investa

ASX Announcement

20.02.18

Investa Office Fund (ASX:IOF)

Half Year 2018 Financial Results

Investa Office Fund (ASX:IOF) today releases its financial results for the half year ended 31 December 2017.

The financial results pack includes:

- Appendix 4D;
- Interim Financial Report;
- ASX Release; and
- Results Presentation.

To access the live webcast of the results presentation which commences at 10am AEDT today please click the following link http://webcast.openbriefing.com/4176/.

End

About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an externally managed Australian listed real estate investment trust, included in the S&P/ASX 100 index. IOF is governed by the Independent Board of Investa Listed Funds Management Limited as Responsible Entity, and managed by Investa – one of Australia's largest and most highly regarded office managers. IOF has total assets under management of $4.0 billion, with 20 investment grade office buildings in core CBD markets across Australia. The Fund receives rental income from more than 400 tenants, including government agencies and blue chip organisations. IOF's strategy is to deliver attractive risk-adjusted returns investing in high quality Australian office buildings, leveraging Investa's fully integrated specialist property sector capabilities to outperform.

Fund Enquiries

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Appendix 4D

Half-year Report
Half-year ended 31 December 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 half-year ended 31 December 2016
Revenues from ordinary activities	down 8.0% to $98.1m
Profit from ordinary activities after tax attributable to members	down 32.5% to $151.2m
Net profit for the period attributable to members	down 32.5% to $151.2m
Property Council FFO[i]	up 1.8% to $92.9m

Net tangible assets per unit	**31 December 2017**	**31 December 2016**
	$4.95	$4.49

[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 and other unrealised or one-off items.

Distributions	Amount per unit (cents)	$m
Interim - 31 December 2017 (Scheduled to be paid on 28 February 2018)	10.15	60.8
Total	10.15	60.8
Previous corresponding period - 31 December 2016 (Paid on 28 February 2017)	10.00	61.4
Record date for determining entitlements to the 31 December 2017 distribution	29 December 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 4D, please refer to the following attached documents:

- Directors' report
- Interim financial report
- Results presentation

Andrew Murray
Company Secretary

20 February 2018

Interim Financial Report
31 December 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 30, 420 George 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 Consolidated 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 20 February 2018. The Responsible Entity has the power to amend and reissue this financial report.

Directors' Report

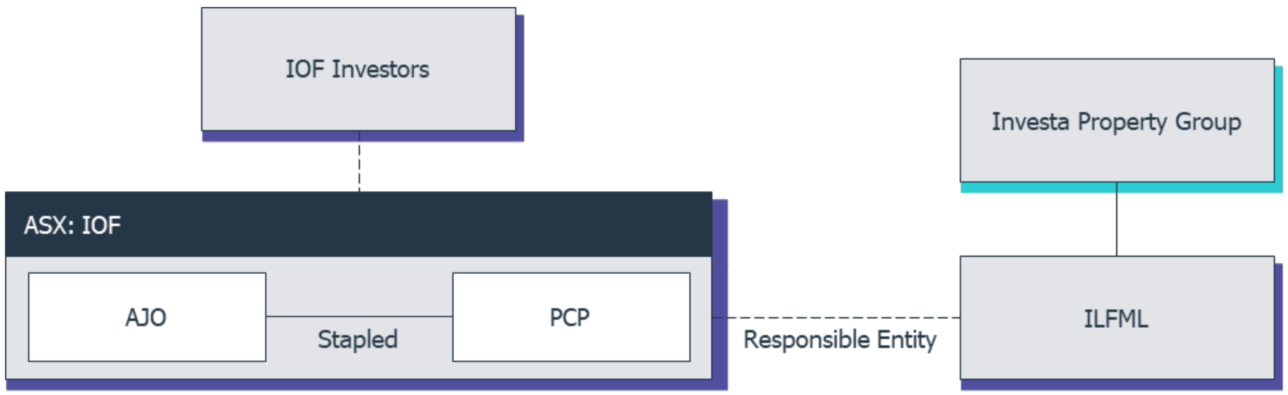
About Investa Office Fund

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 $4.0 billion, with 20 investments located in core CBD markets throughout Australia.

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 referred to as the Trusts). AJO Trust and its controlled entities are collectively referred to as AJO. PCP Trust and its controlled entities are collectively referred to as PCP. AJO Trust has been identified as the Parent of IOF for preparing Consolidated Financial Statements.

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

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 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.



Directors' Report (continued)

Financial performance

Financial results

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

	IOF		PCP	
	31 Dec 2017 $m	31 Dec 2016 $m	31 Dec 2017 $m	31 Dec 2016 $m
Net profit attributable to unitholders	151.2	224.0	56.9	129.4
Property Council Funds from Operations (FFO)	92.9	91.3	na	na
Per stapled unit:	Cents	Cents	Cents	Cents
Basic and diluted earnings per unit from net profit(1)	25.0	36.5	na	na
FFO per unit	15.3	14.9	na	na
Distributions per unit	10.15	10.00	3.15	5.00

1. The basic and diluted earnings per unit from net profit for AJO and PCP as at 31 December 2017 were 15.6 cents (31 December 2016: 15.4 cents) and 9.4 cents (31 December 2016: 21.1 cents) respectively.

IOF delivered a net profit attributable to unitholders for the half-year ended 31 December 2017 of $151.2 million, down 32.5% from the previous half-year. Basic and diluted earnings per stapled unit from net profit for the half-year ended 31 December 2017 were 25.0 cents, compared to 36.5 cents for the previous half-year. The decrease of $72.8 million was primarily due to the fair value gain of investment properties being $89.4 million lower than the previous half-year as a result of five properties being externally valued at 31 December 2017 compared to 11 properties at 31 December 2016 partially offset by a net gain of $17.6 million in foreign exchange movements of the carrying value of US dollar denominated US Private Placements (USPPs) debt compared to the previous half-year.

Distributions per unit increased by 1.5% to 10.15 cents per unit ($60.8 million) from 10.00 cents per unit ($62.6 million) in the previous half-year and are expected to be paid on 28 February 2018. The total distribution reduced by $1.8 million due to the impact of the on-market buy-back of securities as disclosed under 'Other matters occurring during the half-year', refer to page 8.

FFO for the half-year ended 31 December 2017 increased by 1.8% to $92.9 million, mainly due to fixed rent reviews across the portfolio and improving market rents in Sydney. This increase was partially offset by the divestments of 383 La Trobe Street, Melbourne and 800 Toorak Road, Melbourne on 17 January 2017 and 23 February 2017 respectively. On a like-for-like basis, excluding the two asset divestments and the Barrack Place, 151 Clarence Street, Sydney development, FFO for the half-year ended 31 December 2017 increased by 5.1% compared to the previous half-year.

FFO for the half-years ended 31 December 2017 and 31 December 2016 has been calculated as follows:

	IOF	
	31 Dec 2017 $m	31 Dec 2016 $m
Net profit attributable to unitholders	151.2	224.0
Adjusted for:		
Net (gain)/loss on change in fair value of:		
Investments(1)	(86.6)	(176.0)
Derivatives(2)	10.7	15.3
Net foreign exchange (gain)/loss(3)	(5.7)	11.6
Amortisation of lease incentives	19.7	15.9
Straight-lining of rental income	5.8	2.0
Other	(2.2)	(1.5)
FFO	**92.9**	**91.3**

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 predominantly 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 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 period end.

Directors' Report (continued)

Financial performance (continued)

Financial position

A summary of IOF's and PCP's net asset position as at 31 December 2017 and 30 June 2017 is set out below:

	IOF		PCP	
	31 Dec 2017 $m	30 June 2017 $m	31 Dec 2017 $m	30 June 2017 $m
Total assets	4,063.7	3,923.0	2,007.2	1,929.0
Total liabilities	1,099.5	979.1	398.7	320.2
Net assets	**2,964.2**	**2,943.9**	**1,608.5**	**1,608.8**
Net tangible assets per unit (dollars)	**4.95**	**4.79**	**2.69**	**2.62**

The value of IOF's and PCP's total assets is derived using the basis of preparation set out in section A of the Notes to the 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 at the period end.

Total assets increased by 3.6%, 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 remaining in an asset position, have a lower mark to market value than in the prior period.

Total liabilities increased by 12.3%, predominantly due to an increase in borrowings to finance the buy-back of securities as well as to fund ongoing projects.

Capital management

	IOF	
	31 Dec 2017	30 June 2017
Drawn debt ($m)	1,012.7	890.5
Drawn debt – USPP hedge rate ($m)(1)	954.0	826.0
Undrawn committed debt ($m)	286.0	389.0
Gearing ratio – look-through	23.8%	21.4%
Weighted average debt expiry	4.7 years	4.7 years
Weighted average amount of debt hedged(2)	81.2%	50.1%
Covenant gearing ratio	27.1%	25.1%
Interest coverage	5.0x	4.8x

1. Represents IOF's drawn debt, based on the foreign exchange hedge rate on the USPPs.
2. IOF was 78.6% hedged (including fixed debt) as at 31 December 2017 (30 June 2017: 90.8%).

The key capital management events for the half-year to 31 December 2017 and up to the date of this report include:

- In November 2017, IOF and PCP entered new bank debt facility agreements totalling $150 million with maturity dates of November 2021 for a $50 million tranche and November 2022 for a $100 million tranche;
- The $125 million Medium Terms Notes classified as current liabilities as at 30 June 2017 were repaid in full in November 2017; and
- In February 2018, IOF and PCP entered into two new bank debt facilities totalling $150 million, each with a facility limit of $75 million. The new debt facilities have a four-year and five-year expiry period.

Directors' Report (continued)

Financial performance (continued)

Earnings guidance

IOF's 30 June 2018 forecast earnings guidance (based on FFO) is 30.3 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: 20.20 cents per unit). This guidance is subject to prevailing market conditions, no material changes to the portfolio and no capital transactions. This guidance includes the impact of the on-market buy-back of 2.5% of IOF's stapled securities as disclosed under 'Other matters occurring during the half-year', refer to page 8.

Property and investment portfolios

As at 31 December 2017, IOF held interests in 20 investment properties located in the key central business districts of major Australian cities. The portfolio is valued at $3,967.1 million with a total net lettable area of 389,612 sqm at IOF's share.

Property portfolio

The key events during the half-year and up to the date of this report include:

- Completed 20,934 sqm of leasing across the total portfolio, including:
  - an Agreement for Lease with Pfizer Australia Pty Limited (Pfizer) at Barrack Place, 151 Clarence Street, Sydney, IOF's A-grade office tower development. The lease to Pfizer is across 4,640 sqm and has a term of eight years commencing December 2018;
  - 11,692 sqm of leasing across 27 deals in the strong Sydney market, with an average face rental uplift of 15.4%;
  - 5,655 sqm of leasing in Brisbane, including a new seven year lease over 3,536 sqm to the State of Queensland (DTMR) at 140 Creek Street; and
  - 3,293 sqm of leasing at 567 Collins Street, Melbourne, including a 10-year lease across 2,603 sqm with WorkSafe Victoria commencing October 2018.
- In November 2017, IOF entered into a non-binding Heads of Agreement (HoA) with ANZ Wealth Australia Limited (ANZ) at 347 Kent Street, Sydney for a proposed lease renewal over at least 15,821 sqm for five years from January 2019. This proposed lease represents 63% of the building's net lettable area and provides ANZ with the potential to commit to an additional 4,170sqm (or 17% of office net lettable area) by 31 May 2018 depending on their corporate requirements.

IOF's Sydney properties, which comprise 63% of the portfolio by value, continued to perform well during the half-year. Occupancy remains high at 98% due to solid tenant demand, particularly from within the small business sector, and low levels of expiring leases. The Sydney market is benefiting from minimal levels of new supply and the withdrawal of lower-grade office space for either office redevelopment, conversion to an alternative use or to make way for new transport infrastructure. Face rents have continued to increase during the period and incentives decline, particularly in A and B grade properties.

Directors' Report (continued)

Property and investment portfolios (continued)

The Sydney portfolio has three major projects currently underway or planned over the next two years. These are expected to increase the overall quality of the portfolio and benefit from continued strong market fundamentals. They are:

- The A-grade Barrack Place development at 151 Clarence Street, Sydney which is on target for practical completion in October 2018. Construction of this 18 level, 22,000sqm building is progressing well. The new lease to Pfizer, announced in December 2017, increases the pre-commitment level to 57%, up from 35% at 30 June 2017. The leasing campaign for the building's retail component is also well underway;
- 347 Kent Street, Sydney, a 26,000 sqm A-grade tower in which ANZ Wealth Australia Limited (ANZ) currently reside on a lease expiring in January 2019. The lease expiry provides an attractive opportunity to refurbish the asset to take advantage of its strong Sydney location and improve the overall quality of the portfolio. The Development Application for the refurbishment has been approved by the council and construction will be undertaken in 2019, which includes a relocated and significantly enhanced entrance foyer, newly activated leasable areas, new mechanical services, improved amenities and refurbished office floors. Further, ANZ have signed a HoA to renew from January 2019 over at least 15,821 sqm for a further five years, which will provide a stable income stream for IOF while the building is repositioned; and
- 388 George Street, Sydney where IOF is planning a major refurbishment of the office tower when IAG depart at the end of their lease 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. Development approval has been granted for the office tower upgrade which includes activation of five office atriums, new end of trip facilities and a full mechanical upgrade. The marketing campaign for the lease of the building is well underway.

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 weighted average lease expiry (WALE) of 11.5 years and 100% occupancy. The Brisbane portfolio, representing 15% of the portfolio by value, continues to benefit from strengthening investment demand and improving office market conditions with occupancy at 92%.

IOF's two Perth assets represent 4% of the total portfolio, with a WALE of 5.8 years and occupancy of 89%. Perth's office market is seeing signs of improvement with improved sentiment in the resources sector.

Property valuations

In accordance with IOF's valuation policy, independent external valuations were obtained for five of IOF's assets located in Sydney and Brisbane, reflecting 23% of the portfolio by book value. This resulted in an increase of $80.8 million, or 9.0% over book value for these properties and a 2.1% increase in IOF's 31 December 2017 total portfolio value.

The weighted average capitalisation rate for the overall portfolio, excluding the Barrack Place, 151 Clarence Street, Sydney development, was 5.65% as at 31 December 2017 (30 June 2017: 5.74%).

The majority of the uplift was from the two Sydney CBD assets revalued: 6 O'Connell Street (+$37.0m, +16.4%) and Piccadilly Complex (+$22.3m, +7.6%), where strong market rent growth and capitalisation rate compression was experienced.

The remaining three assets revalued were in Brisbane: 140 Creek Street (+$12.9m, +5.7%), 295 Ann Street (+$7.3m, +5.4%) and 232 Adelaide Street (+$1.3m, +7.1%). These three assets which are collectively known as The Complex benefited from capitalisation rate compression resulting from continued demand for high quality, long leased assets.

Directors' Report (continued)

Other matters occurring during the reporting period

On-market buy-back of securities

On 24 August 2017, IOF announced an on-market buy-back of up to 5% of ordinary securities on issue to be purchased only where doing so is accretive to earnings per security and net tangible assets, while also preserving sufficient capacity to fund other capital requirements. As at 31 December 2017, IOF had undertaken an on-market buy-back of 15.6 million securities being 2.5% of the 614.0 million securities on issue as at 30 June 2017. These securities were purchased at a total cost of $70.1 million equating to an average price of $4.48 per security.

ICPF acquires additional securities

On 4 October 2017 it was announced that ICPF, a related party of IOF, acquired 59.3 million units in IOF. The stake was acquired as part of a full sell down by Cromwell Property Group (CMW) of its 60.4 million units in IOF. Following this acquisition, in addition to other purchases of IOF units made by ICPF and post the impact of the on-market buy-back, ICPF's holding in IOF increased from 9.391% at 30 June 2017 to 19.997% at 31 December 2017.

Trailing fees

Macquarie Capital (Australia) Limited (Macquarie) were engaged to advise and assist as part of the proposal for IOF to acquire a 50% interest in the Management Platform (Joint Venture mandate), which was considered by unitholders in the financial year ending 30 June 2017 and separately in light of the corporate activity involving Cromwell Property Group (Control mandate).

The mandates for Macquarie requires trailing fees of $9.96 million (0.25% of IOF's most recently published Gross Assets) to be payable if there is a control transaction in relation to IOF or $0.75 million to be payable, following a transaction by IOF resulting in the acquisition of a joint venture interest in the Management Platform (including internalisation), within 12 months of the mandates being terminated.

The Control mandate and Joint Venture mandate with Macquarie were terminated in October 2017 and June 2017 respectively.

Events occurring after the reporting period

In February 2018 IOF entered into two new bank debt facilities totalling $150 million, each with a facility limit of $75 million. One of the new facilities was utilised immediately to early repay and cancel IOF's $66 million debt facility due to expire in July 2018.

The Directors of the Responsible Entity are not aware of any 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' Report (continued)

Directors

The following persons were Directors of ILFML during the period 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
Gai McGrath	Independent Non-Executive Director (appointed 17 October 2017)

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.

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 10.

Rounding of amounts

The Trusts are entities 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.

R Seidler AM
Acting Chairman
Sydney
20 February 2018

Auditor's Independence Declaration

As lead auditor for the review of Investa Office Fund and Prime Credit Property Trust for the half-year ended 31 December 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 review; and

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

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

Ashley Wood

A S Wood

Partner
PricewaterhouseCoopers

Sydney
20 February 2018

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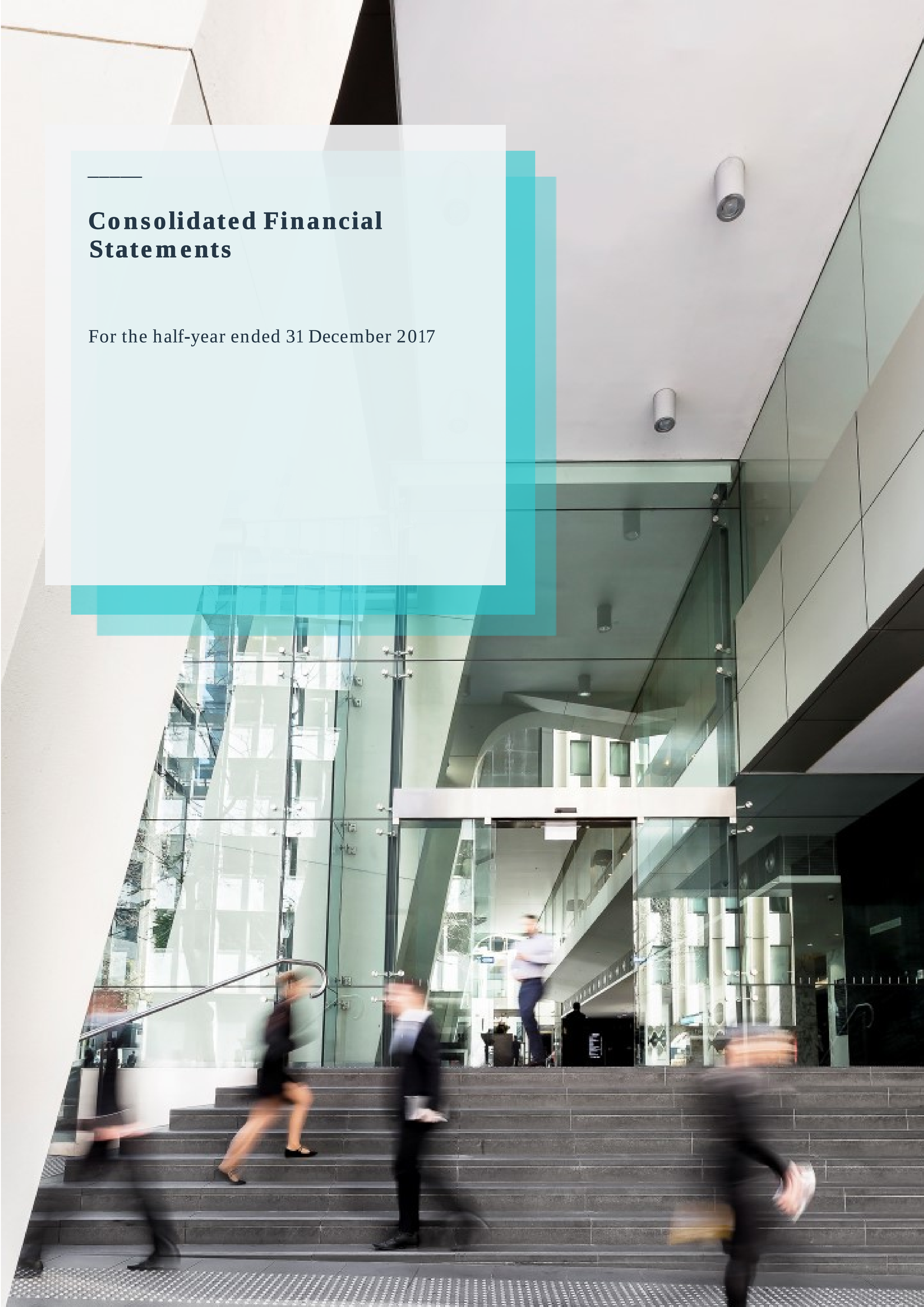
Consolidated Financial Statements

For the half-year ended 31 December 2017



Consolidated Statements of Comprehensive Income

For the half-year ended 31 December 2017

	Note	IOF 31 Dec 2017 $m	IOF 31 Dec 2016 $m	PCP 31 Dec 2017 $m	PCP 31 Dec 2016 $m
Revenue					
Property revenue		98.0	106.5	31.7	42.9
Interest income		0.1	0.1	0.1	-
		98.1	**106.6**	**31.8**	**42.9**
Other income					
Net gain on change in fair value of:					
Investment properties	C1	86.6	167.9	22.7	87.2
Share of net profit of equity accounted investments	C2	22.2	30.3	22.2	30.3
Net foreign exchange gain		5.7	-	2.1	-
Expenses					
Property expenses		(24.8)	(25.6)	(8.8)	(10.1)
Net loss on change in fair value of:					
Derivative financial instruments		(10.7)	(15.3)	(3.9)	(5.0)
Finance costs		(17.3)	(19.9)	(4.6)	(7.0)
Responsible Entity's fees		(7.3)	(6.6)	(4.0)	(3.8)
Other expenses		(1.3)	(1.3)	(0.6)	(0.6)
Net loss on disposal of assets		-	(0.2)	-	(0.2)
Net foreign exchange loss		-	(11.9)	-	(4.3)
Profit before income tax		**151.2**	**224.0**	**56.9**	**129.4**
Income tax		-	-	-	-
Net profit for the half-year		**151.2**	**224.0**	**56.9**	**129.4**
Other comprehensive income for the half-year		-	-	-	-
Total comprehensive income for the half-year		**151.2**	**224.0**	**56.9**	**129.4**
Attributable to unitholders of:					
AJO		94.3	94.6	-	-
PCP		56.9	129.4	56.9	129.4
		151.2	**224.0**	**56.9**	**129.4**
Distributions and earnings per unit					
Distributions per unit (cents)	B3	10.15	10.00	3.15	5.00
Basic and diluted earnings per unit from net profit					
Per stapled unit (cents)	B2	25.0	36.5	na	na
Per unit of AJO (cents)	B2	15.6	15.4	na	na
Per unit of PCP (cents)		9.4	21.1	9.4	21.1

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

Consolidated Statements of Financial Position

As at 31 December 2017

	Note	IOF 31 Dec 2017 $m	IOF 30 June 2017 $m	PCP 31 Dec 2017 $m	PCP 30 June 2017 $m
Current assets					
Cash and cash equivalents		4.3	4.0	1.7	1.5
Receivables		16.9	8.1	6.1	4.2
Derivative financial instruments	D2	-	0.9	-	-
		21.2	13.0	7.8	5.7
Non-current assets					
Investment properties	C1	3,094.4	2,973.2	1,094.1	1,036.1
Investments accounted for using the equity method	C2	870.3	848.6	870.3	848.6
Derivative financial instruments	D2	77.8	88.2	35.0	38.6
		4,042.5	3,910.0	1,999.4	1,923.3
Total assets		**4,063.7**	**3,923.0**	**2,007.2**	**1,929.0**
Current liabilities					
Payables		24.9	24.2	6.8	8.2
Distribution payable	B3	60.8	62.6	18.9	35.0
Derivative financial instruments	D2	1.1	1.7	0.1	-
Borrowings	D1	60.0	125.0	16.0	-
		146.8	213.5	41.8	43.2
Non-current liabilities					
Borrowings	D1	949.3	762.2	355.9	276.2
Derivative financial instruments	D2	3.4	3.4	1.0	0.8
		952.7	765.6	356.9	277.0
Total liabilities		**1,099.5**	**979.1**	**398.7**	**320.2**
Net assets		**2,964.2**	**2,943.9**	**1,608.5**	**1,608.8**
Equity					
Contributed equity	D4	2,072.2	2,142.3	1,155.5	1,193.8
Retained earnings		892.0	801.6	453.0	415.0
Total equity		**2,964.2**	**2,943.9**	**1,608.5**	**1,608.8**
Attributable to unitholders of:					
AJO:					
Contributed equity	D4	916.7	948.5	-	-
Retained earnings		439.0	386.6	-	-
		1,355.7	1,335.1	-	-
PCP		1,608.5	1,608.8	1,608.5	1,608.8
Total equity		**2,964.2**	**2,943.9**	**1,608.5**	**1,608.8**

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

Consolidated Statements of Changes in Equity

For the half-year ended 31 December 2017

		Attributable to unitholders of IOF		
	Note	Contributed equity $m	Retained earnings $m	Total equity $m
Balance at 1 July 2016		2,142.3	454.0	2,596.3
Net profit for the half-year		-	224.0	224.0
Other comprehensive income for the half-year		-	-	-
Total comprehensive income for the half-year		-	224.0	224.0
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	B3	-	(61.4)	(61.4)
Balance at 31 December 2016		2,142.3	616.6	2,758.9
Balance at 1 July 2017		**2,142.3**	**801.6**	**2,943.9**
Net profit for the half-year		-	151.2	151.2
Other comprehensive income for the half-year		-	-	-
Total comprehensive income for the half-year		**-**	**151.2**	**151.2**
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	B3	-	(60.8)	(60.8)
Buy-back of securities	D4	(70.1)	-	(70.1)
Balance at 31 December 2017		**2,072.2**	**892.0**	**2,964.2**

		Attributable to unitholders of PCP		
	Note	Contributed equity $m	Retained earnings $m	Total equity $m
Balance at 1 July 2016		1,193.8	245.6	1,439.4
Net profit for the half-year		-	129.4	129.4
Other comprehensive income for the half-year		-	-	-
Total comprehensive income for the half-year		-	129.4	129.4
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	B3	-	(30.7)	(30.7)
Balance at 31 December 2016		1,193.8	344.3	1,538.1
Balance at 1 July 2017		**1,193.8**	**415.0**	**1,608.8**
Net profit for the half-year		-	56.9	56.9
Other comprehensive income for the half-year		-	-	-
Total comprehensive income for the half-year		**-**	**56.9**	**56.9**
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	B3	-	(18.9)	(18.9)
Buy-back of securities	D4	(38.3)	-	(38.3)
Balance at 31 December 2017		**1,155.5**	**453.0**	**1,608.5**

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

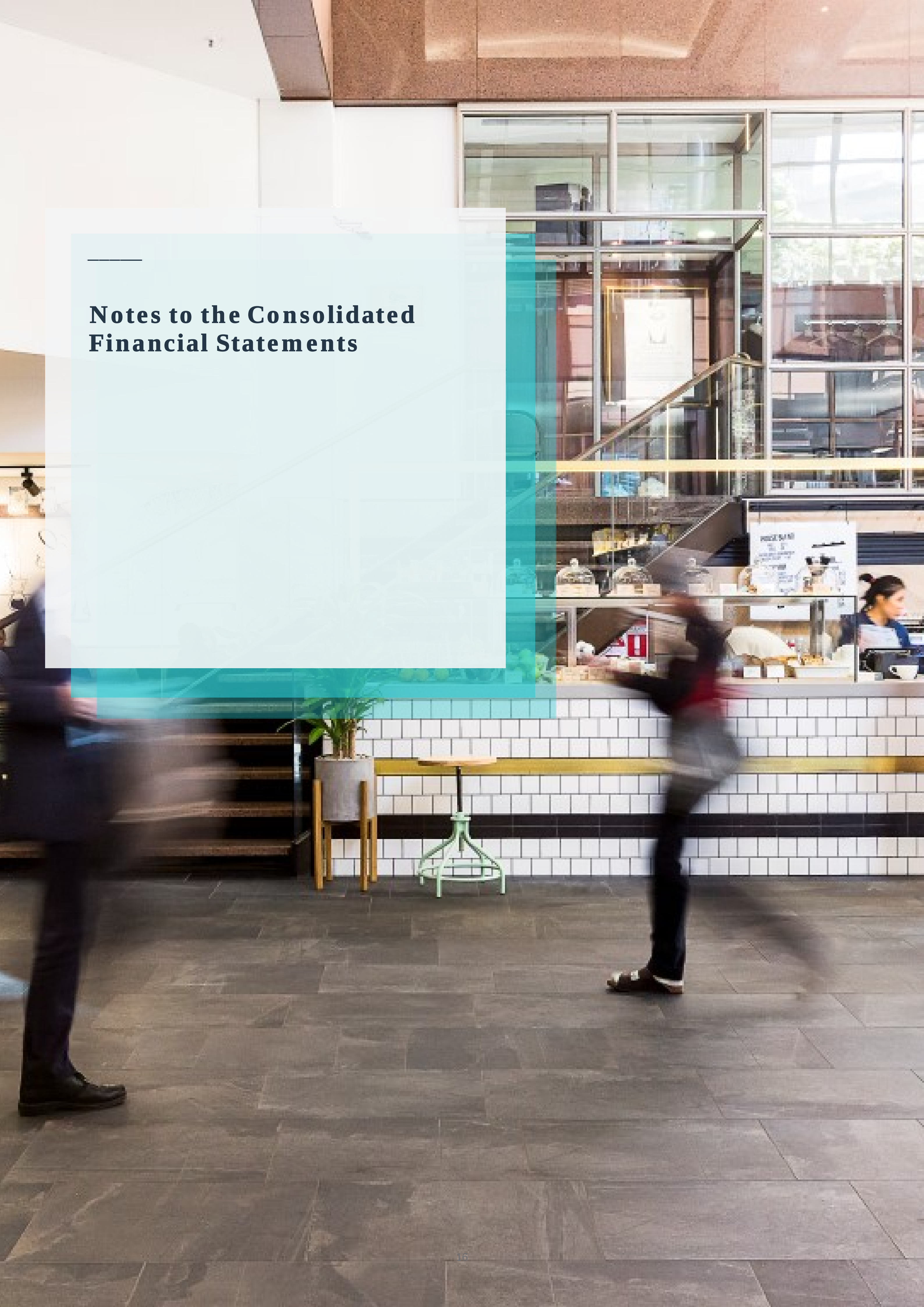
Consolidated Statements of Cash Flows

For the half-year ended 31 December 2017

		IOF		PCP	
	Note	31 Dec 2017 $m	31 Dec 2016 $m	31 Dec 2017 $m	31 Dec 2016 $m
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		116.7	126.6	37.0	46.9
Payments to suppliers (inclusive of GST)		(45.3)	(45.2)	(17.5)	(18.7)
Distributions received from equity accounted investments		0.5	18.5	0.5	18.5
Interest received		0.1	0.1	0.1	-
Finance costs paid		(19.2)	(20.2)	(5.7)	(7.3)
Net cash inflow from operating activities		**52.8**	**79.8**	**14.4**	**39.4**
Cash flows from investing activities					
Payments for investment properties		(47.9)	(28.6)	(38.9)	(18.4)
Payments on disposal of assets		-	(0.2)	-	(0.2)
Net cash outflow from investing activities		**(47.9)**	**(28.8)**	**(38.9)**	**(18.6)**
Cash flows from financing activities					
Distributions paid to unitholders		(62.6)	(60.2)	(35.0)	(37.5)
Payments for buy-back of securities	D4	(70.1)	-	(38.3)	-
Proceeds from borrowings		371.0	409.0	121.0	246.0
Repayments of borrowings		(243.0)	(397.0)	(23.0)	(229.0)
Net cash (outflow) / inflow from financing activities		**(4.7)**	**(48.2)**	**24.7**	**(20.5)**
Net increase in cash and cash equivalents		**0.2**	**2.8**	**0.2**	**0.3**
Cash and cash equivalents at the beginning of the half-year		4.0	2.1	1.5	1.4
Effects of exchange rate changes on cash and cash equivalents		0.1	-	-	-
Cash and cash equivalents at the end of the half-year		**4.3**	**4.9**	**1.7**	**1.7**

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. This Interim Financial Report does not include all the notes included in an Annual Financial Report. Accordingly, this report should be read in conjunction with the Annual Financial Report for the year ended 30 June 2017 as well as any public announcements made by IOF during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 referred to as the Trusts). AJO Trust and its controlled entities form a group collectively referred to 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 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 Financial Report includes the financial reports of IOF and PCP.

As permitted by Class Order 13/1050, this 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 31 December 2017 due to the provision for distribution, payables, current debt and maintaining minimal cash and cash equivalents. IOF and PCP have the ability to settle payables and pay the distribution on 28 February 2018 using sufficient undrawn debt facilities. IOF has the capacity to refinance or repay current debt with undrawn debt facilities 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.

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 Financial Report for issue and have the power to amend and reissue the Financial Report.

The accounting policies are consistent with those of the previous financial year and corresponding interim period.

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 half-year ended 31 December 2017. PCP's Consolidated Financial Statements incorporate the assets, liabilities and results of PCP Trust and its subsidiaries as at, and for the half-year ended 31 December 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 half-year including segmental analysis.

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	
	31 Dec 2017	**31 Dec 2016**
	$m	**$m**
Net Property Income (NPI)	99.0	103.3
Interest income	0.2	0.1
Finance costs	(17.3)	(19.8)
Responsible Entity's fees	(7.3)	(6.6)
Net foreign exchange (loss)/gain	(0.2)	(0.3)
Other expenses	(1.2)	(1.3)
	73.2	**75.4**
Amortisation of lease incentives	19.7	15.9
FFO	**92.9**	**91.3**
FFO per unit (cents)	**15.3**	**14.9**

B1 Segment information (continued)

	Note	IOF 31 Dec 2017 $m	IOF 31 Dec 2016 $m
FFO		92.9	91.3
Net gain/(loss) on change in fair value of:			
Investment properties	C1	86.6	167.9
Equity accounted investments		-	8.1
Derivative financial instruments[1]		(10.7)	(15.3)
Net foreign exchange gain/(loss)[2]		5.7	(11.6)
Amortisation of lease incentives		(19.7)	(15.9)
Straight-lining of rental income	C1	(5.8)	(2.0)
Other items		2.2	1.5
Net profit attributable to unitholders		**151.2**	**224.0**

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 period end.

B2 Earnings per unit

Earnings per unit is a measure to compare IOF's and PCP'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 31 Dec 2017	IOF 31 Dec 2016
Per stapled unit		
Weighted average number of units outstanding (thousands)	605,691	614,047
Net profit attributable to unitholders ($ millions)	151.2	224.0
Basic and diluted earnings per unit (cents)	25.0	36.5

	AJO 31 Dec 2017	AJO 31 Dec 2016	PCP 31 Dec 2017	PCP 31 Dec 2016
Per unit of AJO and PCP				
Weighted average number of units outstanding (thousands)	605,691	614,047	605,691	614,047
Net profit attributable to unitholders ($ millions)	94.3	94.6	56.9	129.4
Basic and diluted earnings per unit (cents)	15.6	15.4	9.4	21.1

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 31 December 2017 is scheduled to be paid on 28 February 2018.

	IOF		PCP	
	31 Dec 2017 Cents	31 Dec 2016 Cents	31 Dec 2017 Cents	31 Dec 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	10.15	10.00	3.15	5.00
	10.15	**10.00**	**3.15**	**5.00**
	$m	**$m**	**$m**	**$m**
The total amounts of these distributions were:				
Half-year ended 31 December	60.8	61.4	18.9	30.7
Total distributions paid or payable	**60.8**	**61.4**	**18.9**	**30.7**

C. Investment properties and equity accounted investments

This section includes detailed information regarding IOF's and PCP's investment properties 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 31 December 2017, IOF owned or held an interest in 20 office properties across Australia. These are located in Sydney (seven properties), North Sydney (three properties), Brisbane (five properties), Melbourne (two properties), Perth (two properties) and Canberra (one property), comprising:

- 14 wholly owned properties;
- Three properties owned 50% jointly operated with external parties; and
- Three properties held through investments in joint venture entities accounted for using the equity method of accounting (see section C2). 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 half-year

Developments

The development for Barrack Place, 151 Clarence Street, Sydney remains on target to achieve practical completion in October 2018. Construction of the tower is well underway with the slab for level 10 poured in January 2018. The building is currently 57% leased with an Agreement for Lease being signed with Pfizer Australia Pty Limited across 4,640 sqm in December 2017.

Acquisitions and disposals

There were no property acquisitions or disposals during the period.

Investment property portfolio summary

	IOF		PCP	
Investment properties held through:	**31 Dec 2017 $m**	**30 June 2017 $m**	**31 Dec 2017 $m**	**30 June 2017 $m**
Direct ownership interests	3,094.4	2,973.2	1,094.1	1,036.1
Equity accounted investments	872.7	851.1	872.7	851.1
Total portfolio	**3,967.1**	**3,824.3**	**1,966.8**	**1,887.2**

C1 Investment properties (continued)

Investment property portfolio details

	Ownership %	Independent valuation date	Independent cap rate %	Independent discount rate %	Independent valuation $m	Book value 31 Dec 2017 $m	Book value 30 Jun 2017 $m
AJO							
10-20 Bond St Sydney NSW	50%	Apr 17	5.27	6.77	284.5	283.7	284.4
388 George St Sydney NSW	50%	Apr 17	5.38	7.00	229.5	230.6	229.8
347 Kent St Sydney NSW	100%	Apr 17	5.63	7.00	292.0	293.7	292.2
99 Walker St North Sydney NSW	100%	Apr 17	5.75	7.00	245.0	244.3	244.9
Piccadilly Complex Sydney NSW	50%	Dec 17	5.25-6.32	6.50-7.50	317.0	317.0	295.0
6 O'Connell St Sydney NSW	100%	Dec 17	5.13	6.75	262.0	262.0	223.5
239 George St Brisbane QLD	100%	Apr 17	7.00	7.75	131.0	133.4	131.6
15 Adelaide St Brisbane QLD	100%	Apr 17	7.88	8.25	59.8	59.9	59.8
836 Wellington St Perth WA	100%	Apr 17	6.50	7.50	75.0	75.9	75.0
16-18 Mort St Canberra ACT	100%	Apr 17	5.85	7.50	101.3	99.8	100.9
Total AJO portfolio			**5.79**	**7.10**	**1,997.1**	**2,000.3**	**1,937.1**
PCP							
126 Phillip St Sydney NSW(1)	25%	Apr 17	4.75	6.50	248.8	252.9	250.4
151 Clarence St Sydney NSW(2)	100%	Apr 17	5.25	7.25	156.5	189.2	161.9
105-151 Miller St North Sydney NSW	100%	Apr 17	6.25	7.25	230.0	230.2	230.0
111 Pacific Hwy North Sydney NSW	100%	Apr 17	6.13	7.25	208.0	210.4	208.3
295 Ann St Brisbane QLD	100%	Dec 17	6.25	7.25	141.8	141.8	131.7
232 Adelaide St Brisbane QLD	100%	Dec 17	7.00	7.50	20.0	20.0	18.7
140 Creek St Brisbane QLD	100%	Dec 17	6.00	6.75	237.5	237.5	221.1
567 Collins St Melbourne VIC(1)	50%	Apr 17	5.00	6.75	320.0	321.9	321.4
242 Exhibition St Melbourne VIC(1)	50%	Apr 17	5.00	6.75	275.0	297.9	279.3
66 St Georges Tce Perth WA	100%	Apr 17	7.50	8.00	64.5	65.0	64.4
Total PCP portfolio			**5.68**	**7.00**	**1,902.1**	**1,966.8**	**1,887.2**
Total IOF portfolio			**5.74**	**7.05**	**3,899.2**	**3,967.1**	**3,824.3**

1. Held by equity accounted investments. Refer to section C2.
2. Barrack Place, 151 Clarence Street, Sydney is under development. The valuation metrics are on an as complete basis.

C1 Investment properties (continued)

Movements of direct ownership interests

	IOF		PCP	
	31 Dec 2017 $m	30 June 2017 $m	31 Dec 2017 $m	30 June 2017 $m
Carrying amount at beginning of the period	2,973.2	2,823.4	1,036.1	1,078.1
Additions to existing investment properties	56.6	67.5	41.8	42.5
Additions - interest capitalised	0.9	0.8	0.9	0.8
Disposals	-	(211.1)	-	(211.1)
Amortisation of lease incentives and leasing fees	(17.1)	(31.8)	(7.0)	(13.2)
Straight-lining of rental income	(5.8)	(3.8)	(1.3)	4.2
Net change in fair value	86.6	328.2	23.6	134.8
Carrying amount at the end of the period	**3,094.4**	**2,973.2**	**1,094.1**	**1,036.1**

At 31 December 2017 and 30 June 2017 there were no investment properties pledged as security by IOF.

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.

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 D3) where the valuation technique is based on unobservable inputs.

C2 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	
		31 Dec 2017	30 June 2017	31 Dec 2017 $m	30 June 2017 $m
IOF					
IOF Finance Pty Ltd[1]	-	50%	50%	-	-
PCP					
242 Exhibition Street Trust	242 Exhibition St, Melbourne	50%	50%	296.7	278.8
Phillip Street Trust	126 Phillip St, Sydney	25%	25%	137.9	136.0
Macquarie Street Trust	126 Phillip St, Sydney	25%	25%	114.5	113.0
567 Collins Street Trust	567 Collins St, Melbourne	50%	50%	321.2	320.8
IOF Finance Pty Ltd[1]	-	50%	50%	-	-
Total				**870.3**	**848.6**

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

The following table reconciles the total net profit and net assets of the joint venture entities accounted for using the equity method of accounting to IOF's and PCP's share.

	IOF & PCP	
	31 Dec 2017 $m	31 Dec 2016 $m
Net profit for the year (at 100%)	54.3	70.9
Less profit attributable to outside ownership interests	(32.1)	(40.6)
Share of net profit after income tax	**22.2**	**30.3**

	IOF & PCP	
	31 Dec 2017 $m	30 June 2017 $m
Net assets (at 100%)	2,171.5	2,171.5
Less profit attributable to outside ownership interests	(1,332.7)	(1,332.7)
Share of net assets	**838.8**	**838.8**
Add provisions for unpaid distributions (at share)	31.5	9.8
Investment balance at the end of the year	**870.3**	**848.6**

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 annual 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.

D. Capital structure

IOF and PCP aim 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 capital structure of IOF and PCP.

D1 Borrowings

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

	IOF		PCP	
	31 Dec 2017 $m	**30 June 2017 $m**	**31 Dec 2017 $m**	**30 June 2017 $m**
Current liabilities – unsecured				
Bank debt (AUD)	60.0	-	16.0	-
MTN (AUD)	-	125.0	-	-
	60.0	**125.0**	**16.0**	**-**
Non-current liabilities – unsecured				
Bank debt (AUD)	386.0	193.0	197.0	115.0
MTN (AUD)	150.0	150.0	-	-
USPP (USD)	416.7	422.5	160.3	162.5
	952.7	765.5	357.3	277.5
Capitalised commitments and upfront fees	(3.4)	(3.3)	(1.4)	(1.3)
	949.3	**762.2**	**355.9**	**276.2**
Total borrowings	**1,009.3**	**887.2**	**371.9**	**276.2**

Specific maturities and key movements in the half-year and up to the date of this report

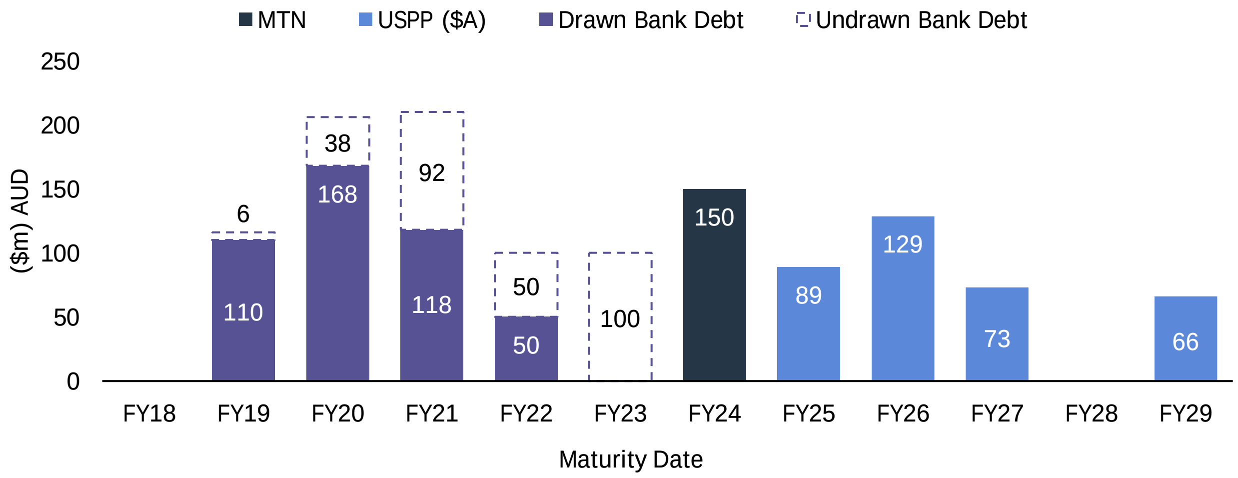
In November 2017, IOF and PCP entered new bank debt facility agreements totalling $150 million with maturity dates of December 2021 for a $50 million tranche and November 2022 for a $100 million tranche.

The $125 million MTNs classified as current liabilities at 30 June 2017 were repaid in full in November 2017.

The $66 million bank debt facility (of which $60 million was drawn at 31 December 2017) disclosed as a current liability as at 31 December 2017 is due to mature in July 2018. In February 2018 the $66 million bank debt facility was repaid and cancelled, refer to section E4.

D1 Borrowings (continued)

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 period 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.



The value of the USPPs in the above table reflects the AUD value at inception.

The carrying value and fair value of borrowings as at 31 December 2017 is disclosed in section D3.

D2 Derivative financial instruments

IOF and PCP use 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 and PCP'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 and PCP'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 D3.

D2 Derivative financial instruments (continued)

	IOF		PCP	
	31 Dec 2017 $m	30 June 2017 $m	31 Dec 2017 $m	30 June 2017 $m
Current assets				
Interest rate derivative contracts	-	0.9	-	-
	-	**0.9**	**-**	**-**
Non-current assets				
Cross currency swap contracts	74.0	84.1	33.0	36.5
Interest rate derivative contracts	3.8	4.1	2.0	2.1
	77.8	**88.2**	**35.0**	**38.6**
Current liabilities				
Interest rate derivative contracts	1.1	1.7	0.1	-
	1.1	**1.7**	**0.1**	**-**
Non-current liabilities				
Interest rate derivative contracts	3.4	3.4	1.0	0.8
	3.4	**3.4**	**1.0**	**0.8**

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.

D3 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 the reporting date.

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 half-year ended 31 December 2017 and the year ended 30 June 2017.

D3 Fair value measurement of financial instruments, other assets and liabilities (continued)

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 31 Dec 2017 $m	Fair value 31 Dec 2017 $m	Carrying amount 30 June 2017 $m	Fair value 30 June 2017 $m	Carrying amount 31 Dec 2017 $m	Fair value 31 Dec 2017 $m	Carrying amount 30 June 2017 $m	Fair value 30 June 2017 $m
Non-current liabilities								
Borrowings – MTN	150.0	152.8	150.0	149.6	-	-	-	-
Borrowings – USPP	416.7	447.0	422.5	451.9	160.3	170.4	162.5	173.5
	566.7	**599.8**	**572.5**	**601.5**	**160.3**	**170.4**	**162.5**	**173.5**

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 half-year ended 31 December 2017, the borrowing rates were determined to be between 4.0% and 4.3% (30 June 2017: 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.

D4 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 period.

Carrying amounts

	IOF		PCP	
	31 Dec 2017 $m	30 June 2017 $m	31 Dec 2017 $m	30 June 2017 $m
Balance at the beginning of the period	2,142.3	2,142.3	1,193.8	1,193.8
Buy-back of securities	(70.1)	-	(38.3)	-
Balance at the end of the period	2,072.2	2,142.3	1,155.5	1,193.8
The balance at the end of the period is attributable to the unitholders of:				
AJO	916.7	948.5	-	-
PCP	1,155.5	1,193.8	1,155.5	1,193.8
	2,072.2	**2,142.3**	**1,155.5**	**1,193.8**

D4 Contributed equity (continued)

Number of issued units

	IOF		PCP	
	31 Dec 2017 000's	30 June 2017 000's	31 Dec 2017 000's	30 June 2017 000's
Balance at the beginning of the period	614,047	614,047	614,047	614,047
Buy-back of securities	(15,628)	-	(15,628)	-
Balance at the end of the period	598,419	614,047	598,419	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.

On-market buy-back of securities

On 24 August 2017, IOF announced an on-market buy-back of up to 5% of ordinary securities on issue to be purchased only where doing so is accretive to earnings per security and net tangible assets, while also preserving sufficient capacity to fund other capital requirements. As at 31 December 2017, IOF had undertaken an on-market buy-back of 15.6 million securities being 2.5% of the 614.0 million securities on issue as at 30 June 2017. These securities were purchased at a total cost of $70.1 million equating to an average price of $4.48 per security.

E. Other information

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

E1 Related parties

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

ICPF acquires additional securities

On 4 October 2017 it was announced that ICPF, a related party of IOF, acquired 59.3 million units in IOF. The stake was acquired as part of a full sell down by Cromwell Property Group (CMW) of its 60.4 million units in IOF. Following this acquisition, in addition to other purchases of IOF units made by ICPF and post the impact of the on-market buy-back, ICPF's holding in IOF increased from 9.391% at 30 June 2017 to 19.997% at 31 December 2017.

31 December 2017			Distributions received / receivable	
Name	Number of units held 000's	Percentage of IOF units (%)	IOF $'000	PCP $'000
Investa Commercial Property Fund	119,667	19.997	18,028	7,057

E1 Related parties (continued)

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	9.391	11,370	6,031

E2 New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 December 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 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; and • 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 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 principally comprises property revenue which will continue to be recognised on a straight-line basis over the lease term.
AASB 16 ***Leases*** (effective for IOF and PCP for the accounting period starting 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.

E3 Other matters occurring during the reporting period

Trailing fees

Macquarie Capital (Australia) Limited (Macquarie) were engaged to advise and assist as part of the proposal for IOF to acquire a 50% interest in the Management Platform (Joint Venture mandate), which was considered by unitholders in the financial year ending 30 June 2017 and separately in light of the corporate activity involving Cromwell Property Group (Control mandate).

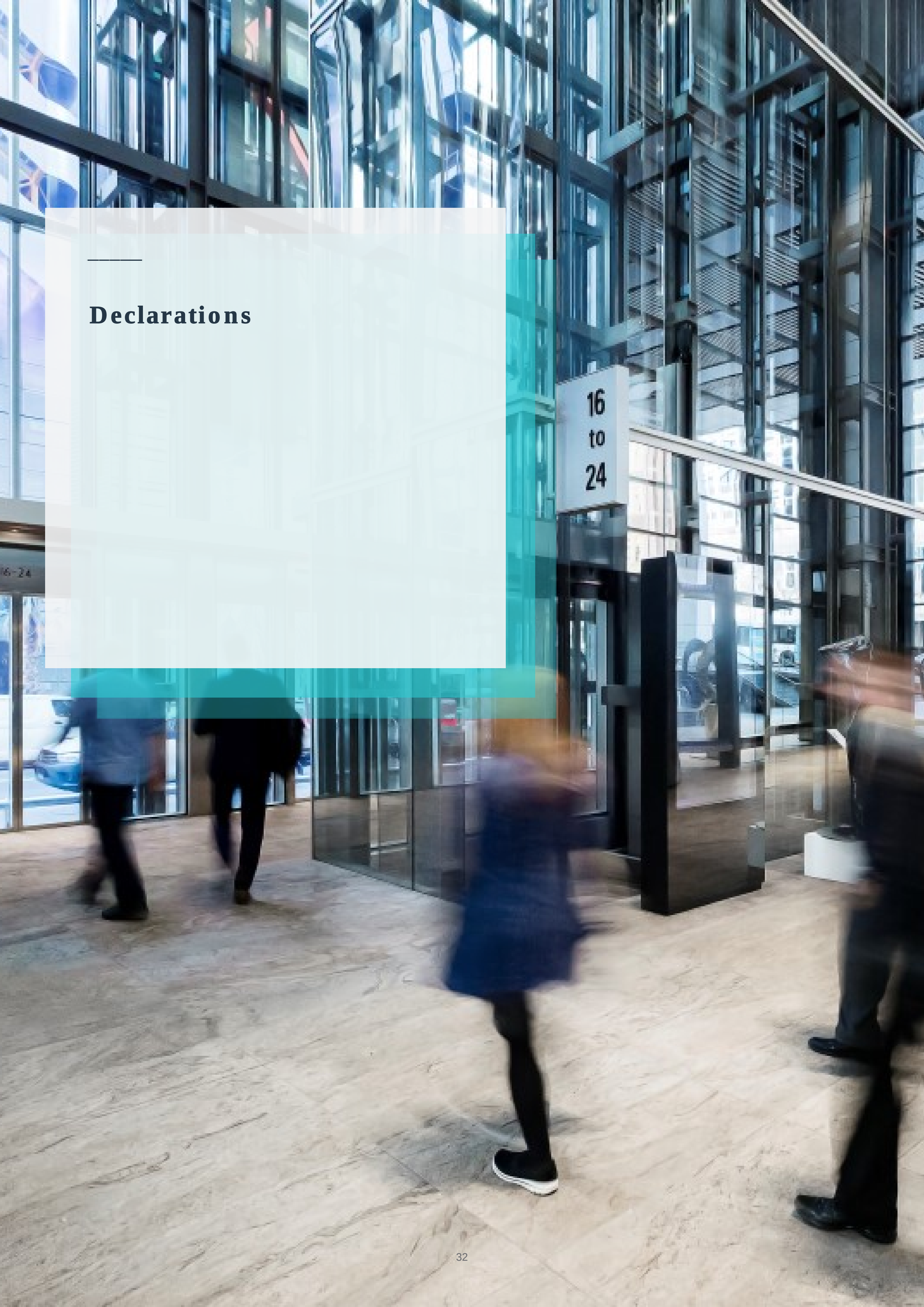
The mandates for Macquarie requires trailing fees of $9.96 million (0.25% of IOF's most recently published Gross Assets) to be payable if there is a control transaction in relation to IOF or $0.75 million to be payable, following a transaction by IOF resulting in the acquisition of a joint venture interest in the Management Platform (including internalisation), within 12 months of the mandates being terminated.

The Control mandate and Joint Venture mandate with Macquarie were terminated in October 2017 and June 2017 respectively.

E4 Events occurring after the reporting period

In February 2018 IOF entered into two new bank debt facilities totalling $150 million, each with a facility limit of $75 million. One of the new facilities was utilised immediately to early repay and cancel IOF's $66 million debt facility due to expire in July 2018.

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 11 to 31 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 31 December 2017 and of their performance for the half-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 half-year ended 31 December 2017.

R Seidler AM
Acting Chairman
Sydney
20 February 2018

Independent auditor's review reports to the stapled security holders of Investa Office Fund and the unitholders of Prime Credit Property Trust

Report on the Half-Year Financial Reports

We have reviewed the accompanying half-year financial reports which comprise:

- the Consolidated Statements of Financial Position as at 31 December 2017, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Investa Office Fund being the consolidated stapled entity ("Investa Office Fund"). The consolidated entity, as described in Note A to the half-year financial report, comprises Armstrong Jones Office Fund and the entities it controlled during that half-year, and Prime Credit Property Trust and the entities it controlled during that half-year, and;

- the Consolidated Statements of Financial Position as at 31 December 2017, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Prime Credit Property Trust ("Prime Credit Property Trust") and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial reports

The directors of Investa Listed Funds Management Limited, the responsible entity of Armstrong Jones Office Fund and Prime Credit Property Trust (collectively referred to as "the directors") are responsible for the preparation of the half-year 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 determine is necessary to enable the preparation of the half-year financial reports that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial reports are not in accordance with the *Corporations Act 2001* including giving a true and fair view of Investa Office Fund and Prime Credit Property Trust's financial positions as at 31 December 2017 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Investa Office Fund and Prime Credit Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial reports.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial reports of Investa Office Fund and Prime Credit Property Trust are not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of Investa Office Fund and Prime Credit Property Trust's financial position as at 31 December 2017 and of their performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ashley Wood

A S Wood
Partner

Sydney
20 February 2018