownership %	Independent valuation date	Independent cap rate %	Independent discount rate %	Independent valuation $m	Book value 30 Jun 2017 $m	Book value 30 Jun 2016 $m
AJO							
10-20 Bond St Sydney NSW	50%	Apr 17	5.27	6.77	284.5	284.4	251.0
388 George St Sydney NSW	50%	Apr 17	5.38	7.00	229.5	229.8	210.3
347 Kent St Sydney NSW	100%	Apr 17	5.63	7.00	292.0	292.2	275.0
99 Walker St North Sydney NSW	100%	Apr 17	5.75	7.00	245.0	244.9	220.0
Piccadilly Complex Sydney NSW	50%	Apr 17	5.69	7.00	294.8	295.0	260.5
6 O'Connell St Sydney NSW	100%	Apr 17	5.75	7.00	223.0	223.5	180.0
239 George St Brisbane QLD	100%	Apr 17	7.00	7.75	131.0	131.6	126.3
15 Adelaide St Brisbane QLD	100%	Apr 17	7.88	8.25	59.8	59.8	55.7
836 Wellington St Perth WA	100%	Apr 17	6.50	7.50	75.0	75.0	69.5
16-18 Mort St Canberra ACT	100%	Apr 17	5.85	7.50	101.3	100.9	97.0
Total AJO portfolio			**5.79**	**7.10**	**1,935.9**	**1,937.1**	**1,745.3**
PCP							
126 Phillip St Sydney NSW[2]	25%	Apr 17	4.75	6.50	248.8	250.4	241.3
151 Clarence St Sydney NSW	100%	Apr 17	5.25[1]	7.25[1]	156.5	161.9	93.8
105-151 Miller St North Sydney NSW	100%	Apr 17	6.25	7.25	230.0	230.0	225.5
111 Pacific Hwy North Sydney NSW	100%	Apr 17	6.13	7.25	208.0	208.3	173.2
295 Ann St Brisbane QLD	100%	Apr 17	6.63	7.25	131.5	131.7	113.5
232 Adelaide St Brisbane QLD	100%	Apr 17	7.25	7.75	18.8	18.7	16.5
140 Creek St Brisbane QLD	100%	Apr 17	6.38	7.25	221.5	221.1	191.0
567 Collins St Melbourne VIC[2]	50%	Apr 17	5.00	6.75	320.0	321.4	303.7
242 Exhibition St Melbourne VIC[2]	50%	Apr 17	5.00	6.75	275.0	279.3	257.5
66 St Georges Tce Perth WA	100%	Apr 17	7.50	8.00	64.5	64.4	67.0
383 La Trobe St Melbourne VIC	100%	-	-	-	-	-	70.5
800 Toorak Rd Tooronga VIC	50%	-	-	-	-	-	127.1
Total PCP portfolio			**5.68**	**7.00**	**1,874.6**	**1,887.2**	**1,880.6**
Total IOF portfolio			**5.74**	**7.05**	**3,810.5**	**3,824.3**	**3,625.9**

[1] Comprise of completion valuation metrics.

[2] Held by equity accounted investments. See C3.

C1 INVESTMENT PROPERTIES (CONTINUED)

Movements for the year of direct ownership interests and assets held for sale

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Carrying amount at beginning of the year	2,823.4	2,554.9	1,078.1	1,007.6
Additions to existing investment properties	67.5	71.1	42.5	33.1
Additions - interest capitalised	0.8	0.1	0.8	0.1
Disposals	(211.1)	-	(211.1)	-
Amortisation of lease incentives and leasing fees	(31.8)	(32.5)	(13.2)	(14.8)
Straight-lining of rental income	(3.8)	(3.6)	4.2	0.7
Net change in fair value	328.2	233.4	134.8	51.4
Carrying amount at the end of the year	**2,973.2**	**2,823.4**	**1,036.1**	**1,078.1**

At 30 June 2017 and 30 June 2016 there were no investment properties pledged as security by IOF.

Accounting policies for investment properties

Investment properties comprise land and buildings as well as integral plant and equipment to form a composite asset. Investment properties are initially measured at cost, including transaction costs and are subsequently carried at fair value. Fair value is calculated at the assets highest and best use reflecting market conditions at the measurement date. The current use of the investment properties is considered to be their highest and best use. Gains or losses arising from changes in the fair values of investment properties are included in the Consolidated Statements of Comprehensive Income.

Capital expenditure that enhances the future economic benefits of the asset is capitalised to the investment property. Leasing fees incurred and incentives provided (such as cash, rent-free periods, or lessee or lessor owned fitouts) are also capitalised to the investment property and are amortised on a straight-line basis over the term of the lease as a reduction of property revenue.

At 30 June 2017 IOF's investment property portfolio includes a property under construction (151 Clarence Street, Sydney) for future use as an investment property. Properties under construction are carried at fair value. The fair value of the property under construction is determined using the estimated market value as if the development was complete by applying a capitalisation rate and a discount rate, less adjustments to reflect the status of development including the remaining capital expenditure and risk allowances at the measurement date.

Valuation process

Investment properties are valued according to IOF's valuation policy which requires:

- Independent external valuations of investment properties at least every two years;
- An external valuer may perform valuations on a property for a maximum of a two year period;
- Internal valuations to be prepared for all investment properties each reporting period with the exception of those being externally valued within three months of December and June of each year;
- If an internal valuation varies by ±5% of the current carrying value, an external valuation must be sought; and
- Where an external valuation has been obtained within three months of the reporting date, a desktop review is performed to assess whether there are any changes in the valuation assumptions that may impact the external valuation.

It is noted that, other than in the instance of a binding asset sale contract, only external valuations are adopted in the Consolidated Financial Statements.

Fair value measurement

Information from a variety of sources is considered in order to derive the fair value of investment properties including:

- Current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect these differences;
- Discounted cash flow projections on reliable estimates of future cash flows; and
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

C1 INVESTMENT PROPERTIES (CONTINUED)

Under the discounted cash flow method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets life including an exit or terminal value. This method involves the projection of a series of cash flows from the property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash flow stream associated with the property.

The income capitalisation approach involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure.

Non-financial assets and liabilities are classified into three levels prescribed under the accounting standards. Investment properties are measured as level 3 (as outlined in section D4) where the valuation technique is based on unobservable inputs. The following table summarises the significant unobservable inputs used as at the reporting date. The information relates to IOF's and PCP's property portfolios (directly and indirectly owned).

Unobservable inputs used to measure fair value	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	30 June 2017	30 June 2016	
Net passing rent (per sqm p.a)	$407 - $1,247	$228 - $1,171	The higher the net passing rent, the higher the fair value
Net market rent (per sqm p.a)	$378- $1,181	$228 - $1,162	The higher the net market rent, the higher the fair value
Discount rate	6.5% - 8.3%	6.8% - 8.8%	The higher the discount rate, the lower the fair value
Terminal yield	5.1% - 8.1%	5.3% - 8.3%	The higher the terminal yield, the lower the fair value
Capitalisation rate	4.8% - 7.9%	4.9% - 8.3%	The higher the capitalisation rate, the lower the fair value
Market rental growth rate (10 year compound average growth rate)	2.5% - 4.2%	2.8% - 4.1%	The higher the rental growth rate, the higher the fair value

Leasing arrangements of direct ownership interests

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum contracted non-cancellable lease payments receivable on leases of investment properties are as follows:

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Within one year	205.1	210.7	61.1	72.1
Later than one year but not later than five years	508.1	565.9	201.8	219.6
Later than five years	262.1	299.9	86.2	123.7
	975.3	**1,076.5**	**349.1**	**415.4**

Commitments of direct ownership interests

The capital expenditure contracted for but not recognised as a liability at the reporting date is as follows:

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Investment properties	24.9	15.1	16.2	8.4
Investment property under construction:				
151 Clarence Street, Sydney	96.5	112.2	96.5	112.2

C2 ASSETS HELD FOR SALE

At 30 June 2017 IOF and PCP had no assets held for sale. On 17 July 2015, PCP exchanged contracts to sell 383 La Trobe Street, Melbourne for $70.7 million. Settlement occurred on 17 January 2017.

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Investment property				
383 La Trobe Street, Melbourne	-	70.5	-	70.5
	-	70.5	-	70.5

C3 EQUITY ACCOUNTED INVESTMENTS

IOF and PCP have investments in joint venture entities that are accounted for using the equity method of accounting after initially being recognised at cost. These investments are held through the ownership of interests in unlisted property trusts and their book value represents the ownership percentage of the net tangible assets of the relevant trusts. The principle net tangible asset of each trust is the carrying value of the relevant investment property.

Name of joint venture entity	Relevant investment property	Ownership interest		IOF		PCP	
		30 June 2017	30 June 2016	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
AJO							
IOF Finance Pty Ltd[(1)]	-	50%	50%	-	-	-	-
PCP							
242 Exhibition Street Trust	242 Exhibition St, Melbourne	50%	50%	278.8	257.0	278.8	257.0
Phillip Street Trust	126 Phillip St, Sydney	25%	25%	136.0	131.8	136.0	131.8
Macquarie Street Trust	126 Phillip St, Sydney	25%	25%	113.0	109.4	113.0	109.4
567 Collins Street Trust	567 Collins St, Melbourne	50%	50%	320.8	303.6	320.8	303.6
IOF Finance Pty Ltd[(1)]	-	50%	50%	-	-	-	-
Total				**848.6**	**801.8**	**848.6**	**801.8**

(1) This investment is a joint venture entity of both AJO Trust and PCP Trust and is consolidated in IOF's Financial Report.

The principal activity of all equity accounted investments is real estate investment with the exception of IOF Finance Pty Ltd being financial services.

All joint venture entities were incorporated in Australia and have a 30 June reporting date.

Refer to section C1 for detailed information on IOF's and PCP's property portfolios, including those properties held through investments in joint venture entities.

C3 EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

Summarised financial information of joint venture entities

The following table of summarised financial information is reported directly from IOF's and PCP's investments in joint venture entities accounted for using the equity method of accounting. The summarised financial information reflects the total amounts (at 100%) presented in the financial statements of the relevant joint venture entity rather than IOF's or PCP's ownership interest. The financial information does not take into account any differences in accounting policies.

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Joint venture entities' financial information (at 100%)				
Cash and cash equivalents	0.7	1.6	0.7	1.6
Current assets	12.7	9.3	12.7	9.3
Non-current assets	2,190.7	2,082.4	2,190.7	2,082.4
Current liabilities	(30.3)	(13.9)	(30.3)	(13.9)
Non-current liabilities	(1.6)	(1.6)	(1.6)	(1.6)
Net assets	2,171.5	2,076.2	2,171.5	2,076.2
Revenue	133.5	130.4	133.5	130.4
Net profit for the year	185.7	332.3	185.7	332.3
Total comprehensive income	185.7	332.3	185.7	332.3

Reconciliation to carrying amounts

The tables below outline reconciliations of the above summarised financial information to IOF's and PCP's share of net profit after income tax, and the carrying value of IOF's and PCP's investments in joint venture entities.

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Net profit for the year (at 100%)	185.7	332.3	185.7	332.3
Less profit attributable to outside ownership interests	(110.7)	(216.8)	(110.7)	(216.8)
Share of net profit after income tax	**75.0**	**115.5**	**75.0**	**115.5**

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Net assets (at 100%)	2,171.5	2,076.2	2,171.5	2,076.2
Less net assets attributable to outside ownership interests	(1,332.7)	(1,277.6)	(1,332.7)	(1,277.6)
Share of net assets	**838.8**	**798.6**	**838.8**	**798.6**
Add provisions for unpaid distributions (at share)	9.8	3.2	9.8	3.2
Investment balance at the end of the year	**848.6**	**801.8**	**848.6**	**801.8**

Capital commitments and contingent liabilities of joint venture entities

At 30 June 2017 and 30 June 2016 IOF and PCP had no share of capital commitments or contingent liabilities of their joint venture entities.

D CAPITAL STRUCTURE AND RISKS

IOF aims to meet its strategic objectives and operational needs to maximise returns to unitholders through the appropriate use of debt and equity, taking into account the additional financial risks of using debt. The following details the considerations in maintaining an appropriate capital structure for IOF.

D1 CAPITAL MANAGEMENT

ILFML, the Responsible Entity of IOF, is responsible for monitoring and approving the capital management policies which are designed to optimise IOF's debt and equity structure. While the optimal capital structure is periodically reviewed, the ability to achieve this may be impacted by market conditions and the actual position may often differ from the desired position. IOF's capital structure is primarily monitored through its ratio of total debt to total assets (Gearing Ratio), calculated as:

- Look-though debt at the foreign exchange hedged rate, divided by look-though assets less cross currency swap assets.

IOF's strategy is to maintain the Gearing Ratio in the range of 25% to 35%. The actual Gearing Ratio may vary from this range in the short term from time to time.

IOF seeks to maintain an investment grade credit rating of BBB+ to reduce its cost of capital and provide diversity in its sources of debt.

		IOF	
	Note	**30 June 2017**	**30 June 2016**
		$m	**$m**
Total consolidated debt	D2	887.2	1,089.2
Add: Foreign exchange hedge rate of the USPP		358.0	358.0
Less: AUD liability of the USPP	D2	(422.5)	(437.7)
Net look-through debt[(1)]		**822.7**	**1,009.5**
Total consolidated assets		3,923.0	3,783.4
Less: Share of net assets – equity accounted investments included in consolidated assets	C3	(848.6)	(801.8)
Add: Share of total assets of equity accounted investments		854.2	805.2
Less: Cross currency swap assets	D3	(84.1)	(136.4)
Total look-through assets		**3,844.5**	**3,650.4**
Gearing Ratio (look-through)		21.4%	27.7%

(1) This includes capitalised commitments and upfront fees of $3.3m (30 June 2016: $3.5m).

At 30 June 2017 and 30 June 2016 IOF was in compliance with all financial covenant ratios.

As part of a stapled entity, PCP's capital is not separately managed. Any capital changes for IOF may result in consequential changes for PCP.

D2 BORROWINGS

IOF's borrowing constitutes unsecured bank facilities, Medium Term Notes (MTN) and USD denominated US Private Placements (USPPs) debt facilities.

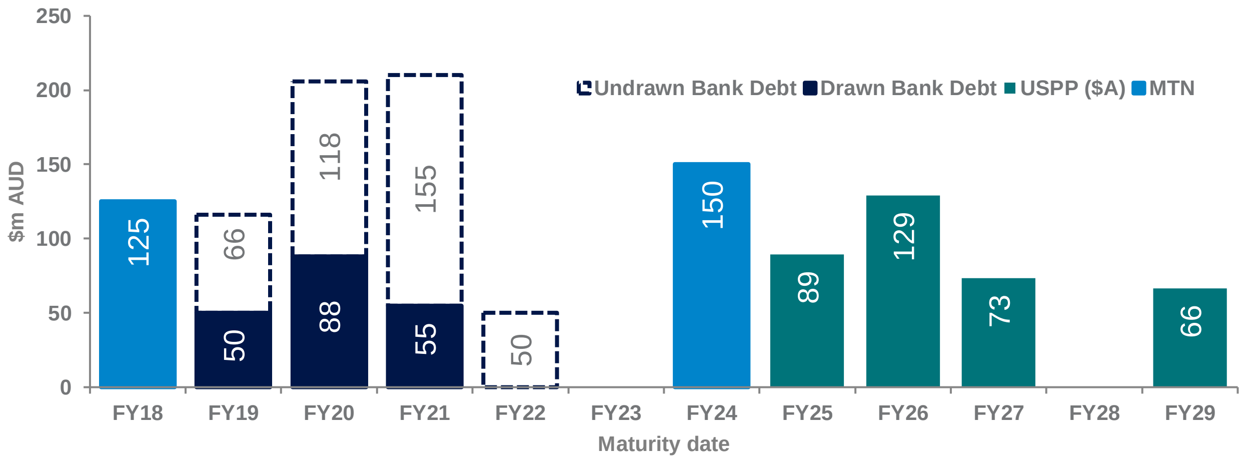
	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Current liabilities – unsecured				
Bank debt (AUD)	-	337.0	-	198.0
Medium Term Notes (AUD)	125.0	-	-	-
Non-current liabilities – unsecured				
Bank debt (AUD)	193.0	193.0	115.0	93.0
Medium Term Notes (AUD)	150.0	125.0	-	-
US Private Placements (USD)	422.5	437.7	162.5	168.3
	765.5	**755.7**	**277.5**	**261.3**
Capitalised commitments and upfront fees	(3.3)	(3.5)	(1.3)	(1.4)
	762.2	**752.2**	**276.2**	**259.9**
Total borrowings	**887.2**	**1,089.2**	**276.2**	**457.9**

Key movements in the year and specific maturities at 30 June 2017

In July 2016 the Responsible Entity, on behalf of AJO and PCP, refinanced the $350 million bank debt maturing in March 2017. The new bank debt facility agreements totalling $350 million have maturity dates between July 2019 and July 2021.

IOF's $125 million Medium Term Notes maturing in November 2017 have been transferred from non-current liabilities to current liabilities as at 30 June 2017. In April 2017 IOF issued further Medium Term Notes to the value of $150 million maturing in April 2024 and these notes are therefore disclosed as non-current liabilities.

The specific maturities and limits of IOF's borrowings ($m) are detailed below. In the table above the USPP amounts have been translated at the year end foreign exchange rate. In the graph below, the USPP amounts incorporate the foreign exchange hedged rate, reflecting the net payment to be made upon each maturity date.



See D5 for further details of IOF's exposure to risks arising from borrowings and the maturity profile of borrowings. Refer to D4 for the fair value of borrowings.

Accounting policies for borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are deferred and expensed over the term of the respective agreement while all other finance costs are expensed. Borrowings are classified as current liabilities unless IOF has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

D3 DERIVATIVE FINANCIAL INSTRUMENTS

IOF uses derivative financial instruments such as foreign currency contracts and interest rate derivatives to hedge the risk associated with foreign currency and interest rate fluctuations on its borrowings.

As IOF's derivatives are not designated as hedges, they are classified as financial assets or liabilities at fair value through profit or loss. Derivatives are classified as current assets or liabilities if they are expected to be settled within 12 months, otherwise they are classified as non-current assets or liabilities.

Derivative financial instruments are not held for speculative purposes and are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

In accordance with AASB 13 *Fair Value Measurement*, the fair value of derivative assets and liabilities incorporates credit risk into the valuation. The type of credit risk adjustments include:

i. Credit Value Adjustment (CVA), applied to asset positions based on credit risk associated with the counterparty; and

ii. Debit Value Adjustment (DVA), applied to liability positions based on IOF's or PCP's own credit risk.

The fair values of derivative assets and liabilities are based on assumptions of future events and involves significant estimates. The basis of valuation for IOF's derivatives is set out above. However the fair value of derivatives reported at the reporting date may differ if there is volatility in market rates. The valuation techniques are discussed further in section D4.

	IOF		PCP	
	30 June 2017 $m	**30 June 2016 $m**	**30 June 2017 $m**	**30 June 2016 $m**
Current assets				
Interest rate derivative contracts	0.9	-	-	-
	0.9	**-**	**-**	**-**
Non-current assets				
Cross currency swap contracts	84.1	136.4	36.5	55.4
Interest rate derivative contracts	4.1	7.1	2.1	1.8
	88.2	**143.5**	**38.6**	**57.2**
Current liabilities				
Interest rate derivative contracts	1.7	4.2	-	0.9
	1.7	**4.2**	**-**	**0.9**
Non-current liabilities				
Interest rate derivative contracts	3.4	7.8	0.8	0.3
	3.4	**7.8**	**0.8**	**0.3**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

As IOF and PCP do not presently have a legally enforceable right of set-off, there are no recognised financial instruments that are offset in the Consolidated Statements of Financial Position. For the year ended 30 June 2017, IOF had derivative financial assets and derivative financial liabilities amounting to $5.0 million (30 June 2016: $7.1 million) and PCP had $0.8 million (30 June 2016: $1.2 million) that are subject to enforceable netting arrangements and other similar agreements but were not offset.

D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, OTHER ASSETS AND LIABILITIES

The following details how IOF's and PCP's derivative financial instruments, and other assets and liabilities for which fair value is disclosed, are classified and explains the methodology used to determine the fair values.

To provide an indication about the reliability of the inputs used in determining fair value, IOF and PCP classify various financial and non-financial assets and liabilities into three levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: not traded in an active market but calculated with significant inputs coming from observable market data; and
- Level 3: calculated using significant inputs that are not based on observable market data (unobservable inputs).

IOF and PCP do not classify any financial assets or liabilities as level 1 as at 30 June 2017 and 30 June 2016.

IOF and PCP measure and recognise only investment properties (level 3 – see section C1) and derivative financial instruments at fair value on a recurring basis. No financial assets or financial liabilities are measured at fair value on a non-recurring basis.

All of IOF's and PCP's derivative financial instruments are classified as level 2 due to their fair values being calculated on observable market interest rates and foreign exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows based on observable yield curves.

There have been no transfers between levels of the fair value hierarchy for the years ended 30 June 2017 and 30 June 2016.

IOF and PCP have a number of assets and liabilities that are not measured at fair value, but for which fair values are disclosed in the notes. These had the following fair values:

	IOF				PCP			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	30 June 2017	30 June 2017	30 June 2016	30 June 2016	30 June 2017	30 June 2017	30 June 2016	30 June 2016
	$m	$m	$m	$m	$m	$m	$m	$m
Non-current liabilities								
Borrowings – MTN	150.0	149.6	125.0	129.5	-	-	-	-
Borrowings – USPPs	422.5	451.9	437.7	500.8	162.5	173.5	168.3	192.5
	572.5	**601.5**	**562.7**	**630.3**	**162.5**	**173.5**	**168.3**	**192.5**

The fair values of non-current borrowings outlined in the table above are estimated by discounting the future contractual cash flows at the current market interest rates that are available to IOF for similar financial instruments. They are therefore classified as level 2 in the fair value hierarchy due to the use of observable inputs. For the year ended 30 June 2017, the borrowing rates were determined to be between 4.0% and 5.4% (30 June 2016: 4.0% and 5.4% respectively), depending on the type of borrowing. As at the reporting period end, the carrying amount of bank debts approximate their fair value.

Due to their short-term nature, the carrying amounts of current receivables, current payables, current borrowings and distributions payable are assumed to approximate their fair values.

D5 FINANCIAL RISK MANAGEMENT

IOF's operations expose it to a variety of financial risks including market risk, credit risk and liquidity risk. IOF seeks to mitigate the potential impact of these risks on financial performance as detailed in this note.

IOF's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of IOF. For example, IOF uses derivative financial instruments to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes and not as trading or other speculative instruments. IOF uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

As part of a stapled entity, PCP's financial risk is not separately managed and forms part of IOF's overall risk management program. Management of the financial risks of IOF may result in consequential changes for PCP. While not separately reported to key management personnel, qualitative risk information arising from PCP's financial instruments has been included in the sections below. This is outlined to indicate the extent of PCP's risks arising from financial instruments.

Market risk

IOF and PCP are exposed to the following market risks:

- Interest rate risk; and
- Foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The primary objective of interest risk management is to manage the potential for financial loss measured in terms of impact on earnings arising from unfavourable movements in interest rates.

IOF's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose IOF to cash flow interest rate risk. IOF's preference is to protect itself from large and rapid movements in financial markets, to achieve a less volatile exposure to movements in interest rates through prudent risk management techniques. IOF's policy is to hedge forecast borrowings using interest rate derivatives, based on hedge ratio range limits. The hedge ratio range limits were revised during the period reflecting the current environment and were effective as at 30 June 2017. The table below outlines the previous and revised hedge ratio range limits:

Years	Revised hedge ratio range limit (%)	Previous hedge ratio range limit (%)
1 - 3	50-80	30-80
4 - 5	20-60	0-75
>5	0-60	0-75

IOF performs an analysis of interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, IOF calculates the impact on profit or loss of a defined interest rate shift. The simulation is done on a regular basis to verify that the maximum loss potential is within limit established by the Responsible Entity.

Based on the various scenarios, IOF manages its interest rate risk by using:

- Floating-to-fixed interest rate swaps (or swaptions);
- Interest rate caps and collars; and
- Cross currency interest rate swaps.

D5 FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below provides a summary of IOF's and PCP's gross interest rate risk exposure (incorporating the foreign exchange hedged rate for the USPPs) on interest bearing borrowings together with the net effect of interest rate risk management transactions:

	Gross exposure		Net exposure	
	June 2017 $m	June 2016 $m	June 2017 $m	June 2016 $m
IOF				
Fixed and floating rate interest-bearing borrowings	826.0	1,013.0	76.0	563.1
PCP				
Fixed and floating rate interest-bearing borrowings	243.9	419.9	63.9	291.0

IOF's weighted average fixed rate derivatives and net fixed debt (notional principal denominated in Australian dollars) held at 30 June 2017 can be summarised by maturity as follows:

	FY17(1)	FY18	FY19	FY20	FY21	FY22
	$m	$m	$m	$m	$m	$m
Interest rate swaps (floating to fixed)	443.0	479.7	496.9	300.7	64.9	-
Interest rate collars	2.6	120.7	238.9	200.1	170.4	249.2
Net fixed debt(2)	35.3	150.0	150.0	150.0	150.0	150.0
Total hedged (weighted average)	**480.9**	**750.4**	**885.8**	**650.8**	**385.3**	**399.2**
Weighted average fixed rate (excluding margin)(3)	3.1%	2.3%	2.2%	2.6%	2.7%	2.8%

(1) Total hedged as at 30 June 2017 was $750.0m (30 June 2016: $449.9m).
(2) Gross exposure less effect of derivatives.
(3) Weighed average rate of interest rate swaps, interest rate collars and fixed debt excluding margin included at the forecast floating rate for the applicable period unless lower or higher than the floor or cap rate is adopted respectively.

The impact on interest expense of a 100 basis point increase or decrease in market interest rates as well as the impact of changes in the fair value of interest rate derivatives for a 100 basis point increase or decrease in market interest rates at the reporting date are shown below. Aside from the profit or loss impact on equity, this analysis results in no other impact on equity.

	Sensitivity on net interest expense				Sensitivity on change in fair value of interest rate derivatives			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
	$m	$m	$m	$m	$m	$m	$m	$m
IOF								
Variable interest rates	(1.9)	0.7	(4.4)	4.4	18.5	(18.4)	12.8	(14.0)
PCP								
Variable interest rates	(0.6)	0.6	(2.9)	2.9	8.8	(8.7)	5.8	(5.9)

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates. IOF's foreign exchange risk arises from borrowings in USD in the form of USPPs. IOF mitigates its exposure to the foreign exchange risk inherent in the carrying value of its USPPs by entering into cross currency swap contracts. These convert 100% of the USD denominated principal outstanding and related finance costs to Australian dollar (AUD) exposures. As a result sensitivity to foreign exchanges is deemed insignificant.

D5 FINANCIAL RISK MANAGEMENT (CONTINUED)

The notional amount and expiry of IOF's and PCP's USPPs (in AUD) are as follows:

IOF	Debt Drawn(1)	
	30 June 2017 $m	30 June 2016 $m
USPP debt maturities		
April 2025	89.3	89.3
August 2025(2)	128.9	128.9
April 2027	73.3	73.3
April 2029	66.4	66.4
Total	**357.9**	**357.9**

(1) The total notional amount as at 30 June 2017 and 30 June 2016 does not equal $358.0m due to rounding.
(2) The USPPs maturing August 2025 are held by PCP.

Credit risk

Credit risk refers to the risk that a counterparty is unable to pay amounts in full when due and defaults on its contractual obligations resulting in a financial loss to IOF. Credit risk for IOF arises from cash and cash equivalents, receivables and derivative financial instruments. The maximum exposure to credit risk at the end of the reporting period is the carrying amounts of each class of financial assets included in the Consolidated Statements of Financial Position.

The Responsible Entity seeks to mitigate this risk for IOF through the setting of credit policies that include ensuring that investments, cash and derivative transactions are only undertaken with financial institutions with an appropriate credit rating. Receivables and other committed transactions are with a range of counterparties including corporates, individuals, government entities and semi government entities including wholly owned privatised government entities, retail and other property trade receivables. These counterparties have a range of credit ratings or in the case of individuals no credit rating. These counterparties are subject to active on-going monitoring including ensuring that transactions are only entered into with appropriate creditworthy counterparties, or that security remains with IOF until settlement. Where there is a concern on the credit worthiness, receivables relating to leasing contracts entered into in the normal course of business may be secured by rental deposits and/or other forms of security.

Liquidity risk

Liquidity risk is the risk that IOF will not be able to meet its financial obligations, or other cash outflows, as they fall due, because of a lack of liquid assets or access to adequate committed credit facilities. Management of liquidity risk is carried out by the Responsible Entity and IOF's risk management policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next year and an allowance for unforeseen events such as tenant default. IOF measures the risk by ascertaining its cash requirements regularly through cash flow forecasts.

Refinancing risk, a form of liquidity risk, is the risk that credit is unavailable or available at unfavourable interest rates and credit market conditions resulting in an unacceptable increase in IOF's interest cost. IOF manages this risk by refinancing borrowings in advance of the maturity each borrowing, staggering maturity dates, and securing longer term facilities, where appropriate and consistent with IOF's strategy.

Refer to section D2 for disclosure of borrowing facilities available to IOF.

The contractual maturities of IOF's and PCP's financial liabilities at reporting date are reflected in the following tables. These show the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates. Foreign currencies (associated with derivatives and borrowings) have been converted at exchange rates at the reporting date.

D5 FINANCIAL RISK MANAGEMENT (CONTINUED)

IOF	30 June 2017				30 June 2016			
	<1 year	1 – 5 years	>5 years	Total	<1 year	1 – 5 years	>5 years	Total
30 June 2017	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Payables	(24.2)	-	-	(24.2)	(25.7)	-	-	(25.7)
Borrowings	(125.0)	(193.0)	(572.5)	(890.5)	(337.0)	(318.0)	(437.7)	(1,092.7)
Projected cash outflow on borrowings(1)	(27.6)	(84.6)	(77.1)	(189.3)	(40.4)	(90.5)	(98.0)	(228.9)
Projected cash outflow on derivative liabilities(1)(2)	(4.9)	(10.4)	(0.5)	(15.8)	(5.7)	(5.7)	-	(11.4)
Distribution payable	(62.6)	-	-	(62.6)	(60.2)	-	-	(60.2)
Total forecast undiscounted future cash flow	**(244.3)**	**(288.0)**	**(650.1)**	**(1,182.4)**	**(469.0)**	**(414.2)**	**(535.7)**	**(1,418.9)**
Projected cash inflow on derivative assets(2)	5.8	2.6	112.1	120.5	9.2	28.1	155.2	192.5
Net liquidity exposure	**(238.5)**	**(285.4)**	**(538.0)**	**(1,061.9)**	**(459.8)**	**(386.1)**	**(380.5)**	**(1,226.4)**

PCP	30 June 2017				30 June 2016			
	<1 year	1 – 5 years	>5 years	Total	<1 year	1 – 5 years	>5 years	Total
30 June 2017	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Payables	(8.2)	-	-	(8.2)	(10.0)	-	-	(10.0)
Borrowings	-	(115.0)	(162.5)	(277.5)	(198.0)	(93.0)	(168.3)	(459.3)
Projected cash outflow on borrowings(1)	(11.9)	(34.1)	(20.5)	(66.5)	(10.8)	(28.4)	(27.6)	(66.8)
Projected cash outflow on derivative liabilities(1)(2)	-	(6.9)	(0.5)	(7.4)	(0.9)	(0.3)	-	(1.2)
Distribution payable	(35.0)	-	-	(35.0)	(37.5)	-	-	(37.5)
Total forecast undiscounted future cash flow	**(55.1)**	**(156.0)**	**(183.5)**	**(394.6)**	**(257.2)**	**(121.7)**	**(195.9)**	**(574.8)**
Projected cash inflow on derivative assets(2)	1.9	2.6	50.6	55.1	3.4	9.2	63.5	76.1
Net liquidity exposure	**(53.2)**	**(153.4)**	**(132.9)**	**(339.5)**	**(253.8)**	**(112.5)**	**(132.4)**	**(498.7)**

(1) Projection is based on the likely outcome of the facilities given the interest rates, margins, foreign exchange rates and interest rate forward curves as at the reporting date up until the contractual maturity of the facilities. The projection is based on the undiscounted cash flows.

(2) In accordance with AASB 7, the future value of contractual cash flows of non-derivative and derivative liabilities is only included in liquidity risk disclosures. As derivatives are exchanges of cash flows, the positive cash flows from derivative assets have been disclosed separately to provide a more meaningful analysis of IOF's and PCP's net liquidity exposure. The methodology used to calculate projected interest income on derivative assets is consistent with the above liquidity risk disclosures.

D6 CONTRIBUTED EQUITY

Units issued are classified as equity. Incremental costs directly attributable to the issue of new units are shown as a deduction from the proceeds. Incremental costs directly attributable to the issue of new units for the acquisition of a business are not included in the cost of the acquisition but rather as part of the purchase consideration. The following shows the level of equity and issued units at the end of the financial year.

Carrying amounts

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Balance at the beginning and end of the year	2,142.3	2,142.3	1,193.8	1,193.8
The balance at the end of the year is attributable to the unitholders of:				
AJO	948.5	948.5	-	-
PCP	1,193.8	1,193.8	1,193.8	1,193.8
	2,142.3	**2,142.3**	**1,193.8**	**1,193.8**

Number of issued units

	IOF		PCP	
	30 June 2017 000's	30 June 2016 000's	30 June 2017 000's	30 June 2016 000's
Balance at the beginning and end of the year	614,047	614,047	614,047	614,047

All units are fully paid and rank equally with each other for all purposes. Each unit entitles the holder to one vote, in person or by proxy, at a meeting of unitholders.

E OTHER INFORMATION

This section provides additional required disclosures that are not covered in the previous sections.

E1 RELATED PARTIES

Related parties are persons or entities that are related to IOF as defined by AASB 124 *Related party disclosures.* These include directors and other key management personnel and their close family members and any entities they control as well as subsidiaries, associates and joint ventures of IOF. The following provides information about transactions with related parties during the year as well as balances owed to or from related parties as at 30 June 2017.

Responsible Entity

ILFML, the Responsible Entity of IOF is a wholly owned subsidiary of ICPF Holdings Limited (ICPFHL). ICPFHL is stapled to the wholesale unlisted fund, Investa Commercial Property Fund (ICPF) to form Investa Property Group.

Responsible Entity and its related parties' fees

The Responsible Entity fee is based on 0.55% per annum of the Trusts' market capitalisation, to be paid quarterly. The fee for a quarter cannot change by more or less than 2.5% from the previous quarter's fee.

E1 RELATED PARTIES (CONTINUED)

During the years ended 30 June 2017 and 30 June 2016, ILFML and its related parties received or will receive the following fees:

	IOF		PCP	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	$'000	$'000	$'000	$'000
Investa Listed Funds Management Limited:				
Responsible Entity's fees	13,540	12,266	7,600	7,152
Safe custody fees	95	92	48	47
Related parties of the Responsible Entity(1):				
Property management fees	4,273	3,793	1,913	1,863
Leasing fees	2,143	1,531	1,049	472
Project management services	968	1,246	748	842
	21,019	**18,928**	**11,358**	**10,376**

(1) Related parties of ILFML include Investa Asset Management Pty Limited, Investa Asset Management (Qld) Pty Limited and Investa Office Development Pty Limited. The related parties earned property management, leasing and project management fees for managing the property interests of IOF during the year. These fees were determined on normal commercial terms and conditions and approved by the Independent Directors.

Other transactions with related parties of the Responsible Entity

During the year ended 30 June 2017, in proportion to IOF's ownership interests in the joint venture entities, related parties of ILFML received $2,783,000 (30 June 2016: $1,164,000) in property management, leasing and project management fees for services provided to investment properties held by those joint venture entities.

During the years ended 30 June 2017 and 30 June 2016 IOF received rent and other property income from leasing space to related entities of ILFML. The terms of these lease agreements are based on arms-length conditions approved by the Independent Board Directors.

Responsible Entity and its related parties' interest in IOF

ILFML and its related parties had the following interest in IOF and PCP as at the reporting date, and distributions received/receivable for the year then ended:

30 June 2017			Distributions received/receivable	
	Number of units held	Percentage of IOF units	IOF	PCP
Name	000's	(%)	$'000	$'000
Investa Commercial Property Fund	57,666	9.4	11,370	6,031

30 June 2016			Distributions received/receivable	
	Number of units held	Percentage of IOF units	IOF	PCP
Name	000's	(%)	$'000	$'000
Investa Office Management Holdings Pty Limited	1	-	5,378	3,787

Cross staple loan

As at 30 June 2017, PCP owed AJO $2,000 (30 June 2016: $nil) via a cross staple loan. For the year ended 30 June 2017 PCP recorded an interest expense of $22,000 (30 June 2016: $12,000) on the loan.

E1 RELATED PARTIES (CONTINUED)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of the Responsible Entity.

The names of the Directors and Alternate Director of the Responsible Entity, and their dates of appointment or resignation if they were not Directors during the whole of the financial year, are:

Richard Longes	Independent Non-Executive Chairman
Robert Seidler AM	Independent Non-Executive Director
John Fast	Independent Non-Executive Director
Geoffrey Kleemann	Independent Non-Executive Director
Jonathan Callaghan	Executive Director (Resigned 13 December 2016)

The names of key management personnel in addition to the Directors outlined above include:

Penny Ransom	Fund Manager (appointed 22 August 2016)

Key management personnel do not receive any remuneration directly from IOF. They receive remuneration from the Responsible Entity or its related parties. Consequently, IOF does not pay any compensation as defined in Accounting Standard AASB 124 *Related Parties* to its key management personnel.

Key management personnel, including their related parties, held the following units and distributions received or receivable directly, indirectly or beneficially in each Trust at each year end.

30 June 2017					Distributions received/receivable	
Name	Balance at the start of the year 000's	Addition/ (removal) of KMP 000's	Acquired during the year 000's	Balance at the end of the year 000's	IOF $'000	PCP $'000
Richard Longes	-	-	15	15	3	2
Robert Seidler AM	-	-	12	12	2	1
John Fast	-	-	15	15	3	2
Geoffrey Kleeman	-	-	15	15	3	2

30 June 2016					Distributions received/receivable	
Name	Balance at the start of the year 000's	Addition/ (removal) of KMP 000's	Acquired during the year 000's	Balance at the end of the year 000's	IOF $'000	PCP $'000
Deborah Page AM	29	(29)	-	-	3	2
Peter Dodd	20	(20)	-	-	2	1
Scott MacDonald	74	(74)	-	-	-	-
Ming Long	25	(25)	-	-	2	2
Campbell Hanan	8	(8)	-	-	-	-

Transactions with joint venture entities

Equity interests in joint venture entities are set out in section C3. Transactions and receivables from joint venture entities are disclosed in the table below:

	IOF		PCP	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	$'000	$'000	$'000	$'000
Cash distributions received from joint venture entities	28,190	29,942	28,190	29,942
Interest income	-	9,633	-	9,633

E1 RELATED PARTIES (CONTINUED)

Movements in receivables from joint venture entities

	567 Collins Street Trust	
	30 June 2017 $'000	30 June 2016 $'000
Balance at beginning of the year	-	114,231
Loan advances	-	76,125
Loan repayments	-	(27,500)
Interest received	-	9,633
Conversion of debt investment to equity investment	-	(172,489)
Balance at the end of the year	**-**	**-**

E2 PARENT FINANCIAL INFORMATION

IOF was formed by the stapling of the units in two trusts, Armstrong Jones Office Fund (AJO Trust) and Prime Credit Property Trust (PCP Trust). In accordance with Accounting Standard AASB 3 *Business Combinations*, the stapling arrangement referred to above is regarded as a business combination and the AJO Trust has been identified as the parent for preparing Consolidated Financial Reports.

Summary financial information about the parent of AJO and PCP

	AJO Trust		PCP Trust	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	$m	$m	$m	$m
Current assets	2.7	-	0.9	2.8
Total assets	2,352.1	2,196.4	2,059.6	1,956.8
Current liabilities	(165.7)	(174.2)	(40.5)	(241.5)
Total liabilities	(1,017.0)	(1,039.5)	(450.8)	(517.4)
Equity:				
Issued units	948.5	948.5	1,193.8	1,193.8
Retained earnings	386.6	208.4	415.0	245.6
Total equity	**1,335.1**	**1,156.9**	**1,608.8**	**1,439.4**
Net profit attributable to unitholders for the year	236.5	270.8	235.1	223.0
Total comprehensive income for the year	236.5	270.8	235.1	223.0
Capital commitments:				
Investment properties	5.0	2.7	1.6	0.3
Investment property under construction				
151 Clarence Street, Sydney	-	-	96.5	112.2

During the years ended 30 June 2017 and the 30 June 2016 the principal activity of the subsidiaries continued to consist of investment in commercial property either directly or indirectly through the ownership of units in unlisted property trusts. The subsidiaries of AJO are incorporated in Australia and Europe, and have a 30 June reporting date. The subsidiaries of PCP are incorporated in Australia and have a 30 June reporting date. AJO Trust and PCP Trust are deemed to be a going concern despite being in a net current asset deficiency position as at 30 June 2017 due to the reasons disclosed for IOF and PCP in section A.

E3 RECONCILIATION OF PROFIT TO OPERATING CASHFLOW

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Net profit for the year	471.6	493.8	235.1	223.0
Adjustments for:				
Straight-lining of lease revenue	3.8	3.6	(4.2)	(0.7)
Unrealised foreign exchange gain	(15.1)	14.3	(5.8)	5.4
Net (gain)/loss on change in fair value of:				
Investment properties	(328.2)	(233.4)	(134.8)	(51.4)
Derivatives	47.5	(56.5)	18.1	(20.1)
Amortisation of tenant incentives and leasing fees	31.8	32.3	13.2	14.8
Excess of distributions received from joint venture entities over share of profit	(46.8)	(85.6)	(46.8)	(85.6)
Cost of disposal of assets	0.3	0.5	0.3	0.7
Non cash interest income	-	(9.6)	-	(9.6)
Other non-cash items	(13.7)	(15.1)	(6.9)	(4.5)
Net cash provided by operating activities for the year before changes in working capital	**151.2**	**144.3**	**68.2**	**72.0**
Changes in working capital:				
Decrease in receivables	4.6	5.6	3.3	3.1
Decrease in payables	(3.1)	(4.7)	(2.1)	(3.1)
Net cash provided by operating activities from operations	**152.7**	**145.2**	**69.4**	**72.0**

Non-cash investing and financing activities

	IOF		PCP	
	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Conversion of debt investment to equity investment	-	172.5	-	172.5

For the purpose of presentation in the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

E4 AUDITORS' REMUNERATION

PricewaterhouseCoopers (PwC) continue to act as the independent auditor and has provided audit and other services to IOF and PCP during the year. The following discloses the fees paid or payable to PwC for services provided.

	IOF		PCP	
	30 June 2017 $'000	30 June 2016 $'000	30 June 2017 $'000	30 June 2016 $'000
Audit services	261	222	131	111
Other services	135	210	67	105
Total auditors' remuneration	**396**	**432**	**198**	**216**

E5 OTHER ACCOUNTING POLICIES

The accounting policies that relate to a specific category in the profit or loss or balance sheet have been included within the relevant notes. The accounting policies that apply to a number of balances or disclosures have been included below.

Income tax

AJO and PCP have made an election to be attribution managed investment trusts (AMITs) for the year ended 30 June 2017 and future years. Consequently, AJO and PCP (ie. IOF) are not liable for Australian income tax, provided that the taxable income of the trusts is fully attributed to unitholders each year, who pay income tax at their marginal tax rates.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statements of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

E5 OTHER ACCOUNTING POLICIES (CONTINUED)

New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting year ended 30 June 2017. These have not been adopted early by IOF or PCP. The assessment of the impact of these new standards is set out below:

Accounting Standard	Nature of change	Impact on financial statements
AASB 9 *Financial Instruments* (effective for IOF and PCP for the accounting period starting on 1 July 2018)	AASB 9 introduces various new concepts including: - amended rules for hedge accounting - changes to the categorisation and measurement of financial assets particularly affecting those measured as available for sale (AFS) or held to maturity (HTM) - new methods of calculating impairment losses of financial assets; and - a change to the rules surrounding the modification of financial liabilities measured at amortised cost.	These changes are not expected to have a material impact since currently IOF and PCP: - do not hedge account - have no financial assets measured as AFS or HTM - do not have significant financial assets to impair and only have insignificant provisions for doubtful debts - do not intend to modify existing financial liabilities.
AASB 15 *Revenue from Contracts with Customers* (effective for IOF and PCP for the accounting period starting on 1 July 2018)	AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This new standard requires a five step analysis of transactions to determine whether, how much and the point at which revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts.	AASB15 is not expected to have a material impact on IOF or PCP since revenue is principally comprised of property revenue which will continue to be recognised on a straight-line basis over the lease term. There will be no impact to the accounting for gains or losses resulting from property disposals, these will continue to be recognised upon settlement.
AASB 16 *Leases* (effective for IOF and PCP for the accounting period starting on 1 July 2019)	AASB16 requires recognition of a right-of-use asset along with the associated lease liability where the entity is a lessee. An interest expense will be recognised in the profit or loss using the effective interest rate method, and the right-of-use asset will be depreciated. Lessor accounting will largely remain unchanged.	AASB16 is not expected to have a material impact since neither IOF nor PCP are lessees. IOF and PCP are significant lessors however, there is little change to lessor accounting under AASB16.

E6 OTHER SIGNIFICANT EVENTS OCCURING DURING THE REPORTING YEAR

Investa Office Management Platform Joint Venture Proposal

As part of the 2011 transaction, when Investa Property Group (then controlled by Morgan Stanley) acquired the management rights of IOF from ING, IOF obtained an opportunity to acquire 50% of the Management Platform once IOF's commercial office assets equalled or exceeded $3.5 billion.

In August 2016, IOF received a Certificate of Valuation from the Management Platform confirming that the value of IOF's commercial office assets was greater than $3.5 billion, and, as a result, IOF had 12 months to decide whether it wished to acquire an interest in the Management Platform.

The Independent Board of Directors undertook an operational and governance review to assess how IOF works with the Management Platform. The Independent Board concluded that a restructure which would allow IOF greater influence over the future direction and operation of the Management Platform would ensure stability and improved alignment to the benefit of unitholders. Following this review, unitholders were asked to vote on the proposal to acquire a 50% interest in the Management Platform for a purchase price of $45 million (adjusted for working capital and other agreed reimbursement adjustments) at a meeting of unitholders on 31 May 2017. Unitholders voted against proceeding with the proposal to acquire a 50% interest in the Management Platform. IOF continues to be externally managed by ILFML.

E6 OTHER SIGNIFICANT EVENTS OCCURING DURING THE REPORTING YEAR (CONTINUED)

Cromwell Property Group (CMW)

During the year, ILFML received highly conditional, non-binding and indicative approaches from CMW referring to the possibility of an all cash arrangement to acquire all of IOF's issued capital. Following CMW's execution of a confidentiality agreement on 7 April 2017, CMW was granted access to due diligence in relation to IOF. Information was made available to CMW between 12 April 2017 and 22 May 2017, and since this period the Independent Directors of ILFML have not received any communications from CMW.

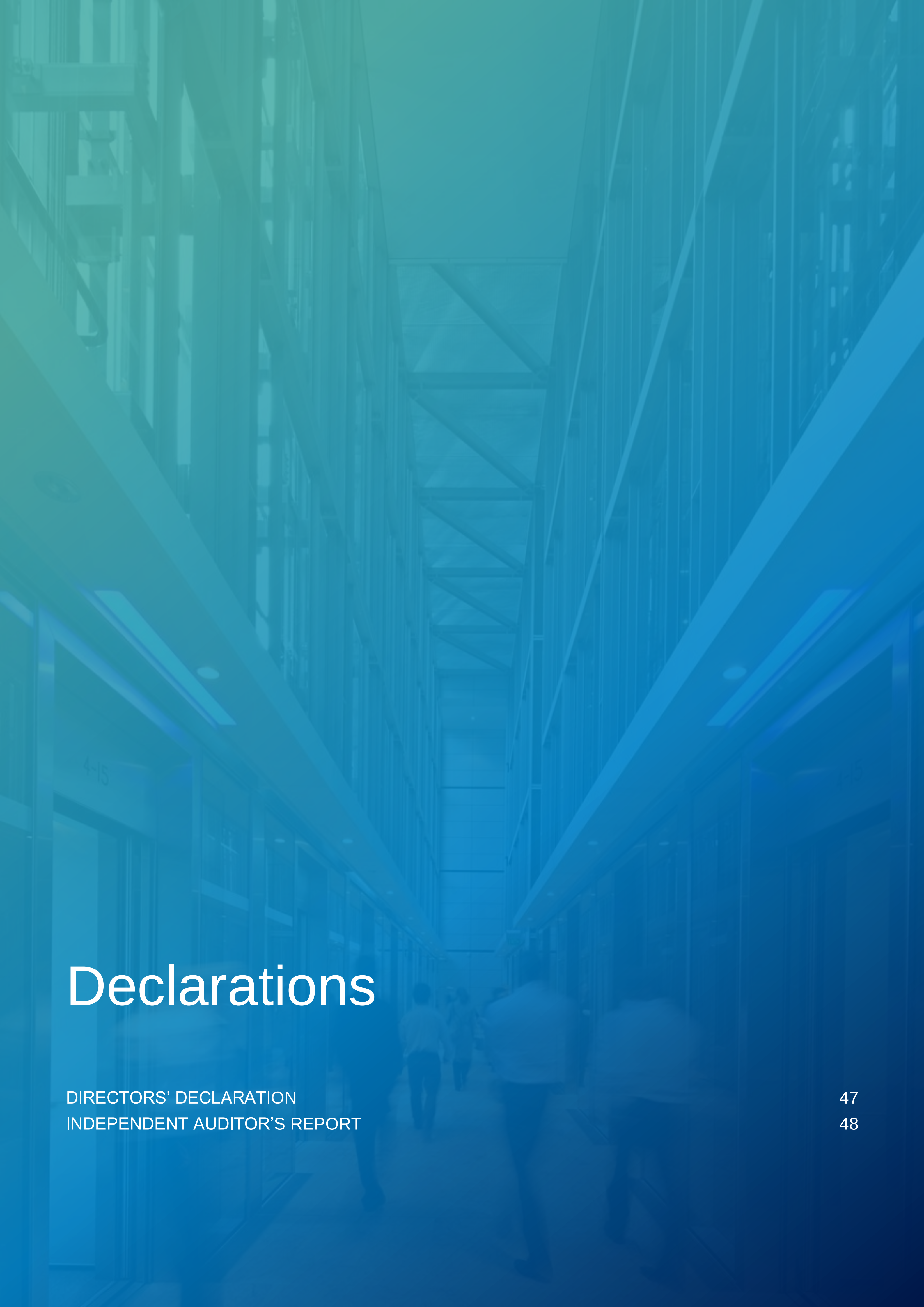
Trailing fees

Macquarie Capital (Australia) Limited (Macquarie) and Fort Street Advisers Pty Limited (Fort Street) were previously appointed as advisers to assist with the strategic review of IOF undertaken in 2015. Under the mandates with these advisors it was possible that IOF may have been required to pay trailing fees, if certain events relating to the control or management of IOF occurred within specified timeframes. Fort Street's entitlement to any potential fees ceased on 1 June 2017. IOF reappointed Macquarie as its financial adviser in relation to the Investa Office Management Platform Joint Venture Proposal and any possible control transaction in light of the approaches by CMW referred to above. As part of the reappointment of Macquarie, which is on market based terms, Macquarie agreed to waive its entitlement to any trailing fees under its prior mandates with IOF. The new mandates with Macquarie include a 12 month trailing fee provision post its termination.

E7 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On the date of this report, the Responsible Entity on behalf of AJO Trust and PCP Trust announce an on-market buy-back of up to 5% of IOF's stapled securities.

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with within this financial report that has significantly affected or may significantly affect the operations of IOF or PCP, the results of those operations, or the state of IOF's or PCP's affairs in future financial periods.



Declarations

Directors' Declaration

In the opinion of the Directors of Investa Listed Funds Management Limited, the Responsible Entity of Armstrong Jones Office Fund and Prime Credit Property Trust:

a. The Consolidated Financial Statements and notes set out on pages 13 to 45 are in accordance with the *Corporations Act 2001*, including:

   i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. Giving a true and fair view of each of, IOF and PCP's consolidated financial position as at 30 June 2017 and of their performance for the year ended on that date; and

b. There are reasonable grounds to believe that each of Armstrong Jones Office Fund and Prime Credit Property Trust will be able to pay their debts as and when they become due and payable.

Section A confirms that the Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board.

This declaration has been made in accordance with a resolution of the Directors of Investa Listed Funds Management Limited as the Responsible Entity of Armstrong Jones Office Fund and Prime Credit Property Trust and after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2017.

RA Longes
Chairman
Sydney
24 August 2017

Independent auditor's report

To the stapled security holders of Investa Office Fund and the unit holders of Prime Credit Property Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of Investa Office Fund ("IOF"), being the consolidated stapled entity which comprises Armstrong Jones Office Fund and its controlled entities (together "AJO") and Prime Credit Property Trust and its controlled entities (together "PCP"), are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of IOF's and PCP's financial positions as at 30 June 2017 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of IOF and PCP comprise:

- the Consolidated Statements of Financial Position as at 30 June 2017;
- the Consolidated Statements of Comprehensive Income for the year then ended;
- the Consolidated Statements of Changes in Equity for the year then ended;
- the Consolidated Statements of Cash Flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the Directors' Declaration

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial reports* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of IOF and PCP in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial reports are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the geographic and management structure of IOF and PCP, their accounting processes and controls and the industry in which they operate.

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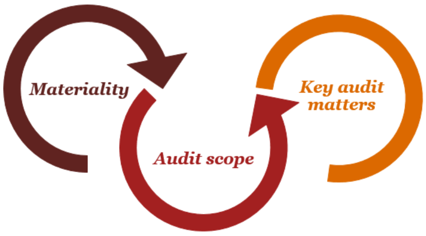

Materiality	*Audit scope*	*Key audit matters*
For the purpose of our audit of IOF we used overall materiality of $9.1 million, which represents 5% of IOF's Funds from Operations ("FFO"). IOF's profit before tax is adjusted for fair value movements in investment property and derivatives, and other adjustments affecting the income statement as prescribed in the Property Council of Australia's guide to the calculation of FFO. An explanation of what is included in FFO is disclosed in the Directors' Report. • For the purpose of our audit of PCP we used overall materiality of $4.0 million, which represents 5% of PCP's adjusted cash profit before tax. PCP's adjusted cash profit before tax is adjusted for fair value movements in investment property and fair value changes in derivatives to derive the adjusted cash profit before tax. • We applied these thresholds, together with qualitative considerations, to determine the scope of our audits and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial reports as a whole. • We chose IOF's Funds from Operations and PCP's adjusted cash profit before tax because, in our view, they are the metrics against which the performance of IOF and PCP respectively, are most commonly measured and are generally accepted benchmarks in the industry. • We chose a 5% threshold based on our professional judgement, noting it is within the range of commonly accepted profit related thresholds.	• IOF was formed by the stapling of units of two Australian registered schemes, AJO and PCP. For the purposes of consolidation accounting AJO is the 'deemed' parent and the consolidated financial report of IOF reflects the consolidation of AJO and PCP. • Our audit focused on where IOF and PCP made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the management structure of IOF and PCP, the accounting processes and controls, and the industry in which IOF and PCP operate.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit & Compliance Committee: – Valuation of investment properties, including those accounted for under the equity method – Valuation of derivative financial instruments • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period and were determined separately for IOF and PCP. Relevant amounts listed for each part of the stapled group represent balances as they are presented in the financial reports and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matters	*How our audit addressed the key audit matter*
Valuation of investment properties (including those investment properties accounted for under the equity method) *(Refer to note C, pages 24 to 29)* IOF's investment property portfolio comprises 20 office investment properties held in Australia both directly and indirectly, being: • $2,973.2 million of directly held properties included in the Consolidated Statement of Financial Position of IOF as "Investment properties". • $851.1 million being IOF's share of investment properties held through joint ventures included in the Consolidated Statement of Financial Position of IOF as "Investments accounted for using the equity method". PCP's investment property portfolio comprises 10 office investment properties held in Australia both directly and indirectly, being: • $1,036.1 million of directly held properties included in the Consolidated Statement of Financial Position of PCP as "Investment properties". • $851.1 million being PCP's share of investment properties held through joint ventures included in the Consolidated Statement of Financial Position of PCP as "Investments accounted for using the equity method". Investment properties, including those accounted for under the equity method, are valued by IOF and PCP at fair value at the reporting date using the income capitalisation approach, the discounted cash flow approach or adjusted transaction values where applicable. The valuation of investment properties is dependent on the valuation methodology adopted by IOF and PCP and the inputs into the model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property directly impact fair values.	We obtained a sample of publicly available commercial office property market reports for the key Australian states in which IOF and PCP hold properties in order to obtain an understanding of the prevailing market conditions and trends since the prior reporting period. We compared the valuation trend(s) per the market reports to valuation trend(s) in the IOF and PCP portfolio. We noted that the movements in IOF's and PCP's valuations are broadly consistent with overall shifts in the market. We met with IOF's and PCP's management and discussed the specific aspects of selected individual properties including, amongst other things, any new leases entered into during the year, lease expiries, capital expenditure and vacancy rates. For a sample of tenancies, we compared the net passing rent, to the underlying lease documentation and found that information in the underlying leases supported the inputs used in IOF's and PCP's valuation process. For both IOF and PCP, we benchmarked a sample of other key inputs, specifically market capitalisation rates and discount rates by location and asset grade to the industry averages from PwC's benchmarking survey. Where capitalisation rates and discount rates used were outside of our expected ranges, we challenged the rationale supporting the rate applied in the valuation by performing sensitivity analysis. These variances were driven by the requirement/plan of capital works, strong occupancy rates, quality and location of the assets. Where management engaged external experts to determine the fair value of investment properties, as was the case for 100% of IOF's and PCP's portfolio as at 30 April 2017, we assessed the competence, capabilities, objectivity and independence of each of the valuers engaged.

Key audit matters	*How our audit addressed the key audit matter*
Amongst others, the following assumptions made by IOF's and PCP's management in the valuation exercise are key in establishing fair value: - Capitalisation rate - Adopted discount rate At the end of the reporting period, IOF and PCP determine the fair value of investment property portfolio in accordance with their valuation policy. This policy requires all properties to be externally valued by an independent valuation expert at least once every 2 years or when the internal valuation tolerance check produces an indicative valuation which differs from the book value (most recent external valuation, plus capital expenditure, less amortization of lease incentives and leasing fees) by more than ± 5%. Internal valuations are performed as tolerance checks by management. We focused on the valuation of investment properties for the following reasons: • The relative size of the balances in IOF's and PCP's Consolidated Statements of Financial Position. • The quantum of revaluation gains that impact IOF's and PCP's Consolidated Statements of Comprehensive Income (either through the net fair value gain of investment properties, or Share of net profits of investments accounted for using the equity method). • The inherently subjective nature of investment property valuations due to the use of assumptions in the valuation methodology. • The sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.	For both IOF and PCP, we considered whether there were any other caveats or limitations in the valuers' reports that may have influenced the outcome of the valuation process. For both IOF and PCP, we compared the independent valuation reports of each of the properties against the values used for financial reporting purposes noting no exceptions. We considered the valuation approaches adopted by the independent valuers and IOF and PCP and found them to be consistent with commonly accepted valuation approaches used for investment properties.
Valuation of derivative financial instruments *(Refer to note D3 and D4, pages 32 and 33)* IOF and PCP enter into derivative contracts to manage foreign exchange risk and interest rate risk associated with the debt they hold. IOF and PCP currently hold a portfolio of derivative financial instruments. At 30 June 2017 the carrying value of IOF's derivatives (including current and non-current assets, current liabilities and non-current liabilities) was in a net asset position of $84.0 million (PCP: $37.8 million). At present, IOF and PCP have decided not to apply hedge accounting for any of their derivative financial instruments.	For both IOF and PCP, we recreated a movement schedule for the derivative financial instruments balances, reconciling the opening and closing balances. This helped us to obtain an understanding of the movements over the year and focus our audit procedures on areas where significant movements had taken place. For both IOF and PCP, we selected a sample of derivatives based on instrument type, from among interest rate swaps, cross currency interest rate swaps and interest rate collars. For each sample: • We compared the key terms of the derivatives to the individual third party contracts.

Key audit matters	*How our audit addressed the key audit matter*
We considered the valuation of derivatives to be a key audit matter both for IOF and PCP because of the: • Size of the derivative financial instruments' balances and potential for variability in the size of these balances year on year. • Judgement involved in determining key assumptions including forecasting future interest rates, margins, foreign exchange rates and interest rate forward curves and expected volatilities of these assumptions used in the valuation.	• Together with our PwC valuation experts, we recalculated the fair value of the derivatives using independently sourced market data inputs. • We compared these fair values to those used by the IOF and PCP and assessed any differences identified against our tolerable threshold. We concluded that all differences were acceptable as they were within the thresholds set by us.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information included in IOF's and PCP's annual reports for the year ended 30 June 2017 comprises the Directors' Report (but does not include the financial reports and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report including information such as, but not limited to, the Chairman's Review, , IOF Board and management team, About IOF, Corporate Governance, GRI Index, Investor Relations, The Top 20 and Substantial Holdings, Glossary and Corporate Directory.

Our opinion on the financial reports does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Responsible Entity and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors of the Responsible Entity for the financial reports

The directors of the Responsible Entity, are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors of the Responsible Entity are responsible for assessing the ability of IOF and PCP to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate IOF or/and PCP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Pricewaterhouse Coopers

PricewaterhouseCoopers

Ashley Wood

A S Wood
Partner

Sydney
24 August 2017