investa

ASX Announcement

8.08.18

Investa Office Fund (ASX:IOF)

Full Year 2018 Financial Results

Investa Office Fund (ASX:IOF) today releases its financial results for the year ended 30 June 2018.

The financial results pack includes:

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

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 $4.4 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

Penny Ransom
Fund Manager
Investa Office Fund
T +61 2 8226 9405
M +61 434 561 592
pransom@investa.com.au

Michael Scott
Investor Relations Manager
Investa Office Fund
T +61 2 8226 9313
M +61 452 383 821
mscott@investa.com.au

Media Enquiries

Peter Brookes
Citadel-MAGNUS
M +61 407 911 389
pbrookes@citadelmagnus.com

Appendix 4E

Preliminary Final Report
Year ended 30 June 2018

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 2017
Revenues from ordinary activities	down 4.7% to $200.1m
Profit from ordinary activities after tax attributable to members	up 10.6% to $521.6m
Net profit for the period attributable to members	up 10.6% to $521.6m
Property Council FFO[(i)]	up 0.8% to $184.0m

	30 June 2018	**30 June 2017**
Net tangible assets per unit	$5.47	$4.79

(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 2017 (Paid 28 February 2018)	10.15	60.7
Final – 30 June 2018 (Scheduled to be paid on 27 August 2018)	10.15	60.7
Total	20.3	121.4
Previous corresponding period (30 June 2017)	20.2	124.0
Record date for determining entitlements to the final distribution	29 June 2018	

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

Andrew Murray
Company Secretary

8 August 2018

Investa Office Fund
Annual Financial Report
30 June 2018

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.

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 8 August 2018. The Responsible Entity has the power to amend and reissue this financial report.

Directors' report

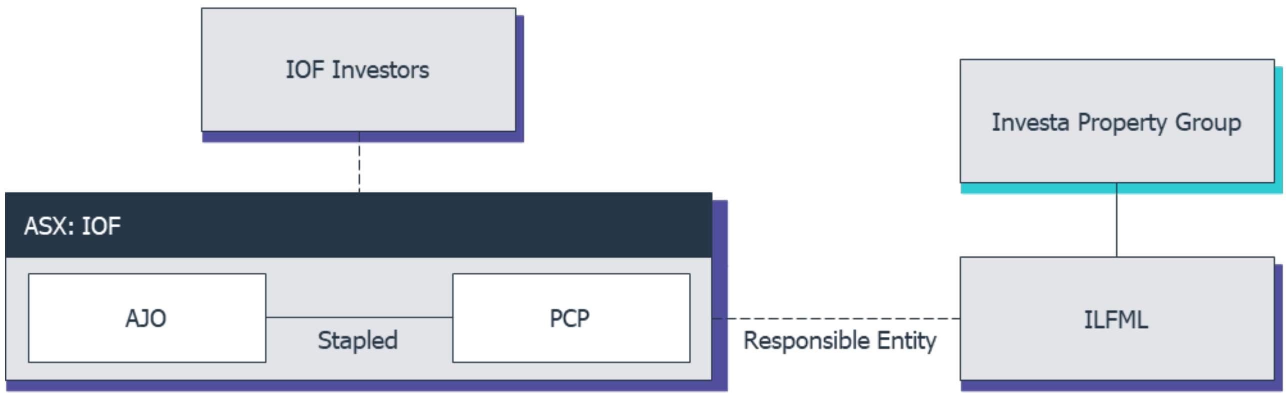
About Investa Office Fund

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 an 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 $4.4 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 of IOF for preparing Consolidated Financial Reports.

The Directors' Report is a combined 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 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.



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 4.9 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 net asset position as at 30 June 2018 and 30 June 2017 is set out below:

	IOF		PCP	
	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Net profit attributable to unitholders	521.6	471.6	245.2	235.1
Property Council Funds from Operations (FFO)	184.0	182.6	na	na
Per stapled unit:	Cents	Cents	Cents	Cents
Basic and diluted earnings per unit from net profit[(1)]	86.6	76.8	na	na
FFO per unit	30.6	29.7	na	na
Distributions per unit	20.3	20.2	6.5	10.7

1. The basic and diluted earnings per unit from net profit for AJO and PCP as at 30 June 2018 were 45.9 cents (30 June 2017: 38.5 cents) and 40.7 cents (30 June 2017: 38.3 cents) respectively.

IOF delivered a net profit attributable to unitholders for the year ended 30 June 2018 of $521.6 million, up 10.6% from the previous year. Basic and diluted earnings per stapled unit from net profit for the year ended 30 June 2018 were 86.6 cents, compared to 76.8 cents for the previous year. The increase was primarily due to the fair value gain of investment properties and derivatives being $45.9 million and $41.1 million higher than the previous year respectively. This was partially offset by the net foreign exchange loss of $17.6 million being incurred in the year as compared to a net gain of $14.9 million in the prior year.

Distributions per unit increased by 0.5% to 20.3 cents per unit ($121.5 million) from 20.2 cents per unit ($124.0 million) in the previous year. This includes 10.15 cents per unit ($60.7 million) in respect of the six months to 30 June 2018, which is expected to be paid on 27 August 2018.

FFO for the year ended 30 June 2018 increased by 0.8% to $184.0 million, mainly due to lower finance cost but partially offset by lower net property income (NPI) post the divestment of 383 La Trobe Street and 800 Toorak Road, Melbourne.

FFO for the year ended 30 June 2018 and 30 June 2017 has been calculated as follows:

	IOF	
	30 June 2018 $m	30 June 2017 $m
Net profit attributable to unitholders	521.6	471.6
Adjusted for:		
Net (gain)/loss on change in fair value of:		
Investments[(1)]	(409.8)	(360.4)
Derivatives[(2)]	6.4	47.5
Net foreign exchange (gain)/loss[(3)]	17.1	(15.1)
Amortisation of lease incentives	39.8	36.0
Straight-lining of rental income	10.6	3.8
Other	(1.7)	(0.8)
FFO	**184.0**	**182.6**

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 2018 and 30 June 2017 is set out below:

	IOF		PCP	
	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Total assets	4,451.9	3,923.0	2,235.3	1,929.0
Total liabilities	1,178.0	979.1	458.5	320.2
Net assets	**3,273.9**	**2,943.9**	**1,776.8**	**1,608.8**
Net tangible assets per unit (dollars)	**5.47**	**4.79**	**2.97**	**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.

Total assets increased by 13.5%, 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 year.

Total liabilities increased by 20.3%, predominantly due to increase in borrowings from bank debt.

Capital management

	IOF	
	30 June 2018	30 June 2017
Drawn debt ($m)	1,089.7	890.5
Drawn debt – USPP hedge rate ($m)[1]	1,008.0	826.0
Undrawn committed debt ($m)	316.0	389.0
Gearing ratio – look-through	23.0%	21.4%
Weighted average debt expiry	4.4 years	4.7 years
Weighted average amount of debt hedged[2]	77.9%	50.1%
Covenant gearing ratio	25.2%	25.1%
Interest coverage	4.9x	4.8x

1. Represents IOF's drawn debt, based on the foreign exchange hedge rate on the USPPs.
2. IOF was 74.4% hedged (including fixed debt) as at 30 June 2018 (30 June 2017: 90.8%).

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

a. 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 where beneficial to its effective capital management. As at 30 June 2018, IOF had bought back 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.

On 13 June 2018, IOF filed Appendix 3F (Final share buy-back notice) on ASX and announced that the on-market buy-back had been stopped following signing of the Scheme Implementation Agreement in relation to the Blackstone transaction.

Directors' Report (continued)

Financial performance and future outlook (continued)

Capital management (continued)

b. Debt management

- 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 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.

IOF's policy is to hedge forecast borrowings using interest rate derivatives, based on hedge ratio range limits. The table below outlines the hedge ratio range limits:

Years	Hedge ratio range limits (%)
1 – 3	50-80
4 – 5	20-60
>5	0-60

During the year ended 30 June 2018, the level of interest rate hedging was increased by $900 million of forward start interest rate derivatives. These interest rate derivatives have various start dates ranging from June 2019 to January 2024 and mitigate the impact of potential interest rate increases during this period.

Earnings guidance

IOF's 30 June 2019 forecast earnings guidance (based on FFO) is 29.2 cents per unit (30 June 2018 actual: 30.6 cents per unit) with a full year distribution of 20.3 cents per unit (30 June 2018 actual: 20.3 cents per unit). This guidance is subject to prevailing market conditions, no material changes to the portfolio and no capital transactions.

Property and investment portfolios

At 30 June 2018, IOF held interests in 20 investment properties located in the key central business districts of major Australian cities. The portfolio is valued at $4,356.4 million with a total net lettable area of 389,383 sqm at IOF's share.

Property portfolio

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

IOF completed 61,425 sqm of leasing across the portfolio, including:

- A five year renewal to ANZ Wealth Australia Limited (ANZ) over 17,143 sqm at 347 Kent Street, Sydney from the expiry of their lease in January 2019. This lease represents 68% of the building's office Net Lettable Area (NLA);
- Two significant leasing deals at IOF's development at Barrack Place, 151 Clarence Street, Sydney comprising Pfizer Australia Pty Limited (Pfizer) for 4,640 sqm for eight years from 1 December 2018 and Mills Oakley Lawyers Pty Ltd (Mills Oakley) for 5,673 sqm for 11 years from 1 January 2019;
- Re-leasing Broadspectrum's 6,337 sqm at 111 Pacific Highway, North Sydney to both Nokia for 4,880 sqm and NBN for 1,457 sqm with minimal downtime;
- A 10 year lease across 2,603 sqm at 567 Collins Street, Melbourne, with WorkSafe Victoria commencing in October 2018; and

Directors' Report (continued)

Property and investment portfolios (continued)

– A seven year lease over 3,535 sqm to the State of Queensland at 140 Creek Street, Brisbane.

IOF's portfolio continued to perform well over the year with occupancy remaining high at 97% (30 June 2017: 97%). Weighted average lease expiry (WALE) reduced slightly to 4.9 years (30 June 2017: 5.1 years) as the reduction in term on long dated lease expiries was offset by new leases signed during the year. The performance of the portfolio was predominantly driven by the Sydney leasing market where vacancy remains low.

Key metrics for the portfolio include:

	IOF	
Key metric	**30 June 2018**	**30 June 2017**
Occupancy	97%	97%
Tenant retention	76%	85%
Like-for-like net property income growth	2.1%	4.7%
Weighted average lease expiry	4.9 years	5.1 years

IOF's Sydney and North Sydney properties comprise 65% of the portfolio by value. Limited supply and consistent tenant demand, particularly from within the small business sector, has resulted in face rent growth and lower incentive levels, particularly in A and B grade properties.

The Sydney portfolio has three major projects currently underway or planned over the next 18 months. 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, 22,000 sqm building is progressing well. The new leases to Pfizer, Mills Oakley and retail tenancies increased the pre-commitment level to 84% as at 30 June 2018, up from 35% at 30 June 2017. The WALE of the pre-commitment leases is 9.6 years. Leasing of the building's remaining area including the retail component is well advanced, with commitments over 20% of the retail tenancies;
- 347 Kent Street, Sydney, circa 26,000 sqm A-grade tower currently leased to ANZ Wealth Australia Limited (ANZ) until 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 refurbishment includes a relocated and significantly enhanced entrance foyer, newly activated leasable areas, new mechanical services, improved amenities and refurbished office floors. During the year, ANZ signed a lease to renew over 68% of the office NLA for a further five years from January 2019. This renewal will provide a stable income stream for IOF while the building is repositioned. The remaining office space will be leased on the completion of upgrades, which will commence in January 2019 and is expected to take 9 to 12 months to complete;
- 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 circa 39,000 sqm A grade tower located in a prime position in the heart of Sydney's CBD. The office tower upgrade includes activation of five office atriums, new end of trip facilities and a full mechanical upgrade. The building refurbishment is expected to take approximately 18 months from 1 November 2018. A development application has also been submitted for the potential retail development of the King and George Street Forecourt. The leasing campaign for the building is progressing well.

The Melbourne portfolio comprises two high quality properties making up 15% of the overall portfolio by value. These are securely positioned with a long overall WALE of 11.1 years and 100% occupancy.

The Brisbane portfolio, representing 14% of the portfolio by value, continues to benefit from strengthening investment demand and improving office market conditions with occupancy at 94%.

Directors' Report (continued)

Property and investment portfolios (continued)

Property portfolio (continued)

IOF's two Perth assets represent 4% of the total portfolio, with a WALE of 6.4 years and occupancy of 80%. Post balance date IOF agreed terms for the sale of 836 Wellington Street in Perth at a 20% premium to 31 December 2017 book value. This follows the recent lease extension to the Federal Government to February 2027 and allows IOF to take advantage of strong demand for long leased assets with high quality covenants to crystallise value for unitholders.

Property valuations

There were two independent valuation programs undertaken during the year:

- At 31 December 2017, five properties were independently valued resulting in a valuation increase over book value of $80.8 million or 2.1% of total portfolio value. The five properties valued were 6 O'Connell Street and Piccadilly Complex in Sydney and 140 Creek Street, 295 Ann Street, and 232 Adelaide Street in Brisbane.
- At 31 May 2018, all 20 properties were independently valued resulting in a valuation increase over book value of $316.1 million or 7.9% of total portfolio value. This independent valuation of the entire portfolio was in response to the proposal from funds managed or advised by Blackstone Singapore Pte. Ltd. or its affiliates to acquire all of the units in IOF by way of trust scheme, as set out in the Process Deed dated 28 May 2018.

The total valuation increase over book value for the year was $396.9 million or 10.4% (30 June 2017: $343.9 million or 10.0%), with a weighted average capitalisation rate for the portfolio at 30 June 2018 of 5.5% (30 June 2017: 5.7%).

The strong valuation results were driven predominantly by the strength of the Sydney and North Sydney leasing and transaction markets, where IOF has a large exposure of 65%, significant leasing activity within the portfolio and substantial progression of the Barrack Place development at 151 Clarence Street, Sydney.

Highlights in the Sydney portfolio, which increased in value by $276.9 million or 16.0% over the period included:

- 151 Clarence Street, Sydney - $103.6 million uplift due to 84% of total NLA now committed (excluding Heads of Agreement) following the securing of Pfizer and Mills Oakley, the development entering the final stages of construction and positive market conditions;
- 347 Kent Street, Sydney - $54.4 million uplift with ANZ renewing their lease over 68% of total office NLA for 5 years from expiry in January 2019 and positive market conditions; and
- 10-20 Bond Street, Sydney - $25.7 million uplift due to positive market conditions since the asset was last independently valued in April 2017.

Highlights in the North Sydney portfolio, which increased in value by $50.7 million or 7.4% over the period included:

- 111 Pacific Highway, North Sydney - $24.7 million uplift with the completion of the lobby refurbishment in January 2018 and re-leasing of the expiring Broadspectrum space to Nokia and NBN with minimal downtime and attractive lease terms; and
- 99 Walker Street, North Sydney - $23.3 million uplift due to positive market conditions since the asset was last independently valued in April 2017.

IOF's properties in Melbourne increased in value by $30.6 million or 4.9%, supported by market rental growth, with capitalisation rates unchanged. The increase was driven by 242 Exhibition Street which increased by $21.5 million, and 567 Collins increased by $9.1 million over the year.

The Brisbane portfolio increased in value by $21.0 million (3.7%) reflecting market transactional evidence driving capitalisation rate compression.

Directors' Report (continued)

Property and investment portfolios (continued)

Property valuations (continued)

The Perth portfolio increased in value by $12.0 million (8.6%) due to an increase of $13.1 million or 17.3% at 836 Wellington Street reflecting strong interest in the asset since the asset divestment campaign began in the first half of 2018, offset by a decrease of $1.1 million for 66 St. Georges Terrace.

Other significant events occurring during the year

Blackstone transaction

ILFML, as Responsible Entity of IOF and Quartz BidCo Pty Ltd and Quartz Sub TC Pty Ltd as trustee of the Quartz Bid Trust (being entities affiliated with The Blackstone Group L.P.) (collectively, Blackstone) have entered into a binding Scheme Implementation Agreement (SIA) in relation to a trust scheme pursuant to which Blackstone would acquire all of the units in IOF (Scheme).

Under the Scheme, IOF unitholders will be entitled to $5.25 cash per unit reduced by any distributions declared or paid by IOF after 4 May 2018 and prior to completion of the Scheme. The Scheme represents an offer price of $5.1485 per unit once IOF's 30 June 2018 distribution is taken into account. This distribution is expected to be paid to IOF unitholders on 27 August 2018.

A Notice of Meeting and Explanatory Memorandum was released to the Australian Securities Exchange on 24 July 2018, with the Notice of Meeting and accompanying proxy form mailed to IOF unitholders on or around 27 July 2018. A meeting of IOF unitholders will be held on 21 August 2018 to consider the Scheme, with implementation scheduled to occur in early September 2018, conditional upon a number of matters set out in the SIA, including approvals by the requisite majorities of IOF unitholders and the judicial advice from the Court; no material adverse change, prescribed occurrence or breach of warranty in relation to IOF.

The SIA includes terms and conditions customary for a transaction of this nature, including exclusivity arrangements and provisions for payment of a break fee of $20 million to Blackstone in certain circumstances including where a competing transaction to the Blackstone Proposal is announced and completed within 12 months of the date of the SIA. In order for the Scheme to be implemented, IOF unitholders eligible to vote must approve each resolution at the meeting by the requisite majority, including the resolution to amend the IOF constitutions to effect the Scheme.

The Directors of ILFML have appointed KPMG Corporate Finance as the Independent Expert to provide an opinion on the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of IOF unitholders in the absence of a superior proposal. In arriving at this opinion, the Independent Expert assessed the Scheme to be not fair but reasonable.

The Directors have appointed J.P. Morgan Australia Limited (J.P. Morgan) as IOF's financial adviser in relation to the transaction with Blackstone. IOF will be required to pay a completion fee of $12.5 million to J.P Morgan upon implementation of the Scheme.

If the transaction with Blackstone is not completed, a fee of up to $12.5 million may be payable by IOF to J.P. Morgan under the terms of its mandate in certain circumstances if an alternative transaction is completed within 12 months after the date the mandate is terminated by ILFML.

Directors' Report (continued)

Events occurring after the reporting period

On 18 July 2018, IOF agreed terms for the sale of 836 Wellington St, Perth for $91.3 million. The sale is subject to the purchaser receiving FIRB approval and settlement is expected to take place in October 2018. The book value of 836 Wellington St, Perth as at 30 June 2018 reflects the agreed sale value.

On 27 July 2018, a Notice of Meeting and an Explanatory Memorandum, including the Independent Expert Report detailing the Blackstone proposal were sent to the IOF unitholders.

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
Gai McGrath	Independent Non-Executive Director (appointed 17 October 2017)

The relevant interests of the ILFML Directors in IOF as at 30 June 2018 are set out below:

	Number of units
Richard Longes	15,000
Robert Seidler AM	11,579
John Fast	15,000
Geoffrey Kleemann	15,000
Gai McGrath	2,000

Interests in the trusts

During the year IOF bought back 15.6 million securities as detailed in note D6.

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 30 June 2018.

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

	Number of units			
	IOF		PCP	
Name	**30 June 2018 '000**	**30 June 2017 '000**	**30 June 2018 '000**	**30 June 2017 '000**
Investa Commercial Property Fund	119,667	57,666	119,667	57,666
	119,667	**57,666**	**119,667**	**57,666**

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 year are set out in section E2 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 Investa Office Management Holdings Pty Limited (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 services

PricewaterhouseCoopers continues in office in accordance with section 327B 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.

The Audit Committee is satisfied that the provision of non-audit services provided during the year by the Auditor (or by another person or firm on the Auditor's behalf) is compatible with the standard of independence for auditors imposed by the Corporations Act 2001. Additionally all non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the impartiality and objectivity of the auditor.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided are detailed in section E5 of the Notes to 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 13.

Directors' Report (continued)

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
8 August 2018

pwc

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 2018, 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.

Ashley Wood

A S Wood
Partner
PricewaterhouseCoopers

Sydney
8 August 2018

Consolidated Financial Statements

For the year ended 30 June 2018

Consolidated Statements of Comprehensive Income

For the year ended 30 June 2018

		IOF		PCP	
	Note	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Revenue					
Property revenue		199.8	209.7	65.6	79.2
Interest income		0.3	0.3	0.1	0.2
		200.1	**210.0**	**65.7**	**79.4**
Other income					
Net gain on change in fair value of:					
Investment properties	C1	374.1	328.2	149.7	134.8
Share of net profit of equity accounted investments	C3	79.5	75.0	79.5	75.0
Net gain on disposal of assets		1.4	-	-	-
Net foreign exchange gain		-	14.9	-	5.9
Expenses					
Property expenses		(51.9)	(51.2)	(18.5)	(19.5)
Net loss on change in fair value of:					
Derivative financial instruments		(6.4)	(47.5)	(3.2)	(18.1)
Finance costs		(36.0)	(38.4)	(9.7)	(11.8)
Responsible Entity's fees	E2	(14.8)	(13.5)	(8.1)	(7.6)
Other expenses		(2.6)	(3.1)	(1.2)	(1.4)
Transaction costs		(4.2)	(2.5)	(2.2)	(1.3)
Net foreign exchange loss		(17.6)	-	(6.8)	-
Net loss on disposal of assets		-	(0.3)	-	(0.3)
Profit before income tax		**521.6**	**471.6**	**245.2**	**235.1**
Income tax		-	-	-	-
Net profit for the year		**521.6**	**471.6**	**245.2**	**235.1**
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**521.6**	**471.6**	**245.2**	**235.1**
Attributable to unitholders of:					
AJO		276.4	236.5	-	-
PCP		245.2	235.1	245.2	235.1
		521.6	**471.6**	**245.2**	**235.1**
Distributions and earnings per unit					
Distributions per unit (cents)	B3	20.3	20.2	6.5	10.7
Basic and diluted earnings per unit from net profit					
Per stapled unit (cents)	B2	86.6	76.8	na	na
Per unit of AJO (cents)	B2	45.9	38.5	na	na
Per unit of PCP (cents)		na	na	40.7	38.3

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 2018

		IOF		PCP	
	Note	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Current assets					
Cash and cash equivalents		3.8	4.0	1.9	1.5
Receivables		9.1	8.1	3.5	4.2
Derivative financial instruments	D3	0.8	0.9	0.6	-
		13.7	13.0	6.0	5.7
Assets held for sale	C2	91.3	-	-	-
		105.0	13.0	6.0	5.7
Non-current assets					
Investment properties	C1	3,349.6	2,973.2	1,276.9	1,036.1
Investments accounted for using the equity method	C3	915.7	848.6	915.7	848.6
Derivative financial instruments	D3	81.6	88.2	36.7	38.6
		4,346.9	3,910.0	2,229.3	1,923.3
Total assets		**4,451.9**	**3,923.0**	**2,235.3**	**1,929.0**
Current liabilities					
Payables		26.4	24.2	9.4	8.2
Distribution payable	B3	60.7	62.6	20.0	35.0
Derivative financial instruments	D3	-	1.7	-	-
Borrowings	D2	50.0	125.0	-	-
		137.1	213.5	29.4	43.2
Non-current liabilities					
Borrowings	D2	1,035.9	762.2	426.5	276.2
Derivative financial instruments	D3	4.9	3.4	2.6	0.8
		1,040.8	765.6	429.1	277.0
Total liabilities		**1,177.9**	**979.1**	**458.5**	**320.2**
Net assets		**3,274.0**	**2,943.9**	**1,776.8**	**1,608.8**
Equity					
Contributed equity	D6	2,072.2	2,142.3	1,155.5	1,193.8
Retained earnings		1,201.8	801.6	621.3	415.0
Total equity		**3,274.0**	**2,943.9**	**1,776.8**	**1,608.8**
Attributable to unitholders of:					
AJO:					
Contributed equity	D6	916.7	948.5	-	-
Retained earnings		580.5	386.6	-	-
		1,497.2	1,335.1	-	-
PCP		1,776.8	1,608.8	1,776.8	1,608.8
Total equity		**3,274.0**	**2,943.9**	**1,776.8**	**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 year ended 30 June 2018

		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 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)
Balance at 30 June 2017		2,142.3	801.6	2,943.9
Balance at 1 July 2017		**2,142.3**	**801.6**	**2,943.9**
Net profit for the year		-	521.6	521.6
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**521.6**	**521.6**
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	B3	-	(121.4)	(121.4)
Buy-back of securities	D6	(70.1)	-	(70.1)
Balance at 30 June 2018		**2,072.2**	**1,201.8**	**3,274.0**

		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 year		-	235.1	235.1
Other comprehensive income for the year		-	-	-
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)
Balance at 30 June 2017		1,193.8	415.0	1,608.8
Balance at 1 July 2017		**1,193.8**	**415.0**	**1,608.8**
Net profit for the year		-	245.2	245.2
Other comprehensive income		-	-	-
Total comprehensive income for the year		**-**	**245.2**	**245.2**
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	B3	-	(38.9)	(38.9)
Buy-back of securities	D6	(38.3)	-	(38.3)
Balance at 30 June 2018		**1,155.5**	**621.3**	**1,776.8**

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

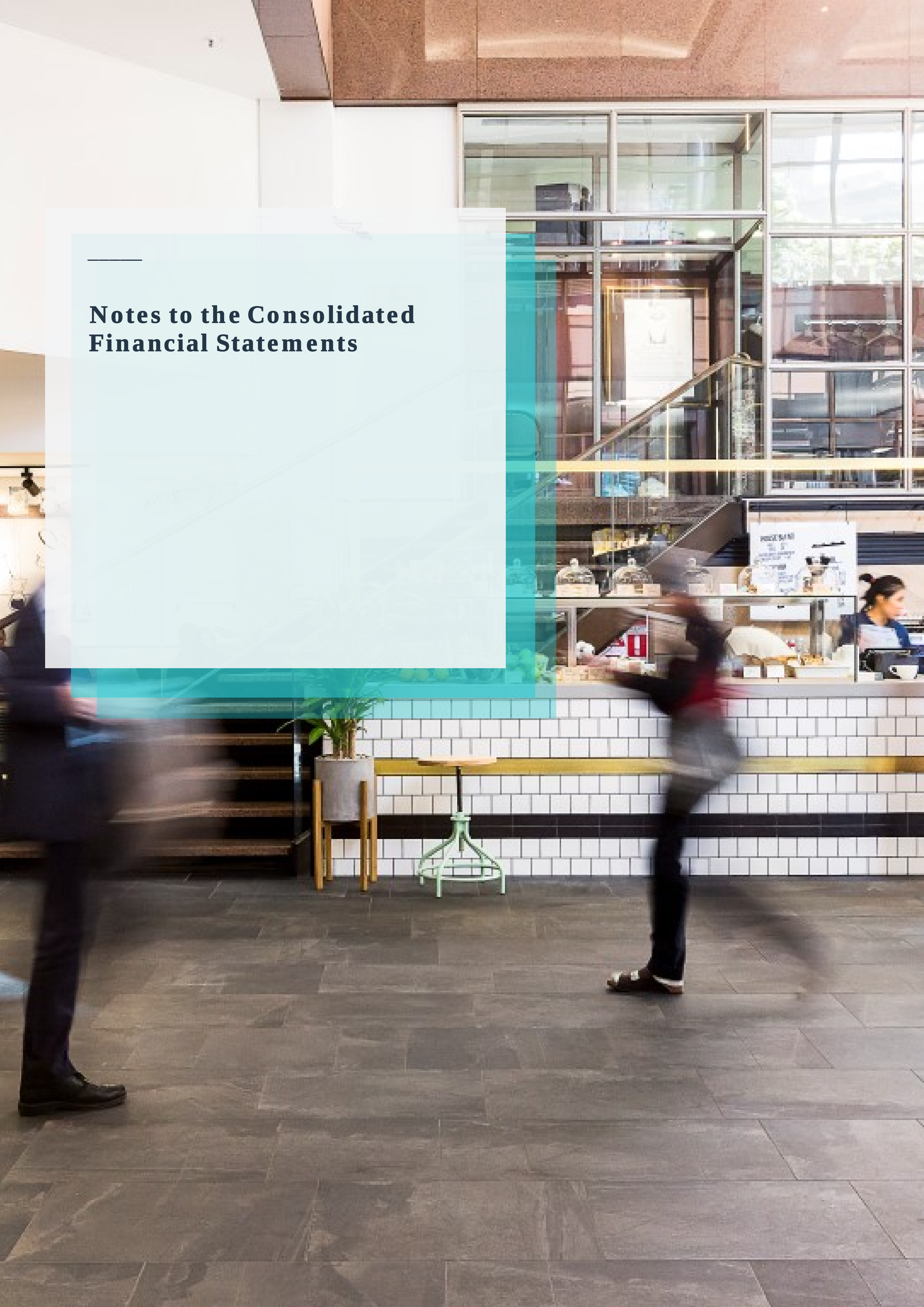
Consolidated Statements of Cash Flows

For the year ended 30 June 2018

		IOF		PCP	
	Note	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		247.0	250.3	79.2	87.7
Payments to suppliers (inclusive of GST)		(89.6)	(88.1)	(34.0)	(34.1)
Distributions received from equity accounted investments		12.4	28.2	12.4	28.2
Interest received		0.3	0.3	0.1	0.2
Finance costs paid		(40.2)	(38.0)	(12.7)	(12.6)
Net cash inflow from operating activities	E4	**129.9**	**152.7**	**45.0**	**69.4**
Cash flows from investing activities					
Payments for additions to investment properties		(118.7)	(53.0)	(96.4)	(35.9)
Proceeds from disposal of investment properties and assets held for sale	C1	-	211.1	-	211.1
Payments on disposal of assets		-	(0.3)	-	(0.3)
Net cash (outflow) / inflow from investing activities		**(118.7)**	**157.8**	**(96.4)**	**174.9**
Cash flows from financing activities					
Distributions paid to unitholders		(123.4)	(121.6)	(53.9)	(68.2)
Payments for buy-back of securities	D6	(70.1)	-	(38.3)	-
Proceeds from borrowings		594.0	600.0	216.0	253.0
Repayments of borrowings		(412.0)	(787.0)	(72.0)	(429.0)
Net cash (outflow) / inflow from financing activities		**(11.5)**	**(308.6)**	**51.8**	**(244.2)**
Net (decrease) / increase in cash and cash equivalents		**(0.3)**	**1.9**	**0.4**	**0.1**
Cash and cash equivalents at the beginning of the 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 year		**3.8**	**4.0**	**1.9**	**1.5**

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 and PCP'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 and PCP Trust 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 ASIC Corporations (Stapled Group Reports) 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 net current asset deficiency positions as at 30 June 2018 due to the provision for distribution, payables and maintaining minimal cash and cash equivalents. Further, IOF has current borrowings as at 30 June 2018. IOF and PCP have the ability to settle payables and pay the distribution on 27 August 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 (Rounding in Financial / Directors' Report) 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 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 2018. 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 2018.

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, property expenses and transaction costs 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 2018 $m	30 June 2017 $m
Net Property Income (NPI)	197.7	201.2
Interest income	0.3	0.4
Finance costs	(35.9)	(38.2)
Responsible Entity's fees	(14.8)	(13.5)
Net foreign exchange loss	(0.5)	(0.2)
Other expenses	(2.6)	(3.1)
	144.2	**146.6**
Amortisation of lease incentives	39.8	36.0
FFO	**184.0**	**182.6**
FFO per unit (cents)	**30.6**	**29.7**

		IOF	
	Note	30 June 2018 $m	30 June 2017 $m
FFO		184.0	182.6
Net gain/(loss) on change in fair value of:			
Investment properties	C1	374.1	328.2
Equity accounted investments		35.7	32.2
Derivative financial instruments(1)		(6.4)	(47.5)
Net foreign exchange (loss)/gain(2)		(17.1)	15.1
Amortisation of lease incentives		(39.8)	(36.0)
Straight-lining of rental income	C1	(10.6)	(3.8)
One-off and other items:			
Transaction costs associated with the IOM Joint Venture Proposal		-	(2.5)
Transaction costs associated with the Blackstone Proposal		(4.2)	-
Other items		5.9	3.3
Net profit attributable to unitholders		**521.6**	**471.6**

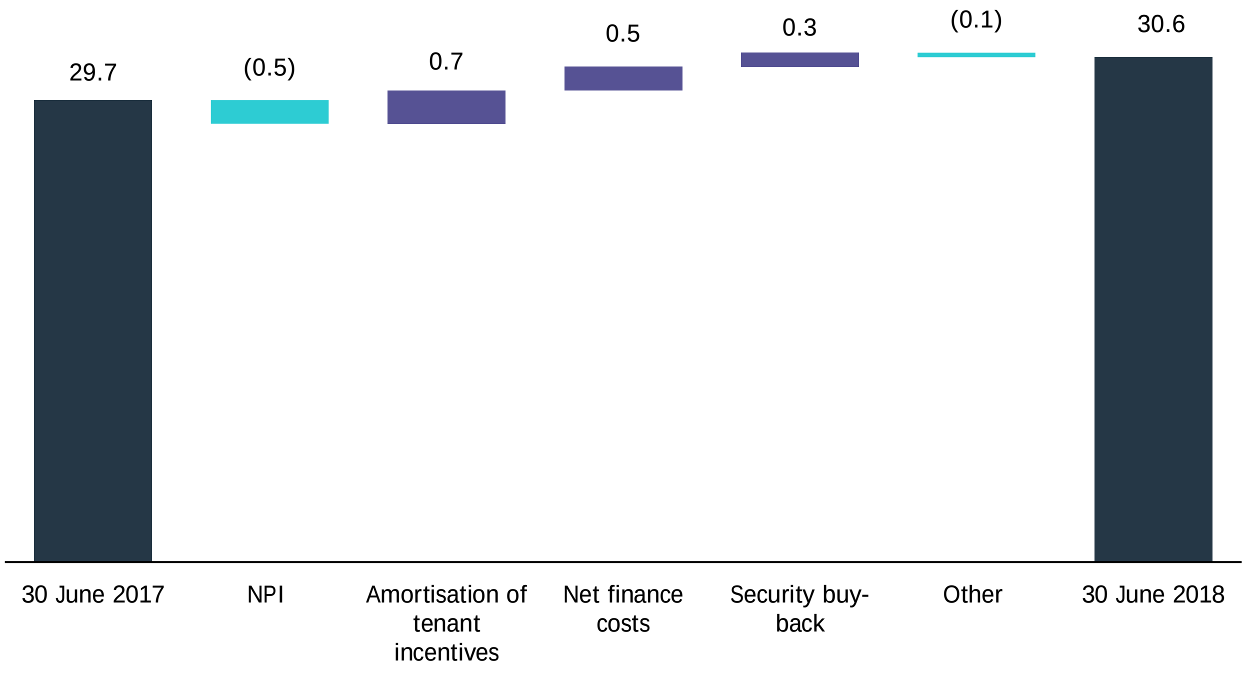
1. Net (loss)/gain on change in fair value of derivatives is predominantly due to changes in the fair values of IOF's cross currency interest rate swaps, used to mitigate IOF's exposure to foreign exchange rate movements on its US dollar denominated US Private Placements (USPPs).
2. Net foreign exchange (loss)/gain 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	
	Note	30 June 2018 $m	30 June 2017 $m
Property revenue		199.8	209.7
Property expenses		(51.9)	(51.2)
Add: share of revenue and expenses from investment properties held in equity accounted investments		39.2	39.1
Adjust for:			
Straight-lining of lease revenue	C1	10.6	3.8
Other items		-	(0.2)
NPI		**197.7**	**201.2**

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 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	
	30 June 2018	**30 June 2017**
Per stapled unit		
Weighted average number of units outstanding (thousands)	602,085	614,047
Net profit attributable to unitholders ($ millions)	521.6	471.6
Basic and diluted earnings per unit (cents)	86.6	76.8

	AJO		PCP	
	30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**
Per unit of AJO and PCP				
Weighted average number of units outstanding (thousands)	602,085	614,047	602,085	614,047
Net profit attributable to unitholders ($ millions)	276.4	236.5	245.2	235.1
Basic and diluted earnings per unit (cents)	45.9	38.5	40.7	38.3

B3 Distributions

IOF and PCP accrue for distributions approved on or before the end of the year but not paid at the end of the year. The distribution for the half-year ended 30 June 2018 is scheduled to be paid on 27 August 2018.

	IOF		PCP	
	30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**
	Cents	**Cents**	**Cents**	**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
Half-year ended 30 June	10.15	10.20	3.35	5.70
	20.30	**20.20**	**6.50**	**10.70**
	$m	**$m**	**$m**	**$m**
The total amounts of these distributions were:				
Half-year ended 31 December	60.7	61.4	18.9	30.7
Half-year ended 30 June	60.7	62.6	20.0	35.0
Total distributions paid or payable	**121.4**	**124.0**	**38.9**	**65.7**

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 are to own investment grade (Premium, A or B) office buildings that generate rental and other property income.

At 30 June 2018, 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 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 are:

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 structure completed in March 2018. As at 30 June 2018, the building is 84% leased with leases signed with Pfizer Australia Pty Limited across 4,640 sqm in December 2017 and Mills Oakley Lawyers Pty Ltd across 5,673 sqm in June 2018.

Acquisitions and disposals

There were no property acquisitions or disposals during the year. IOF recorded a net gain on disposal of $1.4 million relating to the reversal of an outstanding provision from the sale of an investment property in 2014.

Investment property portfolio summary

	IOF		PCP	
Investment properties held through:	**30 June 2018 $m**	**30 June 2017 $m**	**30 June 2018 $m**	**30 June 2017 $m**
Direct ownership interests	3,349.6	2,973.2	1,276.9	1,036.1
Direct ownership interest, classified as held for sale	91.3	-	-	-
Equity accounted investments	915.5	851.1	915.5	851.1
Total portfolio	**4,356.4**	**3,824.3**	**2,192.4**	**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 30 Jun 2018 $m	Book value 30 Jun 2017 $m
AJO							
10-20 Bond St Sydney NSW	50%	May 18	5.00	6.50	310.0	310.3	284.4
388 George St Sydney NSW	50%	May 18	5.13	6.88	244.0	244.0	229.8
347 Kent St Sydney NSW	100%	May 18	5.13	6.75	350.0	351.6	292.2
99 Walker St North Sydney NSW	100%	May 18	5.63	6.75	267.0	267.0	244.9
Piccadilly Complex Sydney NSW(1)	50%	May 18	5.25-6.13	6.50-7.35	323.0	323.0	295.0
6 O'Connell St Sydney NSW	100%	May 18	5.00	6.50	275.0	276.0	223.5
239 George St Brisbane QLD	100%	May 18	6.50	7.50	136.0	136.0	131.6
15 Adelaide St Brisbane QLD	100%	May 18	7.50	8.00	60.5	60.5	59.8
836 Wellington St Perth WA(2)	100%	May 18	6.25	7.00	89.0	91.3	75.0
16-18 Mort St Canberra ACT(1)	100%	May 18	5.85	7.50	104.5	104.3	100.9
Total AJO portfolio			**5.44**	**6.81**	**2,159.0**	**2,164.0**	**1,937.1**
PCP							
126 Phillip St Sydney NSW(3)	25%	May 18	4.75	6.38	258.5	258.8	250.4
151 Clarence St Sydney NSW(4)	100%	May 18	4.88	6.75	335.0	346.3	161.9
105-151 Miller St North Sydney NSW	100%	May 18	5.75	7.00	233.0	233.0	230.0
111 Pacific Hwy North Sydney NSW	100%	May 18	6.00	7.00	236.0	236.4	208.3
295 Ann St Brisbane QLD	100%	May 18	6.25	7.25	138.6	138.4	131.7
232 Adelaide St Brisbane QLD	100%	May 18	7.00	7.50	20.5	20.5	18.7
140 Creek St Brisbane QLD	100%	May 18	6.00	6.75	237.5	237.3	221.1
567 Collins St Melbourne VIC(3)	50%	May 18	5.00	6.63	331.5	330.2	321.4
242 Exhibition St Melbourne VIC(3)	50%	May 18	5.00	6.50	326.5	326.5	279.3
66 St Georges Tce Perth WA	100%	May 18	7.50	7.50	65.0	65.0	64.4
Total PCP portfolio			**5.52**	**6.77**	**2,182.1**	**2,192.4**	**1,887.2**
Total IOF portfolio			**5.48**	**6.79**	**4,341.1**	**4,356.4**	**3,824.3**

1. These two investment properties are leasehold properties, the remaining are freehold properties.
2. This property is classified as an asset held for sale as at 30 June 2018. See section C2.
3. Held by equity accounted investments. See section C3.
4. Barrack Place, 151 Clarence St, Sydney is under development. The valuation metrics are on an as complete basis.

C1 Investment properties (continued)

Movements of direct ownership interests and assets held for sale

	IOF		PCP	
	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Carrying amount at beginning of the year	2,973.2	2,823.4	1,036.1	1,078.1
Additions to existing investment properties	136.2	67.5	103.8	42.5
Additions - interest capitalised	2.5	0.8	2.5	0.8
Transfer to assets classified as held for sale	(91.3)	-	-	-
Disposals	-	(211.1)	-	(211.1)
Amortisation of lease incentives and leasing fees	(34.5)	(31.8)	(14.3)	(13.2)
Straight-lining of rental income	(10.6)	(3.8)	(0.9)	4.2
Net change in fair value	374.1	328.2	149.7	134.8
Carrying amount at the end of the year	**3,349.6**	**2,973.2**	**1,276.9**	**1,036.1**

At 30 June 2018 and 30 June 2017 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 2018 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 and fair value measurement

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.

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

C1 Investment properties (continued)

- 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 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 2018	**30 June 2017**	
Net passing rent (per sqm p.a)	\$438 - \$1,285	\$407 - \$1,247	The higher the net passing rent, the higher the fair value
Net market rent (per sqm p.a)	\$354 - \$1,242	\$378 - \$1,181	The higher the net market rent, the higher the fair value
Discount rate	6.4% - 8.0%	6.5% - 8.3%	The higher the discount rate, the lower the fair value
Terminal yield	5.1% - 7.8%	5.1% - 8.1%	The higher the terminal yield, the lower the fair value
Capitalisation rate	4.8% - 7.5%	4.8% - 7.9%	The higher the capitalisation rate, the lower the fair value
Market rental growth rate (10 year compound average growth rate)	2.0% - 4.1%	2.5% - 4.2%	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 2018 \$m	**30 June 2017 \$m**	**30 June 2018 \$m**	**30 June 2017 \$m**
Within one year	196.2	205.1	69.0	61.1
Later than one year but not later than five years	536.0	508.1	186.0	201.8
Later than five years	227.3	262.1	63.3	86.2
	959.5	**975.3**	**318.3**	**349.1**

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 2018 \$m	**30 June 2017 \$m**	**30 June 2018 \$m**	**30 June 2017 \$m**
Investment properties	11.4	24.9	4.5	16.2
Investment property under construction:				
151 Clarence St, Sydney	31.0	96.5	31.0	96.5
	42.4	**121.4**	**35.5**	**112.7**

C2 Assets held for sale

In April 2018 IOF began an active and committed marketing campaign to sell 836 Wellington St, Perth, WA. Subsequently, in July 2018 IOF agreed terms for the sale of this property, which, assuming all conditions are satisfied, is expected to be settled in October 2018. At 30 June 2017 IOF and PCP had no assets held for sale.

	IOF		PCP	
	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Property				
836 Wellington St, Perth, WA[1]	91.3	-	-	-
	91.3	**-**	**-**	**-**

1. This property was transferred from investment properties during the year.

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 2018	30 June 2017	30 June 2018 $m	30 June 2017 $m
IOF & PCP					
242 Exhibition Street Trust	242 Exhibition St, Melbourne	50%	50%	326.5	278.8
Phillip Street Trust	126 Phillip St, Sydney	25%	25%	141.1	136.0
Macquarie Street Trust	126 Phillip St, Sydney	25%	25%	117.2	113.0
567 Collins Street Trust	567 Collins St, Melbourne	50%	50%	330.9	320.8
IOF Finance Pty Ltd[1]	-	50%	50%	-	-
Total				**915.7**	**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 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 reports of the relevant joint venture entity rather than IOF's or PCP's ownership interest.

	IOF & PCP	
	30 June 2018 $m	30 June 2017 $m
Joint venture entities' financial information (at 100%)		
Cash and cash equivalents	1.2	0.7
Current assets	14.1	12.7
Non-current assets	2,342.0	2,190.7
Current liabilities	(48.6)	(30.3)
Non-current liabilities	(1.6)	(1.6)
Net assets	2,305.9	2,171.5
Revenue	137.4	133.5
Net profit for the year	188.9	185.7
Total comprehensive income	188.9	185.7

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 2018 $m	30 June 2017 $m
Net profit for the year (at 100%)	188.9	185.7
Less profit attributable to outside ownership interests	(109.4)	(110.7)
Share of net profit after income tax	**79.5**	**75.0**

	IOF & PCP	
	30 June 2018 $m	30 June 2017 $m
Net assets (at 100%)	2,305.9	2,171.5
Less net assets attributable to outside ownership interests	(1,408.9)	(1,332.7)
Share of net assets	**897.0**	**838.8**
Add provisions for unpaid distributions (at share)	18.7	9.8
Investment balance at the end of the year	**915.7**	**848.6**

Capital commitments and contingent liabilities of joint venture entities

At 30 June 2018 IOF's share of capital commitments and contingent liabilities of its joint venture entities was $21.8m and $nil respectively (2017 $26.6m and $nil respectively).

D. Capital structure and risks

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 considerations in maintaining an appropriate capital structure for IOF and PCP.

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 and PCP'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 of IOF and PCP in the range of 25% to 35%. The actual Gearing Ratio may vary from this range in the short term from time to time.

The Responsible Entity of 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 2018 $m	30 June 2017 $m
Total consolidated debt	D2	1,089.7	887.2
Add: Foreign exchange hedge rate of the USPP		358.0	358.0
Less: AUD liability of the USPP	D2	(439.7)	(422.5)
Net look-through debt		**1,008.0**	**822.7**
Total consolidated assets		4,451.9	3,923.0
Less: Share of net assets – equity accounted investments included in consolidated assets	C3	(915.7)	(848.6)
Add: Share of total assets of equity accounted investments		919.8	854.2
Less: Cross currency swap assets	D3	(80.3)	(84.1)
Total look-through assets		**4,375.7**	**3,844.5**
Gearing Ratio (look-through)		23.0%	21.4%

At 30 June 2018 and 30 June 2017 IOF and PCP were 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 and PCP's borrowing constitutes unsecured bank facilities, Medium Term Notes (MTN) and USD denominated US Private Placements (USPP) debt facilities.

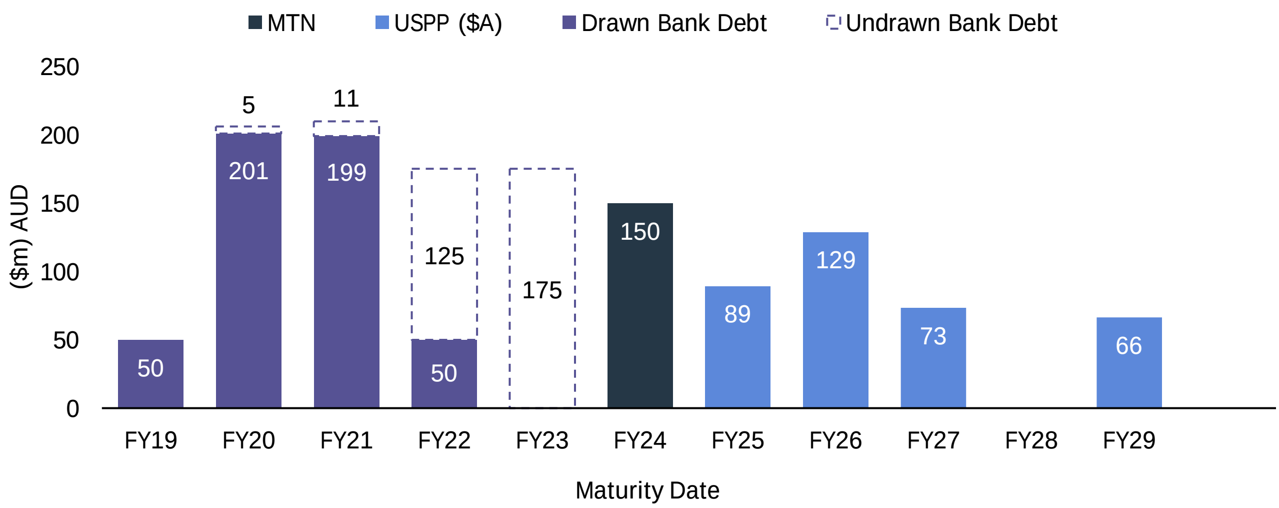
	IOF		PCP	
	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Current liabilities – unsecured				
Bank debt (AUD)	50.0	-	-	-
MTN (AUD)	-	125.0	-	-
	50.0	**125.0**	**-**	**-**
Non-current liabilities – unsecured				
Bank debt (AUD)	450.0	193.0	259.0	115.0
MTN (AUD)	150.0	150.0	-	-
USPP (USD)	439.7	422.5	169.1	162.5
	1,039.7	**765.5**	**428.1**	**277.5**
Capitalised commitments and upfront fees	(3.8)	(3.3)	(1.6)	(1.3)
	1,035.9	**762.2**	**426.5**	**276.2**
Total borrowings	**1,085.9**	**887.2**	**426.5**	**276.2**

Specific maturities and key movements in the year

In November 2017, IOF and PCP entered into 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 using existing bank debt facilities.

In February 2018 IOF entered into two new bank debt facilities totalling $150 million, each with a facility limit of $75 million maturing in January 2022 and February 2023. The $66 million bank debt facility which was due to mature in July 2018 was repaid and cancelled in February 2018 using one of these $75 million facilities.

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

D2 Borrowings (continued)

IOF developed a Green Bond (MTN) framework, which outlines the use and management of proceeds and commitments to annual progress reporting. The framework draws upon the International Capital Markets Association 'Green Bond Principles' and fulfils the Climate Bond Initiative (CBI) certification requirements. This process was verified and assured by Ernst & Young. Importantly, the tagged assets remain CBI compliant as at 30 June 2018.

The framework is available for review on the IOF website at https://www.investa.com.au/funds/iof/iof-sustainability

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 and PCP 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 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 D4.

	IOF		PCP	
	30 June 2018 $m	**30 June 2017 $m**	**30 June 2018 $m**	**30 June 2017 $m**
Current assets				
Interest rate derivative contracts	0.8	0.9	0.6	-
	0.8	**0.9**	**0.6**	**-**
Non-current assets				
Cross currency swap contracts	80.3	84.1	35.8	36.5
Interest rate derivative contracts	1.3	4.1	0.9	2.1
	81.6	**88.2**	**36.7**	**38.6**
Current liabilities				
Interest rate derivative contracts	-	1.7	-	-
	-	**1.7**	**-**	**-**
Non-current liabilities				
Interest rate derivative contracts	4.9	3.4	2.6	0.8
	4.9	**3.4**	**2.6**	**0.8**

D3 Derivative financial instruments (continued)

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 2018, IOF had derivative financial assets and derivative financial liabilities amounting to $2.1 million (30 June 2017: $5.0 million) and PCP had $1.5 million (30 June 2017: $0.8 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 2018 and 30 June 2017.

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 (see section D3) 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 2018 and 30 June 2017.

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 30 June 2018 $m	Fair value 30 June 2018 $m	Carrying amount 30 June 2017 $m	Fair value 30 June 2017 $m	Carrying amount 30 June 2018 $m	Fair value 30 June 2018 $m	Carrying amount 30 June 2017 $m	Fair value 30 June 2017 $m
Non-current liabilities								
Borrowings – MTN	150.0	153.1	150.0	149.6	-	-	-	-
Borrowings – USPP	439.7	453.6	422.5	451.9	169.1	173.1	162.5	173.5
	589.7	**606.7**	**572.5**	**601.5**	**169.1**	**173.1**	**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 and PCP 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 2018, the borrowing rates were determined to be between 4.0% and 4.8% (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.

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 table below outlines the hedge ratio range limits:

Years	Hedge ratio range limit (%)
1 - 3	50-80
4 - 5	20-60
>5	0-60

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 undertaken on a regular basis to verify that the maximum loss potential is within limits 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 2018 $m	June 2017 $m	June 2018 $m	June 2017 $m
IOF				
Fixed and floating rate interest-bearing borrowings	1,008.0	826.0	118.0	76.0
PCP				
Fixed and floating rate interest-bearing borrowings	387.9	243.9	87.9	63.9

IOF's weighted average fixed rate derivatives and net fixed debt (notional principal denominated in Australian dollars) held at 30 June 2018 can be summarised by maturity as follows:

	FY18[1] $m	FY19 $m	FY20 $m	FY21 $m	FY22 $m	FY23 $m
Interest rate swaps (floating to fixed)	479.5	499.3	487.1	230.7	105.9	7.7
Interest rate collars	120.7	239.9	275.9	356.7	260.7	161.8
Net fixed debt[2]	150.0	150.0	150.0	150.0	150.0	150.0
Total hedged (weighted average)	**750.2**	**889.2**	**913.0**	**737.4**	**516.6**	**319.5**
Weighted average fixed rate (excluding margin)[3]	2.4%	2.2%	2.5%	2.3%	2.4%	2.4%

1. Total hedged as at 30 June 2018 was $890.0m (30 June 2017: $750.0m).
2. Gross exposure less effect of derivatives.
3. Weighted 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 2018		30 June 2017		30 June 2018		30 June 2017	
	+100bps $m	-100bps $m	+100bps $m	-100bps $m	+100bps $m	-100bps $m	+100bps $m	-100bps $m
IOF								
Variable interest rates	(2.3)	3.4	(1.9)	0.7	20.6	(20.6)	18.5	(18.4)
PCP								
Variable interest rates	(0.9)	0.9	(0.6)	0.6	12.4	(12.9)	8.8	(8.7)

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 2018 $m	30 June 2017 $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 2018 and 30 June 2017 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 of 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 2018				30 June 2017			
	<1 year	1 – 5 years	>5 years	Total	<1 year	1 – 5 years	>5 years	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Payables	(26.5)	-	-	(26.5)	(24.2)	-	-	(24.2)
Borrowings	(50.0)	(450.0)	(589.7)	(1,089.7)	(125.0)	(193.0)	(572.5)	(890.5)
Projected cash outflow on borrowings(1)	(43.0)	(116.4)	(65.5)	(224.9)	(27.6)	(84.6)	(77.1)	(189.3)
Projected cash outflow on derivative liabilities(1)(2)	(0.7)	(3.0)	(0.2)	(3.9)	(4.9)	(10.4)	(0.5)	(15.8)
Distribution payable	(60.7)	-	-	(60.7)	(62.6)	-	-	(62.6)
Total forecast undiscounted future cash flow	**(180.9)**	**(569.4)**	**(655.4)**	**(1,405.7)**	**(244.3)**	**(288.0)**	**(650.1)**	**(1,182.4)**
Projected cash inflow on derivative assets(2)	6.0	13.8	91.9	111.7	5.8	2.6	112.1	120.5
Net liquidity exposure	**(174.9)**	**(555.6)**	**(563.5)**	**(1,294.0)**	**(238.5)**	**(285.4)**	**(538.0)**	**(1,061.9)**

PCP	30 June 2018				30 June 2017			
	<1 year	1 – 5 years	>5 years	Total	<1 year	1 – 5 years	>5 years	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Payables	(9.4)	-	-	(9.4)	(8.2)	-	-	(8.2)
Borrowings	-	(259.0)	(169.1)	(428.1)	-	(115.0)	(162.5)	(277.5)
Projected cash outflow on borrowings(1)	(15.6)	(31.6)	(14.5)	(61.7)	(11.9)	(34.1)	(20.5)	(66.5)
Projected cash outflow on derivative liabilities(1)(2)	-	(1.9)	-	(1.9)	-	(6.9)	(0.5)	(7.4)
Distribution payable	(20.0)	-	-	(20.0)	(35.0)	-	-	(35.0)
Total forecast undiscounted future cash flow	**(45.0)**	**(292.5)**	**(183.6)**	**(521.1)**	**(55.1)**	**(156.0)**	**(183.5)**	**(394.6)**
Projected cash inflow on derivative assets(2)	2.2	4.2	41.8	48.2	1.9	2.6	50.6	55.1
Net liquidity exposure	**(42.8)**	**(288.3)**	**(141.8)**	**(472.9)**	**(53.2)**	**(153.4)**	**(132.9)**	**(339.5)**

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. During the year IOF undertook an on-market buy-back of 15.6 million of its securities. The following shows the level of equity and issued units at the end of the financial year.

Carrying amounts

	IOF		PCP	
	30 June 2018 $m	**30 June 2017 $m**	**30 June 2018 $m**	**30 June 2017 $m**
Balance at the beginning of the year	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 year	2,072.2	2,142.3	1,155.5	1,193.8
The balance at the end of the year 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**

Number of issued units

	IOF		PCP	
	30 June 2018 000's	**30 June 2017 000's**	**30 June 2018 000's**	**30 June 2017 000's**
Balance at the beginning of the year	614,047	614,047	614,047	614,047
Buy-back of securities	(15,628)	-	(15,628)	-
Balance at the end of the year	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 where beneficial to its effective capital management. On 13 June 2018, IOF filed Appendix 3F (Final share buy-back notice) on ASX and announced that the on-market buy-back had been stopped following the signing of the Scheme Implementation Agreement in relation to the Blackstone transaction. As at 30 June 2018, IOF bought back 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 Significant events and Contingent liabilities

Blackstone transaction

ILFML, as Responsible Entity of IOF and Quartz BidCo Pty Ltd and Quartz Sub TC Pty Ltd as trustee of the Quartz Bid Trust (being entities affiliated with The Blackstone Group L.P.) (collectively, Blackstone) have entered into a binding Scheme Implementation Agreement (SIA) in relation to a trust scheme pursuant to which Blackstone would acquire all of the units in IOF (Scheme).

Under the Scheme, IOF unitholders will be entitled to $5.25 cash per unit reduced by any distributions declared or paid by IOF after 4 May 2018 and prior to completion of the Scheme. The Scheme represents an offer price of $5.1485 per unit once IOF's 30 June 2018 distribution is taken into account. This distribution is expected to be paid to IOF unitholders on 27 August 2018.

A Notice of Meeting and Explanatory Memorandum was released to the Australian Securities Exchange on 24 July 2018, with the Notice of Meeting and accompanying proxy form mailed to IOF unitholders on or around 27 July 2018. A meeting of IOF unitholders will be held on 21 August 2018 to consider the Scheme, with implementation scheduled to occur in early September 2018, conditional upon a number of matters set out in the SIA, including approvals by the requisite majorities of IOF unitholders and judicial advise from the Court; no material adverse change, prescribed occurrence or breach of warranty in relation to IOF.

The SIA includes terms and conditions customary for a transaction of this nature, including exclusivity arrangements and provisions for payment of a break fee of $20 million to Blackstone in certain circumstances including where a competing transaction to the Blackstone Proposal is announced and completed within 12 months of the date of the SIA. In order for the Scheme to be implemented, IOF unitholders eligible to vote must approve each resolution at the meeting by the requisite majority, including the resolution to amend the IOF constitutions to effect the Scheme.

The Directors of ILFML have appointed KPMG Corporate Finance as the Independent Expert to provide an opinion on the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of IOF unitholders in the absence of a superior proposal. In arriving at this opinion, the Independent Expert assessed the Scheme to be not fair but reasonable.

The Directors have appointed J.P. Morgan Australia Limited (J.P. Morgan) as financial adviser in relation to the transaction with Blackstone. IOF will be required to pay a completion fee of $12.5 million to J.P Morgan upon implementation of the Scheme.

If the transaction with Blackstone is not completed, a fee of up to $12.5 million may be payable by IOF to J.P. Morgan under the terms of its mandate in certain circumstances if an alternative transaction is completed within 12 months after the date the mandate is terminated by ILFML.

E2 Related parties

Related parties are persons or entities that are related to IOF and/or PCP 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 and PCP. 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 2018.

Responsible Entity

ILFML, the Responsible Entity of IOF and PCP 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.

E2 Related parties (continued)

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.

During the years ended 30 June 2018 and 30 June 2017, ILFML and its related parties received or will receive the following fees:

	IOF		PCP	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Investa Listed Funds Management Limited:				
Responsible Entity's fees	14,750	13,540	8,089	7,600
Safe custody fees	93	95	47	48
Related parties of the Responsible Entity(1):				
Property management fees	4,169	4,273	1,894	1,913
Leasing fees	3,061	2,143	1,180	1,049
Project management services	2,237	968	1,610	748
	24,310	**21,019**	**12,820**	**11,358**

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 and PCP 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 2018, in proportion to IOF's and PCP's ownership interests in the joint venture entities, related parties of ILFML received $1,261,000 (30 June 2017: $2,783,000) 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 2018 and 30 June 2017 IOF and PCP 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.

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 30 June 2018.

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 2018			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	24,292	7,659

E2 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

Cross staple loan

As at 30 June 2018, PCP owed AJO Nil (30 June 2017: $2,000) via a cross staple loan. For the year ended 30 June 2018 PCP recorded an interest expense of $11,000 (30 June 2017: $22,000) on the loan.

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 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
Gai McGrath	Independent Non-Executive Director (appointed 17 October 2017)

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

Penny Ransom	Fund Manager

Key management personnel do not receive any remuneration directly from IOF or PCP. They receive remuneration from the Responsible Entity or its related parties. Consequently, IOF or PCP 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 2018					Distributions received/receivable	
Name	Balance at the start of the year Units (000's)	Addition/(removal) of KMP Units (000's)	Acquired during the year Units (000's)	Balance at the end of the year Units (000's)	IOF $'000	PCP $'000
Richard Longes	15	-	-	15	3	1
Robert Seidler AM	12	-	-	12	2	1
John Fast	15	-	-	15	3	1
Geoffrey Kleemann	15	-	-	15	3	1
Gai McGrath[1]	-	2	-	2	-	-

1. The distribution received/receivable is disclosed as nil due to rounding.

E2 Related parties (continued)

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

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 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Cash distributions received from joint venture entities	12,378	28,190	12,378	28,190
Interest income	61	-	61	-

E3 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 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Current assets	3.4	2.7	2.4	0.9
Total assets	2,570.7	2,352.1	2,372.1	2,059.6
Current liabilities	(102.9)	(165.7)	(26.3)	(40.5)
Total liabilities	(1,073.5)	(1,017.0)	(595.3)	(450.8)
Equity:				
Issued units	916.7	948.5	1,155.5	1,193.8
Retained earnings	580.5	386.6	621.3	415.0
Total equity	**1,497.2**	**1,335.1**	**1,776.8**	**1,608.8**
Net profit attributable to unitholders for the year	276.4	236.5	245.2	235.1
Total comprehensive income for the year	276.4	236.5	245.2	235.1
Capital commitments:				
Investment properties	3.1	5.0	0.1	1.6

E3 Parent financial information (continued)

During the years ended 30 June 2018 and the 30 June 2017 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 2018 due to the reasons disclosed for IOF and PCP in section A.

E4 Reconciliation of profit to operating cashflow

	IOF		PCP	
	30 June 2018 $m	**30 June 2017 $m**	**30 June 2018 $m**	**30 June 2017 $m**
Net profit for the year	**521.6**	**471.6**	**245.2**	**235.1**
Adjustments for:				
Straight-lining of rental income	10.6	3.8	0.9	(4.2)
Unrealised foreign exchange (loss)/gain	17.1	(15.1)	6.6	(5.8)
Net (gain)/loss on change in fair value of:				
Investment properties	(374.1)	(328.2)	(149.7)	(134.8)
Derivatives	6.4	47.5	3.2	18.1
Amortisation of lease incentives and leasing fees	34.5	31.8	14.3	13.2
Excess of profit received from joint venture entities over share of distribution	(67.2)	(46.8)	(67.2)	(46.8)
Cost of disposal of assets	-	0.3	-	0.3
Other non-cash items	(18.7)	(13.7)	(9.2)	(6.9)
Net cash provided by operating activities for the year before changes in working capital	**130.2**	**151.2**	**44.1**	**68.2**
Changes in working capital:				
(Increase)/Decrease in receivables	(0.5)	4.6	1.0	3.3
Increase/(Decrease) in payables	0.2	(3.1)	(0.1)	(2.1)
Net cash provided by operating activities from operations	**129.9**	**152.7**	**45.0**	**69.4**

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.

Net debt reconciliation

	IOF			
	Cash	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
	$m	**$m**	**$m**	**$m**
Net debt as at 30 June 2017	4.0	(125.0)	(762.2)	(883.2)
Cash flows	(0.3)	75.0	(257.0)	(182.3)
Foreign exchange adjustments	0.1	-	(17.2)	(17.1)
Other non-cash movements	-	-	0.5	0.5
Net debt as at 30 June 2018	**3.8**	**(50.0)**	**(1,035.9)**	**(1,082.1)**

E4 Reconciliation of profit to operating cashflow (continued)

	PCP			
	Cash $m	Borrowings due within 1 year $m	Borrowings due after 1 year $m	Total $m
Net debt as at 30 June 2017	1.5	-	(276.2)	(274.7)
Cash flows	0.4	-	(144.0)	(143.6)
Foreign exchange adjustments	-	-	(6.6)	(6.6)
Other non-cash movements	-	-	0.3	0.3
Net debt as at 30 June 2018	**1.9**	**-**	**(426.5)**	**(424.6)**

E5 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 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Audit services	231	261	116	131
Other services[1]	96	135	48	67
Total auditors' remuneration	**327**	**396**	**164**	**198**

1. Other services in the current year primarily relate to the Blackstone transaction.

E6 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 made an election to be attribution managed investment trusts (AMITs) for the year ended 30 June 2017 and future years. Consequently, AJO and PCP (i.e. 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.

E6 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 2018. 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.

AASB 9, AASB 15 and AASB 16 will each introduce expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of IOF's and PCP's disclosure about its financial instruments, revenue and leases respectively, particularly in the year the new standard is adopted.

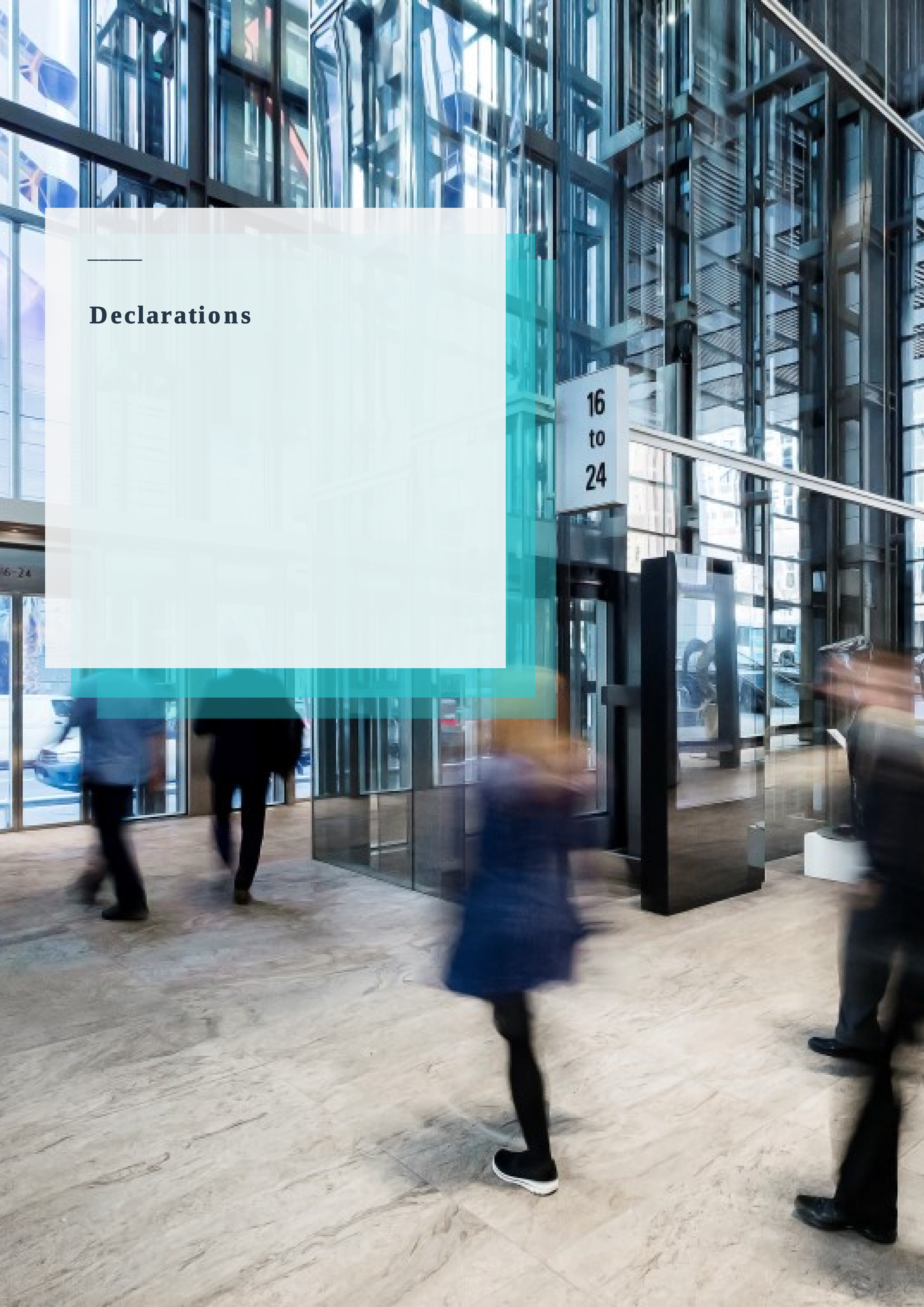
E7 Events occurring after the reporting period

On 18 July 2018, IOF agreed terms for the sale of 836 Wellington St, Perth for $91.3 million. The sale is subject to the purchaser receiving FIRB approval and settlement is expected to take place in October 2018. The book value of 836 Wellington St, Perth as at 30 June 2018 reflects the agreed sale value.

On 27 July 2018, a Notice of Meeting and an Explanatory Memorandum, including the Independent Expert Report detailing the Blackstone proposal were sent to the IOF unitholders.

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 14 to 46 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 2018 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 of the Notes to the Consolidated Financial Statements 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 of Investa to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2018.

RA Longes
Chairman
Sydney
8 August 2018

Independent auditor's report

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

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Investa Office Fund and Prime Credit Property Trust are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of Investa Office Fund's and Prime Credit Property Trust's financial positions as at 30 June 2018 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

We have audited the financial reports of Investa Office Fund and Prime Credit Property Trust which comprise:

- the Consolidated Statements of Financial Position as at 30 June 2018
- 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
- the Directors' Declaration.

The Investa Office Fund ("IOF") comprises Armstrong Jones Office Fund and its controlled entities (together "AJO") and Prime Credit Property Trust and its controlled entities (together "PCP"). PCP comprises Prime Credit Property Trust and its controlled entities.

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 this report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

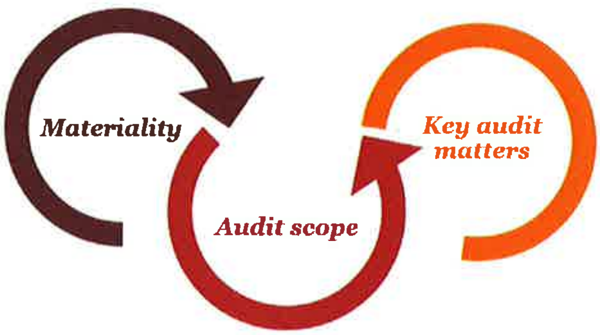
Independence

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 report is 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.



Materiality	Audit scope	Key audit matters

Materiality

For the purpose of our audit of IOF we used overall materiality of $9.16 million, which represents approximately 5% of IOF's Funds from Operations ("FFO").

The metric is defined in Note B1 of the financial reports.

For the purpose of our audit of PCP we used overall materiality of $4.25 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, fair value changes in derivatives, amortisation of incentives and straight lining movements 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 primary metrics against which the performance of IOF and PCP respectively, are most commonly measured and are generally accepted benchmarks in the industry.

We selected 5% based on our professional judgement, noting it is within the range of commonly accepted profit related materiality thresholds.

Audit scope

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 Armstrong Jones Office Fund and its controlled entities and Prime Property Credit Property Trust and its controlled entities.

Our audit focused on where IOF and PCP made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Amongst other relevant topics, we communicated the following key audit matters to the Audit & Compliance Committee:

- Valuation of investment properties, including those held by investments accounted for under the equity method.
- Valuation of derivative financial instruments.

These are further described in the *Key audit matters* section of our report.

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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 disclosed below 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 matter	*How our audit addressed the key audit matter*
Valuation of investment properties (including those investment properties held by investments accounted for using the equity method). *(Refer to note C)* IOF's investment property portfolio comprises office investment properties held in Australia both directly and indirectly, being: • $3.349.6 million of directly held properties included in the Consolidated Statements of Financial Position of IOF as "Investment properties". • $915.5 million being IOF's share of investment properties held through joint ventures included in the Consolidated Statements of Financial Position of IOF as "Investments accounted for using the equity method". PCP's investment property portfolio comprises office investment properties held in Australia both directly and indirectly, being: • $1,276.9million of directly held properties included in the Consolidated Statements of Financial Position of PCP as "Investment properties". • $915.5 million being PCP's share of investment properties held through joint ventures included in the	We obtained a publicly available property market report for the key Australian states in which IOF and PCP hold properties in order to obtain an understanding of the prevailing market conditions in which IOF and PCP invest. We compared the valuation trend(s) per the property market report 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 discussed the specific aspects of selected individual properties with management including, amongst other things, any significant new leases entered into during the year, lease expiries, capital expenditure and vacancy rates. For a sample of leases, we compared the net passing rent used in the independent valuation to the underlying lease documentation, we found that the data used in the samples tested was consistent with the inputs used in IOF's and PCP's valuation process. For both IOF and PCP, we compared market capitalisation rates and discount rates by location and asset grade to a reasonable range determined by us based on benchmark data. Where capitalisation rates and discount rates adopted were outside of our expected

Key audit matter	*How our audit addressed the key audit matter*
Consolidated Statements of Financial Position of PCP as "Investments accounted for using the equity method". This was a key audit matter for both IOF and PCP because of the: • Relative size of the balances in IOF's and PCP's Consolidated Statements of Financial Position. • Quantum of revaluation gains that impact IOF's and PCP's Consolidated Statements of Comprehensive Income (either through the net gain on change in fair value of investment properties, or through the Share of net profit of equity accounted investments. • Inherent subjectivity of the key assumptions that underpin the valuations.	ranges, we challenged the rationale supporting the rate applied in the valuation. 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 in the year, we assessed the competence, capabilities, objectivity and independence for a sample of the valuers engaged. For both IOF and PCP, we considered on a sample basis whether there were any 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 listed in the accounting records of IOF and PCP. 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.

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Key audit matter	*How our audit addressed the key audit matter*
Valuation of derivative financial instruments *(Refer to note D3)* 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 2018 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 $77.5 million (PCP: $34.7 million). Hedge accounting was not applied for any of the derivative financial instruments. The valuation of derivatives was 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.	For both IOF and PCP, we selected a sample of derivatives and for each sample: • We compared the key terms of the derivatives to the individual third party contracts. • 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 IOF and PCP and assessed any differences identified against our tolerable threshold. We obtained external confirmations from all derivative counterparties at year end. We considered the impact of credit related adjustments on the balances reported.

Other information

The directors of Investa Listed Funds Management Limited, the Responsible Entity of AJO and PCP are responsible for the other information. The other information comprises the information included in IOF's annual report for the year ended 30 June 2018, but does not include the financial reports and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report. We may expect other information to be made available to us after the date of this auditor's report.

Our opinion on the financial reports (which have been defined in the *What we have audited* section of our report) does not cover the other information and accordingly we do not express 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 for the financial reports

The directors of the Responsible Entity of AJO and PCP are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors 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 an auditor's report that includes

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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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ashley Wood

A S Wood
Partner

Sydney
8 August 2018