

30 June 2014  
Investa Office Fund

# Annual Financial Report

# IOF<sup>14</sup>

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**Investa Office Fund (ASX code: IOF) is an ASX-listed Real Estate Investment Trust (A-REIT) and is included in the S&P/ASX100 Index. IOF is a leading owner of investment grade office buildings and receives rental income from a tenant register comprised predominately of Government and blue chip tenants. IOF has total assets under management of \$3.3 billion with 23 investments located in core CBD markets throughout Australia, and one legacy asset in Brussels, Belgium. IOF's focus is on delivering attractive risk-adjusted returns to its unitholders from a portfolio of high quality assets located in the key CBD office markets of Australia.**

This Financial Report is one of three documents that form IOF's FY14 reporting suite. For more information, or to download any of the above documents, visit [www.investa.com.au/IOF](http://www.investa.com.au/IOF)



**> [IOF2014onlinereport.investa.com.au](http://IOF2014onlinereport.investa.com.au)**

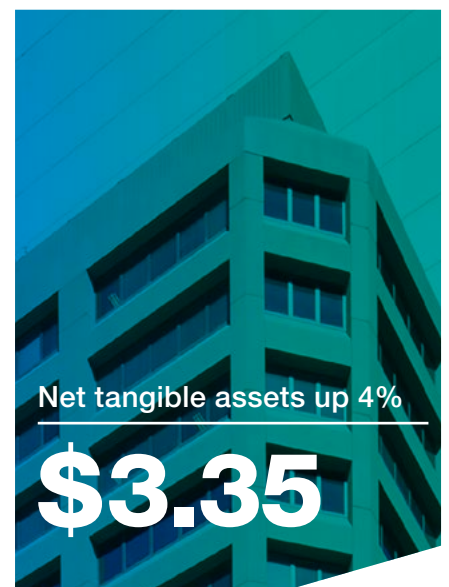


# IOF

Investa Office Fund (IOF) is an externally managed Australian Real Estate Investment Trust (A-REIT) and is managed by one of Australia's largest office owners and managers Investa Office (Investa). Investa provides an integrated management service to IOF incorporating asset, portfolio and capital management. As an Australian office sector specialist, Investa's multidisciplinary team add value across the entire spectrum of IOF's ownership, management and development initiatives for investors.

## Guide to key entities

IOF or the Fund:	Investa Office Fund, which comprises the AJO Fund and the PCP Trust
AJO Fund:	Armstrong Jones Office Fund (ARSN 090 242 229)
PCP Trust:	Prime Credit Property Trust (ARSN 089 849 196)
ILFML:	Investa Listed Funds Management Limited, the responsible entity of IOF (ACN 149 175 655) (AFSL 401 414)
Investa:	Investa Office, the manager of IOF



# Letter from the Chairman



Deborah Page, Chairman



**Your Board is committed to maintaining market leading standards in corporate governance and delivering long term value to unitholders."**

Deborah Page AM, Chairman  
Investa Listed Funds  
Management Limited

Dear Unitholder

Financial Year 2014 has been a successful year for IOF. I am pleased to report that Investa, the manager, has continued to deliver on the strategy of exiting offshore markets and improving the quality of the Australian portfolio to deliver attractive risk adjusted returns, whilst continuing to create real value, leasing a record 130,000sqm in one of the most challenging markets for tenant demand in two decades.

Financial results for the year have been strong, with all key metrics showing growth on the prior corresponding period. Funds From Operations (FFO), our preferred measure of operational performance, was up 6% and Net Tangible Assets per unit increased from \$3.23 to \$3.35. The distribution for the year was 18.5 cents per unit, an increase of 4% on Financial Year 2013.

## Disciplined delivery of portfolio strategy

Financial Year 2014 was another active year of capital transactions with \$800m of acquisitions and disposals completed. The sale of the 14.2% interest in the Dutch Office Fund (DOF) was an important milestone in delivering the strategy of becoming 100% Australian focused. It followed an extensive process whereby the Investa management team worked with other key investors to gain majority influence to modernise the structure and refocus the strategy for DOF. These actions created an opportunity to liquidate IOF's position in this structurally challenged investment. Proceeds from the DOF sale, in addition to existing leverage capacity, provided the opportunity to make three acquisitions in Sydney during the period. We expect these acquisitions to generate attractive risk adjusted returns in the future.

Over the year, competition in the investment market intensified for core assets, with global and domestic funds paying strong prices for assets with bond-like characteristics. The Fund's acquisitions were predominantly value-add assets which provided compelling investment opportunities and higher risk adjusted returns once their leasing or capital expenditure risk was effectively dealt with. In addition to A-grade assets at 99 Walker Street, North Sydney, and the Piccadilly Complex, Sydney a B-grade asset was acquired at 6 O'Connell Street, Sydney. This asset complements the existing portfolio of predominantly A-grade assets, as it caters to the smaller tenant market, seeking affordable rents in a premium location.

Moving forward into 2015, we will continue to exploit attractive pricing for value-add and tactical opportunities that have leasing or capital expenditure risk. Investa has extensive experience and a proven track record in managing these risks to create value and this is a clear competitive advantage for IOF.

Distribution per unit

# 18.5 cents

Increase in Net Tangible Assets

# ↑4%



Peter Rowe, Non Executive Independent Director



Peter Dodd, Non Executive Independent Director

## Continued asset management success

Investa is a dedicated specialist in office management and its leadership position continues to deliver strong results. During a period of weak tenant demand, a record 130,000 square metres of leasing has been completed with some of Australia's largest companies including Coles, Deutsche Bank, Jemena, Westpac and Origin Energy.

Following the asset management and leasing success across the portfolio, the value of the Australian assets increased by \$112.6 million. This demonstrates that our proactive approach to asset management is not only underpinning future income, but increasing Net Tangible Assets.

Since taking over management from ING in 2011, IOF's unit price has increased by 33%<sup>1</sup> and distributions have grown by 19%<sup>1</sup>. As we move into Financial Year 2015 the most challenging market continues to be Brisbane, where we are nearing the completion of a \$15m refurbishment at 140 Creek Street and are addressing the vacancy exposures at 295 Ann Street and 15 Adelaide Street. Investa has devoted additional resources to this market to ensure capital expenditure projects are delivered efficiently and that IOF's assets are relevant and well-positioned. Despite the challenges of the Brisbane market, IOF has a high quality and diversified portfolio that is well positioned to continue to generate high risk-adjusted returns into the future.

## Maintaining good governance

Your Board believes IOF benefits from market leading standards in corporate governance. As Investa's fee is based on market capitalisation, management fees only increase or decrease in line with the unit price, which aligns the interests of unitholders and the Manager. Your Board considers this to be a good dynamic that supports long term value creation.

During Financial Year 2014 we devoted much time to reviewing IOF's strategy and challenging the asset, portfolio and capital management aspects of the Fund, and I would like to thank my Board colleagues for their ongoing commitment to the success of IOF. In addition, IOF continues to benefit from an experienced and long standing management team and I would like to take this opportunity to thank Toby Phelps and the Investa team for their commitment to delivering on our objectives.

We would like to take this opportunity to thank you for your continued support over the period, and look forward to reporting on further progress in a year's time.

Yours sincerely,

Deborah Page AM

Chairman, Investa Listed Funds Management Limited

## Interaction between IOF, the Board and the Manager

**IOF does not employ any staff directly; instead the Responsible Entity has engaged the Manager, Investa, to provide IOF with asset, portfolio and capital management services, to support the delivery of the strategy. This relationship allows IOF to benefit from Investa's integrated platform and capability as an office manager, resulting in better service to IOF tenants and contributing to superior unitholder returns.**

**The Responsible Entity pays Investa a fee equivalent to 0.55% of market capitalisation for providing the services required to manage IOF. When compared to traditional fee structures, this market leading fee structure provides greater alignment between the Manager and unitholders.**

## Board of Directors

**The Board of the Responsible Entity of IOF comprises a majority of Independent Directors, including an Independent Chairman. Board members have extensive experience within the industry, and their collective knowledge and commitment to IOF strengthens the efforts of the management team.**

### Deborah Page AM

Chairman and Non Executive Independent Director

### Peter Dodd

Non Executive Independent Director

### Peter Rowe

Non Executive Independent Director

### Scott MacDonald

Non Executive Director

### Ming Long

Executive Director

### Campbell Hanan

Alternate Executive Director for Scott MacDonald

1. Calculated for the period 30 June 2011 to 30 June 2014

# Corporate Governance

## Corporate Governance

Investa Office is committed to the highest standards of corporate governance and ethical conduct, recognising them as essential components of Investa's responsibility to investors. Through its commitment to transparency, Investa Office has developed a robust framework to ensure its governance objectives are met, risk is monitored and assessed, and performance is optimised.

This section outlines the main corporate governance practices of Investa Office Fund (Fund) and addresses compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations<sup>1</sup> (ASX Recommendations). A table summarising the Fund's compliance with the ASX Recommendations over the reporting period is provided at the end of this Corporate Governance Section.

### 1. Responsible Entity of Investa Office Fund

The Fund is comprised of the Armstrong Jones Office Fund (**AJO Fund**) and the Prime Credit Property Trust (**PCP Trust**), two managed investment schemes registered with the Australian Securities and Investments Commission (**ASIC**).

The Fund is listed on the Australian Securities Exchange (**ASX**) and the securities in the AJO Fund and the PCP Trust are stapled together and trade as one stapled security.

Investa Listed Funds Management Limited (**ILFML**), an Investa Office entity, is the responsible entity of each of the AJO Fund and the PCP Trust. ILFML has acted in this role since 8 July 2011.

The corporate governance structure adopted by ILFML reflects its role as responsible entity of a listed real estate trust, which is different from the corporate governance structure adopted by listed companies.



1



2



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1. Deborah Page AM
2. Dr Peter Dodd
3. Peter Rowe
4. Scott MacDonald
5. Ming Long
6. Campbell Hanan

1. The Corporate Governance Principles and Recommendations, 2nd edition, ASX Corporate Governance Council are available from the ASX website at <http://www.asxgroup.com.au/corporate-governance-council.htm>.



## 1.1 The Board of ILFML

As at the date of this Report, ILFML has five Directors, three of whom are Independent Directors and one Alternate Director. An overview of the experience, qualifications and memberships of each Director is set out below:

### Deborah Page AM

**Independent Director and Chairman since 14 June 2011**  
**Term in office – 3 years, 3 months**

Deborah Page AM brings financial expertise developed from a diverse range of finance and operational executive roles and from her professional background in external audit and corporate advisory. Mrs Page was a partner in Touche Ross/KPMG Peat Marwick until 1992, and subsequently held senior executive positions with the Lend Lease Group, Allen Allen and Hemsley and the Commonwealth Bank. Mrs Page was an Independent Director of Investa Funds Management Limited between July 2006 and July 2011. Mrs Page is a non-executive Director of BT Investment Management Limited, Brickworks Limited, The Colonial Mutual Life Assurance Society Limited, Commonwealth Insurance Limited, Service Stream Limited and Australian Renewable Fuels Limited.

Mrs Page is a Fellow of the Institute of Chartered Accountants, a Member of the Australian Institute of Company Directors and holds a Bachelor of Economics from the University of Sydney.

### Dr. Peter Dodd

**Independent Director since 14 June 2011**  
**Term in office – 3 years, 3 months**

Dr Peter Dodd is an experienced non-executive Director with extensive investment banking and financial industry experience. Dr Dodd has over 25 years of senior management experience in both the private sector and higher education institutions.

Dr Dodd's current appointments are as Director of Networks NSW which is the holding company of Ausgrid, Endeavour Energy and Essential Energy which are the three NSW Government owned electricity distribution companies, Chairman of Macquarie University Hospital, and Director of Energy Industries Superannuation Scheme.

Dr Dodd holds a PhD from the University of Rochester and degrees from the Universities of Newcastle and Queensland.

### Peter Rowe

**Independent Director since 14 June 2011**  
**Term in office – 3 years, 3 months**

Peter Rowe has over 35 years' experience in the funds management industry, including 22 years as a partner of Herbert Smith Freehills. At Herbert Smith Freehills he practiced extensively in the areas of funds management and securitisation and his roles included Head of the Financial Services Group and Deputy Chairman of the Freehills Foundation. He was acknowledged as one of the leading funds management lawyers in Australia and was nominated for the 2011 Justice Medal awarded by the NSW Law and Justice Foundation and in 2012 his work for the Duke of Edinburgh's Award in Australia was recognised on its 50th anniversary.

Mr Rowe is a member of the Audit and Risk Management Committees for Lend Lease Real Estate Investments Limited and Lend Lease Funds Management Limited and Chair of Managed Investment Schemes Compliance Committees for AMP Capital. He is a director, chair of the Audit and Risk Management Committee and a member of the Remuneration

Committee of Religare Health Trust Trustee Manager Pte Ltd. He is also a Director of Mission Australia Housing Limited and Mission Australia Housing Victoria Limited and was a Director of the Centre for Volunteering.

Mr Rowe holds a Dip. Law (SAB).

### Scott MacDonald

**Director since 7 February 2011 (Executive from February 2011 – June 2013; Non-executive since July 2013)**  
**Term in office – 3 years, 7 months**

Scott MacDonald is the Chairman of Investa Property Group and has worked in the real estate industry for more than 30 years, serving as CEO or President of five operating companies. He has developed specialised expertise in corporate management and leadership, as well as formulating and executing corporate repositioning. Mr MacDonald also has vast experience in real estate development and has a long standing relationship with Morgan Stanley Real Estate.

Mr MacDonald holds a Bachelor of Arts (Political Science) from Indiana University and a Masters degree in City and Regional Planning from the University of North Carolina.

### Ming Long

**Executive Director since 7 February 2011**  
**Term in office – 3 years, 7 months**

Ming Long is the Joint Managing Director & Finance Director of Investa Property Group (**Group**). She has broad and extensive experience in finance, property and funds management business with significant experience in leading finance functions in listed and unlisted organisations. Mrs Long is responsible for the overall Group and the strategic direction of Investa across the Office, Funds and Land development businesses, as well as leading the Group's financial strategy. She is also a member of the Group's Investment Committee. Prior to her current role, Mrs Long was the Group Chief Financial Officer of Investa Property Group since 2009.

Mrs Long is also a Director on the Responsible Entity Board of the Group's wholesale unlisted fund, Investa Commercial Property Fund and the Board of Investa Property Group Holdings Pty Limited. She is a member of the Property Council's International Capital Markets Division Council and the CFO Roundtable. She is also a member of the Finance & Audit Committee of the University of Sydney, one of Australia's leading universities.

Mrs Long has a Bachelor of Economics, a Bachelor of Laws, a Masters of Business Administration and is a Chartered Accountant. She is also a Member of the Australian Institute of Company Directors and a Senior Associate of Finsia.

### Campbell Hanan

**Alternate Director (Executive) for Scott MacDonald since 1 July 2013**  
**Term in office – 1 year, 3 months**

Campbell Hanan is the Chief Executive Officer of Investa Office, responsible for the overall strategic direction and leadership of the **Group**. He has over 20 years of experience in the property and funds management industry. Mr Hanan has responsibility for Investa Office's commercial office portfolio, the asset and property management functions and all of Investa Office's managed funds. Investa Office owns and manages in excess of \$8bn of commercial office assets within Australia.

Prior to joining the Group in 2003, Mr Hanan worked at UBS Securities.

## Corporate Governance (continued)

Mr Hanan holds a Bachelor of Economics and an Executive Masters of Business Administration from the University of Sydney. He is also a Fellow of both the Australian Property Institute and the Royal Institution of Company Surveyors.

He is a Director of Investa Office Management Holdings Pty Limited, the holding company of Investa Office and a Director of Investa Wholesale Funds Management. He also sits on the Board of Directors of the Property Industry Foundation, is Chairman of the NSW Board of Advisors for the Property Industry Foundation and is a member of the Australian Business Roundtable for Disaster Resilience & Safer Communities.

He is also a member of the Council of St Andrew's College at the University of Sydney.

### 1.2 Role of the Board and Management

#### Role of the Board

The primary role of ILFML is to operate the Fund in accordance with the constitution of each of the AJO Fund and the PCP Trust, the ASX Listing Rules and the Corporations Act 2001 (Cth) (**Corporations Act**). ILFML must ensure it acts in the best interests of unitholders and that the activities of the Fund are conducted in a proper and efficient manner.

The constitution of each of the AJO Fund and the PCP Trust gives ILFML all the powers in respect of the Fund that it is possible under the law to confer on a trustee as though it were the absolute owner of the assets of the Fund and acting in its personal capacity. The Corporations Act empowers ILFML to appoint a person, including one of its associates, as its delegate, attorney or agent to exercise its powers and perform its obligations. However, ILFML remains responsible for the actions of its delegates, attorneys and agents.

Key responsibilities of the Board include:

- > reviewing the performance of management, including the Fund Manager and the adequacy of resources allocated to ILFML;
- > providing input into and final approval of management's strategy and performance objectives for the Fund;
- > reviewing and if appropriate approving significant transactions;
- > overseeing the administration of ILFML, including risk and compliance monitoring functions;
- > reviewing the appropriateness of management's risk management processes;
- > reviewing the Fund's policies and procedures; and
- > establishing formal committees to assist in discharging its responsibilities, for example the Audit and Compliance Committee.

The Board has adopted a charter which sets out additional information about the role and responsibilities of the Board.

#### Role of Management

Management is responsible for all matters not specifically the responsibility of the Board and for implementing the strategy and performance objectives of the Fund and its day to day operations.

The Board has also granted specific delegated authorities to management, including in respect of project expenditure, operational expenditure, leasing, accounting and treasury.

Investa Office is responsible for providing the resources to enable ILFML to appropriately and adequately conduct its funds management operations and to administer its affairs. The Board oversees the activities of management and provides strategic guidance.

### 1.3 Executive performance, evaluation and remuneration

Investa Office, and not the Fund itself, is responsible for the remuneration and performance of the Directors of ILFML and Investa Office employees involved in the management of the Fund. However, the Board is responsible for reviewing the adequacy of the resources and for making any recommendations to Investa Office as necessary.

Investa Office has an established process for setting and measuring the performance of all employees. This process includes the setting of annual key performance indicators for each employee which are formally reviewed on a half and full year basis. All senior executives have defined objectives and have a discretionary element to their total remuneration, which is based on achieving defined objectives. Furthermore, the management team of the Fund has performance based remuneration aligned to the performance and key objectives of the Fund. Regular reviews are undertaken to ensure that the agreed objectives are met during the year.

The Independent Directors review the key performance indicators associated with the variable component of the Fund Manager's remuneration to ensure alignment with unitholder interests.

During the financial year, the performance of all Investa Office employees involved in the management of the Fund was reviewed in accordance with the process set out above.

#### Remuneration Committee

No remuneration committee has been established as ILFML does not have any employees. The fees of the Independent Directors of ILFML are determined and paid for by ILFML and not by the Fund itself. The Executive Directors of ILFML are not remunerated for their Director appointments with ILFML. The remuneration of employees involved in the management of the Fund is determined and paid for by ILFML's parent, Investa Office Management Pty Ltd (**IOM**).

During the 2014 financial year, the remuneration paid to the Directors of ILFML was as follows:

Director	Director category	Remuneration
Deborah Page AM	Independent Director and Chairman	\$200,000
Dr. Peter Dodd	Independent Director	\$150,000
Peter J.S. Rowe	Independent Director	\$150,000
Scott MacDonald	Non-Executive Director	\$75,000
Ming Long	Executive Director	Nil
Campbell Hanan	Alternate Director (Executive)	



The remuneration of ILFML in its capacity as responsible entity is regulated by the constitution of each of the AJO Fund and the PCP Trust. ILFML has only a right to be paid a fee or reimbursed an expense from the Fund in relation to the proper performance of its duties.

## 2. Board Structure

### 2.1 Directors' appointment and selection

The appointment of Directors is governed by the constitution of ILFML and the Corporations Act. The Board's policy and procedure for the selection of Directors is included in the Board charter.

As ILFML is wholly owned by IOM, IOM may also appoint or remove a director of ILFML by written notice on ILFML.

At the time ILFML took over the management of IOF, the Group made a commitment to unitholders that:

- > the Board will consist of a majority of Independent Directors and the chairman will be an Independent Director;
- > each Independent Director will have a term that expires at the conclusion of the general meeting of the unitholders held in the third year after the year in which they were appointed or their re-appointment is approved, unless further 3 year terms are approved by an ordinary resolution of the unitholders; and
- > the appointment of an Independent Director by the Board or ILFML's parent will be subject to ratification by the unitholders at the next general meeting, which must be held no more than 12 months after that appointment.

To avoid all Independent Directors retiring at the same time, the Group has committed to ensure that one of the three Independent Directors appointed in June 2011 retires at the conclusion of each annual meeting to be held in 2012, 2013 and 2014.

Unitholders approved the continuing appointment of Dr Peter Dodd and Mr Peter Rowe as Independent Directors at the 2012 and 2013 annual meetings respectively. It was determined that the continuing appointment of Mrs Page as an Independent Director would be submitted to unitholder approval at the general meeting of the Fund's unitholders to be held on 23 October 2014.

Directors are appointed with the aim of ensuring the Board has:

- > an appropriate blend of skills, experience and expertise;
- > a proper understanding of, and competence to understand, deal and provide responses and reactions to the day-to-day operation of the Fund; and
- > a majority of Independent Directors.

### 2.2 Nomination Committee

The existing size of the Board and the frequency of Board meetings are such that IOM is able to determine the selection and appointment process of the members on the Board in an efficient manner, without the need for a separate nomination committee. Furthermore, unitholders have the opportunity to ratify the appointment of Independent Directors.

### 2.3 Board meetings

The Board meets as and when required. Attendance at Board meetings over the financial year is shown in the table below:

Director	No. of meetings held	No. of meetings attended by the Director
Deborah Page AM	14	14
Dr. Peter Dodd	14	13
Peter J.S. Rowe	14	14
Scott MacDonald	14	7
Ming Long	14	14
Campbell Hanan	14	12

### 2.4 Director Independence

Independent Directors must satisfy the definition of "external Director" as defined in section 601JA of the Corporations Act in order to be considered "independent". As at the date of this Report, three of the five Directors are Independent Directors. The Alternate Director is an Executive Director. All Independent Directors satisfy the requirements of independence, and IOM has made this determination with reference to the Corporations Act as well as the ASX Recommendations.

To ensure that the Board remains independent, the Board has also adopted the following procedures for ensuring independence:

#### *Disclosure of Directors who are independent*

In the event an existing Director is assessed to no longer be independent, ILFML, on behalf of the Fund, will disclose this fact to the ASX as soon as practicable after the assessment has been made.

#### *Independent decision making*

Directors have, in appropriate circumstances, and subject to prior discussion with ILFML's Chairman the right to seek independent professional advice on matters relating to the Fund, including matters relating to the discharge of ILFML's obligations under the constitution of the AJO Fund and/or the PCP Trust and the law, the cost of which may be borne by ILFML or, where permitted, the Fund.

#### *Conflicts of Interest and Directors' Standing Notice Register*

Directors owe a duty to avoid any conflicts of interest that may arise. A conflict may arise through a personal interest or a duty to a third party.

Therefore, if a possible conflict of interest arises in respect of a Director i.e. a material personal interest in a matter, that Director is required to make full disclosure to the Board as soon as possible or contact the Company Secretary. A register of Directors' standing notices of interest is held by the Company Secretary.

In the event a conflict or potential conflict situation exists, the conflicted Director is absent from the meeting while the Board discusses the matter and may not vote on the matter, unless the other Directors, who do not have a material personal interest in the matter are satisfied that the interest should not disqualify the Director from voting or being present.

## Corporate Governance (continued)

### 2.5 Role of the Chair

The Chairman is a non-executive Director, who is elected by the Board from time to time.

The Chairman is responsible for the conduct of all Board meetings. This includes being satisfied that the agendas are comprehensive, that all agenda items are appropriate and that recommendations fit within the broad strategic direction approved by the Board.

### 2.6 Board education and performance evaluation

The Board undertakes a review of the Board's performance annually. This includes a review of the objectives of the Board and its Committees and progress towards achieving these objectives, a review of the Board and its Committee's processes, achievements and composition and any areas for improvement.

A performance evaluation for the Board, its committees and Directors has taken place in respect of the reporting period in accordance with this process. The performance evaluation was facilitated by the Secretariat and conducted by questionnaire. The outcomes of the evaluation were then reviewed and discussed by the Board.

Directors have the opportunity to visit the Fund's properties and to meet with management to gain a better understanding of the Fund's operations, and receive regular updates on relevant matters such as property industry issues, economic outlook and developments in accounting standards.

## 3. Promoting Responsible and Ethical Behaviour

### 3.1 Code of Conduct

Investa Office has established a Code of Conduct which outlines acceptable standards of behaviour and attitudes expected from staff to promote and maintain the confidence and trust of all those dealing with Investa Office. ILFML has also implemented a number of policies which supplement the Code of Conduct, which include:

- > Continuous Disclosure Policy
- > Security Trading Policy
- > Fund and Business Expense Policy

In accordance with Investa Office's Whistleblower Policy, staff are expected to report any serious issues and these will be investigated fairly. Individuals who report serious issues in good faith are appropriately protected.

### 3.2 Security Trading Policy

Investa Office and ILFML have established a Security Trading Policy which applies to all Investa Office employees, Directors (including the Directors of ILFML) and certain contractors. The aim of the policy is to ensure that public confidence is maintained in Investa employees and the trading of Investa Office securities, including Units in the Fund.

The Security Trading Policy prohibits trading in the Fund's Units by persons in possession of non-public inside information and regulates trading during trading windows and blackouts.

Under the policy, Investa Office Directors and prescribed employees must provide details of any trade of a listed Investa security, including Units in the Fund, to the Company Secretary.

### 3.3 Diversity and Inclusion Policy and Equal Employment Opportunity Policy

Investa is fully committed to creating a workplace in which diversity in all its forms is recognised, embraced and respected.

Investa and ILFML have in place a Diversity and Inclusion Policy which includes the following key measurable objectives:

- > Improve the representation of women across all levels of Investa;
- > Engage a culturally diverse workforce improving representation across age, cultural, religious, ethnic, socio-economic, educational backgrounds;
- > Support and encourage on-going career development opportunities for all employees; and
- > Ensure fairness and parity across Investa.

Investa Property Group (Group) has established a Diversity and Inclusion Committee which is chaired by Campbell Hanan (CEO Investa Office) and has representation from across the diverse groups that make up the Group. The aim of this committee is to guide strategies and sponsor initiatives to create an inclusive and innovative culture – one that aligns to the Group's Diversity and Inclusion Policy and supports its strategic objectives.

In FY14, the Diversity and Inclusion Committee has focused on four key targets:

1. launch of the Group's diversity agenda with a compelling presentation to all staff by a Male Champion of Change and creation of an intranet page to focus exclusively on diversity issues and communicate on diversity matters with staff;
2. re-classification of all roles within the Group in accordance with the Workplace Gender Equality Act;
3. Introduction of new a new remuneration policy and a flexible working arrangements policy; and
4. collection of diversity data via a staff survey which will enable the Diversity and Inclusion Committee to further tailor its objectives to the needs of the Group's staff.

ILFML's commitment to gender diversity is demonstrated as follows:

- > There are two women on the Board of ILFML (40% of the Board);
- > The Independent Chairman of ILFML is a woman;
- > The joint Company Secretary of ILFML is a woman;
- > Two Investa Office employees involved in the management of the Fund are participating in the 2014 Women in Property Mentoring Program championed by the Property Council of Australia; and
- > While ILFML does not have any employees, the above measurable objectives have also been adopted by Investa Office and ILFML monitors Investa Office's progress towards achieving these objectives.

Investa also has in place an Equal Employment Opportunity Policy to ensure that it develops a working environment and culture that is fair and enables all employees to make a valuable contribution to their role and the business operation. The policy also ensures that any form of discrimination or harassment is eliminated from the workplace.

## 4. Financial Reporting

### 4.1 Review and authorisation

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer have declared in writing to the Board that the financial records of the Fund for the financial year have been properly maintained in accordance with section 286 of the Corporations Act and the Fund's financial statements present a true and fair view of the Fund's financial position and performance and are in accordance with relevant accounting standards.

### 4.2 Board Audit and Compliance Committee and Charter

The Board has established an Audit and Compliance Committee (**Committee**) which operates under a Board approved charter.

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities. The Committee reviews, amongst other things, the financial reporting process, the system of internal control, the external and internal audit processes, compliance with the compliance plan for each of the AJO Fund and the PCP Trust and ILFML's process for monitoring compliance with laws and regulations and Investa Office's Code of Conduct.

The Committee consists of at least three members, all of whom must be non-executive Directors of ILFML and a majority of whom must be Independent Directors of ILFML. The Chairman of the Board is not permitted to chair the Committee. As at the date of this Report, the members of the Committee are the three Independent Directors of ILFML and the Committee Chair is Dr Peter Dodd.

The Committee is required to meet a minimum of four times per year, or more frequently if required. Attendance at the meetings of the Committee over the financial year is shown in the table below:

Committee member	No. of meetings held	No. of meetings attended by the member
Dr. Peter Dodd	4	4
Deborah Page AM	4	4
Peter J.S. Rowe	4	4

The Committee is a committee of the Board and as such, the evaluation of its performance is undertaken as part of the evaluation of the performance of the Board.

### 4.3 Appointment of External Auditor

PricewaterhouseCoopers is the current auditor for ILFML, the AJO Fund, the PCP Trust and the compliance plans for the AJO Fund and the PCP Trust.

The appointment and removal of the external auditor is regulated by the Corporations Act. Information on procedures for the selection, appointment and monitoring of the performance of the external auditor and for the rotation of external audit engagement partners is set out in the charter of the Committee.

## 5. Continuous Disclosure

### 5.1 Continuous Disclosure

As the responsible entity of a listed fund, ILFML must comply with the continuous disclosure provisions of the ASX Listing Rules.

ILFML is required to immediately notify the ASX of any information concerning the Fund of which it is or becomes aware, which a reasonable person would expect to have a material effect on the price or value of Units in the Fund, subject to certain limited exceptions.

ILFML has established a policy which deals with:

- > information that needs to be disclosed to the market;
- > responsibility for responding to market rumours or speculation;
- > communications with analysts and major investors;
- > procedures for dealing with the media; and
- > senior management review and sign off of release of information to the market.

The Company Secretary has been appointed as the person responsible for communicating with the ASX. This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules.

## 6. Investor Communications

### 6.1 Unitholder meetings

ILFML may convene a unitholder meeting during the financial year at a time and place that is considered convenient for the majority of the Fund's unitholders.

The Fund will place a copy of the most recent notice of meeting and any accompanying explanatory memorandum on its website when released to the ASX.

At any unitholder meeting, the Chairman will ensure that a reasonable opportunity exists for unitholders to ask questions relating to the operations of the Fund and if applicable, the resolutions being voted on.

Unitholders are encouraged to attend all unitholder meetings.

During the year, ILFML held a unitholder meeting on 23 October 2013 to provide an update on the Fund's activities and to consider the continuing appointment Mr Peter Rowe as an Independent Director of ILFML.

#### *Auditor attendance at unitholder meetings*

If ILFML convenes a unitholder meeting, the Company Secretary will request the external auditor or a qualified representative of the auditor to attend the unitholder meeting.

### 6.2 Communication with unitholders

The Fund has procedures in place to ensure that all unitholders and other interested stakeholders have access to balanced, understandable and timely information concerning the operations of the Fund. The Fund's policy on unitholder communications is contained in the compliance plan for each of the AJO Fund and the PCP Trust and the Fund's Continuous Disclosure Policy.



## Corporate Governance (continued)

The Company Secretary, in conjunction with the Fund Manager and the Investor Relations Representative are primarily responsible for ensuring communications with unitholders are delivered in accordance with these procedures.

The Fund principally communicates with unitholders through its website, which contains the following information:

- > Current and archived annual and half year reports;
- > ASX announcements, including all investor presentations by the Fund's management team;
- > Significant developments relating to the Fund;
- > The Fund's corporate governance documents, including its key policies, charters and constitutions (please see section 9.1 below for a list of documents available);
- > Current and archived webcasts of annual and half-year results presentations; and
- > Key dates and events.

The Investa Office website also provides information in respect of the Investa Property Group, other funds managed by Investa Office and profiles of Investa Property Group senior management and Directors.

The Investor Relations section on pages 105-106 summarises unitholder communications over the reporting period and includes contact details for the Fund's Investor Relations Representative.

## 7. Risk Management and Compliance Procedures

### 7.1 Risk management framework

The Board and management recognise that having a well-developed system in place for risk management is an integral part of good management practice. Investa Office actively promotes a culture of compliance and risk management awareness with the aim of ensuring all activities comply with laws, regulations, codes and in-house policies and procedures.

Investa Office regularly analyses its business operations to ensure that:

- > key risks can be identified that could lead to an operational loss;
- > assessments are made of the potential risks and potential exposures; and
- > adequate mitigation measures are implemented to address potential risks in the business.

Investa Office has designed and implemented a risk management and internal control framework (**RMF**) to manage its business risks and the business risks of the managed investment schemes that it operates. The Board has adopted the RMF to manage the Fund's business risks. The Group's Risk and Sustainability Committee (**RSC**) assists the Board in the management of the RMF. Management report to the Board and the RSC on a regular basis on whether the RMF is operating effectively in respect of the Fund. The Chairman of the Board was a member of the RSC until 26 June 2014 at which time she was replaced as a member of the RSC by the Chairman of the Audit and Compliance Committee.

The RSC operates under a Board adopted charter which sets out the RSC's role, responsibilities (including reporting obligations), objectives and authority. Broadly, the RSC reviews and guides the implementation, operation and effectiveness of Investa Office's Sustainability, Safety, Health and Environment Policies and the Group's system of internal control and compliance with laws, regulations and internal policies.

Management and the Fund Manager also formally review the Fund's risk profile on a semi-annual basis and report to the Committee and the Board on the Fund's key business, operational and compliance risks and the effectiveness of the controls and mitigation actions to manage these risks.

The Fund Manager includes an assessment of risks facing the Fund as part of his regular Board reporting, and specifically in respect to capital transactions.

### 7.2 Compliance Plan

The RMF is further supported by the compliance plan for each of the AJO Fund and the PCP Trust. The purpose of each compliance plan is to set out key processes, systems and measures ILFML will apply to ensure compliance with:

- > the Corporations Act;
- > the Constitution of each of the AJO Fund and the PCP Trust;
- > industry practice standards relevant to the Fund; and
- > Investa Office and ILFML internal policies and procedures.

Each compliance plan describes the key obligations that ILFML must meet under the Corporations Act and the constitution of each of the AJO Fund and the PCP Trust, the measures in place to comply with these obligations and how compliance with these measures is monitored. In addition, each compliance plan details the risk of not complying with these obligations, and how breaches are to be reported and addressed.

The compliance plan for each of the AJO Fund and the PCP Trust is audited each year. The audit report, which is lodged with ASIC, includes an assessment on:

- > whether the procedures and controls set out in the compliance plans sufficiently address the requirements of the Corporations Act; and
- > if the controls and procedures described in the compliance plans have been in place and operating effectively over the year.

### 7.3 Risk management review and reporting to the Board and its Committees

In respect of the reporting period, the Board has received the following certifications which have been reviewed by the Committee:

- > certification from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and
- > certification from management confirming that the internal controls and processes in place effectively manage the Fund's material business risks.

## 8. Sustainability

### 8.1 Sustainability Policy

Investa is committed to sustainability principals encompassing environmental, social and economic, dimensions. The group has established an enviable reputation as a leader in the development and implementation of real estate sustainability initiatives and continues to apply best practices in its management of commercial property. Investa's approach supports the goal of enhancing investment returns without sacrificing the environment or compromising standards of conduct, with a specific focus on:

- > Improving the identification and management of risk and controlling unnecessary costs, including potential risks and opportunities associated with future changes in the climate;
- > Adhering to Investa's Sustainable Responsible Investment Guidelines incorporating environmental, social and corporate governance issues into investment decision-making and ownership practices;
- > Identifying changes in the business environment and adjusting to position investments to weather economic declines and prosper in periods of growth;
- > Fostering a culture of innovation;
- > Building employee motivation and capacity with skills and tools, and evaluating and rewarding employees using a merit based system;
- > Engaging with the communities where Investa works to understand the key issues and prioritise attention on the needs, impacts and opportunities that matter to stakeholders and customers;
- > Working with partners and suppliers, investors and customers to improve the sustainability performance of building operations, the property industry and society;
- > Exercising company and industry leadership;
- > Reporting transparently and regularly on Investa's sustainability performance.

### 8.2 Investa Office Fund – Sustainability Strategy FY14

#### Vision

Investa Office Fund (IOF) aims to be 'Australia's best performing office fund'.

- > Investa Office (Investa) and its funds will differentiate the sustainability approach through four key priorities in the Environment, Social and Governance (ESG), or Sustainability, approach of the Investa Office platform. An annual IOF Sustainability Action Plan drives delivery of these priorities.

#### ESG and Sustainability Approach

Investa sets out to improve the operational performance, and therefore investment returns, of the properties it acquires and manages. The sustainability platform provides a framework for focusing upon and enhancing good business practices which in turn contribute to asset income and values and improved social and environmental outcomes. Sustainability is embedded in the fund through:

- > **Harnessing human capital and meeting tenant needs.** Tenants are becoming more focused on tenancy sustainability as a route to more productive, engaged

employees. Investa offers sustainability initiatives and tenant and occupant engagement activities to create healthier workplaces, smarter businesses and a better environment.

- > **Leadership in governance.** Through external benchmarks, accreditations and memberships, Investa offers excellence in ESG governance and investor alignment. Investa's Sustainable Responsible Investment (SRI) Guidelines ensure proactive management of risks for investors. An ongoing commitment to transparency of results through Investa's timely online reporting holds the fund accountable and drives continuous improvement.
- > **Optimising value by improving environmental performance.** Careful assessment and implementation of value-add opportunities reduces greenhouse gas emissions, energy and water use whilst increasing occupant comfort and so boosts the financial performance of Investa assets. Investment in sophisticated management capabilities to deliver high performing buildings includes providing functional and behavioural tools which assist managers to identify and replicate good performance and quickly act to manage poor performance.
- > **Adding value through research and innovation.** The Investa Sustainability Institute conducts active research into emerging trends and opportunities in the built environment.

The sustainability and ESG approach delivers the key aims of IOF, by supporting the business to deliver results and drive value through improving leasing income and building values, efficient investment propositions and brand positioning and reputation.

## 9. Additional Corporate Governance Information

### 9.1 Corporate Governance Documents

The following documents are available in the Governance section of the Fund's website:

- > Board Charter
- > Board Audit and Compliance Committee Charter
- > Risk and Sustainability Committee – Safety, Health, Environment Charter
- > Continuous Disclosure Policy
- > Security Trading Policy
- > Code of Conduct
- > Risk Management Policy
- > Complaints Policy
- > Diversity and Inclusion Policy
- > Whistle-blower Policy
- > IOF Deed Poll
- > Constitution for each of the AJO Fund and the PCP Trust

## Corporate Governance (continued)

### Compliance with ASX Recommendations

The following information details ASX Recommendations with reference made to the relevant section in the Corporate Governance section and subsequent compliance of ILFML.

Principles and Recommendations	Reference	Compliance
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
<b>Recommendation 1.1:</b> Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1.2	✓
<b>Recommendation 1.2:</b> Companies should disclose the process for evaluating the performance of senior executives.	1.3	✓
<b>Recommendation 1.3:</b> Companies should provide the following information:		
> an explanation of any departure from Recommendation 1.1, 1.2 or 1.3	N/A	✓
> whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed	1.3	✓
> A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	9.1	✓
<b>Principle 2 – Structure the board to add value</b>		
<b>Recommendation 2.1:</b> A majority of the board should be Independent Directors.	1.1	✓
<b>Recommendation 2.2:</b> The chair should be an Independent Director.	1.1, 2.5	✓
<b>Recommendation 2.3:</b> The roles of chair and chief executive officer should not be exercised by the same individual.	1.1, 2.5	✓
<b>Recommendation 2.4:</b> The board should establish a nomination committee.		Refer to 2.2
<b>Recommendation 2.5:</b> Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.	2.6	✓
<b>Recommendation 2.6:</b> The following material should be included in the corporate governance statement in the annual report:		✓
> the skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report	1.1	✓
> the names of the Directors considered by the board to constitute Independent Directors and the company's materiality thresholds	1.1, 2.4	✓
> the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a Director to be independent, notwithstanding the existence of these relationships	N/A	✓
> a statement as to whether there is a procedure agreed by the board for Directors to take independent professional advice at the expense of the company	2.4	✓
> a statement as to the mix of skills and diversity for which the board of Directors is looking to achieve in membership of the board	2.1	✓
> the period of office held by each Director in office at the date of the annual report	1.1	✓
> the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out		Refer to 2.2
> whether a performance evaluation for the board, its committees and Directors has taken place in the reporting period and whether it was in accordance with the process disclosed	2.6	✓
> an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.	2.2	✓



## Principles and Recommendations

## Reference Compliance

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

> a description of the procedure for the selection and appointment of new Directors and the re-election of incumbent Directors	9.1	✓
> the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee	N/A	N/A
> the board's policy for the nomination and appointment of Directors.	9.1	✓

### Principle 3 – Promote ethical and responsible decision-making

**Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:

> the practices necessary to maintain confidence in the company's integrity	3.1	✓
> the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders		
> the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		

**Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

3.3 ✓

**Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

3.3 ✓

**Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

3.3 ✓

**Recommendation 3.5:** Companies should provide the following information:

> An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report.	3.3	✓
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The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

> any applicable code of conduct or a summary	9.1	✓
> the diversity policy or a summary of its main provisions.	9.1	✓

### Principle 4 – Safeguard integrity in financial reporting

**Recommendation 4.1:** The board should establish an audit committee.

4.2 ✓

**Recommendation 4.2:** The audit committee should be structured so that it:

4.2 ✓

- > consists only of non-executive Directors
- > consists of a majority of Independent Directors
- > is chaired by an independent chair, who is not chair of the board
- > has at least three members.

**Recommendation 4.3:** The audit committee should have a formal charter.

4.2, 9.1 ✓

**Recommendation 4.4:** Companies should provide the following information:

## Corporate Governance (continued)

### Principles and Recommendations

### Reference Compliance

The following material should be included in the corporate governance statement in the annual report:

> the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out	1.1, 4.2	✓
> the number of meetings of the audit committee	4.2	✓
> explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.	N/A	✓

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

> the audit committee charter	9.1	✓
> information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	4.3, 9.1	✓

### Principle 5 – Make timely and balanced disclosure

**Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

5.1 ✓

**Recommendation 5.2:** Companies should provide the following information:

> An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report	N/A	✓
> The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.	9.1	✓

### Principle 6 – Respect the rights of shareholders

**Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

5.1, 6.1, 6.2 ✓

**Recommendation 6.2:** Companies should provide the following information:

> Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report	5.1, 6.1, 6.2	✓
> The company should describe how it will communicate with its shareholders publicly, ideally by posting the information on the company's website in a clearly marked corporate governance section.	6.2, 9.1	✓

### Principle 7 – Recognise and manage risk

**Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

7.1 ✓

**Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

7.1, 7.3 ✓

**Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

7.3 ✓

## Principles and Recommendations

## Reference Compliance

**Recommendation 7.4:** Companies should provide the following information:

The following material should be included in the corporate governance statement in the annual report:

> explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4	N/A	✓
> whether the board has received the report from management under Recommendation 7.2	7.3	✓
> whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.	7.3	✓

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

> a summary of the company's policies on risk oversight and management of material business risks.	7.1	✓
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### Principle 8 – Remunerate fairly and responsibly

Refer to 1.3

**Recommendation 8.1:** The board should establish a remuneration committee.

**Recommendation 8.2:** The remuneration committee should be structured so that it:

- > consists of a majority of Independent Directors
- > is chaired by an independent chair
- > has at least three members.

**Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

**Recommendation 8.4:** Companies should provide the following information:

The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:

- > the names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out
- > the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive Directors
- > an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- > the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee
- > a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.



# GRI Index

## GRI

### Indicator GRI Description

### IOF 2014 Annual Financial Report and Annual Review

#### 1. Strategy and Analysis

1.1	Chairman and CEO's Statement	<i>Letter from the Chairman</i> (p.2), IOF 2014 Annual Financial Report <i>Letter from the Chairman</i> (p.4), IOF 2014 Annual Review
1.2	Key impacts, risks and opportunities	Significant impacts, risks and opportunities for sustainability at IOF are reported in: <i>Environmental Performance</i> (pp.26-27), <i>Strategic Overview</i> (p.8), <i>The Manager</i> (pp.26-31), of the IOF 2014 Annual Review. <i>Sustainability</i> (p.11), <i>Directors' Report</i> (pp.28-36), IOF 2014 Annual Financial Report.

#### 2. Organisational Profile

2.1	Name of the organisation	Investa Office Fund ("IOF" or "the Fund") is an ASX-listed real estate investment trust (A-REIT). Investa Listed Funds Management Limited (ILFML, "the Responsible Entity"), became the responsible entity of IOF in July 2011. Investa Office ("Investa" or "the Manager") is part of Investa Property Group and is the responsible manager for the funds under management, the property management of many of the Fund's Australian assets, and employs the management staff.
2.2	Primary brands, products, and/or services	The Fund is a leading owner of investment grade office buildings and receives rental income from a tenant register comprising predominantly Government and blue chip tenants. <i>Our Portfolio</i> (pp.14-15), IOF 2014 Annual Review, and the IOF 2014 Property Portfolio book outlines all key assets under management and commercial office leases are supplied to market.
2.3	Operational structure of the organisation	IOF is managed by Investa Office on behalf of investors. Organisational structure diagram: <i>The Manager</i> (pp.26-27), IOF 2014 Annual Review.
2.4	Location of headquarters	Sydney, Australia.
2.5	Countries of operation	Australia. The Fund has investment assets located in core CBD markets throughout Australia and select offshore markets in Europe.
2.6	Nature of ownership and legal form	Investa Office Fund is an ASX-listed real estate investment trust. Investa Listed Funds Management Limited, became the responsible entity of IOF in July 2011. Investa Office is part of Investa Property Group and is the responsible manager for the funds under management, the property management of many of the Fund's Australian assets, and employs the management staff.
2.7	Markets served	IOF has investment assets located in core CBD markets throughout Australia and select offshore markets in Europe.
2.8	Scale of the reporting organisation	IOF has total assets under management of A\$3.1 billion.
2.9	Significant changes during the reporting period	IOF's aim is to reposition the portfolio to an Australian-only focus.
2.10	Awards received	IOF was named a "GRESB Green Star 2013" and listed in the top quartile of property funds in the world by the Global Real Estate Sustainability Benchmark (GRESB) Foundation.

## GRI

## Indicator GRI Description

## IOF 2014 Annual Financial Report and Annual Review

## 3. Report Parameters

## Report Profile

3.1	Reporting period	The IOF 2014 Annual Financial Report, IOF 2014 Annual Review and IOF 2014 Property Portfolio report on Australian Financial Year 2014, 1st July 2013 – 30 June 2014. Environmental performance data is provided for the year ended 31 March 2014 to allow time to capture billing data for timely reporting.
3.2	Date of the most recent previous report	IOF 2013 Annual Report IOF 2013 Annual Review IOF 2013 Property Portfolio book Published in August 2013.
3.3	Reporting cycle	Half-year and annual Fund reports are provided each year, and sustainability performance data is included.
3.4	Contact point	<i>Corporate Directory</i> (p.111), IOF 2014 Annual Financial Report
3.5	Process for defining report content	<i>Directors' Report</i> (pp.28-36), IOF 2014 Annual Financial Report. Sustainability Assurance and Reporting Rules outline the process for collecting, reporting and verifying sustainability data <a href="http://www.investa.com.au/funds">www.investa.com.au/funds</a> .
3.6	Boundary of the report	<i>Directors' Report</i> (pp.28-36), IOF 2014 Annual Financial Report. Sustainability performance data is supplied for Australian investment portfolio assets only, where this data is available and comparable according to the Sustainability Reporting Rules. Australian assets represent more than 88% of invested assets.
3.7	Statement of limitations	<i>Notes to the Consolidated Financial Statements – Year Ended 30 June 2014</i> (pp.44-101), IOF 2014 Annual Financial Report.
3.8	Basis for reporting other entities	<i>Notes to the Consolidated Financial Statements – Year Ended 30 June 2014</i> (pp.44-101), IOF 2014 Annual Financial Report. Sustainability performance data is supplied for Australian investment portfolio assets only, where this data is available and comparable according to the Sustainability Reporting Rules. Australian assets represent more than 97% of invested assets.
3.9	Data measurement techniques	<i>Notes to the Consolidated Financial Statements – Year Ended 30 June 2014</i> (pp.44-101), IOF 2014 Annual Financial Report. Sustainability Assurance and Reporting Rules outline the process for collecting, reporting and verifying sustainability data <a href="http://www.investa.com.au/funds">www.investa.com.au/funds</a> .
3.10	Re-statements	No restatements have been made.
3.11	Significant changes from previous reporting periods	There has been a change in the industry standard for the reporting of Operating Performance of Australian Real Estate organisations; IOF has aligned reporting with this new standard. <i>Letter from the Chairman</i> (p.2), IOF 2014 Annual Financial Report <i>Letter from the Chairman</i> (p.4), IOF 2014 Annual Review
3.12	Table identifying the location of the Standard Disclosures in the report	<i>GRI Index</i> (pp.16-26), IOF 2014 Annual Financial Report.
3.13	Policy and current practice regarding external assurance	<i>Independent Auditors report to the stapled security holders of Investa Office Fund and the unitholders of Prime Credit Property Trust</i> (pp.103-104), IOF 2014 Annual Financial Report. <i>Sustainability Assurance and Reporting Rules</i> (p.19), IOF 2014 Annual Review and <a href="http://www.investa.com.au/funds">www.investa.com.au/funds</a>

## GRI Index (continued)

### GRI

#### Indicator    GRI Description    IOF 2014 Annual Financial Report and Annual Review

#### 4. Governance, Commitments and Engagement: Governance

4.1	Governance structure	<i>Corporate Governance</i> (pp.4-15), IOF 2014 Annual Financial Report. There is also a Risk and Sustainability Committee – Safety, Health, Environment and Audit, reporting to the Board of Investa Property Group Holdings Pty Limited (IPGH) and its Charter extends to all activities of all entities owned by IPGH, including Investa Office. This is a management committee independently chaired that assists the Board with all financial, audit, governance and WHandS issues faced by Investa Office; and guides the implementation, operation and effectiveness of Invest Office's Sustainability, Safety, Health and Environment Policies.
4.2	Chair of the highest governance body	<i>Corporate Governance</i> (p.5), IOF 2014 Annual Financial Report.
4.3	Highest governance body	The Board of Investa Listed Funds Management Limited (ILFML, "the Responsible Entity"), became the responsible entity of IOF in July 2011. <i>Corporate Governance</i> (p.5), IOF 2014 Annual Financial Report.
4.4	Mechanisms to provide recommendations or direction to the highest governance body	<i>Corporate Governance</i> (pp.4-15), IOF 2014 Annual Financial Report.
4.5	Compensation and performance	<i>Corporate Governance</i> (p.6), IOF 2014 Annual Financial Report.
4.6	Conflicts of interest	<i>Corporate Governance</i> (p.7), IOF 2014 Annual Financial Report.
4.7	Expertise of governance bodies	<i>Corporate Governance</i> (p.5), IOF 2014 Annual Financial Report.
4.8	Statement of mission and values	<i>Fund Overview</i> (pp.2-3), <i>Strategic Overview</i> (p.9), and <i>The Manager</i> (pp.26-31) IOF 2014 Annual Review.
4.9	Management of performance	<i>Corporate Governance</i> (pp.4-15) IOF 2014 Annual Financial Report.
4.10	Performance evaluation	<i>Corporate Governance</i> (pp.4-15) IOF 2014 Annual Financial Report.
4.11	Whether and how a precautionary approach is addressed	<i>Corporate Governance</i> (pp.4-15) IOF 2014 Annual Financial Report.
4.12	Charters to which we subscribe	The Fund, through the Manager, subscribes and is committed to a range of corporate governance and responsibility charters and has external associations and accreditations. <i>The Manager</i> (pp.26-31), IOF 2014 Annual Review.
4.13	Memberships in associations/advocacy organisations	The Manager is currently a member or participant with the following associations and advocacy organisations: ANREV – Asian Association for Investors: <a href="http://www.anrev.org">www.anrev.org</a> API – Australian Property Institute: <a href="http://www.api.org.au">www.api.org.au</a> Australian Business Roundtable for Natural Disaster Resilience and Safer Communities Australian Marketing Institute: <a href="http://www.ami.org.au">www.ami.org.au</a> Australian Investor Relations Associations: <a href="http://aira.org.au">http://aira.org.au</a> City of Sydney – BBP GBCA – Green Building Council of Australia <a href="http://www.gbca.org.au">www.gbca.org.au</a> GRESB – Global Real Estate Sustainability Benchmark, GRESB Foundation <a href="http://www.gresb.com">www.gresb.com</a> PCA – Property Council of Australia: <a href="http://www.propertyoz.com.au">www.propertyoz.com.au</a> RIAA – Responsible Investment Association Australasia: <a href="http://www.responsibleinvestment.org">www.responsibleinvestment.org</a> UDIA – Urban Development Institute of Australia: <a href="http://www.udia.com.au">www.udia.com.au</a> UNEPFI – United Nations Environment Program Finance Initiative: <a href="http://www.unepfi.org">www.unepfi.org</a> UNPRI – United Nations Principles for Responsible Investment: <a href="http://www.unpri.org">www.unpri.org</a>



## GRI

## Indicator GRI Description

## IOF 2014 Annual Financial Report and Annual Review

## Stakeholder Engagement

4.14	Stakeholder groups	Key stakeholders identified include investors, tenants (customers), the environment, suppliers, employees and the communities the Fund works in, and Australian society at large. <i>Management Approach</i> (p.30), IOF 2014 Annual Review.
4.15	Basis for identification and selection of stakeholders	Stakeholders are identified as those individuals, organisations, sectors and communities where the Fund and Manager operations have some influence or impact on those people, groups and other externalities. Stakeholders are identified in <i>Management Approach</i> (p.30), IOF 2014 Annual Review.
4.16	Approaches to stakeholder engagement	<i>Investor Relations</i> (pp.34-35), and <i>Management Approach</i> (pp.26-31), IOF 2014 Annual Review.
4.17	Concerns raised through stakeholder engagement	Concerns raised through Investa's tenant helpdesk, tenant surveys and employee surveys are acknowledged and responded to through a formal process and internal procedure. The Fund's Investor Relations Representative responds directly to investor feedback. <i>Investor Relations</i> (pp.34-35), and <i>Management Approach</i> (pp.26-31), IOF 2014 Annual Review.

## Management Disclosures

## Economic Performance

EC1	Direct economic value generated and distributed	<i>Financial Information</i> (pp.27-104), IOF 2014 Annual Financial Report. <i>Performance Summary</i> (p.12), IOF 2014 Annual Review.
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	The Fund's 2013 and 2014 responses to CDP (formally Carbon Disclosure Project) are available via CDP online where detailed annual responses are provided to these issues. <a href="http://www.cdproject.net">www.cdproject.net</a> IOF was named on the CDP ASX Climate Disclosure Leadership Index in 2013
EC3	Coverage of the organisation's defined benefit plan obligations	Superannuation contributions are made by the Manager to employees, in accordance with Australian Government legislative requirements.
EC4	Significant financial assistance received from government	No significant financial assistance was received from government in FY2014.

## Market Presence

EC5	Ratios of employee wage compared to the minimum wage	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	The Manager has management policies, practices and reporting of supply chains, these are detailed in the Investa Office Sustainability Report 2014.

## Materials

EN1	Materials used by weight or volume	The Manager has procurement processes in place for the purchasing of materials, and these are reported in the Investa Office Sustainability Report 2014.
EN2	Percentage of materials used that are recycled and reused input materials	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review, and the Investa Office Sustainability Report 2014.

## GRI Index (continued)

### GRI

GRI Indicator	GRI Description	IOF 2014 Annual Financial Report and Annual Review
<b>Energy</b>		
EN3	Direct energy consumption by primary energy source	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
EN4	Indirect energy consumption by primary source.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
CRE1	Building Energy Intensity.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
EN5	Energy saved due to conservation and efficiency improvements.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions results.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review. <i>Key milestone 1 and 3</i> , (p.21 and p.25), and the <i>Management Approach</i> (pp.28-31), IOF 2014 Annual Review.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
<b>Water</b>		
EN8	Total water withdrawal by source.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
EN10	Percentage and total volume of water recycled and reused.	Water is recycled and reused at a number of IOF properties in Australia; however this use is not currently metered.
CRE2	Building water intensity.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
<b>Biodiversity</b>		
EN11	Location and size of land owned, leased, managed in, or adjacent to, areas of high biodiversity value.	The Fund does not have investments in Australia in, or adjacent to, areas of high biodiversity value.
EN12	Description of significant impacts of activities, products, and services on biodiversity in areas of high biodiversity value.	No direct impacts.
EN13	Habitats protected or restored.	No direct interactions.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	The Manager's Environment Policy specifically notes a principle to "Conserve biodiversity and enhance ecological outcomes", <a href="http://www.investa.com.au">www.investa.com.au</a> . Options for improving biodiversity through business operations are being considered by the Manager.
<b>Emissions, effluents, and waste</b>		
EN16	Total direct and indirect greenhouse gas emissions by weight.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.

**GRI**

<b>Indicator</b>	<b>GRI Description</b>	<b>IOF 2014 Annual Financial Report and Annual Review</b>
EN17	Other relevant indirect greenhouse gas emissions by weight.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
CRE3	Greenhouse gas emissions intensity from buildings.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
CRE4	Greenhouse gas emissions from new constructions and redevelopment activity.	Investa Office specifies and in some instances undertakes new constructions and redevelopment activity on behalf of IOF. The Investa Office Sustainability Report 2014 contains information about these activities.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review. Milestones, (p.21 and p.25), and the <i>Management Approach</i> (pp.28-31), IOF 2014 Annual Review.
EN19	Emissions of ozone-depleting substances by weight.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
EN22	Total weight of waste by type and disposal method.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review.
EN23	Total number and volume of significant spills.	Nil.
EN24	Weight of transported, imported, exported, or treated hazardous waste.	The Fund and Manager's activities do not generate waste classified as 'hazardous'.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisations discharges of water and runoff.	Storm water and sewerage discharges are made only into regulated municipal systems for treatment.
<b>Land Degradation, Contamination and Remediation</b>		
CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review. <i>Management Strategy</i> , (p.20-24), and the <i>Management Approach</i> (pp.28-31), IOF 2014 Annual Review.
<b>Products and services</b>		
EN26	Initiatives to enhance efficiency and mitigate environmental impacts of products and services, and extent of impact mitigation.	<i>Environmental Performance</i> (pp.26-27), IOF 2014 Annual Review. <i>Management Strategy</i> , (p.20-24), and the <i>Management Approach</i> (pp.28-31), IOF 2014 Annual Review.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	The Fund and the Manager do not manufacture consumer products.

## GRI Index (continued)

### GRI

Indicator	GRI Description	IOF 2014 Annual Financial Report and Annual Review
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#### Compliance

EN28	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations.	Nil.
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#### Transport

EN29	Significant environmental impacts of transporting products, goods, materials, and members of the workforce.	The Manager has management policies, practices and reporting of supply chains, these are detailed in the Investa Office Sustainability Report 2014.
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#### Overall

EN30	Total environmental protection expenditures and investments by type	The Fund and the Manager do not at this time specifically quantify the total expenditure on or investment in environmental protection. The Manager aims to deliver environmental performance improvements as a responsible business. The Fund abides by internal Sustainability Responsible Investment Guidelines which are aligned to the UNPRI principles.
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#### Workplace and Labour

##### Employment

LA1	Total workforce by employment type, employment contract, and region.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff. <i>The Manager</i> (p.32-33), IOF 2014 Annual Review.
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LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
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LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
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##### Labour/Management Relations

LA4	Percentage of employees covered by collective bargaining agreements.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
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LA5	Minimum notice period(s) regarding significant operational changes.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
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##### Occupational Health and Safety

LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
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**GRI**

<b>GRI Indicator</b>	<b>GRI Description</b>	<b>IOF 2014 Annual Financial Report and Annual Review</b>
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
LA8	Programs in place to assist workforce members, their families, or community members regarding serious diseases.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
LA9	Health and safety topics covered in formal agreements with trade unions.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
<b>Training and Education</b>		
LA10	Average hours of training per year per employee by gender and by employee category.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
LA11	Programs for skills management and lifelong learning that support employability.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
LA12	Percentage of employees receiving regular performance and career development reviews.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
<b>Diversity and Equal Opportunity</b>		
LA13	Composition of governance bodies and indicators of diversity.	<i>Corporate Governance – Diversity</i> , (p.8), IOF 2014 Annual Financial Report.
<b>Equal remuneration for women and men</b>		
LA14	Ratio of basic salary of men to women by employee category.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
CRE6	Percentage of the organisation operating in verified compliance with an international recognised health and safety management system.	All assets under investment in Australia are operating in verified compliance with an international recognised health and safety management system, verified to Australian Standard AS/NZS/ISO 14001:2004, AS/NZS 4804:2001. Australian assets represent more than 97% of invested assets.
<b>Human Rights</b>		
<b>Investment and Procurement Practices</b>		
HR1	Significant investment agreements that screen for human rights.	The Fund primarily operates in Australia where legislation is in place regarding issues relating to human rights. The Manager is a signatory to the UNPRI and there are internal Sustainable Responsible Investment Guidelines.

## GRI Index (continued)

### GRI

GRI Indicator	GRI Description	IOF 2014 Annual Financial Report and Annual Review
HR2	Significant suppliers, contractors and other business partners that screen for human rights.	The Fund primarily operates in Australia where legislation is in place regarding issues relating to human rights.
HR3	Total hours of employee training concerning human rights, and percentage trained.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
<b>Non-Discrimination</b>		
HR4	Incidents of discrimination.	No incidents.
<b>Freedom of Association and Collective Bargaining</b>		
HR5	Support and protection of rights to exercise freedom of association and collective bargaining.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
<b>Child Labour</b>		
HR6	Significant risks for operational incidents of child labour and preventative measures.	The Fund primarily operates in Australia where legislation is in place regarding child labour.
<b>Forced and Compulsory Labour</b>		
HR7	Operations identified at risk of incidents of forced or compulsory labour.	The Fund primarily operates in Australia where legislation is in place regarding issues relating to human rights.
<b>Security practices</b>		
HR8	Operations identified at risk of incidents of forced or compulsory labour.	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2014 contains information about employment of management staff.
<b>Indigenous Rights</b>		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Nil.
<b>Assessment</b>		
HR10	Percentage and number of operations subject to human rights assessments	Nil.
<b>Remediation</b>		
HR11	Number of grievances related to human rights through formal mechanisms.	Nil.

## GRI

## Indicator GRI Description

## IOF 2014 Annual Financial Report and Annual Review

## Society

## Community

SO1	Impacts of operations on communities, including the nature, scope, and effectiveness.	The Manager operates a number of annual assessments, in 2013-14 including a: > Customer survey, with responses from 40% of tenants. > Staff engagement survey, 83% response rate. > Health and safety staff survey.
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CRE7	Number of persons displaced and/or resettled by development	Nil.
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## Corruption

SO2	Business units analysed for risks related to corruption.	All people employed by the Manager and supplying services to the Fund are subject to an internal Code of Conduct policy, including issues relating to corruption. <i>Corporate Governance</i> (p.8), IOF 2014 Annual Financial Report.
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SO3	Employees trained in anti-corruption policies and procedures.	All people employed by the Manager and supplying services to the Fund are subject to an internal Code of Conduct policy, including issues relating to corruption. <i>Corporate Governance</i> (p.8), IOF 2014 Annual Financial Report.
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SO4	Actions taken in response to incidents of corruption.	Nil incidents.
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## Public Policy

SO5	Public policy positions and participation in public policy development and lobbying.	The Fund and the Manager are not directly involved in public policy though The Manager makes formal submissions to government consultations on matters of interest or when invited to do so.
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SO6	Financial and in-kind contributions to political parties, politicians, and related institutions.	No donations were made to political parties or politicians.
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## Anti-Competitive Behaviour

SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	Nil actions.
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## Compliance

SO8	Significant fines and non-monetary sanctions for non-compliance with laws and regulations.	None.
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## GRI Index (continued)

### GRI

#### Indicator    GRI Description    IOF 2014 Annual Financial Report and Annual Review

##### **Product Responsibility**

##### **Customer Health and Safety**

PR1	Health and safety assessments of products and services.	The Manager's Safety, Health and Environmental (SHE) Management System (SHEMS) provides company-wide identification and management of risks and opportunities, using the Australian Standard AS/NZS/ISO 14001:2004 and AS/NZS 4804:2001 as a basis. Investa engages NSCA (National Safety Council of Australia) to audit premises in accordance with the SHEMS.
PR2	Incidents of non-compliance with regulations and voluntary codes regarding health and safety.	None.

##### **Product and service labelling**

PR3	Product and service information required by procedures.	In Australia, mandatory Commercial Building Disclosure (CBD) obligations are set out under the Building Energy Efficiency Disclosure Act 2010. Building Energy Efficiency Certificates (BEECs) must be in place and disclosed at the point of sale or lease of office accommodation greater than 2,000 square metres. Current BEECs relating to IOF properties are made publicly accessible on the online Building Energy Efficiency Register.
CRE8	Number of sustainability certifications, ratings and labelling.	IOF and the Manager use the National Australian Built Environment Rating System (NABERS) to rate and disclose the performance of office buildings each year. A full schedule of NABERS ratings is available: <i>The Management Approach</i> (p.29), IOF 2014 Annual Review.
PR4	Incidents of non-compliance with regulations and voluntary codes concerning products and services.	None.
PR5	Customer satisfaction surveys.	The Manager operated a customer survey in 2014, with responses from 40% of tenants. <i>Investor Relations</i> (pp.34-35), and <i>Management Approach</i> (pp.28-31), IOF 2014 Annual Review.

##### **Marketing Communications**

PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications.	The Fund and the Manager have internal processes for checking legal and marketing standards compliance for all marketing communications.
PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications.	Nil incidents.

##### **Customer Privacy**

PR8	Substantiated complaints regarding breaches of customer privacy.	Nil.
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##### **Compliance**

PR9	Significant fines for non-compliance with laws and regulations.	Nil.
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**30 June 2014**  
Investa Office Fund

# **Financial Information**



# Financial Information

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

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

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

The responsibility for preparation of the financial statements and any financial information contained in this financial report rests solely with the Directors of the Responsible Entity. This financial report was authorised for issue by the Directors on 19 August 2014. The Responsible Entity has the power to amend and reissue this financial report.

## Directors' Report

### Year Ended 30 June 2014

The Investa Office Fund ("IOF" or the "Group") was formed by the stapling of the units in two trusts, Armstrong Jones Office Fund (the "Fund") and Prime Credit Property Trust ("Prime") (collectively the "Trusts"). The Responsible Entity for the Trusts is Investa Listed Funds Management Limited ("ILFML"), which presents the Group's Annual Financial Report together with Prime's Annual Financial Report for the year ended 30 June 2014.

In accordance with Accounting Standard AASB 3 *Business Combinations*, the stapling arrangement referred to above is regarded as a business combination and the Fund has been identified as the Parent for preparing Consolidated Financial Reports.

The Directors' report is a combined Directors' report that covers both the Group and Prime. The financial information for the Group and Prime is taken from the Consolidated Financial Statements and notes.

### Directors

The following persons were Directors of Investa Listed Funds Management Limited during the whole of the financial year and up to the date of this report:

Deborah Page AM	Independent Non-Executive Chairman
Peter Dodd	Independent Non-Executive Director
Peter Rowe	Independent Non-Executive Director
Scott MacDonald	Non-Executive Director (retired as an Executive Director – effective 1 July 2013)
Ming Long	Executive Director
Campbell Hanan	Alternate Director (alternate for Scott MacDonald – effective 1 July 2013)

### Review of operations

#### Principal activity

The principal activity of the Trusts is to own investment grade office buildings, generating rental and other property income. These properties are either owned directly or indirectly through the ownership of interests in unlisted entities.

There was no significant change in the nature of either Trust's activities during the year.

### Property and investment portfolios

At 30 June 2014 the Group held twenty three investments located in Australia and one investment located in Europe. By value the Australian portfolio represents 97% of the Group's total investment portfolio while the European investment represents 3%. On the same basis, the total net lettable area of the Australian and European portfolios is 411,972sqm and 15,841sqm respectively.

The Group has delivered on its stated strategy of selling offshore assets and reinvesting into an appropriately diversified portfolio of quality Australian assets that will deliver high risk-adjusted returns. Transactions over the past three years total \$1.2 billion of Australian asset acquisitions and \$740.0 million of offshore asset sales. The Group's strategy is to continue to generate high risk adjusted returns from the portfolio by selling the sole remaining offshore asset, Bastion Tower, and repositioning the Australian portfolio to maximise returns by creating a portfolio of assets that delivers accommodation relevant to today's occupiers by being responsive to their changing needs.

#### a) Australian property portfolio

As at 30 June 2014, the majority of the Group's property portfolio was located in the central business districts of major Australian cities. During the current financial year the following key events occurred within the Australian portfolio:

- > The acquisition of 99 Walker Street, North Sydney occurred on 24 July 2013 for a purchase price of \$124.9 million plus settlement adjustments and transaction costs;
- > The acquisition of the Piccadilly Complex, Sydney occurred on 31 March 2014 for a purchase price of \$194.3 million plus settlement adjustments and transaction costs;
- > The acquisition of 6 O'Connell St, Sydney, occurred on 24 June 2014 for a purchase price of \$135.0 million plus settlement adjustments and transaction costs; and
- > Terms were agreed for the sale of 628 Bourke Street, Melbourne for \$129.6 million subject to settlement adjustments. Settlement is expected to occur in October 2014. As a result the investment property was reclassified to an asset held for sale during the year ended 30 June 2014.

Over the course of the 30 June 2014 financial year leases were signed in respect of over 130,160sqm of space. The high levels of leasing and asset management activity has underpinned \$112.6 million of valuation uplifts across the portfolio and de-risked the future income profile for the Group.



Despite the high levels of leasing activity over the period, portfolio occupancy declined to 93% after the Australian Tax Office ("ATO") vacated 10,900sqm at 140 Creek St, Brisbane. The departure of the ATO was anticipated and the Group is now undertaking the first major refurbishment of this building in twenty years, reinforcing its position as one of Brisbane's best A-grade buildings.

Key metrics for the Australian portfolio as at and for the year ended 30 June 2014 include:

- > Occupancy of 93% (30 June 2013: 96%);
- > Tenant retention of 68% (30 June 2013: 54%), current year impacted by the departure of the ATO from 140 Creek Street, Brisbane;
- > Like-for-like net property income growth of -0.4% (30 June 2013: +4.5%); and
- > Weighted average lease expiry of 5.0 years (30 June 2013: 4.8 years).

#### **b) European property and investment portfolio**

The Group continues to focus on exiting its final remaining European investment being its 50.0% investment in Bastion Tower, Belgium (30 June 2013: 50.0%) and non-binding terms of sale have been agreed. On 4 December 2013, the Group settled the sale of its investment in the Dutch Office Fund ("DOF"). The sale proceeds amounting to \$232.3 million (Euro 155.0 million) were used to repay bank debt.

As a result of the sale of DOF and a continued active campaign to sell Bastion Tower, the remaining European investment is classified as an asset held for sale at 30 June 2014 and the Group's European operations are considered a disposal group. The disposal group is reported as discontinuing operations in the Consolidated Income Statements.

#### **c) Revaluations**

Independent investment property valuations were completed for 63% by value (30 June 2013: 52%) of the Australian portfolio (including investment properties held by equity accounted investments). There was an overall 6% (30 June 2013: 3%) valuation increase on book values for the Australian portfolio for the year.

The weighted average capitalisation rate as at 30 June 2014 was 7.3% for the Australian portfolio (30 June 2013: 7.5%) and 7.3% for the whole portfolio (30 June 2013: 7.3%).

The valuation outcomes are largely a result of proactive asset management initiatives completed during the period and include:

- > \$15.2 million (12%) increase in valuation at 99 Walker Street, North Sydney following the completion of leases to Jemena and Coles totalling 8,054sqm;
- > \$15.0 million (15%) increase in valuation at 567 Collins Street, Melbourne primarily due to the completion of a new thirteen year lease to Jemena over 12,000sqm;
- > \$14.7 million (22%) increase in valuation at 800 Toorak Road, Tooronga following the completion of a new fifteen year lease to Coles over 41,878sqm;
- > \$14.9 million (14%) increase in carrying value at 628 Bourke Street, Melbourne consistent with the terms agreed for the sale of the asset in October 2014 for \$129.6 million. The increase in the valuation was the direct result of 7,852sqm of leasing being completed in the building which increased occupancy from 81% twelve months ago to 99% as at 30 June 2014.

The valuation uplifts noted above have been partly offset by devaluations of \$5.5 million and \$4.5 million for 15 Adelaide Street, Brisbane and 140 Creek Street, Brisbane, respectively. The valuations for these properties have been impacted by current market conditions and higher vacancy rates in the Brisbane office market.

## Directors' Report

### Year Ended 30 June 2014 (continued)

#### Financial performance

A summary of the Group and Prime's results for the year is set out in the tables below:

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Net profit attributable to unitholders	183.6	158.7	150.1	96.5
Net profit from continuing operations	226.9	173.2	150.4	97.1
Property Council Funds From Operations	162.6	153.5	na	na
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Per stapled unit:				
Basic and diluted earnings per unit from net profit <sup>1</sup>	29.9	25.8	na	na
Basic and diluted earnings per unit from net profit from continuing operations	37.0	28.2	na	na
Property Council Funds From Operations per unit	26.5	25.0	na	na
Distributions per unit	18.50	17.75	9.65	9.75

1. The basic and diluted earnings per unit from net profit for the Fund and Prime as at 30 June 2014 was 5.5 cents (30 June 2013: 10.1 cents) and 24.4 cents (30 June 2013: 15.7 cents) respectively.

A distribution of \$56.8 million for the half-year ended 30 June 2014 was recognised in the 2014 financial year and is scheduled to be paid on 29 August 2014.

Basic and diluted earnings per stapled unit from net profit, as calculated under applicable accounting standards for the year ended 30 June 2014 were 29.9 cents, compared to 25.8 cents for the previous year. The change is predominantly as a result of positive revaluation of the Group's investments in the current year compared to the year ended 30 June 2013.

Distributions per unit have increased by 4% from 17.75 cents to 18.50 cents for the year ended 30 June 2014.

#### Property Council FFO

As highlighted in the 30 June 2013 financial report, during the 30 June 2013 financial year, the Property Council of Australia ("PCA") worked with key property industry stakeholders to improve the non-AAS measures of operating performance amongst Australian real estate organisations. The aim was to provide investors and analysts with clear, consistent and meaningful information. This resulted in the PCA releasing a White Paper titled "Voluntary best practice guidelines for disclosing FFO and AFFO". The White Paper sets out principles for determining Property Council Funds From Operations ("Property Council FFO") and Property Council Adjusted Funds From Operations ("Property Council AFFO"). For the financial years ending on and after 30 June 2014 the Responsible Entity's primary non-AAS measure of the Group's performance will be based on Property Council FFO rather than the previously used measure, operating earnings.

Property Council FFO is defined as the Group's underlying and recurring earnings from its operations, determined by adjusting statutory net profit (under AIFRS) for non-cash and other items such as the amortisation of tenant incentives and rent free periods, 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, foreign currency translation reserves recognised in net profit, and other unrealised or one-off items. Property Council FFO is also included in the Segment information note of the Consolidated Financial Statements, refer to Note 3.

Property Council FFO for the years ending 30 June 2014 and 30 June 2013 has been calculated as follows:

	Investa Office Fund	
	30 June 2014 \$m	30 June 2013 \$m
Net profit attributable to unitholders	183.6	158.7
Adjusted for:		
Net (gain)/loss on change in fair value of:		
Investments <sup>1</sup>	(42.6)	(28.8)
Derivatives <sup>2</sup>	5.6	4.9
Amortisation of incentives	22.6	16.5
Straight-lining of lease revenue	3.2	0.8
Net foreign exchange gain	(13.1)	(2.0)
Other <sup>3</sup>	3.3	3.4
<b>Property Council FFO</b>	<b>162.6</b>	<b>153.5</b>

1. Net gain on change in fair value of investments includes the fair value of investment properties held by the Group, investment properties held by equity accounted investments and financial assets at fair value through profit or loss.
2. Net loss on change in fair value of derivatives includes the fair value of derivatives held by the Group and derivatives held by equity accounted investments.
3. Other includes other unrealised and one-off items such as the straight-lining of upfront receipts from interest rate derivatives, operating earnings and distributions from financial assets at fair value through profit and loss, net gains on disposal of investments, selling costs from the disposal of investments which include derivative termination costs and associated income tax expenses/(benefits).

Property Council FFO for the year to 30 June 2014 increased by 6% to \$162.6 million (30 June 2013: \$153.5 million) mainly due to:

- > the acquisition of 99 Walker St, North Sydney and the Piccadilly Complex, Sydney in the current financial year; and
- > increased interest income generated on the loan lent by the Group to fund the development of 567 Collins Street, Melbourne.

The above increases in Property Council FFO were partly offset by a decline in European results mainly due to the sale of DOF in December 2013.

## Financial position

A summary of the Group and Prime's net asset position for the year is set out below:

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Value of total assets (\$m)	3,142.5	2,723.8	1,498.3	1,336.3
Total liabilities (\$m)	1,084.1	737.2	297.2	226.0
<b>Net assets (\$m)</b>	<b>2,058.4</b>	<b>1,986.6</b>	<b>1,201.1</b>	<b>1,110.3</b>
<b>Net tangible assets per unit (dollars)</b>	<b>3.35</b>	<b>3.23</b>	<b>1.96</b>	<b>1.81</b>

The value of the Group and Prime's total assets is derived using the basis set out in Note 1 of the Financial Statements. The net tangible assets per unit is calculated by dividing the total equity attributable to unitholders of the Group or Prime by the number of units on issue.

Total assets increased by \$418.7 million (15%) to \$3,142.5 million (30 June 2013: \$2,723.8 million) mainly due to the acquisitions of 99 Walker Street, North Sydney, Piccadilly Complex, Sydney, and 6 O'Connell Street, Sydney; additions to existing properties; positive revaluation to the Group's investment property portfolio; and the construction relating to 567 Collins Street, Melbourne, an equity accounted investment. Total liabilities increased by \$346.9 million (47%) to \$1,084.1 million (30 June 2013: \$737.2 million) predominantly due to an increase in debt to fund the property acquisitions and the construction of 567 Collins Street, Melbourne.

## Directors' Report

### Year Ended 30 June 2014 (continued)

#### Financial position (continued)

##### Capital management

	Investa Office Fund	
	30 June 2014	30 June 2013
Drawn debt (\$'m)	948.0	617.9
Drawn debt – look-through (\$'m) <sup>1</sup>	1,005.6	676.8
Gearing ratio – look-through	31.5%	26.3%
Weighted average debt expiry – look-through <sup>2</sup>	5.8 years	3.2 years
Hedged – look-through	34.8%	55.0%
Leverage ratio – look-through	35.2%	29.9%
Interest coverage – look-through (times)	4.9x	5.4x

1. As at 30 June 2014 the Group's look-through drawn debt, based on the AUD leg of the cross currency swaps used to hedge the U.S. Private Placements, was \$1,018.6 million (30 June 2013: \$676.8 million). The comparative excludes debt drawn by the DOF investment.

2. Current period includes the refinancing of the Group's syndicate debt in August 2014. Prior period includes the completion of the August 2013 issued U.S. Private Placement.

The Group had drawn debt on a look-through basis as at 30 June 2014 of \$1,005.6 million (30 June 2013: \$676.8 million). The Group had undrawn committed bank facilities on a look-through basis as at 30 June 2014 of \$95.1 million (30 June 2013: \$234.3 million).

During the current financial year the following key capital management events occurred:

- > On 12 August 2013, the Responsible Entity on behalf of the Group settled the issue of a twelve year US dollar denominated \$125.0 million U.S. Private Placement ("USPP"), swapped back to AUD128.9 million, with a margin of 185 basis points over U.S. Treasury ("UST"). Proceeds were used to repay bank debt.
- > On 24 January 2014, the Responsible Entity on behalf of the Group entered into a second USPP, through the issue of USD 200.0 million swapped back to AUD229.1 million. The average tenure of the second USPP equates to 13 years with an average margin of 173 basis points over UST. Settlement took place on 7 April 2014 with proceeds used to acquire the Piccadilly Complex, Sydney and repay bank debt.
- > On 30 May 2014, the Responsible Entity on behalf of the Group entered into a new \$100.0 million multicurrency facility agreement. The new facility is split into two \$50.0 million tranches, each maturing on 12 June 2018 and 12 June 2019.
- > Subsequent to the sale of DOF on 4 December 2013 the Group repaid and cancelled Tranches C and D of its syndicate debt facility.

The average maturity of the Group's debt on a look-through basis at 30 June 2014 was 5.8 years, which includes the refinancing of the Group's syndicate debt facility that occurred subsequent to the reporting date (30 June 2013: 3.2 years including the completion of the August 2013 issued USPP).



## Business strategies and prospects for future financial years

Information regarding the Responsible Entity's business strategies for the Group and future financial prospects is outlined below.

### Business strategies

The key business strategies for the Group as at 30 June 2014 are set out below.

#### a) Proactive asset management

A key strategy of the Responsible Entity is to enhance the property portfolio's returns. This will be achieved by utilising the skills and expertise of the Investa Office management platform to proactively manage the assets, including:

- > Enhancing tenant communications and services to minimise vacancy and maximise rental returns;
- > Actively addressing short-term lease expiries and vacancy risks to boost income returns;
- > Upgrading assets where appropriate to create relevant, appropriately price accommodation for today's occupiers;
- > Continuing to focus on property operational efficiencies; and
- > Optimising environmental performance of assets through appropriate capital expenditure programs.

#### b) Dynamic portfolio management

The Responsible Entity continues to seek to enhance and grow the Group's investment property portfolio in major Australian CBD markets through the ownership of three classes of assets:

- > Core assets – these assets will provide a solid income base to support distributions and operations, providing an element of stability through real estate cycles.

- > Value add assets – these assets offer greater opportunity for growth through redevelopment, re-leasing, or operational change and improvement.
- > Tactical assets – these properties are typically smaller and are not considered to form part of the Group's long-term portfolio positioning.

Following the sale of the Group's investment in DOF during the period, the portfolio is now substantially Australian, with the only remaining offshore asset being Bastion Tower, Brussels. Bastion Tower will be sold in due course and represents 3% of the Group's investment assets.

The Group will continue to seek out opportunities to maximise risk adjusted returns by acquiring assets that meet the needs of today's occupiers, by targeting markets with attractive demand/supply dynamics, and by divesting assets where management believe value has been maximised and that are no longer considered to form part of the Group's long-term portfolio positioning.

#### c) Focused capital management

The Responsible Entity continues to be focused on optimising investment returns through prudent and disciplined capital management. This will be achieved by:

- > Maintaining the diversified sources and extending the maturities of debt facilities;
- > Maintaining a sustainable level of distributions, being at least to taxable income;
- > Targeting gearing levels from 25% to 35%, while acknowledging that gearing may vary from the target in the short term from time to time; and
- > Maintaining the BBB+ Standard and Poor's ("S&P") credit rating.

## Directors' Report

### Year Ended 30 June 2014 (continued)

#### Business strategies and prospects for future financial years (continued)

##### Material business risks

The achievement of the Responsible Entity's business objectives for the Group is subject to the following.

Market cycle	Economic growth and economic environment present risks to tenant vacancies, the availability of funding, the property valuation cycle and interest rates. The mitigation of these risks is discussed further below.
Vacancy levels	The level of vacancy can impact the Group's rental returns and market value of its office properties. A high vacancy level is likely to result in lower rental returns and a lower property values. This risk is mitigated by the Group's ability to utilise the specialist skills and expertise of the Investa Office management platform that has a strong focus on tenant service and amenities to encourage high levels of tenant retention, together with a focus on managing lease expiries in the near to medium term. The Group has current low levels of existing vacancy (7%) and weighted average lease expiry of 5.0 years across the Australian portfolio. Only 7% of the Group's rental income is subject to potential lease expiry over the 2015 financial year of which the largest single lease expiry represents \$3.0 million of annual rental commitments, or 1% of the Group's forecast rental income for the year.
Availability of funding	The availability of capital funding can impact the Group's level of liquidity and ability to grow as a shortage of available capital would impact the ability to refinance maturing debt facilities and limit the ability to invest in new or existing assets. This risk is mitigated by the Group continuing to diversify sources of financing, staggering debt maturities across multiple years and with no large debt maturity in any one year, and by the Group managing debt levels to its target gearing range from 25% to 35%, while acknowledging that gearing may vary from the target in the short term from time to time.
Property valuation cycle	<p>Conditions prevailing in the general economic environment and the property investment markets affect the value of the Group's property investments. Declines in the Group's property values would increase the Group's gearing levels, which increases the risk of a breach of financing covenants and may increase borrowing costs. This risk is mitigated by the Group targeting a gearing range with reference to the property valuation cycle and maintaining a spread to gearing covenants; and by the Group's investment in high quality commercial grade office buildings.</p> <p>Australian commercial property investments continue to attract significant interest from both domestic and international investors seeking attractive income returns, and investment in real assets. This investment continues despite the increase in office market vacancy rates over the year due to continued weak tenant demand and a challenging supply outlook, particularly for the resource based markets of Brisbane and Perth. With interest rates remaining at record lows across the developed world, commercial property prices have risen dramatically in all the major global markets except Australia, which has attracted global investors to Australia's relatively high income yields. We expect this theme to continue during 2015 financial year.</p>
Interest rates	The level of interest rates can affect the amount of interest payable on the Group's debt facilities as well impacting investor sentiment towards property assets and hence market values. Higher interest rates increase interest costs and may encourage reduced investment, while low interest rates reduce interest costs and can encourage increased investment activity. Interest payable risk is mitigated by the use of interest rate derivatives based on hedge ratio limit ranges outlined in Note 22(a) of the Financial Statements.
Exchange rate risk	<p>The Group is exposed to movements in the AUD/EUR exchange rate through its investments in Bastion Tower, Belgium. Exchange rate risk is mitigated by the matching of the EUR currency assets with EUR currency borrowings. At 30 June 2014, on a look through basis 72% of the value of the Group's European investment had been hedged with EUR denominated liabilities.</p> <p>The Group is exposed to movements in the AUD/USD exchange rate through its issue of the USD 125.0 million USPP in August 2013 and the issue of the USD 200.0 million USPP in April 2014. Exchange rate risk is mitigated by the use of cross currency interest rate swap contracts, which minimises both the interest rate and exchange rate risk on these borrowings.</p>

### Future financial prospects

The Group's portfolio is continuing to transition to a 100% Australian portfolio with the aim of selling the Belgian investment, Bastion Tower in the forthcoming year. The exit options continue to be assessed by the Responsible Entity.

The Australian economy is currently experiencing a challenging period as the growth in the resource sector slows and growth in the rest of the economy remains weak. Despite some encouraging signs of improvement in the American and Japanese economies, concerns over China combined with negative sentiment towards the Australian political structure and a tough Federal budget mean that business confidence remains low. Cost reduction remains a key business focus for Australian companies and unemployment has risen. This environment has led to many businesses reducing the amount of office space they occupy and has led to an increase in vacancy rates across the major office markets of Australia. According to the Property Council of Australia, the central business district vacancy rate across Australia as at 30 June 2014 stood at 10.7% (30 June 2013: 10.1%). Current vacancy levels are now at or around long term average level. Encouragingly tenant demand seems to be improving in the key markets of Sydney and Melbourne with positive take-up of space over the past quarter. The levels of tenant enquiry for the Group's assets in these markets suggests demand should continue to improve over the year.

Due to known tenant departures, the Group's Brisbane portfolio is experiencing higher levels of vacancy in a market significantly challenged by the slow-down in the resource sector and the significant reduction in headcount made by the Queensland State Government during the course of the past year. The Group is proactively upgrading its Brisbane portfolio to meet the needs of the active occupiers in that market but we expect the level of vacancy to remain high during the year as tenant demand remains slow and high levels of market vacancy increase competition for occupiers.

### Earnings guidance

The Group's 30 June 2015 forecast earnings guidance (based on Property Council FFO) is 27.3 cents per unit (30 June 2014: 26.5 cents) with a full year distribution of 19.10 cents per unit (30 June 2014: 18.50 cents). This guidance is subject to prevailing market conditions and assumes no acquisitions or disposals other than the sale of Bastion Tower, Belgium.

### Events occurring after the reporting period

Subsequent to the reporting date, the Responsible Entity on behalf of the Group entered into new bilateral debt facility agreements, providing the Group additional drawdown capacity of \$398.0 million with maturity dates ranging from June 2016 to August 2019. This allowed the Group and Prime to repay their 30 June 2014 current, syndicate bank debt, which matured on 15 August 2014.

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

### Interests in the Trusts

There was no movement in the units on issue of the Group or Prime during the current year.

Investa Listed Funds Management Limited and its associates had the following interest in the Trusts as at 30 June 2014:

Name	Number of units held			
	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 '000	30 June 2013 '000	30 June 2014 '000	30 June 2013 '000
Investa Listed Funds Management Limited	–	17,055	–	17,055
Post Sale Portfolio Issuer Pty Limited	9,938	10,576	9,938	10,576
Investa Office Management Holdings Pty Limited	31,942	–	31,942	–
	<b>41,880</b>	<b>27,631</b>	<b>41,880</b>	<b>27,631</b>

Fees paid and payable to and the number of units in the Trusts held by the Responsible Entity and its associates at the end of the financial year are set out in Note 24 of the Financial Statements.

## Directors' Report

### Year Ended 30 June 2014 (continued)

#### Interests of Directors of the Responsible Entity

Units in the Trusts held by Directors and Alternate Directors of Investa Listed Funds Management Limited as at 30 June 2014 were:

	Number of units
Deborah Page AM	26,450
Peter Dodd	19,902
Scott MacDonald	74,450
Ming Long	25,000
Campbell Hanan	8,000

#### 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 license 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 Investa Office Management Holdings Pty Limited on behalf of all its subsidiaries, including the Responsible Entity. Premiums for the insurance policies relating to its officers are paid for by Investa Office Management Holdings Pty Limited and then charged back to the Responsible Entity and not the Group. Furthermore, the Responsible Entity may indemnify, on a full indemnity basis and to the full extent permitted by the law, each officer against all losses or liabilities incurred by the person as an officer of the Responsible Entity.

PricewaterhouseCoopers ("PwC") as auditor of the Group is not indemnified out of the assets of the Group.

#### Other information

The ATO is conducting an income tax audit of transactions which took place in the financial years 2008 to 2010. The current focus of the audit is deductions claimed for foreign exchange losses and deductions claimed on termination of obligations under interest rate swap contracts. The ATO is continuing to gather information and to consider its position in relation to these issues and the Responsible Entity, ILFML, is continuing to co-operate with the previous responsible entity and the ATO in regards to this information.

#### Audit and non-audit fees

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 context of this policy. The Responsible Entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and Prime are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided are detailed in Note 25 of the 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 37.

#### Rounding of amounts

The Trusts are of a kind of entity referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and in the Financial Statements. Amounts in the Directors' report and the Financial Statements have been rounded off in accordance with that Class Order 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.



Deborah Page AM  
Chairman  
Sydney  
19 August 2014

# Auditor's Independence Declaration



## 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 2014, 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 period and Prime Credit Property Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S J Hadfield'.

S J Hadfield  
PricewaterhouseCoopers

Sydney  
19 August 2014

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## INVESTA OFFICE FUND ANNUAL FINANCIAL REPORT JUNE 2014

### Consolidated Income Statements For the year ended 30 June 2014

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Revenue from continuing operations</b>					
Rental and other property income		189.6	175.3	81.5	81.8
Interest income		4.5	0.9	4.3	0.5
		<b>194.1</b>	<b>176.2</b>	<b>85.8</b>	<b>82.3</b>
<b>Other income</b>					
Net foreign exchange gain/(loss)		13.1	2.0	(3.7)	1.9
Net gain/(loss) on change in fair value of:					
Investment properties		67.7	39.4	50.7	14.0
Derivative financial instruments		(9.8)	(8.4)	5.8	(4.0)
Share of net profit of equity accounted investments	12	52.7	40.8	52.7	40.8
<b>Total income</b>		<b>317.8</b>	<b>250.0</b>	<b>191.3</b>	<b>135.0</b>
<b>Expenses</b>					
Property expenses		(46.4)	(40.7)	(21.4)	(20.9)
Responsible Entity's fees		(10.1)	(9.4)	(5.7)	(5.2)
Finance costs		(31.5)	(23.6)	(11.6)	(10.4)
Other expenses		(2.6)	(2.6)	(1.9)	(0.9)
<b>Total expenses</b>		<b>(90.6)</b>	<b>(76.3)</b>	<b>(40.6)</b>	<b>(37.4)</b>
<b>Profit before income tax</b>		<b>227.2</b>	<b>173.7</b>	<b>150.7</b>	<b>97.6</b>
Income tax expense	4	(0.3)	(0.5)	(0.3)	(0.5)
<b>Profit from continuing operations for the year</b>		<b>226.9</b>	<b>173.2</b>	<b>150.4</b>	<b>97.1</b>
Loss from discontinuing operations for the year	9	(43.3)	(14.5)	(0.3)	(0.6)
<b>Net profit attributable to unitholders</b>		<b>183.6</b>	<b>158.7</b>	<b>150.1</b>	<b>96.5</b>
<b>Attributable to unitholders of:</b>					
Armstrong Jones Office Fund		33.5	62.2	–	–
Prime Credit Property Trust		150.1	96.5	150.1	96.5
		<b>183.6</b>	<b>158.7</b>	<b>150.1</b>	<b>96.5</b>
<b>Distributions and earnings per unit</b>					
Distributions per unit (cents)	5	18.50	17.75	9.65	9.75
Basic and diluted earnings per unit from net profit					
from continuing operations:					
Per stapled unit (cents)	6	37.0	28.2	na	na
Per unit of each trust (cents)	6	12.5	12.4	24.5	15.8
Basic and diluted earnings per unit from net profit					
Per stapled unit (cents)	6	29.9	25.8	na	na
Per unit of each trust (cents)	6	5.5	10.1	24.4	15.7

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

## Consolidated Statements of Comprehensive Income

### For the year ended 30 June 2014

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Net profit for the year</b>		<b>183.6</b>	<b>158.7</b>	<b>150.1</b>	<b>96.5</b>
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations	18	1.8	10.1	–	–
<b>Total comprehensive income for the year</b>		<b>185.4</b>	<b>168.8</b>	<b>150.1</b>	<b>96.5</b>
Total comprehensive income for the year attributable to unitholders of:					
Armstrong Jones Office Fund		35.3	72.3	–	–
Prime Credit Property Trust		150.1	96.5	150.1	96.5
<b>Total comprehensive income for the year</b>		<b>185.4</b>	<b>168.8</b>	<b>150.1</b>	<b>96.5</b>
Total comprehensive income for the year attributable to unitholders arising from:					
Armstrong Jones Office Fund					
Continuing operations		76.5	76.1	–	–
Discontinued operations		(41.2)	(3.8)	–	–
		<b>35.3</b>	<b>72.3</b>	<b>–</b>	<b>–</b>
Prime Credit Property Trust					
Continuing operations		150.4	97.1	150.4	97.1
Discontinued operations		(0.3)	(0.6)	(0.3)	(0.6)
		<b>150.1</b>	<b>96.5</b>	<b>150.1</b>	<b>96.5</b>
		<b>185.4</b>	<b>168.8</b>	<b>150.1</b>	<b>96.5</b>

The components of other comprehensive income shown above are presented net of related income tax effects.

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 2014

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Current assets</b>					
Cash and cash equivalents	7	12.3	12.4	2.5	1.9
Trade and other receivables	8	20.2	7.6	9.7	6.6
Derivative financial instruments	10	3.1	4.5	0.7	0.1
		<b>35.6</b>	<b>24.5</b>	<b>12.9</b>	<b>8.6</b>
Assets classified as held for sale	9	171.4	60.2	–	0.8
		<b>207.0</b>	<b>84.7</b>	<b>12.9</b>	<b>9.4</b>
<b>Non-current assets</b>					
Trade and other receivables	8	60.2	25.6	60.2	16.2
Derivative financial instruments	10	3.4	1.8	2.1	1.8
Financial asset at fair value through profit or loss	11	–	257.3	–	–
Investments accounted for using the equity method	12	476.4	427.6	476.4	427.6
Investment properties	13	2,395.5	1,926.8	946.7	881.3
		<b>2,935.5</b>	<b>2,639.1</b>	<b>1,485.4</b>	<b>1,326.9</b>
<b>Total assets</b>		<b>3,142.5</b>	<b>2,723.8</b>	<b>1,498.3</b>	<b>1,336.3</b>
<b>Current liabilities</b>					
Trade and other payables	15	38.2	24.7	16.6	13.2
Distribution payable	5	56.8	55.3	29.5	30.7
Borrowings	16	228.0	–	110.0	–
		<b>323.0</b>	<b>80.0</b>	<b>156.1</b>	<b>43.9</b>
Liabilities directly associated with assets classified as held for sale	9	25.7	27.6	–	0.4
		<b>348.7</b>	<b>107.6</b>	<b>156.1</b>	<b>44.3</b>
<b>Non-current liabilities</b>					
Derivative financial instruments	10	19.2	13.1	–	4.9
Borrowings	16	716.2	616.5	141.1	176.8
		<b>735.4</b>	<b>629.6</b>	<b>141.1</b>	<b>181.7</b>
<b>Total liabilities</b>		<b>1,084.1</b>	<b>737.2</b>	<b>297.2</b>	<b>226.0</b>
<b>Net assets</b>		<b>2,058.4</b>	<b>1,986.6</b>	<b>1,201.1</b>	<b>1,110.3</b>
<b>Equity</b>					
Contributed equity	17	2,142.3	2,142.3	1,193.8	1,193.8
Reserves	18	(103.5)	(105.3)	–	–
Retained earnings/(accumulated losses)	19	19.6	(50.4)	7.3	(83.5)
<b>Total equity</b>		<b>2,058.4</b>	<b>1,986.6</b>	<b>1,201.1</b>	<b>1,110.3</b>
<b>Attributable to unitholders of:</b>					
Armstrong Jones Office Fund:					
Contributed equity		948.5	948.5	–	–
Reserves		(103.5)	(105.3)	–	–
Retained earnings		12.3	33.1	–	–
		<b>857.3</b>	<b>876.3</b>	<b>–</b>	<b>–</b>
Prime Credit Property Trust		<b>1,201.1</b>	<b>1,110.3</b>	<b>1,201.1</b>	<b>1,110.3</b>
<b>Total equity</b>		<b>2,058.4</b>	<b>1,986.6</b>	<b>1,201.1</b>	<b>1,110.3</b>

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 2014

Attributable to unitholders of Investa Office Fund					
	Note	Contributed equity \$m	Reserves \$m	Retained earnings/ (accumulated losses) \$m	Total equity \$m
Balance at 1 July 2012		2,142.3	(115.4)	(100.1)	1,926.8
Net profit for the year		–	–	158.7	158.7
Other comprehensive income	18	–	10.1	–	10.1
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>10.1</b>	<b>158.7</b>	<b>168.8</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(109.0)	(109.0)
		–	–	(109.0)	(109.0)
<b>Balance at 30 June 2013</b>		<b>2,142.3</b>	<b>(105.3)</b>	<b>(50.4)</b>	<b>1,986.6</b>
<b>Balance at 1 July 2013</b>		<b>2,142.3</b>	<b>(105.3)</b>	<b>(50.4)</b>	<b>1,986.6</b>
Net profit for the year		–	–	183.6	183.6
Other comprehensive income	18	–	1.8	–	1.8
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>(103.5)</b>	<b>133.2</b>	<b>2,172.0</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(113.6)	(113.6)
		–	–	(113.6)	(113.6)
<b>Balance at 30 June 2014</b>		<b>2,142.3</b>	<b>(103.5)</b>	<b>19.6</b>	<b>2,058.4</b>

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

## Consolidated Statements of Changes in Equity

### For the year ended 30 June 2014 (continued)

Attributable to unitholders of Prime Credit Property Trust					
	Notes	Contributed equity \$m	Reserves \$m	Retained earnings/ (accumulated losses) \$m	Total equity \$m
Balance at 1 July 2012		1,193.8	–	(120.1)	1,073.7
Net profit for the year		–	–	96.5	96.5
Other comprehensive income	18	–	–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>96.5</b>	<b>96.5</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(59.9)	(59.9)
		–	–	(59.9)	(59.9)
<b>Balance at 30 June 2013</b>		<b>1,193.8</b>	<b>–</b>	<b>(83.5)</b>	<b>1,110.3</b>
<b>Balance at 1 July 2013</b>		<b>1,193.8</b>	<b>–</b>	<b>(83.5)</b>	<b>1,110.3</b>
Net profit for the year		–	–	150.1	150.1
Other comprehensive income	18	–	–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>66.6</b>	<b>1,260.4</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(59.3)	(59.3)
		–	–	(59.3)	(59.3)
<b>Balance at 30 June 2014</b>		<b>1,193.8</b>	<b>–</b>	<b>7.3</b>	<b>1,201.1</b>

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 2014

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations (inclusive of GST)		212.5	203.1	90.0	97.9
Cash payments in the course of operations (inclusive of GST)		(75.4)	(70.7)	(35.5)	(34.9)
Proceeds from derivatives		1.9	3.8	0.1	1.0
Distributions received from financial asset at fair value through profit or loss		3.8	14.8	–	–
Distribution received from equity accounted investments	12	25.2	26.3	25.2	26.3
Interest received		0.4	0.6	0.2	0.2
Derivative termination costs paid		(4.0)	–	–	–
Finance costs paid		(36.2)	(30.0)	(13.1)	(9.4)
Income taxes paid		(0.7)	(4.4)	(0.3)	(3.1)
<b>Net cash inflow from operating activities</b>	27	<b>127.5</b>	<b>143.5</b>	<b>66.6</b>	<b>78.0</b>
<b>Cash flows from investing activities</b>					
Payments for additions to investment properties		(63.2)	(41.0)	(17.0)	(18.7)
Payments for the acquisition of investment properties		(451.7)	(86.6)	–	(86.6)
Deposit for asset acquisition	8	–	(9.4)	–	–
Net proceeds from sale of investments		233.7	0.2	–	0.2
Payments for the acquisitions and contribution to investments in associates		–	(18.8)	–	(18.8)
Loans to equity accounted investments		(64.5)	(14.9)	(61.1)	(15.9)
Loans paid to stapled entity		–	–	–	(2.9)
<b>Net cash outflow from investing activities</b>		<b>(345.7)</b>	<b>(170.5)</b>	<b>(78.1)</b>	<b>(142.7)</b>
<b>Cash flows from financing activities</b>					
Distributions to unitholders		(112.1)	(113.3)	(60.5)	(53.8)
Proceeds from borrowings		679.0	341.2	110.0	177.0
Proceeds from issue of US Private Placements		358.0	–	128.9	–
Repayment of borrowings		(709.7)	(210.0)	(167.0)	(68.0)
<b>Net cash inflow from financing activities</b>		<b>215.2</b>	<b>17.9</b>	<b>11.4</b>	<b>55.2</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3.0)</b>	<b>(9.1)</b>	<b>(0.1)</b>	<b>(9.5)</b>
Cash and cash equivalents at the beginning of the year		12.4	18.2	1.9	6.6
Effects of exchange rate changes on cash and cash equivalents		2.2	(0.8)	–	0.7
Less cash balance transferred from assets held for sale		0.7	4.1	0.7	4.1
<b>Cash and cash equivalents at the end of the year</b>	7	<b>12.3</b>	<b>12.4</b>	<b>2.5</b>	<b>1.9</b>

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

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014

### 1. Summary of significant accounting policies

#### (a) The Group

The Investa Office Fund (the "Group") was formed on 1 January 2000 by the stapling of the units in two Australian registered schemes, Armstrong Jones Office Fund (the "Fund" or the "Parent") and Prime Credit Property Trust ("Prime") (collectively defined as "the Trusts"). The Fund and Prime were constituted on 23 September 1984 and 12 October 1989, respectively.

The accounting policies that have been adopted in respect of this Annual Financial Report are those of Investa Listed Funds Management Limited ("ILFML") as Responsible Entity for the Fund and Prime.

The Fund and Prime have common business objectives and operate as an economic entity collectively known as Investa Office Fund. The accounting policies included in this note apply to the Group as well as the Fund and Prime, unless otherwise noted.

The stapling structure will cease to operate on the first to occur of:

- (i) subject to approval by a special resolution of the members of the Fund and Prime, the date determined by the trustee of the Fund or Prime as the unstapling date; or
- (ii) the termination of either the Fund or Prime.

The Australian Securities Exchange reserves the right (but without limiting its absolute discretion) to remove the Fund or Prime, or both, from the official list if any of their units cease to be stapled together, or any equity securities are issued by the Fund or Prime which are not stapled to equivalent securities in the Fund or Prime.

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.

#### (b) Basis of preparation

These general purpose Financial Statements have been prepared in accordance with Accounting Standards and other pronouncements of the Australian Accounting Standards Board ("AASB"), Urgent Issues Group ("UIG") Interpretations and the *Corporations Act 2001*. The Investa Office Fund is a for-profit entity for the purpose of preparing the Financial Statements.

In accordance with Accounting Standard AASB 3 *Business Combinations*, the stapling arrangement discussed above is regarded as a business combination and Armstrong Jones Office Fund has been identified as the Parent for preparing Consolidated Financial Reports.

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, this Annual Financial Report includes the financial reports of the Group and Prime.

As permitted by Class Order 13/1644, which amends Class Order 13/1050, this Financial Report presents the Consolidated Financial Statements and accompanying notes of both the Investa Office Fund (being the Consolidated Financial Statements and notes of the Group) and the Prime Credit Property Trust.

This Annual Financial Report is presented in Australian dollars unless otherwise stated.

#### (i) Compliance with IFRS

The Consolidated Financial Statements also comply with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

#### (ii) Historical cost convention

These Financial Statements are prepared on the historical cost conventions, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) and investment properties, which are measured at fair value.

#### (iii) Going Concern

These Consolidated Financial Statements are prepared on the going concern basis. In preparing these Consolidated Financial Statements the Directors note that the Group and Prime are in a net current deficiency position due to the provision for distribution, current borrowings and minimising cash and cash equivalents. It is the policy of the Group and Prime to use surplus cash to repay debt, and the Directors note that the Group and Prime have the ability to drawdown funds to pay the distribution on 29 August 2014 and refinance current debt. For details of the Group and Prime's financing arrangements refer to Note 16.

#### (iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Responsible Entity to exercise its judgement in the process of applying the accounting policies adopted in this Annual Financial Report. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.

#### (v) New and amended standards adopted by the Responsible Entity

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting periods, unless otherwise stated.

The following accounting standards and amendments have been applied for the first time for the annual reporting period ending 30 June 2014:

- > AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- > AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- > AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- > AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

- > AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.

The adoption of AASB 13 resulted in adjustments to the amounts recognised in the Consolidated Financial Statements and notes to the Consolidated Financial Statements. These are explained and summarised in Note 1(aa). The adoption of other standards only affected the disclosures in the notes to the Consolidated Financial Statements.

### (c) Principles of consolidation

#### (i) Subsidiaries

The Consolidated Financial Statements of Investa Office Fund incorporate the assets, liabilities and results of Armstrong Jones Office Fund (the Parent) and its subsidiaries and Prime Credit Property Trust and its subsidiaries as at, and for the year ended 30 June 2014. Prime's Consolidated Financial Statements incorporate the assets, liabilities and results of Prime Credit Property Trust and its subsidiaries as at, and for the year ended 30 June 2014.

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

The acquisition method of accounting is used to account for business combinations by the Group and Prime.

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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 the Group.

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

#### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (iii) Joint arrangements

In accordance with AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Responsible Entity has assessed the nature of the Group's and Prime's joint arrangements and determined them to have only joint operations.

#### (iv) Joint operations

The Group recognises its proportionate interests in the assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

#### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors of the Responsible Entity.

#### (e) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Australian dollars, which is the Fund's functional and presentational currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All other foreign exchange gains and losses are presented in the Consolidated Income Statements on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014 (continued)

### 1. Summary of significant accounting policies (continued)

the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

#### (iii) Group entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- > assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that Statement of Financial Position.
- > income and expenses for each Income Statement and Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- > all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### (f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

##### (i) Rental and other property income

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. An asset is recognised to represent the portion of the operating lease revenue in a reporting period relating to fixed increases in operating lease rentals in future periods.

##### (ii) Disposal of assets

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

##### (iii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

##### (iv) Distributions

Distributions are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer Note 1(p).

#### (g) Expenses

##### (i) Property Expenses

Property expenses include rates, leasing fees, taxes and other property outgoings incurred in relation to investment properties where such expenses are recognised as expenses on an accrual basis.

##### (ii) Finance costs

Finance costs include interest expense and the amortisation of other costs incurred in respect of obtaining finance. Other costs incurred, including loan establishment fees in respect of obtaining finance, are deferred and expensed over the term of the respective agreement.

##### (iii) Other expenses

All other expenses are recognised in the Consolidated Income Statements on an accruals basis.

#### (h) Cash and cash equivalents

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

#### (i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for greater than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms



of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (greater than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in profit or loss.

#### **(j) Assets and liabilities held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and liabilities, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial impairment or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Consolidated Statements of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Statements of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statements. Comparatives are also adjusted to show the results of a discontinued operation separately in the Income Statements.

#### **(k) Acquisition of assets and business combinations**

The acquisition method of accounting is used to account for all acquisitions of assets, including business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred,

the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### **(l) Investments and other financial instruments**

##### **Classification**

The Group classifies its financial assets in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

##### **(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Receivables to be settled within 30 days are carried at amounts due.

##### **(ii) Financial assets at fair value through profit or loss**

As the Group's derivatives are not designated as hedges, they are classified as financial assets at fair value through profit or loss, refer to Note 1(m). Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

##### **(iii) Financial assets at fair value through profit or loss (on initial recognition)**

The Group classifies certain financial assets as financial assets at fair value through profit or loss on initial recognition as this group of financial assets are managed and its performance are evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and



# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014 (continued)

### 1. Summary of significant accounting policies (continued)

information about the group is provided to the Trusts key management personnel. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

#### Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend and distribution income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/ (losses).

Details of how the fair value of financial instruments is determined are disclosed in Note 2 and Note 23.

#### Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

#### (m) Derivative financial instruments

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading).

The Group uses derivative financial instruments such as foreign currency contracts and interest rate derivatives to hedge its risk associated with foreign currency and interest rate fluctuations. 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 the Group's or Prime's own credit risk.

The accounting for subsequent changes depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### (i) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is disposed (refer Note 9).

#### (ii) Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

#### (n) Investment properties

Investment properties, principally comprising freehold office buildings, are held for long term rental yields and are not wholly occupied by the Group. Investment properties are measured initially at cost and subsequently carried at fair value.

The basis of valuation of investment properties is fair value being the price that would be received to sell an asset in an orderly transaction between market participants. Fair value takes into account the asset's highest and best use, being the use of the investment property that is physically possible, legally permissible and financially feasible. It takes into account market participants use for the asset that maximises its value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The Group also uses alternative valuation methods such as discounted cash flow projections, the capitalisation method and recent prices in less active markets. It is the policy of the Responsible Entity to formally review the carrying value of each property every 6 months to assess whether there may be a material change in the carrying value of the property. Any changes in fair values are recorded in the profit or loss. Refer to Note 23 for further details regarding the valuation methodologies adopted by the Responsible Entity.

On acquisition of investment property, the Group considers the price outlined in the contract for sale to best reflect its fair value. Therefore, while initially recorded as part of the cost of the investment property, any incidental costs relating to acquisition incurred above-and-beyond the purchase price are immediately transferred to the profit or loss as a change in fair value.

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in profit or loss in the year of disposal.

Land and buildings are an investment and are regarded as a composite asset. Accounting standards do not require investment properties to be depreciated. Accordingly, the building and any component thereof (including plant and equipment) are not depreciated. Expenses capitalised to properties may include the cost of acquisition, additions, refurbishment, redevelopment and fees incurred.

#### *(i) Investment properties under construction*

Investment properties also include properties under construction for the future use as investment properties. These are measured initially at cost and subsequently carried at fair value.

Cash or cash equivalents paid, or the fair value of other consideration given to construct investment properties is considered part of the cost of the property under construction. This includes costs such as finance costs. The cost of an investment property under construction can also include certain types of property related items such as interest income, earned by the Group during the property's construction.

There are generally no active markets for investment properties under construction resulting in a lack of comparable transactions. As such the Responsible Entity uses a discounted cash flow model in determining the fair value of investment properties under construction.

Where the fair value of an investment property under construction is not reliably determinable, and the Group expects the fair value of the property to be reliably determinable when construction is complete, the Group measures the investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

#### *(ii) Investment properties under redevelopment*

Existing investment properties being redeveloped for continued future use are carried at fair value.

#### **(o) Lease incentives and leasing fees**

Incentives such as cash, rent-free periods, lessee or lessor owned fit outs may be provided to lessees to enter into an operating lease. Leasing fees may also be paid for the negotiation of leases. These incentives and lease fees are capitalised to the investment property and are amortised on a straight-line basis over the term of the lease as a reduction of rental income. The carrying amount of the lease incentives and leasing fees are reflected in the fair value of investment properties.

#### **(p) Impairment of assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **(q) Trade and other payables**

These amounts represent liabilities for amounts owing by the Group at year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition and also include rent in advance. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

#### **(r) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are deferred and expensed over the term of the respective agreement. Other finance costs are expensed. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### **(s) Contributed Equity**

Units issued are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new units for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2014 (continued)

### 1. Summary of significant accounting policies (continued)

#### (t) Distributions

Provision is made for the amount of any distribution calculated and approved on or before the end of the reporting period but not paid at the end of the reporting period.

#### (u) Earnings per unit

##### (i) Basic and dilutive earnings per unit

Basic earnings per unit are calculated on net profit attributable to unitholders of the Group, 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.

##### (ii) Basic and dilutive earnings per unit from continuing operations

Basic earnings per unit from continuing operations are calculated on the profit from continuing operations attributable to unitholders of the Group, divided by the weighted average number of issued units. As there are no potentially dilutive units on issue, diluted earnings per unit from continuing operations is the same as basic earnings per unit from continuing operations.

##### (iii) Basic and dilutive earnings per unit from discontinued operations

Basic earnings per unit from discontinued operations are calculated on the profit from discontinued operations attributable to unitholders of the Group, divided by the weighted average number of issued units. As there are no potentially dilutive units on issue, diluted earnings per unit from discontinued operations is the same as basic earnings per unit from discontinued operations.

#### (v) Income tax

##### (i) Australian income tax

Under current legislation, the Group is not liable for Australian income tax, provided that the distributable income calculated in accordance with the constitution of the trusts is fully distributed to unitholders each year.

##### (ii) Foreign income tax

The subsidiaries that hold the Group's foreign properties may be subject to corporate income tax and withholding tax in countries in which they operate. Under current Australian income tax legislation, unitholders may be entitled to receive a foreign tax credit for this withholding tax.

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. The deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (w) Goods and Services Tax (GST) and Valued Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST and VAT, unless the GST or VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST and VAT receivable or payable. The net amount of GST and VAT 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 and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### (x) Rounding of amounts

The Fund and Prime are of a kind of entity referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Financial Statements. Amounts in the financial statements have been rounded off, in accordance with that Class Order, to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars, unless otherwise indicated.

#### (y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ended 30 June 2014. The Responsible Entity's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendment to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect the classification and measurement of financial assets and liabilities.

The Responsible Entity's preliminary assessment shows that the new standard will not have a significant impact on the composition of the Financial Statements and the Group does not expect to adopt the new standard before the operative date.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## **(z) Parent entity financial information**

The financial information for the parent entity, disclosed in Note 26 has been prepared on the same basis as the Consolidated Financial Statements, except as set out below.

### **(i) Financial guarantees**

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

## **(aa) Changes in accounting policies**

As explained in Note 1(b) above, the Responsible Entity has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies and adjustments to the amounts recognised in the Consolidated Financial Statements.

### **(i) Consolidated financial statements and joint arrangements**

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*.

The Responsible Entity has reviewed the Group's and Prime's investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

In accordance with AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor of each investor. The Responsible Entity has assessed the nature of the Group's and Prime's joint arrangements and determined them to have only joint operations. As a result, and consistent with the disclosures of the previous financial year, the Group and Prime recognises

its proportionate interests in the assets, liabilities, revenues and expenses of joint operations, which are incorporated in the Consolidated Financial Statements under the appropriate headings.

### **(ii) Disclosure of interests in other entities**

AASB 12 requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities'.

The adoption of AASB 12 has impacted the Group and Prime's level of current financial year disclosures, but has not impacted the Group or Prime's consolidated financial position or results of operations.

AASB 12 provides relief from disclosing comparative information in the first year of adopting the standard. As a result comparative information has not been disclosed for the new disclosure requirements of AASB 12.

### **(iii) Fair value measurement**

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

## **Investment properties**

The adoption of AASB 13 has clarified the definition of fair value as the price that would be received to sell an asset in an orderly transaction between market participants. Fair value takes into the account the highest and best use of the asset. The highest and best use takes into account the use of the investment property that is physically possible, legally permissible and financially feasible. It takes into account market participants use for the asset that maximises the value of an asset. Application of this standard by the Responsible Entity has no material impact to any of the investment property amounts recognised in the financial statements other than enhancing the disclosure requirements.

## **Derivative financial instruments**

Previously the fair value of financial assets and liabilities (including derivatives) was measured on the basis that the financial asset or liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial assets and liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative assets and liabilities has changed on transition to AASB 13, largely due to incorporating credit risk into the valuation.

The impact of the change in AASB 13 is applied prospectively and has no material impact as at 1 July 2013. Comparative amounts have not been restated.



## Notes to the Consolidated Financial Statements For the year ended 30 June 2014 (continued)

### 2. Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires ILFML as the Responsible Entity to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed below. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are believed to be reasonable under the circumstances.

#### (a) Critical accounting estimates and assumptions

The Group is required in certain circumstances to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (i) *Estimated value of investments*

Critical judgements are made by the Responsible Entity in respect of the fair values of investment properties (Note 13) and investment in associates (Note 12). These investments are reviewed regularly by reference to external independent property valuations and market conditions, using generally accepted market practices.

The critical assumptions underlying management's estimates of investment property fair values are those relating to the net passing rent, market rental growth, capitalisation rate, terminal yield and discount rate. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may differ. Major assumptions used in valuation of property investments are disclosed in Note 23(d).

##### (ii) *Estimated value of derivative financial instruments*

The fair value of derivative assets and liabilities are based on assumptions of future events and involve significant estimates. The basis of valuation for Group's derivatives is set out in Note 1(m). However the fair values of derivatives reported at the reporting date may differ if there is volatility in market rates. The valuation techniques are discussed in detail in Note 23 and have been developed in compliance with requirements of AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*.

##### (iii) *Financial asset at fair value through profit or loss*

On 4 December 2013, the Group sold its asset held as a financial asset at fair value through profit or loss, being the investment in the Dutch Office Fund. As at 30 June 2013 this investment's fair value was \$257.3 million. The fair value of this investment in the past was determined by an assessment of the underlying assets, future maintainable earnings and specific circumstances pertaining to this investment. Refer to Note 11 and Note 23 for further details.

##### (iv) *Income taxes*

The Group is subject to income taxes in jurisdictions where its foreign assets are domiciled. Judgement is required in determining the Group's provision for income taxes. There are certain calculations undertaken during the ordinary course of business for which the ultimate determination is uncertain in certain jurisdictions. The Group estimates its tax liabilities based on the Responsible Entity's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination was made.

#### (b) Critical judgements in applying the entity's accounting policies

There were no significant judgements, apart from those involving estimations, that management has made in the process of applying the Responsible Entity's accounting policies that had a significant effect on the amounts recognised in the Financial Report.



### 3. Segment information

#### (a) Description of segments

The Group invests in office property and office property under redevelopment and construction, each of which are intended for lease. During the year ending 30 June 2014 the properties were located in Australia and Europe. The Group has identified its operating segments as being these regions, based on internal reporting to the chief operating decision maker. The Group is organised around functions, but distinguishes these regions in its internal reporting. Other parts of the Group are neither an operating segment nor part of an operating segment. Assets and liabilities that do not belong to an operating segment are described below as “unallocated”.

Only Group segment information is provided to the Board of the Responsible Entity. For this reason and also in conjunction with Prime falling outside the scope of AASB 8 *Operating Segments* requirements, segment information has only been disclosed for the Group.

#### (b) Segment assets and liabilities

	Investa Office Fund			
	Segment assets		Segment liabilities	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Australia	3,067.8	2,386.9	1,036.8	473.7
Europe	55.0	317.5	27.7	250.4
Unallocated	19.7	19.4	19.6	13.1
<b>Total segment assets and liabilities</b>	<b>3,142.5</b>	<b>2,723.8</b>	<b>1,084.1</b>	<b>737.2</b>

Amounts provided to the Board with respect to total segment assets and liabilities are measured in a manner consistent with that of the financial statements.

#### (c) Segment revenue

	Investa Office Fund	
	30 June 2014 \$m	30 June 2013 \$m
Australia	189.6	175.3
Europe	3.8	14.8
Segment revenue	193.4	190.1
Interest income	4.5	0.9
<b>Total revenue</b>	<b>197.9</b>	<b>191.0</b>

Revenue transactions between segments are carried out at arm's length and are eliminated on consolidation. Segment revenue is measured in a manner consistent with that in the Consolidated Income Statements. The above amounts include amounts from discontinued operations in Note 9(c).

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 3. Segment information (continued)

##### (d) Reconciliation of segment result to Property Council FFO

	Investa Office Fund	
	30 June 2014 \$m	30 June 2013 \$m
Australia	173.1	162.1
Europe	11.0	20.3
<b>Segment result</b>	<b>184.1</b>	<b>182.4</b>
Interest income	4.5	0.9
Finance costs	(34.8)	(33.3)
Responsible Entity's fees	(10.1)	(9.4)
Net foreign exchange gain	1.8	2.8
Foreign asset management fees	(0.4)	(0.4)
Other expenses	(3.0)	(3.6)
Current income tax expense	(1.5)	(1.9)
	<b>140.6</b>	<b>137.5</b>
Amortisation of tenant incentives	22.0	16.0
<b>Property Council FFO</b>	<b>162.6</b>	<b>153.5</b>

The Group reports net profit attributed to unitholders in accordance Australian Accounting Standards ("AAS"). ILFML, as the Responsible Entity of the Group considers the non-AAS measure, Property Council Funds From Operations ("Property Council FFO") an important indicator of the underlying performance of the Group.

To calculate Property Council FFO, net profit attributable to unitholders is adjusted to exclude non-cash and other items such as 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, foreign currency translation reserves recognised in net profit, and other unrealised or one-off items.

Investa Office Fund			
	Note	30 June 2014 \$m	30 June 2013 \$m
Property Council FFO		162.6	153.5
Net gain/(loss) on change in fair value of:			
Investment properties <sup>1</sup>	13	67.7	39.4
Derivatives		(5.7)	(5.7)
Items included in share of net profit of equity accounted investments:			
Investment properties	12	10.7	12.4
Derivative financial instruments	12	0.1	0.8
Loss on financial asset at fair value (DOF)	9	(35.8)	(23.0)
Amortisation of incentives <sup>2</sup>		(22.6)	(16.5)
Straight-lining of lease revenue		(3.2)	(0.8)
Other unrealised or one-off items:			
Distribution from financial asset at fair value through profit or loss	9	3.8	14.8
Operating income from DOF		(7.6)	(16.7)
Loss on transfer to assets held for sale		–	(1.3)
Derivative termination costs		(4.0)	–
European exit costs		(4.0)	–
Income tax benefit/(expense)		8.6	(1.1)
Upfront receipts/receipts release relating to interest rate derivatives <sup>3</sup>		(0.1)	0.7
Net gain on disposal of investments		–	0.2
Net foreign exchange gain		13.1	2.0
<b>Net profit attributable to unitholders</b>		<b>183.6</b>	<b>158.7</b>

1. Includes \$nil (30 June 2013: \$0.3 million) coupon interest derived from the Group's associate investment in 567 Collins Street, Melbourne.

2. Includes the pre and post-acquisition amortisation of associate incentives on a look through basis.

3. During the year ending 30 June 2013, the Group entered into fixed to floating interest rate derivatives. The transaction included an initial upfront payment of \$0.8 million made to the Group. For the measurement of operating earnings the Responsible Entity considers the upfront receipt as income to be released over the life of the derivatives.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 3. Segment information (continued)

##### (e) Other information

	Investa Office Fund		
30 June 2014	Australia \$m	Europe \$m	Total \$m
Share of net profit/(loss) of equity accounted investments	52.7	(14.4)	38.3
Net gain on change in fair value of investment property	67.7	–	67.7
Investment property acquisitions	468.5	–	468.5
Additions to investment properties and equity accounted investments	102.9	–	102.9
	Investa Office Fund		
30 June 2013	Australia \$m	Europe \$m	Total \$m
Share of net profit of equity accounted investments	40.8	1.1	41.9
Net gain on change in fair value of investment property	39.4	–	39.4
Investment property acquisitions	86.6	–	86.6
Additions to investment properties and equity accounted investments	66.4	–	66.4

#### 4. Income tax expense

##### (a) Income tax expense/(benefit)

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Current tax	(7.1)	3.0	0.5	1.1
Deferred tax	–	–	–	–
	<b>(7.1)</b>	<b>3.0</b>	<b>0.5</b>	<b>1.1</b>
Income tax (benefit)/expense is attributable to:				
Profit from continuing operations	0.3	0.5	0.3	0.5
(Loss)/profit from discontinued operations	(7.4)	2.5	0.2	0.6
<b>Total income tax (benefit)/expense</b>	<b>(7.1)</b>	<b>3.0</b>	<b>0.5</b>	<b>1.1</b>

##### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Profit from continuing operations before income tax expense	227.2	173.7	150.7	97.6
Loss from discontinued operations before income tax expense	(50.7)	(12.0)	(0.1)	–
	<b>176.5</b>	<b>161.7</b>	<b>150.6</b>	<b>97.6</b>
Tax at the Australian tax rate of 30% (2013: 30%)	53.0	48.5	45.2	29.3
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Australian income	(67.0)	(51.0)	(43.3)	(27.3)
Other non-taxable income	12.7	6.5	–	–
Recovery of offshore tax paid	(8.2)	–	(0.9)	–
Foreign income not subject to income tax	4.8	(0.5)	–	(1.1)
Difference between Australian and foreign tax rates	(2.4)	(0.5)	(0.5)	0.2
<b>Income tax (benefit)/expense</b>	<b>(7.1)</b>	<b>3.0</b>	<b>0.5</b>	<b>1.1</b>

## Notes to the Consolidated Financial Statements For the year ended 30 June 2014 (continued)

### 5. Distributions

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 Cents	30 June 2013 Cents	30 June 2014 Cents	30 June 2013 Cents
Distributions paid or are payable in respect of the following periods at the following rates (in cents per unit):				
Half-year ended 31 December	9.25	8.75	4.85	4.75
Half-year ended 30 June	9.25	9.00	4.80	5.00
	<b>18.50</b>	<b>17.75</b>	<b>9.65</b>	<b>9.75</b>
The total amounts of these distributions were:	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Half-year ended 31 December	56.8	53.7	29.8	29.2
Half-year ended 30 June	56.8	55.3	29.5	30.7
Total distributions paid or payable	<b>113.6</b>	<b>109.0</b>	<b>59.3</b>	<b>59.9</b>

The distribution for the half year ended 30 June 2013 was recognised in the 2013 financial year and paid on 30 August 2013. The distribution for the half year ended 30 June 2014 was recognised in the 2014 financial year and is scheduled to be paid on 29 August 2014.

### 6. Earnings per unit

#### (a) Per stapled unit

	Investa Office Fund	
	30 June 2014	30 June 2013
Weighted average number of units outstanding (thousands)	614,047	614,047
Profit from continuing operations attributable to unitholders (\$ millions)	226.9	173.2
Basic and diluted earnings per unit from continuing operations (cents)	37.0	28.2
Loss from discontinued operations attributable to unitholders (\$ millions)	(43.3)	(14.5)
Basic and diluted earnings per unit from discontinued operations (cents)	(7.1)	(2.4)
Profit attributable to unitholders (\$ millions)	183.6	158.7
Basic and diluted earnings per unit (cents)	29.9	25.8

#### (b) Per unit of each Trust

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Weighted average number of units outstanding (thousands)	614,047	614,047	614,047	614,047
Profit from continuing operations attributable to unitholders (\$ millions)	76.5	76.1	150.4	97.1
Basic and diluted earnings per unit from continuing operations (cents)	12.5	12.4	24.5	15.8
Loss from discontinued operations attributable to unitholders (\$ millions)	(43.0)	(13.9)	(0.3)	(0.6)
Basic and diluted earnings per unit from discontinued operations (cents)	(7.0)	(2.3)	–	(0.1)
Profit attributable to unitholders (\$ millions)	33.5	62.2	150.1	96.5
Basic and diluted earnings per unit (cents)	5.5	10.1	24.4	15.7



## 7. Cash and cash equivalents

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Current assets</b>				
Cash at bank and on hand	12.3	12.4	2.5	1.9

## 8. Trade and other receivables

### (a) Trade and other receivables

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Current</b>				
Rental and other amounts due <sup>1</sup>	1.3	1.8	0.3	1.4
Allowance for impairment loss	(0.3)	(0.3)	(0.2)	(0.2)
Derivative receivables	–	0.5	–	–
Tax refund receivable	8.2	–	0.9	–
Accrued income, prepayments and other receivables	11.0	5.6	8.7	5.4
	<b>20.2</b>	<b>7.6</b>	<b>9.7</b>	<b>6.6</b>
<b>Non-current</b>				
Deposit for asset acquisition <sup>2</sup>	–	9.4	–	–
Loan to equity accounted investments <sup>3</sup>	60.2	16.2	60.2	16.2
	<b>60.2</b>	<b>25.6</b>	<b>60.2</b>	<b>16.2</b>

1. Rental and other amounts are receivable within 30 days.

2. This deposit relates to the acquisition of 99 Walker St, North Sydney which was settled on 24 July 2013.

3. This interest bearing loan is to 567 Collins St Trust, a related party to the Group.

### (b) Impaired trade receivables

The provision for impairment in trade receivables primarily represents rental income debts which are past due and considered to be impaired. The individually impaired receivables mainly relates to tenants which are in unexpectedly difficult economic situations.

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Movements in the provision for impairment of receivables are as follows:				
Balance at the beginning of the year	(0.3)	(0.5)	(0.2)	(0.2)
Provision for impairment reversed during the year	–	0.2	–	–
<b>Balance at the end of the year</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.2)</b>

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 8. Trade and other receivables (continued)

##### (c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where agreements allow. Collateral is not normally obtained.

##### (d) Past due but not impaired

At 30 June 2014, trade receivables of the Group of \$0.4 million (2013: \$0.2 million) and \$nil (2013:\$0.1 million) trade receivables of Prime were past due but not impaired. Those amounts which were past due but not impaired have been collected subsequent to reporting date or are expected to be collected without dispute or legal proceedings that would otherwise affect the recoverability of the amount.

##### (e) Ageing analysis

An ageing analysis of trade receivables is as follows:

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Current	0.9	1.6	0.3	1.3
0–30 days past due	0.3	0.1	–	0.1
31–60 days past due	0.1	–	–	–
60+ days past due	–	0.1	–	–
	<b>1.3</b>	<b>1.8</b>	<b>0.3</b>	<b>1.4</b>

##### (f) Risk exposure

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 22 for more information on the risk management policy of the Group.

## 9. Asset and liabilities classified as held for sale and discontinued operations

### (a) Assets classified as held for sale

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Disposal group held for sale (discontinued operation – see (c) below)				
Cash and cash equivalents	–	0.7	–	0.7
Trade and other receivables	–	0.1	–	0.1
Receivable from equity accounted investments	0.4	–	–	–
<b>Total assets of disposal group held for sale</b>	<b>0.4</b>	<b>0.8</b>	<b>–</b>	<b>0.8</b>
Non-current assets held for sale				
Investment property <sup>1</sup>	123.8	–	–	–
Investment in Bastion Tower I NV, Belgium <sup>2</sup>	20.7	34.2	–	–
Investment in Neuilly Victor Hugo SCI, France <sup>3</sup>	26.5	25.2	–	–
	<b>171.0</b>	<b>59.4</b>	<b>–</b>	<b>–</b>
<b>Total assets classified as held for sale</b>	<b>171.4</b>	<b>60.2</b>	<b>–</b>	<b>0.8</b>

1. On 20 May 2014, terms were agreed for the sale of 628 Bourke Street, Melbourne for \$129.6 million subject to settlement adjustments. As a result the investment property was reclassified to an asset held for sale during the year ended 30 June 2014. Settlement is expected to occur in October 2014.
2. The Group's 50% equity accounted, real estate investment in Bastion Tower I NV, Belgium was reclassified to an asset held for sale during the year ended 30 June 2013.
3. The investment property held by this equity accounted investment was sold in February 2012. This investment predominantly comprises a receivable of \$25.7 million (2013: \$24.5 million) owed by the Group. The Group's liability is disclosed as a liability directly associated with assets classified as held for sale. Settlement of the liability will be completed prior to the exit of the European structure.

### (b) Liabilities directly associated with assets classified as held for sale

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Trade and other payables	–	0.4	–	0.4
Payable to equity accounted investments <sup>1</sup>	25.7	27.2	–	–
	<b>25.7</b>	<b>27.6</b>	<b>–</b>	<b>0.4</b>

1. \$25.7 million (2013:\$24.5 million) of this payable relates to the Neuilly Victor Hugo SCI investment which is held for sale. Settlement of this balance will be completed prior to the exit of the European structure.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 9. Asset and liabilities classified as held for sale and discontinued operations (continued)

##### (c) Discontinued operations

###### (i) Description

As all European investments have been classified as held for sale, the European operations have been accounted for as a discontinued operation as at 30 June 2014.

In December 2013, the Dutch Office Fund investment was sold for a sale price of \$232.3 million (Euro 155.0 million). As at 30 June 2014 the Group's 50% investment in Bastion Tower continued to be marketed for sale. Any remaining assets and liabilities as at 30 June 2014 that directly relate to the sale of the European investments have been disclosed as part of the disposal group held for sale.

The financial performance and cash flow information of the European operations has been set out in (ii) below.

###### (ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year to 30 June 2014 and 30 June 2013.

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Distributions received from financial asset at fair value through profit or loss	3.8	14.8	–	–
Net foreign exchange gain	1.8	2.8	–	–
Net gain on change in fair value of derivatives	4.1	2.7	–	–
Net gain on sale of disposal group	–	0.2	–	0.2
Loss on financial asset at fair value through profit or loss	(35.8)	(23.0)	–	–
Share of net (loss)/profit of equity accounted investments	(14.4)	1.1	–	–
Loss on transfer of equity accounted investments to held for sale	–	(1.3)	–	–
Property expenses	–	(0.1)	(0.1)	(0.1)
Finance costs	(3.4)	(8.6)	–	–
Derivative termination costs	(4.0)	–	–	–
Selling costs from the sale of asset at fair value through profit or loss	(2.5)	–	–	–
Other	(0.3)	(0.6)	–	(0.1)
<b>Loss before income tax</b>	<b>(50.7)</b>	<b>(12.0)</b>	<b>(0.1)</b>	<b>–</b>
Income tax benefit/(expense)	7.4	(2.5)	(0.2)	(0.6)
<b>Loss after income tax of discontinued operation attributable to unitholders</b>	<b>(43.3)</b>	<b>(14.5)</b>	<b>(0.3)</b>	<b>(0.6)</b>
Other Comprehensive Income:				
Exchange differences on translation of foreign operations	1.8	10.1	–	–
<b>Total comprehensive expense for the year of discontinued operations</b>	<b>(41.5)</b>	<b>(4.4)</b>	<b>(0.3)</b>	<b>(0.6)</b>
Net cash (outflow)/inflow from operating activities	(3.4)	3.8	(0.3)	(1.4)
Net cash inflow from investing activities	230.4	1.2	–	0.2
Net cash (outflow) from financing activities	(233.7)	–	–	–
<b>Net (decrease)/increase in cash generated by the discontinued operation</b>	<b>(6.7)</b>	<b>5.0</b>	<b>(0.3)</b>	<b>(1.2)</b>

## 10. Derivative financial instruments

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Current assets</b>				
Forward foreign exchange contracts	2.4	4.5	–	0.1
Interest rate derivative contracts	0.7	–	0.7	–
	<b>3.1</b>	<b>4.5</b>	<b>0.7</b>	<b>0.1</b>
<b>Non-current assets</b>				
Cross currency swap contracts	1.1	–	1.1	–
Interest rate derivative contracts	2.3	1.8	1.0	1.8
	<b>3.4</b>	<b>1.8</b>	<b>2.1</b>	<b>1.8</b>
<b>Non-current liabilities</b>				
Cross currency swap contracts	12.5	4.9	–	4.9
Interest rate derivative contracts	6.7	8.2	–	–
	<b>19.2</b>	<b>13.1</b>	<b>–</b>	<b>4.9</b>

### Risk exposures and fair value measurements

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in Notes 22 and 23. 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.

## 11. Financial assets at fair value through profit or loss

On 4 December 2013, the Group settled the sale of its investment in the Dutch Office Fund ("DOF"), which was held as a financial asset at fair value through profit or loss. The sale proceeds amounting to \$232.3 million (Euro 155.0 million) were used to repay bank debt on settlement. As a result of the sale, the Group received a pro-rata share of accumulated distributions amounting \$3.8 million (Euro 2.5 million).

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Non-current financial assets at fair value through profit or loss</b>				
Dutch Office Fund (nil%) (30 June 2013: 14.2%)	–	257.3	–	–
<b>Movement in carrying amount</b>				
Balance at the beginning of the year	257.3	247.2	–	–
Fair value loss	(35.8)	(23.0)	–	–
Effect of exchange rate movements	14.6	33.1	–	–
Sale of investment	(236.1)	–	–	–
<b>Balance at the end of the year</b>	<b>–</b>	<b>257.3</b>	<b>–</b>	<b>–</b>

Changes in fair value of financial assets at fair value through profit or loss meant that \$35.8m was recorded in profit or loss. Prior to its sale in December 2013, the fair value of this investment had been determined by applying a discount for liquidity, size of the investment and valuation risk to the reported net assets.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 12. Investments accounted for using the equity method

##### (a) Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for in the Consolidated Financial Statements using the equity method of accounting, after initially being recognised at cost.

The Group and Prime have investments in associates, all of which are incorporated in Australia and have a 30 June reporting date.

Name	Principal activity	Ownership interest		Investa Office Fund		Prime Credit Property Trust	
		30 June 2014	30 June 2013	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Armstrong Jones Office Fund							
IOF Finance Pty Ltd <sup>1</sup>	Financial services	50%	50%	–	–	–	–
Prime Credit Property Trust							
242 Exhibition Street Trust	Real estate investment	50%	50%	234.2	234.3	234.2	234.3
Phillip Street Trust	Real estate investment	25%	25%	102.9	96.6	102.9	96.6
Macquarie Street Trust	Real estate investment	25%	25%	85.9	79.7	85.9	79.7
567 Collins Street Trust	Real estate investment	50%	50%	53.4	17.0	53.4	17.0
IOF Finance Pty Ltd <sup>1</sup>	Financial services	50%	50%	–	–	–	–
Total				476.4	427.6	476.4	427.6

1. This investment is an associate of both Prime Credit Property Trust and Armstrong Jones Office Fund and is consolidated in the Group's Financial Report.

Refer to Note 14 for detailed property information of the Group and Prime's property portfolio, including those held through investments accounted for using the equity method.

##### (b) Movements in carrying amounts

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Balance at the beginning of the year	427.6	425.3	427.6	394.3
Acquisitions and contributions to equity accounted investments	21.3	18.8	21.3	18.8
Share of profits after income tax	52.7	40.8	52.7	40.8
Distributions received	(25.2)	(26.3)	(25.2)	(26.3)
Transfer to assets classified as held for sale <sup>1</sup>	–	(35.5)	–	–
Effect of exchange rate movements	–	4.5	–	–
<b>Balance at the end of the year</b>	<b>476.4</b>	<b>427.6</b>	<b>476.4</b>	<b>427.6</b>

1. The Group's 50% equity accounted, real estate investment in Bastion Tower I NV, Belgium was reclassified to an asset held for sale during the year ended 30 June 2013.



**(c) Summarised financial information of investments accounted for using the equity method**

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Share of results</b>				
Revenue	42.4	39.9	35.8	33.0
Gain on change in fair value of:				
Investment properties	10.7	12.4	26.3	14.6
Derivative financial instruments	0.1	0.8	–	–
Expenses	(14.9)	(11.2)	(9.4)	(6.8)
Profit before income tax	<b>38.3</b>	<b>41.9</b>	<b>52.7</b>	<b>40.8</b>
Income tax expense	–	–	–	–
Profit for the year	<b>38.3</b>	<b>41.9</b>	<b>52.7</b>	<b>40.8</b>
Profit for the year disclosed as:				
Profit from continuing operations	52.7	40.8	52.7	40.8
(Loss)/profit from discontinuing operations	(14.4)	1.1	–	–
Total profit for the year	<b>38.3</b>	<b>41.9</b>	<b>52.7</b>	<b>40.8</b>

The following table of summarised financial information is reported directly from the Group's and Prime's associate investments. The summarised financial information has not been adjusted for the Group's or Prime's ownership interest in the investments, or any differences in accounting policies.

	Investa Office Fund	Prime Credit Property Trust
	30 June 2014 \$m	30 June 2014 \$m
<b>Associate financial information (at 100%)</b>		
Current assets	8.2	8.2
Non-current assets	1,447.9	1,447.9
Current liabilities	(7.8)	(7.8)
Non-current liabilities	(125.1)	(125.1)
Net assets	1,323.2	1,323.2
Revenue	160.7	160.7
Profit for the year	147.9	147.9
Total comprehensive income	147.9	147.9

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 12. Investments accounted for using the equity method (continued)

##### (c) Summarised financial information of investments accounted for using the equity method (continued)

The tables below outline reconciliations of the above summarised financial information to the Group and Prime's share of profits after income tax, and the carrying value of the Group and Prime's equity accounted investments.

	Investa Office Fund	Prime Credit Property Trust
	30 June 2014 \$m	30 June 2014 \$m
Profits for the year (at 100%)	147.9	147.9
Less profits attributable to outside ownership interests:		
242 Exhibition Street Trust	(16.3)	(16.3)
Phillip Street Trust	(33.4)	(33.4)
Macquarie Street Trust	(30.3)	(30.3)
567 Collins Street Trust	(15.2)	(15.2)
Share of profits after income tax	<b>52.7</b>	<b>52.7</b>

	Investa Office Fund	Prime Credit Property Trust
	30 June 2014 \$m	30 June 2014 \$m
Net assets (at 100%)	1,323.2	1,323.2
Less net assets attributable to outside ownership interests:		
242 Exhibition Street Trust	(233.8)	(233.8)
Phillip Street Trust	(306.2)	(306.2)
Macquarie Street Trust	(255.4)	(255.4)
567 Collins Street Trust	(53.4)	(53.4)
	<b>474.4</b>	<b>474.4</b>
Add provisions for unpaid distributions (at share)	2.0	2.0
Investment balance at the end of the year	<b>476.4</b>	<b>476.4</b>

##### (d) Capital commitments

Refer to Note 20(b) for detailed capital commitment information regarding the expected remaining capital costs relating to the development of 567 Collins Street, Melbourne.

There are no significant restrictions resulting from borrowing arrangements, regulatory requirements or contractual arrangements between the Group and its associates, to transfer funds to the entity in the form of cash dividends and/or distributions, or to repay loans or advances made by the entity.

##### (e) Contingent liabilities of investments accounted using the equity method

The Group has no share of contingent liabilities in investments accounted using the equity method.

### 13. Investment properties

#### (a) Investment properties at fair value

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Investment properties at fair value	2,395.5	1,926.8	946.7	881.3

Refer to Note 14 for detailed property information of the Group and Prime's property portfolio.

#### (b) Movement in carrying amounts

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Carrying amount at beginning of the period	1,926.8	1,770.7	881.3	770.4
Acquisitions	468.5	86.6	–	86.6
Additions to existing investment properties	81.6	47.6	27.6	20.5
Transfer to assets classified as held for sale <sup>1</sup>	(123.8)	–	–	–
Amortisation of tenant incentives and leasing fees	(22.1)	(16.7)	(11.8)	(9.9)
Straight-lining of lease revenue	(3.2)	(0.8)	(1.1)	(0.3)
Net change in fair value	67.7	39.4	50.7	14.0
Carrying amount at the end of the period	<b>2,395.5</b>	<b>1,926.8</b>	<b>946.7</b>	<b>881.3</b>

1. On 20 May 2014, terms were agreed for the sale of 628 Bourke Street, Melbourne Vic for \$129.6 million subject to settlement adjustments. As a result the investment property was reclassified to an asset held for sale during the year ended 30 June 2014. Settlement is expected to occur in October 2014.

#### (c) Tenant incentives and leasing fees (included in the carrying amounts above)

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Cost	88.2	73.7	45.3	37.6
Accumulated Amortisation	(34.9)	(23.5)	(20.6)	(15.2)
	<b>53.3</b>	<b>50.2</b>	<b>24.7</b>	<b>22.4</b>

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 13. Investment properties (continued)

##### (d) Amounts recognised in the Income Statements for investment property

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Rental income and other property income	189.6	175.3	81.5	81.8
Direct operating expenses from property that generate rental income	(46.4)	(40.8)	(21.5)	(21.0)
	<b>143.2</b>	<b>134.5</b>	<b>60.0</b>	<b>60.8</b>

The above amounts include amounts from discontinued operations in Note 9(c).

##### (e) Valuation basis

The basis of the valuation of investment properties is fair value, being the price that would be received to sell an asset in an orderly transaction between market participants. Fair value takes into account the asset's highest and best use, being the use of the investment property that is physically possible, legally permissible and financially feasible. Refer to Note 23.

##### (f) Leasing arrangements

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Within one year	203.9	196.8	75.0	98.0
Later than one year but not greater than five years	653.4	594.4	203.8	230.0
Later than five years	254.1	225.3	74.4	84.7
	<b>1,111.4</b>	<b>1,016.5</b>	<b>353.2</b>	<b>412.7</b>

##### (g) Non-current assets pledged as security

At 30 June 2014 and 30 June 2013 there were no investment properties pledged as security by the Group.

##### (h) Contractual obligations

Refer to Note 20 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements contracted but not provided at reporting date.

## 14. Property portfolio information

The Group and Prime's investment property portfolios comprise of properties held through direct ownership interests and properties held through investments accounted for using the equity method.

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Investment properties held through:				
Direct ownership interests	2,395.5	1,926.8	946.7	881.3
Direct ownership interest, classified as held for sale	123.8	–	–	–
Investments accounted for using the equity method	536.0	441.3	536.0	441.3
Investments accounted for using the equity method, classified as held for sale	79.6	91.0	–	–
<b>Total portfolio</b>	<b>3,134.9</b>	<b>2,459.1</b>	<b>1,482.7</b>	<b>1,322.6</b>

	Acquisition date	Cost including all additions \$m <sup>1</sup>	Independent valuation date	Independent valuer	Independent valuation amount \$m	Book value 30 Jun 2014 \$m	Book value 30 Jun 2013 \$m
<b>Armstrong Jones Office Fund</b>							
10–20 Bond St. Sydney NSW (50%)	Jun 89	290.0	Dec 13	Knight Frank	188.0	187.4	183.8
388 George St. Sydney NSW (50%)	Oct 02	155.9	Jun 13	JLL	207.5	207.6	207.5
347 Kent St. Sydney NSW	Jan 99	191.3	Dec 13	Knight Frank	260.0	260.0	254.5
99 Walker St. North Sydney NSW <sup>2</sup>	Jul 13	133.4	Jun 14	Savills	143.0	143.0	–
Piccadilly Complex Sydney NSW (50%) <sup>3</sup>	Mar 14	195.6	Jan 14	CBRE	186.0	187.3	–
6 O'Connell St. Sydney NSW <sup>4</sup>	Jun 14	140.8	Jun 14	Knight Frank	135.0	135.0	–
239 George St. Brisbane Qld	Jul 98	90.0	Jun 13	Knight Frank	122.5	124.0	122.5
15 Adelaide St. Brisbane Qld	Jul 98	35.2	Jun 14	CBRE	48.0	48.0	53.0
628 Bourke St. Melbourne Vic <sup>5</sup>	Oct 01	89.3	Jun 12	Savills	96.0	123.8	105.8
836 Wellington St. Perth WA	Sep 07	82.9	Jun 13	Savills	77.5	77.5	77.5
16–18 Mort St. Canberra ACT	Mar 01	76.6	Jun 14	Colliers	79.0	79.0	40.9
Avenue des Artes Brussels Belgium (50%) <sup>6,7</sup>	Nov 07	106.3	Jun 14	JLL	83.1	79.6	91.0
<b>Total Fund portfolio</b>		<b>1,587.3</b>			<b>1,625.6</b>	<b>1,652.2</b>	<b>1,136.5</b>

1. Cost amounts comprise of historical acquisition costs and capital expenditure incurred to the year end.

2. On 24 July 2013, the Group acquired 99 Walker Street, North Sydney, NSW for a purchase price of \$124.9 million.

3. On 31 March 2014, the Group acquired the Piccadilly Complex comprising 133 Castlereagh Street, 222 Pitt Street and 210 Pitt Street, Sydney, NSW for a purchase price of \$194.3 million plus settlement adjustments.

4. On 24 June 2014, the Group acquired 6 O'Connell Street, Sydney, NSW for a purchase price of \$135.0 million plus settlement adjustments.

5. On 20 May 2014, terms were agreed for the sale of 628 Bourke Street, Melbourne, Vic for \$129.6 million subject to settlement adjustments. As a result the investment property was valued at 30 June 2014 based on the terms of sale and reclassified to an asset held for sale during the year ended 30 June 2014. Settlement is expected to occur in October 2014.

6. Represents the investment property held through the Group's Bastion Tower I NV, Belgium investment, which is classified as an asset held for sale. Amounts have been translated at the prevailing period end foreign exchange rate.

7. Property held through investment accounted for using the equity method.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 14. Property portfolio information (continued)

	Acquisition date	Cost including all additions \$m <sup>1</sup>	Independent valuation date	Independent valuer	Independent valuation amount \$m	Book value 30 Jun 2014 \$m	Book value 30 Jun 2013 \$m
<b>Prime Credit Property Trust</b>							
126 Phillip St. Sydney NSW (25%) <sup>2</sup>	Apr 12	178.4	Dec 13	Savills	187.5	189.2	176.2
151 Clarence St. Sydney NSW <sup>3</sup>	Nov 02	63.7	Jun 14	Knight Frank	83.0	83.0	81.6
105-151 Miller St. North Sydney NSW	Dec 98	114.5	Jun 14	Savills	193.5	193.5	172.0
111 Pacific Hwy. North Sydney NSW	May 04	113.1	Dec 13	Savills	139.0	139.8	123.7
295 Ann St. Brisbane Qld	May 98	41.3	Dec 13	Knight Frank	116.0	114.6	114.6
232 Adelaide St. Brisbane Qld	May 98	6.6	Dec 13	Knight Frank	16.4	16.5	17.5
140 Creek St. Brisbane Qld	May 98	123.0	Dec 13	Knight Frank	167.0	173.0	167.9
567 Collins St. Melbourne Vic (50%) <sup>2,4</sup>	Mar 13	99.5	Jun 14	CBRE	250.8	113.0	31.3
242 Exhibition St. Melbourne Vic (50%) <sup>2</sup>	Apr 12	230.3	May 13	Knight Frank	233.8	233.8	233.8
383 La Trobe St. Melbourne Vic	Feb 94	36.7	Dec 13	JLL	53.8	53.8	52.0
800 Toorak Rd. Tooronga Vic (50%)	Jun 97	65.0	Jun 14	Urbis	80.5	80.5	62.5
66 St Georges Tce. Perth WA	Aug 12	88.9	Jun 13	Knight Frank	89.5	92.0	89.5
<b>Total Prime portfolio</b>		<b>1,161.0</b>			<b>1,610.8</b>	<b>1,482.7</b>	<b>1,322.6</b>
<b>Total Group portfolio</b>		<b>2,748.3</b>			<b>3,236.3</b>	<b>3,134.9</b>	<b>2,459.1</b>

1. Cost amounts comprise of historical acquisition costs and capital expenditure incurred to the year end.

2. Property held through investment accounted for using the equity method.

3. The property at 151 Clarence Street, Sydney, NSW has Stage 1 development approval to demolish the existing building and construct a new A grade tower. The independent valuation included the following factors to determine the property's fair value: income streams up until the date of current lease expiries; development costs to complete; rent guarantees; and the estimated market value as if proposed development were complete.

4. The property at 567 Collins Street, Melbourne, Vic is an investment property under construction with an anticipated practical completion date of September 2015. The independent valuation amount represents the market value as if complete, subject to proposed development, existing tenant pre-commitments and developer rent guarantee.



## 15. Trade and other payables

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Current</b>				
Trade payables	18.4	10.4	8.4	5.2
Stamp duty payable <sup>1</sup>	7.4	–	–	–
Other payables	12.4	14.3	8.2	8.0
	<b>38.2</b>	<b>24.7</b>	<b>16.6</b>	<b>13.2</b>

1. Stamp duty payable relating to the acquisition of 6 O'Connell St, Sydney, which settled on 24 June 2014.

## 16. Borrowings

		Investa Office Fund		Prime Credit Property Trust	
		30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Current liabilities – unsecured</b>					
Bank debt (AUD)	(a)	228.0	–	110.0	–
		<b>228.0</b>	<b>–</b>	<b>110.0</b>	<b>–</b>
<b>Non-current liabilities – unsecured</b>					
Bank debt (AUD)	(a)	250.0	275.0	10.0	177.0
Bank debt (€)		–	217.9	–	–
Medium Term Note (AUD)		125.0	125.0	–	–
US Private Placements (USD)	(b)	345.0	–	132.7	–
		<b>720.0</b>	<b>617.9</b>	<b>142.7</b>	<b>177.0</b>
Capitalised commitments and upfront fees		(3.8)	(1.4)	(1.6)	(0.2)
		<b>716.2</b>	<b>616.5</b>	<b>141.1</b>	<b>176.8</b>
<b>Total borrowings</b>		<b>944.2</b>	<b>616.5</b>	<b>251.1</b>	<b>176.8</b>

### (a) New bilateral facilities

On 30 May 2014, the Responsible Entity on behalf of the Fund and Prime entered into a new \$100.0 million multicurrency facility agreement. The new facility is split into two \$50.0 million tranches, each maturing on 12 June 2018 and 12 June 2019.

Subsequent to the reporting date, the Responsible Entity on behalf of the Fund and Prime entered into new debt facility agreements, providing the Fund and Prime additional drawdown capacity of \$398.0 million and the ability to refinance the Group and Prime's bank debt maturing in August 2014. Refer to Note 28 for further details.

### (b) U.S. Private Placements

On the 3 June 2013, the Responsible Entity on behalf of Prime entered into a 12 year U.S. Private Placement ("USPP") through the issue of USD125.0 million with a margin of 185 basis points over U.S. Treasury ("UST"). The USPP settled on the 12 August 2013 and was swapped back to AUD 128.9 million. The funds received were used to repay existing syndicated bank debt.

On 24 January 2014, the Responsible Entity on behalf of the Fund entered into a second USPP through the issue of USD 200.0 million swapped back to AUD 229.1 million. The average tenure at issue date of the second USPP equated to 13 years with an average margin of 173 basis points over UST. Settlement took place on 7 April 2014 and the funds received were used to repay existing bank debt drawn to fund the acquisition of the Piccadilly Complex, Sydney.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 16. Borrowings (continued)

##### (c) Financing arrangements

As at 30 June 2014 the Group had unsecured bank, medium term note ("MTN") and USPP debt facilities, each with specific maturities and limits as detailed below:

	Investa Office Fund						
	30 June 2014			30 June 2013			
	Limit \$m	Drawn <sup>3</sup> \$m	Undrawn \$m	Limit \$m	Drawn <sup>3</sup> \$m	Undrawn \$m	Maturity Date
Syndicated bank:							
Facility A (multi-currency)	323.1	228.0	95.1	353.1	275.0	78.1	Aug 14
Facility C (Euro) <sup>1, 2</sup>	–	–	–	211.4	211.4	–	–
Facility D (Euro) <sup>1, 2</sup>	–	–	–	12.7	6.5	6.2	–
Bilateral facilities:							
Tranche 1 (AUD)	150.0	150.0	–	150.0	–	150.0	Aug 16
Tranche 2 (AUD)	50.0	50.0	–	–	–	–	Jun 18
Tranche 3 (AUD)	50.0	50.0	–	–	–	–	Jun 19
	<b>573.1</b>	<b>478.0</b>	<b>95.1</b>	<b>727.2</b>	<b>492.9</b>	<b>234.3</b>	
Medium Term Note (AUD)	125.0	125.0	–	125.0	125.0	–	Nov 17
US Private Placements:							
Tranche 1 (USD) <sup>1</sup>	132.7	132.7	–	–	–	–	Aug 25
Tranche 2 (USD) <sup>1</sup>	82.8	82.8	–	–	–	–	Apr 25
Tranche 3 (USD) <sup>1</sup>	67.9	67.9	–	–	–	–	Apr 27
Tranche 4 (USD) <sup>1</sup>	61.6	61.6	–	–	–	–	Apr 29
<b>Total</b>	<b>1,043.1</b>	<b>948.0</b>	<b>95.1</b>	<b>852.2</b>	<b>617.9</b>	<b>234.3</b>	

1. Facility C, D and USD US Private Placement amounts have been translated at the prevailing period end foreign exchange rate.

2. Facilities C and D were repaid as a result of the sale of the Dutch Office Fund investment during the year ended 30 June 2014. Subsequent to repayment, facilities C and D were cancelled.

3. At 30 June 2014 \$110.0 million, \$10.0 million and \$132.7 million (30 June 2013: \$177.0 million, \$nil and \$nil) was drawn by Prime under Facility A, the Bilateral facilities, and Tranche 1 of the USD Private Placements respectively. Prime is not entitled to draw on any other facilities within the Group.

The unsecured bank, MTN and USPP facilities have a number of market standard terms and conditions and undertakings. The most restrictive of these include the maintenance of the following financial ratios:

- (i) total look-through liabilities will not exceed 50% of look-through total tangible assets; and
- (ii) earnings before borrowing costs and taxation will not be less than 2.5 times borrowing costs.

The Trusts complied with all the financial ratios during the year and are expected to remain compliant with the loan covenants.

##### (d) Risk exposure and fair value disclosures

Refer to Note 22 for further details on the Group's exposure to risk arising from borrowings and the maturity profile of borrowings. Refer to Note 23 for the fair value of borrowings.

## 17. Contributed equity

### (a) Carrying amounts

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Balance at the beginning and end of the period	2,142.3	2,142.3	1,193.8	1,193.8
The balance at the end of the period is attributable to the unitholders of:				
Armstrong Jones Office Fund	948.5	948.5	–	–
Prime Credit Property Trust	1,193.8	1,193.8	1,193.8	1,193.8
	2,142.3	2,142.3	1,193.8	1,193.8

### (b) Number of issued units

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 000's	30 June 2013 000's	30 June 2014 000's	30 June 2013 000's
Balance at the beginning and end of the period	614,047	614,047	614,047	614,047

### (c) Terms of units

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.

### (d) Capital risk management

Refer to Note 21 for the Capital Management strategy for the Group.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 18. Reserves

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Foreign currency translation</b>				
Balance at the beginning of year	(105.3)	(115.4)	–	–
Translation differences arising during the year	1.8	10.1	–	–
Balance at the end of the year	<b>(103.5)</b>	<b>(105.3)</b>	–	–
<b>Total reserves at the end of the year</b>	<b>(103.5)</b>	<b>(105.3)</b>	–	–
The balance at the end of the year is attributable to the unitholders of:				
Armstrong Jones Office Fund	(103.5)	(105.3)	–	–
Prime Credit Property Trust	–	–	–	–
	<b>(103.5)</b>	<b>(105.3)</b>	–	–

#### (a) Nature and purpose of the reserves

The foreign currency translation reserve includes:

##### (i) Translation of foreign controlled entities

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 1(e) and accumulated in a reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of or sold.

##### (ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for as described in Note 1(m). Gains and losses accumulated in equity are reclassified to profit and loss when the foreign operation is disposed of or sold.

**19. Retained earnings/(accumulated losses)**

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Balance at the beginning of the year	(50.4)	(100.1)	(83.5)	(120.1)
Net profit for the year	183.6	158.7	150.1	96.5
Distributions paid or payable	(113.6)	(109.0)	(59.3)	(59.9)
Balance at the end of the year	<b>19.6</b>	<b>(50.4)</b>	<b>7.3</b>	<b>(83.5)</b>
The balance at the end of the year attributable to the unitholders of:				
Armstrong Jones Office Fund	12.3	33.1	–	–
Prime Credit Property Trust	7.3	(83.5)	7.3	(83.5)
	<b>19.6</b>	<b>(50.4)</b>	<b>7.3</b>	<b>(83.5)</b>

**20. Commitments****(a) Investment property acquisition**

As at 30 June 2013 the Group had a commitment to pay a balance of \$115.5 million plus settlement adjustments and transaction costs in relation to the acquisition of 99 Walker Street, North Sydney, NSW. This commitment was paid 24 July 2013.

**(b) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Investment properties	48.9	47.6	35.1	9.1
Investment property under construction <sup>1</sup>	133.6	199.7	133.6	199.7

1. Relates to the Group's share of committed construction costs of 567 Collins Street, Melbourne, an investment property which is held by an equity accounted investment.



## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 21. Capital management

The Group aims to meet its strategic objectives and operational needs to maximise returns to unitholders through the appropriate use of debt and equity, taking into account the additional financial risks of using debt.

In determining the optimal capital structure, the Group takes into account a number of factors including the capital needs of its portfolio; the relative cost of debt versus equity; the execution and market risk of raising equity or debt; the additional financial risks of debt including increased volatility of earnings due to exposure to interest rate movements; the liquidity risk of maturing debt facilities; the potential for acceleration prior to maturity; and the market in general.

In assessing this risk, the Group takes into account the relative security of its income flows, the predictability of its expenses, its debt profile, the degree of hedging and the overall level of debt as measured by gearing.

The actual capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside of the control of the Group, particularly the impact of revaluations on gearing levels, the availability of new equity and the liquidity in real estate markets. While the Group periodically reviews the optimal capital structure, the ability to achieve the optimal structure may be impacted by market conditions and the actual position may often differ from the initial position. The Group's capital position is primarily monitored through its ratio of total debt to total assets ("Gearing Ratio"), calculated on a look-through basis, in which the Group's interest in its joint ventures, associates and financial assets at fair value through profit or loss are proportionately consolidated based on the Group's ownership interest. The Group's medium term strategy is to maintain the Gearing Ratio in the range of 25% to 35%. The actual Gearing Ratio may vary from this range in the short term from time to time.

The Group monitors the ratio of debt to total assets ("Gearing Ratio"), calculated on a look-through basis. At 30 June 2014, the gearing ratio was 31.5% (30 June 2013: 26.3%), calculated as follows:

	Investa Office Fund	
	30 June 2014 \$m	30 June 2013 \$m
Total consolidated borrowings	944.2	616.5
Plus share of debt of:		
Equity accounted investments	–	–
Financial asset at fair value through profit or loss	–	69.4
Assets classified as held for sale	57.6	58.8
<b>Net look-through debt</b>	<b>1,001.8</b>	<b>744.7</b>
Total consolidated assets	3,142.5	2,723.8
Less:		
Financial asset at fair value through profit or loss	–	(257.3)
Equity accounted investments	(476.4)	(427.6)
Assets classified as held for sale	(47.2)	(59.4)
Plus share of assets of:		
Financial asset at fair value through profit or loss	–	333.2
Equity accounted investments	536.8	443.8
Equity accounted investments classified as held for sale	106.1	119.4
Less:		
Elimination of receivables from and payables to equity accounted investments	(86.3)	(43.4)
<b>Total look-through assets</b>	<b>3,175.5</b>	<b>2,832.5</b>
<b>Gearing ratio</b>	<b>31.5%</b>	<b>26.3%</b>

In addition, the Group monitors the ratio of total liabilities to total assets ("Leverage Ratio"). At 30 June 2014, the Leverage Ratio was 35.2% (30 June 2013: 29.9%), calculated as follows:

**Look-through ratio of total liabilities to total assets**

	Investa Office Fund	
	30 June 2014 \$m	30 June 2013 \$m
Total consolidated liabilities	1,084.1	737.2
Plus share of liabilities of:		
Financial asset at fair value through profit or loss	–	75.9
Equity accounted investments	60.4	16.2
Assets classified as held for sale	58.9	60.0
Less:		
Elimination of receivables from and payables to equity accounted investments	(86.3)	(43.4)
<b>Total look-through liabilities</b>	<b>1,117.1</b>	<b>845.9</b>
Total consolidated assets	3,142.5	2,723.8
Less:		
Financial asset at fair value through profit or loss	–	(257.3)
Equity accounted investments	(476.4)	(427.6)
Equity accounted investments classified as held for sale	(47.2)	(59.4)
Plus share of assets of:		
Financial asset at fair value through profit or loss	–	333.2
Equity accounted investments	536.8	443.8
Equity accounted investments classified as held for sale	106.1	119.4
Less:		
Elimination of receivables from and payables to equity accounted investments	(86.3)	(43.4)
<b>Total look-through assets</b>	<b>3,175.5</b>	<b>2,832.5</b>
<b>Leverage ratio</b>	<b>35.2%</b>	<b>29.9%</b>

The leveraged ratio is used to determine compliance with the Group's bank debt, medium term note debt and USPP debt facilities as at 30 June 2014. Refer to Note 16 for details.

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

## Notes to the Consolidated Financial Statements For the year ended 30 June 2014 (continued)

### 22. Financial risk management

#### Introduction

The Group's principal financial instruments comprise receivables, payables, interest bearing liabilities, other financial liabilities, cash and short-term deposits, financial asset at fair value through profit or loss and derivative financial instruments.

The Group's activities expose it to a variety of financial risks:

- > Market risk;
- > Credit risk; and
- > Liquidity risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps, interest rate caps and foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes and not as trading or other speculative instruments. The Group 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, foreign exchange and other price risks and ageing analysis for credit risk.

#### (a) Market risk

Market risk comprises of mainly three types of risk. They are:

- (i) Interest rate risk;
- (ii) Foreign exchange risk; and
- (iii) Price risk

##### (i) 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.

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group'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. The Group's policy is to hedge the Group's forecast borrowings using interest rate derivatives based on the following hedge ratio limit ranges.

	Hedge ratio limit range
1 – 3 years	30% – 80%
4 – 5 years	20% – 80%
5+ years	0% – 75%

The Group analyses its 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, the Group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a regular basis to verify that the maximum loss potential is within limit established by the Responsible Entity.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using:

- > floating-to-fixed interest rate swaps (or swaptions);
- > interest rate caps; and
- > cross currency interest rate swaps.

Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or from fixed to floating. Generally, the Group raises borrowings some of which are at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Interest rate caps are derivatives that provide the Group with an upper limit at which the Group will no longer be exposed to increases to floating interest rates.

Cross currency interest rate swaps minimise both foreign interest rate and exchange rate risk exposure on foreign currency borrowings. As a result of issuing USPPs the Group and Prime have entered into cross currency swaps which cover 100% of the USPP principals outstanding and are timed to expire when the USPPs mature. These swaps also swap the obligation to pay fixed interest to floating interest.

The Group's interest rate risk from borrowings is summarised in the table below.

### Interest rate risk exposure

The Group's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at reporting date was:

Investa Office Fund 30 June 2014	Weighted average interest rate (%pa)	Floating interest rate \$m	Fixed interest rate			Total \$m
			Less than 1 year \$m	1-5 years \$m	More than 5 years \$m	
Financial assets						
Cash and cash equivalents	1.2%	12.3	–	–	–	12.3
Receivables from equity accounted investments <sup>1</sup>	3.2%	0.4	–	–	–	0.4
Loans to equity accounted investments	6.4%	–	–	60.2	–	60.2
Total financial assets		12.7	–	60.2	–	72.9
Financial liabilities						
Payables to equity accounted investments <sup>2</sup>	4.0%	–	25.7	–	–	25.7
Borrowings:						
Denominated in AUD – floating	4.1%	478.0	–	–	–	478.0
Denominated in AUD – fixed	5.4%	–	–	125.0	–	125.0
Denominated in USD – fixed	4.4%	–	–	–	345.0	345.0
Total financial liabilities		478.0	25.7	125.0	345.0	973.7
Total net financial liabilities		(465.3)	(25.7)	(64.8)	(345.0)	(900.8)

1. The \$0.4 million receivable relates to the Bastion Tower investment, which was reclassified as an asset held for sale during the year ended 30 June 2013.

2. The \$25.7 million payable to equity accounted investments relates to the Neuilly Victor Hugo SCI investment. Refer to Note 9(b) for details.

The Group's weighted average fixed and floating rate derivatives (notional principal) held at reporting date can be summarised by maturity as follows:

	June 2014 <sup>1</sup> \$m	June 2015 \$m	June 2016 \$m	June 2017 \$m	June 2018 \$m	June 2019 \$m
<b>Denominated in AUD:</b>						
Interest rate swaps (fixed)	350.0	344.5	215.2	200.0	174.2	–
Average fixed rate	3.0%	3.1%	4.0%	3.8%	3.7%	–
Interest rate swaps (floating) <sup>2</sup>	125.0	125.0	125.0	125.0	44.5	–

1. Amounts represent the notional principal rather than weighted average notional principal as at the reporting date.

2. This floating interest rate derivative swaps the fixed component on the MTN issued during the year ended 30 June 2013.

Other financial instruments of the Group not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 22. Financial risk management (continued)

##### (a) Market risk (continued)

##### (i) Interest rate risk (continued)

The Group's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at the end of the previous financial year was:

Investa Office Fund 30 June 2013	Weighted average interest rate (%pa)	Floating interest rate \$m	Fixed interest rate			Total \$m
			Less than 1 year \$m	1-5 years \$m	More than 5 years \$m	
Financial assets						
Cash and cash equivalents	0.7%	12.4	–	–	–	12.4
Cash classified as assets held for sale	–	0.7	–	–	–	0.7
Loans to equity accounted investments	6.4%	–	–	16.2	–	16.2
Total financial assets		13.1	–	16.2	–	29.3
Financial liabilities						
Payables to equity accounted investments <sup>1</sup>	3.9%	2.7	24.5	–	–	27.2
Borrowings:						
Denominated in AUD – floating	4.4%	275.0	–	–	–	275.0
Denominated in AUD – fixed	5.4%	–	–	125.0	–	125.0
Denominated in Euro – floating	1.7%	217.9	–	–	–	217.9
Total financial liabilities		495.6	24.5	125.0	–	645.1
Total net financial liabilities		(482.5)	(24.5)	(108.8)	–	(615.8)

1. The \$24.5 million payable to equity accounted investments relates to the Neuilly Victor Hugo SCI investment. Refer to Note 9(b) for details. In the year ending 30 June 2013, this amount became interest bearing at a rate of 3.99%. The \$2.7 million payable relates to the Bastion Tower investment, which was reclassified as an asset held for sale during the year ended 30 June 2013.

The Group's weighted average fixed rate derivatives (notional principal) held at the end of the previous financial year can be summarised by maturity as follows:

	June 2013 <sup>1</sup> \$m	June 2014 \$m	June 2015 \$m	June 2016 \$m	June 2017 \$m	June 2018 \$m
<b>Denominated in AUD:</b>						
Interest rate swaps and caps (fixed)	210.0	300.7	344.5	214.7	100.1	75.6
Average fixed rate	3.5%	3.2%	3.1%	4.0%	4.1%	4.1%
Interest rate swaps (floating) <sup>2</sup>	125.0	125.0	125.0	125.0	125.0	44.5
<b>Denominated in Euro:</b>						
Interest rate swaps and caps (fixed)	148.0	148.0	118.8	63.4	9.6	–
Average fixed rate	2.0%	2.0%	2.0%	2.0%	2.0%	–

1. Amounts represent the notional principal rather than weighted average notional principal as at the reporting date.

2. This floating interest rate derivative swaps the fixed component on the MTN issued during the year ended 30 June 2013.

Other financial instruments of the Group not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

Prime's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at reporting date was:

Prime Credit Property Trust 30 June 2014	Weighted average interest rate (%pa)	Floating interest rate \$m	Fixed interest rate			Total \$m
			Less than 1 year \$m	1-5 years \$m	More than 5 years \$m	
Financial assets						
Cash and cash equivalents	1.5%	2.5	–	–	–	2.5
Loans to equity accounted investments	6.4%	–	–	60.2	–	60.2
Total financial assets		2.5	–	60.2	–	62.7
Financial liabilities						
Borrowings:						
Denominated in AUD – floating	4.2%	120.0	–	–	–	120.0
Denominated in USD – fixed	4.0%	–	–	–	132.7	132.7
Total financial liabilities		120.0	–	–	132.7	252.7
Total net financial (liabilities)/assets		(117.5)	–	60.2	(132.7)	(190.0)

Prime's weighted average fixed and floating rate derivatives (notional principal) held at reporting date can be summarised by maturity as follows:

	June 2014 <sup>1</sup> \$m	June 2015 \$m	June 2016 \$m	June 2017 \$m	June 2018 \$m	June 2019 \$m
<b>Denominated in AUD:</b>						
Interest rate swaps (fixed)	200.0	170.1	–	–	–	–
Average fixed rate	2.3%	2.3%	–	–	–	–

1. Amounts represent the notional principal rather than weighted average notional principal as at the reporting date.

Other financial instruments of Prime not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.



## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 22. Financial risk management (continued)

##### (a) Market risk (continued)

##### (i) Interest rate risk (continued)

Prime's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at the end of the previous financial year was:

Prime Credit Property Trust 30 June 2013	Weighted average interest rate (%pa)	Floating interest rate \$m	Fixed interest rate			Total \$m
			Less than 1 year \$m	1-5 years \$m	More than 5 years \$m	
Financial assets						
Cash and cash equivalents	0.2%	1.9	–	–	–	1.9
Cash classified as assets held for sale	–	0.7	–	–	–	0.7
Loans to equity accounted investments	6.4%	–	–	16.2	–	16.2
Total financial assets		2.6	–	16.2	–	18.8
Financial liabilities						
Borrowings:						
Denominated in AUD – floating	4.4%	177.0	–	–	–	177.0
Total financial liabilities		177.0	–	–	–	177.0
Total net financial (liabilities)/assets		(174.4)	–	16.2	–	(158.2)

Prime's weighted average fixed and floating rate derivatives (notional principal) held at reporting date can be summarised by maturity as follows:

	June 2013 <sup>1</sup> \$m	June 2014 \$m	June 2015 \$m	June 2016 \$m	June 2017 \$m	June 2018 \$m
<b>Denominated in AUD:</b>						
Interest rate swaps (fixed)	–	104.7	170.1	–	–	–
Average fixed rate	–	2.4%	2.3%	–	–	–

1. Amounts represent the notional principal rather than weighted average notional principal as at the reporting date.

Other financial instruments of Prime not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

#### Interest rate sensitivity analysis

##### Sensitivity on net interest expense

The impact on interest expense of a 100 basis point increase or decrease in market interest rates at reporting date is shown below. This analysis is based on the interest rate risk exposure in existence at reporting date. Interest expense is sensitive to movements in market interest rates on floating rate debt, not hedged by derivatives. Aside from the profit or loss impact on equity resulting from a 100 basis point increase or decrease in market interest rates, the 100 basis point increase or decrease in market interest rates at the reporting date has no other impact on equity.

##### Sensitivity on changes in fair value of interest rate derivatives

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 reporting date is shown below. The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the interest rate derivatives. The fair value of interest rate derivatives is calculated as the present value of estimated future cash flows for each derivative, based on the forward market interest rate curve. Gains or losses arising from changes in the fair value are reflected in the Consolidated Income Statements. Aside from the profit or loss impact on equity resulting from a 100 basis point increase or decrease in market interest rates, the 100 basis point increase or decrease in market interest rates at the reporting date has no other impact on equity.

A 100 basis points sensitivity is used for consistency of reporting interest rate risk between the current and prior financial years. The Group considers this reasonable given the current level of both short term and long term interest rates.

Investa Office Fund	Sensitivity on net interest expense		Sensitivity on change in fair value of interest rate derivatives	
	+ 100bps \$m	- 100bps \$m	+ 100bps \$m	- 100bps \$m
<b>30 June 2014</b>				
Variable interest rates denominated in:				
Australian dollars	(4.9)	4.9	4.6	(4.9)
Euros	0.1	(0.1)	–	–
<b>Total</b>	<b>(4.8)</b>	<b>4.8</b>	<b>4.6</b>	<b>(4.9)</b>
<b>30 June 2013</b>				
Variable interest rates denominated in:				
Australian dollars	(0.6)	1.3	7.6	(8.8)
Euros	(0.9)	1.5	2.3	(3.3)
<b>Total</b>	<b>(1.5)</b>	<b>2.8</b>	<b>9.9</b>	<b>(12.1)</b>
Prime Credit Property Trust	Sensitivity on net interest expense		Sensitivity on change in fair value of interest rate derivatives	
	+ 100bps \$m	- 100bps \$m	+ 100bps \$m	- 100bps \$m
<b>30 June 2014</b>				
Variable interest rates denominated in:				
Australian dollars	(1.3)	1.3	1.8	(1.8)
<b>Total</b>	<b>(1.3)</b>	<b>1.3</b>	<b>1.8</b>	<b>(1.8)</b>
<b>30 June 2013</b>				
Variable interest rates denominated in:				
Australian dollars	(1.8)	1.8	2.4	(2.6)
<b>Total</b>	<b>(1.8)</b>	<b>1.8</b>	<b>2.4</b>	<b>(2.6)</b>

## (ii) Foreign exchange risk

By owning assets and by borrowing in offshore markets the Group is exposed to the risk of movements in foreign exchange rates. Foreign exchange rate movements may reduce the Australian dollar equivalent of the carrying value of the Group's offshore investments, and may result in lower Australian dollar equivalent proceeds when an offshore investment is sold. In addition, foreign exchange rate movements may reduce the Australian dollar equivalent of the earnings from the offshore investments while they are owned by the Group.

The Group reduces its exposure to the foreign exchange risk inherent in the carrying value of their offshore investments by partly or wholly funding their assets using borrowings denominated in the particular offshore currency. The financial risk management policy sets out a maximum target ratio for the Group of foreign currency denominated liabilities to foreign currency denominated assets.

Hedging the value of interests in offshore investments exposes the Group to the risk that foreign exchange rate movements cause the Group's Leverage Ratios to increase. The foreign exchange risk inherent in the carrying value of its offshore properties is hedged by the offshore liabilities of the Group and of its equity accounted investments, leaving the equity value of the Group's offshore investments exposed to adverse movements in foreign exchange rates.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 22. Financial risk management (continued)

##### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

The Group's exposure to the impact of exchange rate movements on its earnings from its offshore investments is partly mitigated by the foreign denominated interest expense of its foreign denominated borrowings and any foreign exchange derivative hedges. The Group aims to reduce any residual foreign exchange rate exposure by using forward exchange contracts. As a result of the Group exiting offshore markets, the Group's financial risk management policy has been updated to specify that no new foreign exchange hedging is to be undertaken with exception of case-by-case approval by the Responsible Entity's Board of Directors.

As outlined in Note 16, the Group settled a USD 125.0 million USPP on 12 August 2013, and a second USPP of USD 200.0 million on 7 April 2014. To mitigate the exposure of foreign exchange rate movements relating to the AUD/USD exchange rate, the Group has entered into cross currency swaps which covers all of the USD principal outstanding and is timed to expire when the USPP matures.

As part of a stapled entity, the Prime's foreign exchange risk is not separately managed. Management of this risk for the Group may result in consequential changes for Prime.

The Group's exposure to foreign currency balances denominated in Australian dollars at the rate prevailing at the end of the reporting period was as follows:

Investa Office Fund	Net foreign currency asset/(liability)			
	Euros		United States dollars	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Cash	6.3	7.8	1.2	1.8
Trade and other receivables	7.4	0.8	0.9	3.3
Assets classified as held for sale	47.6	59.4	–	0.8
Financial asset at fair value through profit or loss	–	257.3	–	–
Derivative financial instruments	2.4	4.4	1.1	0.1
<b>Total assets</b>	<b>63.7</b>	<b>329.7</b>	<b>3.2</b>	<b>6.0</b>
Trade and other payables	2.0	5.3	–	–
Borrowings	–	217.9	345.0	–
Derivative financial instruments	–	3.8	12.5	–
Liabilities classified as held for sale	25.7	27.2	–	0.4
<b>Total liabilities</b>	<b>27.7</b>	<b>254.2</b>	<b>357.5</b>	<b>0.4</b>
<b>Net assets/(liabilities)</b>	<b>36.0</b>	<b>75.5</b>	<b>(354.3)</b>	<b>5.6</b>

##### Foreign exchange sensitivity analysis

The impact on profit after tax and equity of an increase or decrease in average foreign exchange rates of 10% at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the foreign exchange risk exposures in existence at reporting date.

A 10% sensitivity is used for consistency of reporting foreign exchange risk between the current and prior financial years. The Group considers this reasonable given historical movements of foreign exchange rates.

Investa Office Fund	30 June 2014				30 June 2013			
	+10%		-10%		+10%		-10%	
	Profit \$m	Equity \$m	Profit \$m	Equity \$m	Profit \$m	Equity \$m	Profit \$m	Equity \$m
Foreign exchange risk exposures denominated in:								
Euros	(0.6)	(4.0)	0.6	4.0	(1.1)	(8.2)	1.1	8.2
United States dollars	(1.8)	1.8	(7.1)	7.1	0.6	(0.6)	(0.6)	0.6
	(2.4)	(2.2)	(6.5)	11.1	(0.5)	(8.8)	0.5	8.8

Prime Credit Property Trust	30 June 2014				30 June 2013			
	+10%		-10%		+10%		-10%	
	Profit \$m	Equity \$m	Profit \$m	Equity \$m	Profit \$m	Equity \$m	Profit \$m	Equity \$m
Foreign exchange risk exposures denominated in:								
United States dollars	(0.6)	0.6	(2.3)	2.3	0.6	(0.6)	(0.6)	0.6
	(0.6)	0.6	(2.3)	2.3	0.6	(0.6)	(0.6)	0.6

The Responsible Entity believes that the reporting date risk exposures are representative of the risk exposure inherent in the Group's financial instruments.

#### Foreign exchange derivatives held

The following tables detail the forward exchange contracts, options and foreign exchange swaps (including cross currency swaps) outstanding at reporting date. These have been entered into to mitigate the effect of foreign exchange movements on the Group and Prime.

At reporting date, none of the following foreign exchange derivatives qualifies for hedge accounting and gains and losses arising from changes in fair value have been taken to the Income Statement. The consolidated loss for the year ended 30 June 2014 was \$2.1 million (Prime \$0.1 million loss) (30 June 2013: \$3.7 million loss; Prime \$0.9 million loss).

#### Foreign exchange derivative contracts in Australian and United States dollars were:

Maturing	Weighted average exchange rate		Notional amount			
			30 June 2014		30 June 2013	
	2014	2013	AUD m	USD m	AUD m	USD m
Investa Office Fund						
Less than 1 year <sup>1</sup>	–	0.7945	–	–	0.4	0.3
Greater than 5 years <sup>2</sup>	0.9079	0.9698	358.0	325.0	128.9	125.0
			358.0	325.0	129.3	125.3
Prime Credit Property Trust						
Less than 1 year <sup>1</sup>	–	0.7945	–	–	0.4	0.3
Greater than 5 years <sup>2</sup>	0.9698	0.9698	128.9	125.0	128.9	125.0
			128.9	125.0	129.3	125.3

1. Receive Australian dollars, pay United States dollars

2. Pay Australian dollars, receive United States dollars

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 22. Financial risk management (continued)

##### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

Foreign exchange derivative contracts in Australian dollars and Euros were:

Maturing	Weighted average exchange rate		Notional amount			
			30 June 2014		30 June 2013	
	2014	2013	AUD m	Euro m	AUD m	Euro m
Investa Office Fund						
Less than 1 year <sup>1</sup>	0.4925	0.4998	8.6	4.2	15.9	8.0

1. Receive Australian dollars, pay Euros

##### (iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk that arises from investments held by the Group and classified in the Consolidated Statements of Financial Position as financial asset at fair value through profit or loss. The Responsible Entity monitors and evaluates the performance of the financial assets as at fair value through profit or loss on a regular basis. The Group is not exposed to commodity price risk.

#### Sensitivity analysis

The impact of an increase or decrease in price or valuation of financial assets at fair through profit or loss at reporting date, with all other variables held constant, has been outlined in Note 23.

##### (b) 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 the Group. Credit risk for the Group and Prime arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Responsible Entity seeks to mitigate this risk for the Group and Prime 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 the Group or Prime 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.

The Group's and Prime's exposure to credit risk consists of the following:

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Cash and cash equivalents <sup>1</sup>	12.3	12.4	2.5	1.9
Receivables <sup>1,2</sup>	80.4	33.2	69.9	22.8
Financial assets included in assets held for sale	0.4	0.8	–	0.8
Derivative financial instruments <sup>1</sup>	6.5	6.3	2.8	1.9
Total financial assets	99.6	52.7	75.2	27.4

1. The carrying amount of these assets included in the Consolidated Statements of Financial Position represents the consolidated entity's exposure to credit risk in relation to these assets.

2. An analysis of credit risk exposure for receivables is included in Note 8.

**(c) Liquidity risk**

Liquidity risk is the risk that the Group 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 the Group'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.

The Group assesses the liquidity risk as its ability to meet its payment obligations to satisfy its external credit providers. The Group measures the risk by ascertaining its cash requirements regularly through cash flow forecasts. The Group's main objective is to ensure the continued ability to meet its financial liabilities.

Refinancing risk, also part of liquidity risk, is the risk that the maturity profile of debt makes it difficult to refinance (or rollover) maturing debt, or that it creates an excessive exposure to potentially unfavourable market conditions at any given time. The Group is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Group manages this risk, where appropriate, by refinancing borrowings in advance of the maturity of the borrowing and securing longer term facilities where appropriate and consistent with the Group's strategy. The Group also uses interest rate derivatives to hedge known and forecast positions and reviewing potential transactions to understand the impact on the Group's covenants and credit risk profile.

Refer to Note 16 for disclosure of finance facilities available to the Group.

As part of a stapled entity, the Prime's liquidity risk is not separately managed. Management of this risk for the Group may result in consequential changes for Prime.

**Non-derivative financial liabilities**

The contractual maturities of the Group's non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates. Foreign currencies have been converted at exchange rates at the reporting date.

<b>Investa Office Fund</b>				
<b>30 June 2014</b>	<b>Less than 1 year \$m</b>	<b>1-5 years \$m</b>	<b>Greater than 5 years \$m</b>	<b>Total \$m</b>
Trade and other payables	38.2	–	–	38.2
Borrowings	228.0	375.0	345.0	948.0
Projected interest cost on borrowings <sup>1</sup>	33.4	99.8	107.7	240.9
Distribution payable	56.8	–	–	56.8
Liabilities directly associated with assets classified as held for sale	25.7	–	–	25.7
<b>Total forecast undiscounted future cash flow</b>	<b>382.1</b>	<b>474.8</b>	<b>452.7</b>	<b>1,309.6</b>
<b>30 June 2013</b>				
Trade and other payables	24.7	–	–	24.7
Borrowings	–	617.9	–	617.9
Projected interest cost on borrowings <sup>1</sup>	23.3	25.7	–	49.0
Distribution payable	55.3	–	–	55.3
Liabilities directly associated with assets classified as held for sale	27.6	–	–	27.6
<b>Total forecast undiscounted future cash flow</b>	<b>130.9</b>	<b>643.6</b>	<b>–</b>	<b>774.5</b>

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.



## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 22. Financial risk management (continued)

##### (c) Liquidity risk (continued)

The contractual maturities of the Prime's non-derivative financial liabilities at reporting date, on the same basis, were:

Prime Credit Property Trust 30 June 2014	Less than 1 year \$m	1-5 years \$m	Greater than 5 years \$m	Total \$m
Trade and other payables	16.6	–	–	16.6
Borrowings	110.0	10.0	132.7	252.7
Projected interest cost on borrowings <sup>1</sup>	6.2	21.6	32.3	60.1
Distribution payable	29.5	–	–	29.5
Total forecast undiscounted future cash flow	<b>162.3</b>	<b>31.6</b>	<b>165.0</b>	<b>358.9</b>
<b>30 June 2013</b>				
Trade and other payables	13.2	–	–	13.2
Borrowings	–	177.0	–	177.0
Projected interest cost on borrowings <sup>1</sup>	7.6	1.2	–	8.8
Distribution payable	30.7	–	–	30.7
Liabilities directly associated with assets classified as held for sale	0.4	–	–	0.4
Total forecast undiscounted future cash flow	<b>51.9</b>	<b>178.2</b>	<b>–</b>	<b>230.1</b>

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.

#### Derivative financial liabilities

In accordance with AASB 7 *Financial Instruments: Disclosures* the following tables show the undiscounted contractual cash flows required to discharge the Group's derivative financial liabilities. As derivatives are exchanges of cash flows, the undiscounted cash flows from derivative assets have also been disclosed to provide a more meaningful analysis of the Group and Prime's liquidity exposure. Forward market interest and foreign exchange rates at the reporting date have been adopted in computing the undiscounted cash flows.

The cross currency interest rate swap 30 June 2014 inflows and outflows greater than five years, and the 30 June 2013 Inflows and outflows less than one year include the receipt and payment of notional principals relating to the USPPs. Refer to Note 16(c) for further details.

**Investa Office Fund**  
**30 June 2014**

	Less than 1 year \$m	1-5 years \$m	Greater than 5 years \$m	Total \$m
<b>Liabilities</b>				
Interest rate derivatives – net settled	(2.1)	(4.1)	–	(6.2)
Cross currency interest rate swaps – gross settled				
Outflows	(7.8)	(48.6)	(344.4)	(400.8)
Inflows	10.1	42.3	342.9	395.3
	<b>0.2</b>	<b>(10.4)</b>	<b>(1.5)</b>	<b>(11.7)</b>
<b>Assets</b>				
Interest rate derivatives – net settled	2.1	3.5	5.1	10.7
Cross currency interest rate swaps – gross settled				
Outflows	(4.5)	(27.1)	(180.5)	(212.1)
Inflows	5.4	22.6	193.7	221.7
Foreign exchanged – gross settled				
Outflows	(6.1)	–	–	(6.1)
Inflows	8.6	–	–	8.6
	<b>5.5</b>	<b>(1.0)</b>	<b>18.3</b>	<b>22.8</b>

**Investa Office Fund**  
**30 June 2013**

<b>Liabilities</b>				
Interest rate derivatives – net settled	(0.9)	(6.3)	–	(7.2)
Cross currency interest rate swaps – gross settled				
Outflows	(144.4)	(28.4)	(194.4)	(367.2)
Inflows	134.5	23.4	206.0	363.9
	<b>(10.8)</b>	<b>(11.3)</b>	<b>11.6</b>	<b>(10.5)</b>
<b>Assets</b>				
Interest rate derivatives – net settled	0.6	2.0	2.2	4.8
Foreign exchanged – gross settled				
Outflows	(11.6)	–	–	(11.6)
Inflows	16.3	–	–	16.3
	<b>5.3</b>	<b>2.0</b>	<b>2.2</b>	<b>9.5</b>

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 22. Financial risk management (continued)

##### (c) Liquidity risk (continued)

The contractual maturities of Prime's derivative financial instruments at reporting date, on the same basis, were:

Prime Credit Property Trust 30 June 2014	Less than 1 year \$m	1-5 years \$m	Greater than 5 years \$m	Total \$m
<b>Assets</b>				
Interest rate derivatives – net settled	0.8	1.2	1.8	3.8
Cross currency interest rate swaps – gross settled				
Outflows	(4.5)	(27.1)	(180.5)	(212.1)
Inflows	5.4	22.6	193.7	221.7
	<b>1.7</b>	<b>(3.3)</b>	<b>15.0</b>	<b>13.4</b>
<b>Prime Credit Property Trust 30 June 2013</b>				
<b>Liabilities</b>				
Cross currency interest rate swaps – gross settled				
Outflows	(144.4)	(28.4)	(194.4)	(367.2)
Inflows	134.5	23.4	206.0	363.9
	<b>(9.9)</b>	<b>(5.0)</b>	<b>11.6</b>	<b>(3.3)</b>
<b>Assets</b>				
Interest rate derivatives – net settled	0.6	2.0	2.2	4.8
Foreign exchanged – gross settled				
Outflows	(0.4)	–	–	(0.4)
Inflows	0.4	–	–	0.4
	<b>0.6</b>	<b>2.0</b>	<b>2.2</b>	<b>4.8</b>

##### (d) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

There are no recognised financial instruments that are offset in the Consolidated Statements of Financial Position.

##### (i) Netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on ISDA Agreements. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing on all the relevant arrangements terminated. As the Group and Prime does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Consolidated Statements of Financial Position.

The following table presents the recognised financial instruments that are subject to enforceable netting arrangements and other similar agreements but not offset, as at 30 June 2014 and 30 June 2013. The column 'net amount' shows the impact on the Group's and Prime's Consolidated Statements of Financial Position if all set-off rights were exercised.

<b>Investa Office Fund</b>	<b>Gross amounts presented \$m</b>	<b>Amounts subject to netting arrangements \$m</b>	<b>Net amount \$m</b>
<b>30 June 2014</b>			
Derivative financial assets	6.5	(2.9)	3.6
Derivative financial liabilities	(19.2)	2.9	(16.3)
	<b>(12.7)</b>	<b>–</b>	<b>(12.7)</b>
<b>30 June 2013</b>			
Derivative financial assets	6.3	(1.3)	5.0
Derivative financial liabilities	(13.1)	1.3	(11.8)
	<b>(6.8)</b>	<b>–</b>	<b>(6.8)</b>
<b>Prime Credit Property Trust</b>	<b>Gross amounts presented \$m</b>	<b>Amounts subject to netting arrangements \$m</b>	<b>Net amount \$m</b>
<b>30 June 2014</b>			
Derivative financial assets	2.8	–	2.8
Derivative financial liabilities	–	–	–
	<b>2.8</b>	<b>–</b>	<b>2.8</b>
<b>30 June 2013</b>			
Derivative financial assets	1.9	–	1.9
Derivative financial liabilities	(4.9)	–	(4.9)
	<b>(3.0)</b>	<b>–</b>	<b>(3.0)</b>

## Notes to the Consolidated Financial Statements For the year ended 30 June 2014 (continued)

### 23. Fair value measurements

The Group and Prime measures and recognises the following assets and liabilities at fair value on a recurring basis:

- > Derivative financial instruments
- > Investment properties

The Group and Prime did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2014.

#### (a) Fair value hierarchy

AASB 13 *Fair Value Measurement* and AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that were measured and recognised at fair value at the 30 June 2014 and 30 June 2013 year end dates. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new accounting standards.

Investa Office Fund	30 June 2014				30 June 2013			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets</b>								
Investment in Dutch Office Fund	–	–	–	–	–	–	257.3	257.3
Derivative financial instruments	–	6.5	–	6.5	–	6.3	–	6.3
<b>Total financial assets</b>	<b>–</b>	<b>6.5</b>	<b>–</b>	<b>6.5</b>	<b>–</b>	<b>6.3</b>	<b>257.3</b>	<b>263.6</b>
<b>Non-financial assets</b>								
Investment properties <sup>1</sup>	–	–	2,519.3	2,519.3	na	na	na	na
<b>Total non-financial assets</b>	<b>–</b>	<b>–</b>	<b>2,519.3</b>	<b>2,519.3</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
<b>Financial liabilities</b>								
Derivative financial instruments	–	19.2	–	19.2	–	13.1	–	13.1
<b>Total financial liabilities</b>	<b>–</b>	<b>19.2</b>	<b>–</b>	<b>19.2</b>	<b>–</b>	<b>13.1</b>	<b>–</b>	<b>13.1</b>

1. Includes investment properties classified as held for sale.

The following table presents Prime's financial assets and liabilities that were measured and recognised at fair value at the 30 June 2014 and 30 June 2013 year end dates. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new accounting standards.

Prime Credit Property Trust	30 June 2014				30 June 2013			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets</b>								
Derivative financial instruments	–	2.8	–	2.8	–	1.9	–	1.9
<b>Total financial assets</b>	<b>–</b>	<b>2.8</b>	<b>–</b>	<b>2.8</b>	<b>–</b>	<b>1.9</b>	<b>–</b>	<b>1.9</b>
<b>Non-financial assets</b>								
Investment properties	–	–	946.7	946.7	na	na	na	na
<b>Total non-financial assets</b>	<b>–</b>	<b>–</b>	<b>946.7</b>	<b>946.7</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
<b>Financial liabilities</b>								
Derivative financial instruments	–	–	–	–	–	4.9	–	4.9
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4.9</b>	<b>–</b>	<b>4.9</b>

There have been no transfers between levels of the fair value hierarchy on the year ended 30 June 2014.

The Group and Prime has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes. These had the following fair values as at 30 June 2014:

	Investa Office Fund		Prime Credit Property Trust	
	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m
<b>Non-current liabilities</b>				
Borrowings – Medium Term Note	125.0	134.3	–	–
Borrowings – US Private Placements	345.0	403.6	132.7	149.3
	470.0	537.9	132.7	149.3

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 the Group for similar financial instruments. For the period ending 30 June 2014, the borrowing rates were determined to be between 4.0% and 5.4%, depending on the type of borrowing.

Due to their short-term nature, the carrying amounts of current receivables, current payables, distributions payable and other borrowings are assumed to approximate their fair values. The fair value of the non-current loan receivable disclosed in Note 8 is based on future contractual cash flows discounted using the current lending rate of 6.4% (2013: 6.4%). As at 30 June 2014 the carrying amount of the non-current loan receivable approximates its fair value.

#### (b) Valuation techniques used to derive level 2 and level 3 fair values

For financial instruments not traded in active markets, the Group uses valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value and instrument are observable, the instrument is included in level 2.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include forward foreign exchange contracts, cross currency swap contracts and interest rate derivatives and are all included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This was the case for the Group's investment in the Dutch Office Fund prior to its sale on 4 December 2013, as outlined in Note 11. The fair value of this investment prior to its sale was determined by applying a discount for liquidity, size of the investment and valuation risk to the reported net assets.

As outlined in Note 9, the European operations have been classified as discontinued. As a result all changes in fair value of the Dutch Office Fund are recorded in profit or loss from discontinued operations.

Specific valuation techniques used to value financial instruments include:

- > the use of quoted market prices or dealer quotes for similar instruments;
- > computing the present value of the estimated future cash flows, based on observable yield curves, to determine the fair value of interest rate swaps;
- > using forward exchange rates at the balance sheet date to determine the fair value of forward foreign exchange contracts and cross currency swaps; and
- > other remaining techniques, such as discounted cash flow analysis, used to determine fair value for remaining financial instruments.

Based on the investment property valuation process outlined below, the Responsible Entity determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider information from a variety of sources including:

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

All resulting fair value estimates for investment properties are included in level 3 due to the unobservable nature of inputs.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 23. Fair value measurements (continued)

##### (c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 30 June 2014 and 30 June 2013 for recurring fair value measurements:

	Investa Office Fund		Prime Credit Property Trust	
	Unlisted equity securities \$m	Investment properties <sup>1</sup> \$m	Total \$m	Total \$m
Opening balance 1 July 2012	247.2	–	247.2	–
Losses recognised in profit or loss	(23.0)	–	(23.0)	–
Effect of exchange rate movements	33.1	–	33.1	–
Closing balance 30 June 2013	257.3	–	257.3	–
Adoption of AASB 13	–	1,926.8	1,926.8	881.3
Movement in investment property carrying amounts <sup>2</sup>	–	592.5	592.5	65.4
Disposals	(236.1)	–	(236.1)	–
Losses recognised in profit or loss	(35.8)	–	(35.8)	–
Effect of exchange rate movements	14.6	–	14.6	–
<b>Closing balance 30 June 2014</b>	<b>–</b>	<b>2,519.3</b>	<b>2,519.3</b>	<b>946.7</b>

1. Includes investment properties classified as held for sale.

2. As outlined in Note 13, excluding movements to reclassify investment properties as assets held for sale.

##### (d) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements as at the reporting date. See point (b) above for the valuation techniques adopted.

Description	Unobservable inputs used to measure fair value	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	Net passing rent (per sqm p.a)	\$230 – \$1,620	The higher net passing rent, the higher the fair value
	Net market rent (per sqm p.a)	\$233 – \$1,450	The higher the net market rent, the higher the fair value
	Discount rate	8.5% – 10.5%	The higher the discount rate and terminal yield, the lower the fair value
	Terminal yield	6.0% – 8.8%	
	Capitalisation rate	6.0% – 8.8%	The higher the capitalisation rate, the lower the fair value
	Market rental growth rate <sup>1</sup>	2.8% – 3.8%	The higher the rental growth rate, the higher the fair value

1. 10 year compound average growth rate.



Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value. In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

For all investment properties that are measured at fair value, the current use of the properties is their highest and best use.

#### **(e) Valuation process**

The Responsible Entity valuation policy generally requires all investment properties, whether owned directly or jointly, to be valued by an independent external valuer at least every two years, or more frequently where there has been a significant market movement or where the carrying value is not reflective of the fair value. The Group's external valuations are performed by independent, professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in valuing investment properties. Where an asset is valued by an independent external valuer, the external valuation is adopted.

Every six months, the Responsible Entity reviews the carrying value to ensure that:

- > the Group's investment property carrying values is best reflective of their fair values;
- > the Group is compliant with applicable regulations such as the *Corporations Act 2001* and ASIC regulations; and
- > the Group is compliant with the Trusts' Compliance Plan.

The carrying value of an investment property equates to an independent, external valuation. This however may vary due to capital expenditure and the accounting treatment of lease incentives and leasing fees incurred between periods of obtaining an independent, external valuation.

Internal valuations are prepared for all assets with the exception of those assets being independently externally valued within three months of the reporting date. Internal valuations are performed by utilising information from property forecasts to which appropriate capitalisation rates, terminal yields and discount rates based on comparable market evidence and recent external valuation parameters are used to produce capitalisation and discounted cash flow valuations.

Where an asset was independently externally valued within three months of and on the reporting date, a desktop valuation review is performed to assess whether there are any movements in the independent external valuation inputs from the date of the external valuation to the reporting date, that would impact the Responsible Entities best estimate of fair value from the most recent independent external valuation.

At the reporting date internal and desktop valuations are reviewed by the Responsible Entity and:

- > if the internal valuation is within 5% of the current carrying value, then the carrying value is retained; and
- > if the internal valuation differs by more than 5% to the current carrying value, an independent external valuation will be undertaken.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 24. Related parties

##### (a) Responsible Entity

Investa Listed Funds Management Limited ("ILFML") is the Responsible Entity of the Fund and Prime. The Directors of the Responsible Entity are outlined in Note 24(f).

##### (b) Responsible Entity and its related parties' fees

The Responsible Entity fee for the year ended 30 June 2014 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. This "cap and floor" of the Responsible Entity fee commenced for the December 2012 quarter, after the first market capitalisation based fee had been established for the September 2012 quarter. This fee structure took effect from 1 July 2012 in accordance with unitholder approval.

During the year ended 30 June 2014 and 30 June 2013 Investa Listed Funds Management Limited as the Responsible Entity of the Group and Prime, and its related parties received or will receive the following fees.

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Investa Listed Funds Management Limited:				
Responsible Entity's fees	10,136	9,367	5,665	5,219
Safe custody fees	88	60	46	35
Related parties of Investa Listed Funds Management Limited <sup>1</sup> :				
Property management fees	3,442	3,136	2,287	2,244
Leasing fees	2,962	716	1,369	423
Project management services	1,062	307	708	180
	<b>17,690</b>	<b>13,586</b>	<b>10,075</b>	<b>8,101</b>

1. Related parties of Investa Listed Funds Management include Investa Asset Management Pty Limited, Investa Asset Management (Qld) Pty Limited and Investa Properties Pty Limited who earned property management, leasing and project management fees for managing the property interests for the Group during the year. These fees were determined on normal commercial terms and conditions and approved by the Independent Board Members.

##### (c) Other transactions with related parties of the Responsible Entity

In March 2013, the Group, jointly with Investa Commercial Property Fund ("ICPF"), a related party of the Responsible Entity, acquired land and also entered into a development management agreement to construct a premium grade office building at 567 Collins St, Melbourne. The Group acquired its share (50%) of the land for \$18,750,000 in the 2013 financial year and \$212,300,000 million in construction costs were anticipated to be paid up to practical completion (expected in the September 2015 quarter). The Group's remaining capital commitment to develop 567 Collins St, Melbourne as at 30 June 2014 is outlined in Note 26(b).

The Group has advanced funds to 567 Collins Street Trust, an associate of the Group, in proportion to its unitholding in the Trust. These funds are being used to meet the contracted construction and other related costs. During the year ended 30 June 2014 \$4,112,897 of interest income (30 June 2013: \$279,595) was earned by the Group on the advanced balance.

During the years ended 30 June 2014 and 30 June 2013 the Group received rent from related entities of ILFML. In addition the Group received rental and other property income from leasing space to related entities. The terms of these lease agreements are based on arms-length conditions and approved by the Independent Board Members.

**(d) Responsible Entity and its related parties' interest in the Group**

Investa Listed Funds Management Limited and its related parties had the following interest in the Group and Prime as at the reporting date, and distributions receivable for the year then ended:

30 June 2014		Distributions Received/Receivable	
Name	Number of units held 000's	Investa Office Fund \$'000	Prime Credit Property Trust \$'000
Post Sale Portfolio Issuer Pty Limited	9,938	956	496
Investa Office Management Holdings Pty Limited	31,942	5,909	3,082
	<b>41,880</b>	<b>6,865</b>	<b>3,578</b>

30 June 2013		Distributions Received/Receivable	
Name	Number of units held 000's	Investa Office Fund \$'000	Prime Credit Property Trust \$'000
Investa Listed Funds Management Limited	17,055	3,026	1,662
Post Sale Portfolio Issuer Pty Limited	10,576	1,877	1,031
	<b>27,631</b>	<b>4,903</b>	<b>2,693</b>

**(e) Cross staple loan**

Prime recorded interest income of \$8,466 (2013: \$24,138) on a loan to Armstrong Jones Office Fund which is within the Group. Prime incurred an interest expense of \$93,784 (2013: \$407,295) on a loan from Armstrong Jones Office Fund.

**(f) Key management personnel**

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

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

Deborah Page AM	Independent Non-Executive Chairman
Peter Dodd	Independent Non-Executive Director
Peter Rowe	Independent Non-Executive Director
Scott MacDonald	Non-Executive Director (retired as an Executive Director – effective 1 July 2013)
Ming Long	Executive Director
Campbell Hanan	Alternate Director (alternate for Scott MacDonald – effective 1 July 2013)

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

Toby Phelps	Fund Manager
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Key management personnel do not receive any remuneration directly from the Group. They receive remuneration from the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Group does not pay any compensation as defined in Accounting Standard AASB 124 *Related Parties* to its key management personnel.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 24. Related parties (continued)

##### (f) Key management personnel (continued)

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 2014				Distributions received/receivable	
Name	Balance at the start of the year 000's	Acquired during the year 000's	Balance at the end of the year 000's	Investa Office Fund \$'000	Prime Credit Property Trust \$'000
Deborah Page AM	16	10	26	5	3
Peter Dodd	20	–	20	4	2
Scott MacDonald	74	–	74	14	7
Ming Long	15	10	25	5	2
Campbell Hanan <sup>1</sup>	–	8	8	1	1
Toby Phelps	4	–	4	1	–

1. Campbell Hanan was appointed as Alternate Director effective 1 July 2013.

30 June 2013				Distributions received/receivable	
Name	Balance at the start of the year 000's	Acquired during the year 000's	Balance at the end of the year 000's	Investa Office Fund \$'000	Prime Credit Property Trust \$'000
Deborah Page AM	13	3	16	3	2
Peter Dodd	20	–	20	4	2
Scott MacDonald	59	15	74	13	7
Ming Long	10	5	15	3	1
Toby Phelps	4	–	4	1	–

##### (g) Transactions with equity accounted investments

Receivables and payables from/to equity accounted investments	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Amount receivable from/(payable to) Bastion Tower I NV	381	(2,735)	–	–
Amount payable to Neuilly Victor Hugo SCI	(25,726)	(24,458)	–	–
Amount payable from 567 Collins St Trust	60,209	16,212	60,209	16,212
Interest income	4,113	280	4,113	280
Interest expense	681	1,101	–	–

##### Movements in receivables and payables from/to equity accounted investments

	Amount payable (to)/from					
	Bastion Tower I NV		Neuilly Victor Hugo SCI		567 Collins St Trust	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Balance at beginning of the year	(2,735)	(3,224)	(24,458)	(20,493)	16,212	–
Loans repayments and loan advanced	3,432	959	–	–	61,134	15,932
Interest charged	(69)	(102)	(612)	(999)	4,113	280
Conversion of debt investment to equity investment	–	–	–	–	(21,250)	–
Exchange rate fluctuations	(247)	(368)	(656)	(2,966)	–	–
<b>Balance at the end of the year</b>	<b>381</b>	<b>(2,735)</b>	<b>(25,726)</b>	<b>(24,458)</b>	<b>60,209</b>	<b>16,212</b>

## 25. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>PricewaterhouseCoopers Australia</b>				
Audit or review of financial reports of the Fund and any other entity in the Group	217	207	109	104
Other assurance services	43	42	21	21
Total remuneration of PwC Australia	260	249	130	125

## 26. Parent financial information

### (a) Summary financial information about the parent of each Group

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Current assets	6.0	2.4	3.2	2.7
Total assets	2,013.3	1,177.2	1,621.8	1,465.3
Current liabilities	155.3	37.5	150.2	43.5
Total liabilities	1,156.0	300.9	420.7	355.0
Equity:				
Issued units	948.5	948.5	1,193.8	1,193.8
(Accumulated losses)/retained earnings	(91.2)	(72.2)	7.3	(83.5)
<b>Total equity</b>	<b>857.3</b>	<b>876.3</b>	<b>1,201.1</b>	<b>1,110.3</b>
Net profit attributable to unitholders from:				
Continuing operations	78.3	86.2	150.4	97.1
Total comprehensive income	35.3	72.3	150.1	96.5

### (b) Capital commitments

Commitments for capital expenditure on investment property contracted for by the parent of each Group but not provided at the reporting date were payable as follows:

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Investment properties	7.1	38.5	0.9	1.1
Investment property under construction <sup>1</sup>	—	—	133.6	199.7

1. Relates to the Group's share of committed construction costs of 567 Collins Street, Melbourne, an investment property which is held by an equity accounted investment.

### (c) Investments in subsidiaries

During the year ended 30 June 2014 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 the Fund are incorporated in Australia and Europe, and have a 30 June reporting date. The subsidiaries of Prime are incorporated in Australia and the United States of America, and have a 30 June reporting date.

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2014 (continued)

#### 27. Note to the Consolidated Statements of Cash Flows

Reconciliation of profit to net cash flows from operations is as follows:

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
<b>Net profit for the year</b>	183.6	158.7	150.1	96.5
Adjustments for:				
Straight-lining of lease revenue	3.2	0.8	1.1	0.3
Unrealised foreign exchange gain	(13.0)	(1.0)	3.8	(0.9)
Net loss/(gain) on disposal of investments	2.4	(0.2)	–	(0.2)
Net (gain)/loss on change in fair value of:				
Investment properties	(67.7)	(39.4)	(50.7)	(14.0)
Derivatives	5.7	5.7	(5.8)	4.0
Loss on financial asset at fair value through profit or loss	35.8	23.0	–	–
Amortisation of tenant incentives and leasing fees	22.1	16.7	11.8	9.9
Excess of distributions received from equity accounted investments over share of profits	(27.5)	(14.6)	(27.5)	(14.5)
Excess of distribution from asset held for sale over share of profits	14.4	(1.0)	–	–
Loss on transfer of equity accounted investments to asset held for sale	–	1.3	–	–
Non cash interest income	(4.1)	–	(4.1)	–
Other non-cash items	(17.9)	(5.0)	(10.5)	(1.2)
<b>Net cash provided by operating activities for the year before changes in working capital</b>	<b>137.0</b>	<b>145.0</b>	<b>68.2</b>	<b>79.9</b>
Changes in working capital:				
Increase in receivables	(4.5)	(0.2)	(2.3)	(0.1)
(Decrease)/increase in payables	(5.0)	(1.3)	0.7	(1.8)
<b>Net cash provided by operating activities from operations</b>	<b>127.5</b>	<b>143.5</b>	<b>66.6</b>	<b>78.0</b>

#### (a) Non-cash investing and financing activities

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2014 \$m	30 June 2013 \$m	30 June 2014 \$m	30 June 2013 \$m
Conversion of debt investment to equity investment	21.3	–	21.3	–

567 Collins Street Trust issued units to Prime during the year ended 30 June 2014. The issue of units was settled through a non-cash transaction, converting \$21.3 million of the loan between Prime and 567 Collins Street Trust to equity.

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## 28. Events occurring after the reporting period

Subsequent to the reporting date, the Responsible Entity on behalf of the Fund and Prime entered into new bilateral debt facility agreements, providing the Fund and Prime additional drawdown capacity of \$398.0 million with maturity dates ranging from June 2016 to August 2019. This allowed the Group and Prime to repay their 30 June 2014 current, syndicate bank debt, which matured on 15 August 2014.

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



## Directors' Declaration

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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 38 to 101 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of each of, the Group and Prime Credit Property Trust's consolidated financial position as at 30 June 2014 and of their performance for the year ended on that date;
- (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.

Note 1 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made in accordance with a resolution of the Directors of Investa Listed Funds Management Limited as the Responsible Entity of Armstrong Jones Office Fund and Prime Credit Property Trust and after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ending 30 June 2014.



**Deborah Page AM**

Chairman

Sydney

19 August 2014

# Independent auditor's report to the stapled securityholders of Investa Office Fund and the unitholders of Prime Credit Property Trust



## Independent auditor's report to the stapled securityholders of Investa Office Fund and the unitholders of Prime Credit Property Trust

### **Report on the financial report**

We have audited the accompanying financial report which comprises:

- the Consolidated Statement of Financial Position as at 30 June 2014, and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Investa Office Fund, being the consolidated stapled entity ("Investa Office Fund"). The consolidated stapled entity, as described in Note 1 to the annual financial report, comprises Armstrong Jones Office Fund and the entities it controlled during that year, including Prime Credit Property Trust and the entities it controlled during that year, and
- the Consolidated Statement of Financial Position as at 30 June 2014, and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Prime Credit Property Trust, being the consolidated entity ("Prime Credit Property Trust"). The consolidated entity comprises Prime Credit Property Trust and the entities it controlled during that year.

### *Directors' responsibility for the financial report*

The directors of Investa Listed Funds Management Limited, the Responsible Entity of Investa Office Fund (collectively referred to as "the directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. As the auditor of Investa Office Fund and Prime Credit Property Trust, these Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

**PricewaterhouseCoopers, ABN 52 780 433 757**

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## Independent auditor's report to the stapled securityholders of Investa Office Fund and the unitholders of Prime Credit Property Trust (continued)



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

- a) the financial report of Investa Office Fund and Prime Credit Property Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of Investa Office Fund and Prime Credit Property Trust's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards –including the Australian Accounting Interpretations and the *Corporations Regulations 2001*, and
- b) the consolidated financial report and notes of Investa Office Fund and Prime Credit Property Trust's also comply with International Financial Reporting Standards as disclosed in Note 1.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'S J Hadfield'.

S J Hadfield  
Partner

Sydney  
19 August 2014

## Investor Relations



The IOF website, [www.investa.com.au/IOF](http://www.investa.com.au/IOF) contains important information on the Fund including recent annual reports and ASX announcements, historical information about distributions paid, unit pricing and units on issue. While visiting the site, unitholders can access Link Market Services website, the registry provider for IOF. Link Market Services manage the IOF unit registry and can assist with investment details including holding balances and payment history.

### Approach to Investor Relations

The Fund's unitholder base is made up of both institutional and private investors. The management team regularly engage and communicate with all investors through a specific schedule undertaken throughout the year. This includes the results presentation, immediately following the release of the financial statements to the ASX in August and February each year, which provides investors with a detailed overview of the Fund's performance for the relevant period.

### Unitholders

Our private unitholders are a valued part of our unitholder base and are actively encouraged to provide feedback and communicate throughout the year.

Our institutional unitholders constitute a large majority of IOF's unitholder base and are provided with opportunity to provide feedback and communicate with management via our annual reporting schedule.

### Annual General Meeting

The annual general meeting of unitholders provides all unitholders with an opportunity to engage directly with the Directors and senior management, and to question the Board and Chairman on matters relating to the business of the Fund. A detailed presentation on the performance and management of the Fund is lodged with the ASX and delivered by the Fund Manager and Chairman at the meeting.

### Annual Reporting Suite

During the year unitholders are also provided with Fund updates via the annual reporting suite and the half year review. Any material announcements during the year are lodged with the ASX and are available on the ASX and the IOF website [www.investa.com.au/IOF](http://www.investa.com.au/IOF)

### Road shows and Investor Meetings

Undertaken after the Funds results presentation each year, management provides an opportunity for investors, analysts and the media to meet one on one or in small forums directly with senior management of the Fund throughout Australia, Asia, US and Europe.

### Industry Conferences

Throughout the year management promotes the Fund by attending various industry conferences meeting with existing

and potential investors and providing further clarification on the Fund's operations, strategy and competitive advantage.

### ASX listing

Investa Office Fund is listed on the Australian Securities Exchange (ASX). The ASX code for the Fund is "IOF". Units in the Fund trade on the ASX in the same manner as shares in a listed company. Unitholders wishing to trade their units will need to use the services of a stockbroker or online broking facility.

### Annual taxation statements

The Fund produces the annual tax statement at the end of August each year. This statement advises the taxable income for the financial year ended 30 June. Unitholders may view their 2013/2014 annual taxation statement by visiting [www.investa.com.au/IOF](http://www.investa.com.au/IOF) and accessing "Investor Login" on the landing page.

### Distribution payments

The Fund pays distributions half-yearly in August and February.

Distribution payments to unitholders with registered addresses in Australia will only be made by direct credit to their nominated bank account. Unitholders with registered addresses outside of Australia will receive payment by the same method as they have nominated.

You will continue to receive a distribution statement in the form nominated by you (electronic or paper) for your tax records. Please provide details of your nominated bank account to our share registrar, Link Market Services. If your banking instructions are not received by the record date for each distribution your distribution payment will be retained by Investa Office Fund until your banking instructions are received after which the full amount will be paid into your nominated bank account.

### Distribution reinvestment plan

The distribution reinvestment plan (DRP) is currently switched off. Should this change, an ASX announcement will be made to the market and participation forms will be sent to unitholders.

### On-market Buy Back

There is no current on-market buy back.

### Disposal and acquisition of stapled securities

Investa Office Fund is a stapled security consisting of Units in both PCP Trust and AJO Fund. The sale (or acquisition) of Units in IOF represents the sale (or acquisition) of separate interests in each of the two entities. For capital gains tax purposes, the acquisition costs and disposal proceeds need to be apportioned to each of the two entities, using a reasonable basis of apportionment.

One possible method of apportionment is on the basis of the relative net assets (excluding minority interest) of the individual



## Investor Relations (continued)

entities comprising IOF, which is set out in the following table as at 31 December 2013 and 30 June 2014.

	31 December 2013	30 June 2014
PCP Trust	57.7%	58.4%
AJO Fund	42.3%	41.6%

### Units on issue

The number of IOF Units on issue currently stands at 614,047,458.

### Unitholder meetings

The annual general meeting of unitholders for IOF is scheduled to be held on Thursday 23 October 2014. All unitholders will be sent a Notice of Meeting approximately one month in advance to advise of the agenda and venue for the meeting. Details of the location will also be made available on the IOF website. Additional unitholder meetings may occur at other times during the year and unitholders will be advised in writing of the details.

### 2014/2015 Key dates<sup>1</sup>

Distribution paid for half year ended 30 June 2014	29 August 2014
FY2014 Annual Taxation Statements available	29 August 2014
Annual Unitholder Meeting	23 October 2014
Half year results for six months to 31 December 2014 released to ASX	19 February 2015
Distribution payment for half year ended 31 December 2014	27 February 2015
Annual results for year to 30 June 2015 released to ASX	20 August 2015
Distribution paid for half year ended 30 June 2015	31 August 2015
FY2015 Annual Taxation Statements available	31 August 2015
FY2015 Annual Report available	September 2015

### Enquiries

If a unitholder wishes to advise of a change of address, altered or closed bank account to which distributions are directed, or wishes to advise a tax file number, then please contact IOF's registry provider as follows:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Phone: Freecall (+61) 1300 851 394  
Fax: +61 2 9287 0303  
Email: [investa@linkmarketservices.com.au](mailto:investa@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Enquiries about IOF can be directed to the Investor Relations Representative as follows:

Investa Property Group  
Level 6 Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000  
Phone: Freecall 1300 130 231 (within Australia)  
or +61 2 8226 9497 (outside Australia)  
Fax: +61 2 9844 9341  
Email: [investorrelations@investa.com.au](mailto:investorrelations@investa.com.au)

### Complaints

Any unitholder wishing to register a complaint should direct it to the Investor Relations Representative of ILFML in the first instance so that we can address your complaint.

Investor Relations Representative  
Investa Listed Funds Management Limited  
Level 6 Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000  
AUSTRALIA  
Phone: 1300 130 231 (within Australia)  
or +61 2 8226 9497 (outside Australia)  
Fax: +61 2 9844 9300  
Email: [investorrelations@investa.com.au](mailto:investorrelations@investa.com.au)

Investa Listed Funds Management Limited is a member of an independent dispute resolution scheme, the Financial Ombudsman Service (FOS). If a unitholder believes that a complaint remains unresolved or wishes that it is further investigated, the FOS can be contacted as below:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
AUSTRALIA  
Phone: 1300 780 808  
Fax: +61 3 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

Investa Listed Funds Management Limited is committed to ensuring the confidentiality and security of personal information.

1. These timings are indicative only and subject to change.

## The Top 20 and Substantial Holdings

### Top 20 Unitholders

Rank	Name	31 August 2014	% IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	152,938,753	24.91
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	113,774,779	18.53
3	NATIONAL NOMINEES LIMITED	90,677,665	14.77
4	CITICORP NOMINEES PTY LIMITED	49,685,960	8.09
5	INVESTA OFFICE MANAGEMENT HOLDINGS PTY LTD	31,942,406	5.20
6	BNP PARIBAS NOMS PTY LTD	23,582,950	3.84
7	AMP LIFE LIMITED	12,349,036	2.01
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	11,089,251	1.81
9	CITICORP NOMINEES PTY LIMITED	6,651,347	1.08
10	QUESTOR FINANCIAL SERVICES LIMITED	6,136,619	1.00
11	AVANTEOS INVESTMENTS LIMITED	3,271,984	0.53
12	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,091,815	0.34
13	NATIONAL NOMINEES LIMITED	1,910,505	0.31
14	BOND STREET CUSTODIANS LIMITED	1,580,596	0.26
15	SHARE DIRECT NOMINEES PTY LTD	1,523,688	0.25
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,406,771	0.23
17	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,386,000	0.23
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,385,136	0.23
19	SUPERLIFE TRUSTEE NOMINEES LIMITED	957,803	0.16
20	AVANTEOS INVESTMENTS LIMITED	946,447	0.15
<b>TOTAL</b>		<b>515,289,511</b>	<b>83.92</b>
<b>Balance of Register</b>		<b>98,757,947</b>	<b>16.08</b>
<b>Grand TOTAL</b>		<b>614,047,458</b>	<b>100.00</b>

## The Top 20 and Substantial Holdings (continued)

### Holdings distribution

Range	Number of Holders	Number of Units	%
100,001 and Over	83	533,999,098	86.96
50,001 to 100,000	58	3,861,782	0.63
10,001 to 50,000	1,722	29,920,364	4.87
5,001 to 10,000	3,261	23,161,598	3.77
1,001 to 5,000	7,524	21,354,234	3.48
1 to 1,000	3,551	1,750,382	0.29
<b>Total</b>	<b>16,199</b>	<b>614,047,458</b>	<b>100</b>
Unmarketable Parcels	320	7,918	0.00

### Substantial Holdings

The table below gives details of the last notice for each substantial unitholder lodged with the Australian Securities Exchange to 29 August 2014.

Effective Date	Name	Number of Units	%
1 August 2014	AMP Limited	31,448,324	5.12
10 June 2014	CBRE Clarion Securities LLC	44,075,809	7.18
11 March 2014	Mitsubishi UFJ Financial Group Inc.	53,002,140	8.63
11 March 2014	Morgan Stanley Investment Management Company	52,318,530	8.52
10 March 2014	Investa Office Management Holdings Pty Ltd	38,639,409	6.29
12 September 2013	Vinva Investment Management	30,746,331	5.01



## Glossary

Term	Meaning
<b>AFFO</b>	Property Council Adjusted Funds From Operations or AFFO defined as the Group's Property Council FFO adjusted for other non-cash and other items such as maintenance capital expenditure, incentives given for the accounting period, derivative close out costs, and other one-off items which have not been adjusted in determining Property Council FFO.
<b>AIFRS</b>	Australian equivalents to International Financial Reporting Standards
<b>AJO</b>	Armstrong Jones Office Fund (ARSN 090 242 229)
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) trading as Australian Securities Exchange, which is the main Australian marketplace for the trading of equities, government bonds and other fixed interest securities
<b>AUM</b>	Annual Unitholder Meeting – equivalent to the Annual General Meeting
<b>Board</b>	The Board of Directors of the Responsible Entity
<b>BOSSA</b>	The Investa Sustainability Institute and Investa Office are participating as academic and industry partners with the Building Occupant Survey System Australia (BOSSA) study by Sydney University, to investigate indoor environment quality in the workplace. By better understanding the various factors that influence productivity, Investa Office will be positioned to deliver more effective office environments to tenants, increasing the appeal of our office space.
<b>CBD</b>	Central Business District refers to the business and financial area of an Australian state capital city.
<b>CDP</b>	Carbon Disclosure Project is an independent not-for-profit organization that works with investors, businesses and governments to benchmark organisations' greenhouse gas emissions.
<b>Directors</b>	Directors of the Responsible Entity
<b>DOF</b>	Dutch Office Fund, is an unlisted wholesale fund that has a portfolio of Dutch office properties that are predominantly located throughout the four major markets of the Netherlands.
<b>DPU</b>	Distributions per Unit
<b>EPU</b>	Earnings per Unit
<b>FFO</b>	Property Council Funds From Operations defined as the Group's underlying and recurring earnings from its operations, determined by adjusting statutory net profit (under AIFRS) for non-cash and other items such as the amortisation of tenant incentives and rent free periods, 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, foreign currency translation reserves recognised in net profit, and any other unrealised or one-off items.
<b>GRESB</b>	Global Real Estate Sustainability Benchmark, from theGRESB Foundation, an investor-led organization committed to assessing the sustainability performance of real estate portfolios around the globe.
<b>GRI</b>	Global Reporting Initiative, are voluntary international reporting guidelines to ensure completeness, transparency, materiality and boundary setting of corporate reporting. A 'GRI Index' covers environmental, social and financial report contents.
<b>ILFML</b>	Investa Listed Funds Management Limited (ACN 149 175 655)
<b>Independent Directors</b>	Deborah Page, Peter Rowe and Peter Dodd, who are external directors within the meaning of sub-section 601JA(2) of the Corporations Act 2001
<b>Investa or The Manager</b>	Investa Office, or the manager of IOF, is one of Australia's largest office owners and managers and provides an integrated property platform incorporating property services, funds, portfolio and asset management services and development and sustainability services.

## Glossary (continued)

Term	Meaning
<b>Investa Sustainability Institute (ISI)</b>	Investa Office established ISI in 2009 to facilitate action research for sustainability in the built environment. ISI engages in collaborative ventures between Investa Office and organisations with shared interests including academia, industry and professional bodies and government.
<b>IOF or the Fund</b>	Investa Office Fund, which comprises of the AJO Fund and the PCP Trust
<b>NABERS</b>	National Australian Built Environment Ratings System, is a national rating system that measures the environmental performance of Australian buildings, tenancies, homes, shopping centres and hotels
<b>non-AAS measure</b>	A financial measure not in accordance with Australian Accounting Standards
<b>NTA</b>	Net Tangible Assets
<b>Operating Earnings</b>	The Responsible Entity considers the non-AAS measure, Operating Earnings, an important indicator of underlying performance of the Group. To calculate Operating Earnings, net profit attributable to unitholders is adjusted to exclude unrealised gains or losses, certain non-cash items, fair value gains or losses on investments and other amounts that are non-recurring or capital in nature. Refer to the Statutory Accounts for the complete definition.
<b>PCA</b>	Property Council of Australia
<b>PCP Trust</b>	Prime Credit Property Trust (ARSN 089 849 196)
<b>Responsible Entity or RE</b>	Investa Listed Funds Management Limited (ACN 149 175 655)
<b>S&amp;P</b>	Standard & Poor's
<b>Unit</b>	A stapled security in IOF consisting of one unit in AJO Fund stapled to one unit in PCP Trust or a unit in AJO Fund or PCP Trust, as the context requires
<b>UNPRI</b>	United Nations Principles for Responsible Investment, proclaimed by the UN Secretary-General in 2005 are put into practice through a voluntary framework for investors to incorporate ESG issues into decision-making and ownership practices.
<b>USPP</b>	US Private Placement
<b>WALE</b>	Weighted Average Lease Expiry – Measures the weighted average lease term remaining to expire across a portfolio or asset.
<b>WH&amp;S</b>	Work Health & Safety previously known as Occupational Health & Safety

# Corporate Directory

## Investa Office Fund

Armstrong Jones Office Fund  
ARSN 090 242 229

Prime Credit Property Trust  
ARSN 089 849 196

## Responsible Entity

Investa Listed Funds Management Limited (ILFML)  
ACN 149 175 655 AFSL 401414

## Registered Office

Deutsche Bank Place  
Level 6, 126-130 Phillip Street  
Sydney NSW 2000 Australia

Phone: +61 2 8226 9300  
Fax: +61 2 9844 9300

Email: [investorrelations@investa.com.au](mailto:investorrelations@investa.com.au)  
Website: [www.investa.com.au/IOF](http://www.investa.com.au/IOF)

## Directors of ILFML

Deborah Page AM (Chairman)  
Peter Dodd  
Peter Rowe  
Scott MacDonald  
Ming Long  
Campbell Hanan (Alternate)

## IOF Fund Manager

Toby Phelps

## Company Secretaries

Dorothy Mioduszezwska  
Jonathan Callaghan

## ASX Code

IOF

## Unit Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

Locked Bag A14  
Sydney South NSW 1235  
Ph: 1300 851 394 (local call cost)  
or: +61 2 8280 7912 (outside Australia)  
Fax: +61 2 9287 0303

Email: [investa@linkmarketservices.com.au](mailto:investa@linkmarketservices.com.au)

## Auditors

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street,  
Sydney NSW 2000

## Disclaimer

This Annual Report was prepared by Investa Listed Funds Management Limited (ACN 149 175 655 and AFSL 401414) on behalf of the Investa Office Fund, which comprises the Prime Credit Property Trust (ARSN 089 849 196) and the Armstrong Jones Office Fund (ARSN 090 242 229). Information contained in this Report is current as at 30 June 2014 unless otherwise stated.

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**If you have any questions about IOF's reporting  
or questions in relation to your unitholding, please  
call the unitholder information line on +61 1300 851 394.**

**Further information about the Fund can be  
accessed and downloaded at**



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ACN 149 175 655 AFSL 401414

**The first choice in Australian Office**

**INVESTA** 