

30 June 2014  
Investa Office Fund

# Annual Review

# IOF14

INVESTA 

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This Annual Review 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)

# 02

## Highlights

Record year of leasing and dynamic portfolio transformation

## Year in review

Our proactive approach to managing the portfolio has continued to deliver strong results for our unitholders

# 08

# 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.

## Proactively driving performance across the portfolio

### 19

#### The management approach

The integrated asset management platform continues to deliver strong outcomes in the areas of asset, portfolio and capital management

#### Sustainability performance

Investa's sustainability approach provides a framework for focusing on and enhancing good business practices in a financially responsible manner

### 27

#### The portfolio

Dynamic portfolio management is improving portfolio quality and returns whilst positioning the portfolio for growth

### 28

## Overview

# Highlights

# IOF14

Acquired 99 Walker Street, North Sydney

**\$125m**

▶ See page 10

Sale terms agreed on 628 Bourke Street, Melbourne at premium to book value of

**14%**

▶ See page 13

Extensive leasing at 126 Phillip Street, Sydney

**18,400sqm**

▶ See page 10

US Private Placement issuance

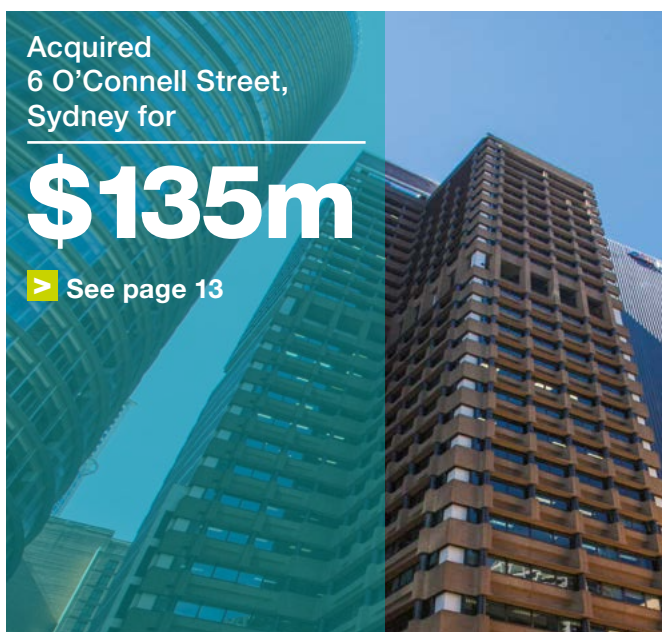
**US\$200m**

▶ See page 14

“

**Our active approach to asset management and leasing has driven \$112 million in valuation increases across the Australian portfolio; while our ongoing focus on portfolio transformation has resulted in \$800 million of transactions, positioning the portfolio for stronger growth moving forward.”**

Toby Phelps, Fund Manager



Acquired  
6 O'Connell Street,  
Sydney for

# \$135m

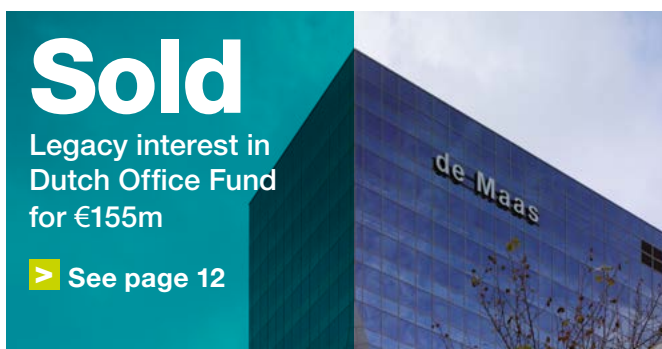
▶ See page 13



Acquired 50% of  
Piccadilly Complex, Sydney

# \$194m

▶ See page 12



# Sold

Legacy interest in  
Dutch Office Fund  
for €155m

▶ See page 12



# Repositioned

99 Walker Street, North Sydney –  
leasing 9,400sqm

▶ See page 10



Development  
pre-committed at  
151 Clarence Street, Sydney

# 27%

▶ See Letter from the  
Fund Manager page 06



# Lease renewed

with Coles over 42,000sqm until 2030  
at 800 Toorak Road, Melbourne

▶ See Letter from the Fund Manager page 06

# 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%

- ▶ See Letter from the Fund Manager page 06
- ▶ See our Year in Review page 08



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

## Letter from the Fund Manager



**The continued upward movement in our asset valuations, totalling \$112m, reflects the commitment to deliver exceptional leasing outcomes in what remains a challenging market environment.”**

Toby Phelps, Fund Manager

### Net Profit

↑ **16%**

Funds From Operations per unit

↑ **6%**

Dear Unitholder

Financial Year 2014 has produced another strong set of results for IOF as our proactive approach to managing the portfolio, its assets and the capital structure continued to deliver solid outcomes for our unitholders.

For the year ended 30 June 2014 Net Profit increased 16% to \$183.6m, following strong operating results and continued upward movement in the value of our assets due to successful leasing outcomes and continued strength in investor demand. Funds from Operations (FFO), our preferred measure of ongoing operating performance, were in-line with guidance, growing \$9.1m to \$162.6m, or 26.5 cents per unit. The distribution per unit rose 4% to 18.5 cents and Net Tangible Assets increased 4% to \$3.35 per unit following revaluations of 67% of the portfolio.

### Proactive asset management driving strong income and value outcomes

Investa's focus on providing best-in-class service for our tenants has continued to deliver leasing success. Despite a challenging market environment, Financial Year 2014 has resulted in a record year of leasing for IOF with 130,000sqm of space leased, representing 23% of the portfolio. This leasing activity has been a key driver of both the income growth over the year and strong valuation gains including:

- 12% valuation increase at 99 Walker Street, North Sydney within 12 months of acquiring the building following 9,400sqm of leasing (or 48% of the building) at rents ahead of our budget;
- 6% valuation uplift at 126 Phillip Street, Sydney reflecting 18,400sqm of leasing completed over the year; and
- 22% valuation uplift at 800 Toorak Road, Melbourne following the renewal of Coles for 42,000sqm and the development of an additional 1,200 bay car park.

In addition to this success, our development at 567 Collins Street, Melbourne saw further leasing progress, with 12,000sqm leased to Jemena. This takes the building to 73% pre-committed 14 months ahead of expected completion in August 2015 with a significant income contribution expected from Financial Year 2016 onwards.

Our ability to attract major tenants has also helped unlock further value from the portfolio with Arup committing to take ~6,000sqm in our re-development of 151 Clarence Street, Sydney. This new ~22,000sqm A-grade building will provide large efficient floorplates at a rental price-point that is anticipated to be more competitive than new buildings currently under construction in Sydney.

Toby Phelps, Fund Manager



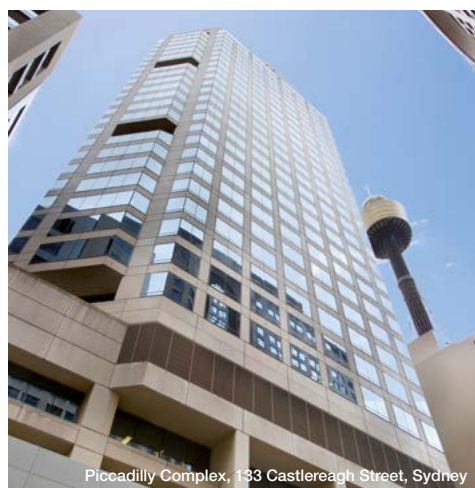
- ▶ See Our Performance Summary page 26
- ▶ See our Portfolio and Market Overview page 28



View from 15 Adelaide Street, Brisbane



6 O'Connell Street, Sydney



Piccadilly Complex, 133 Castlereagh Street, Sydney

### Dynamic portfolio management improving portfolio quality and returns

Over the year we acquired \$454m across three acquisitions with a focus on the Sydney CBD, where tenant demand is improving, particularly for assets with efficient floorplates and rents below \$900psm gross.

Piccadilly Complex, Sydney – a 50% interest in this office and retail complex on Castlereagh and Pitt Streets was acquired in February 2014 for \$194m, at an attractive initial yield of 6.9%. The main A-grade tower is 92% leased at an average rent of just \$632psm net, providing opportunities for growth in the coming years.

6 O'Connell Street, Sydney was acquired in June 2014 for \$135m, at an initial yield of 6.5%. This centrally located B-grade asset is 89% leased and provides attractively priced accommodation for smaller tenants – a market where IOF lacked exposure. Income growth can be achieved through the lease-up of the vacant space, and value creation opportunities exist through a planned upgrade and reconfiguration of the ground floor retail space.

Last year we stated our objective to continue to dispose of our remaining offshore investments and in December we finalised the sale of our investment in the Dutch Office Fund. The sale was at a 15% discount to our book value, impacted by the continued poor state of the European economy coupled with the challenging nature of this investment. We have subsequently been successful in redeploying this capital into Sydney assets which we believe will deliver higher risk adjusted returns going forward. With our last remaining offshore asset Bastion Tower representing just 2.5% of the portfolio, and the recent acquisitions increasing our weighting to the improving Sydney CBD market, our portfolio is now well placed to continue to deliver attractive returns. Over the coming years we will continue to evolve the Australian portfolio to optimise the future return potential for our unitholders.

### Capital management focus extending debt maturity and reducing costs

Following on from our progress last year, 2014 has seen us continue to take advantage of the strength of the global debt markets to further extend the maturity of our debt, diversify our funding sources and reduce interest costs. In January 2014 we issued our second US Private Placement for US\$200m, with an average 13 year maturity. Post 30 June 2014, we have also refinanced \$398m of bank debt and this has materially de-risked IOF's refinancing profile, extending the weighted average debt maturity from 3.2 years to 5.8 years.

### Outlook

Economic conditions in Australia remain challenging with the impact on office markets continuing to be felt through the ongoing focus by tenants on cost and space efficiencies. Whilst tenant demand appears to have turned in Sydney and Melbourne with vacancy rates stabilising, the transition from the investment to production phase in the resource sector has had a major impact on the Brisbane and Perth markets with vacancy rates rising. Our hard work over the past three years has positioned the portfolio to benefit from the improving conditions in Sydney and Melbourne. Our challenge in the near term is to deal with the increased vacancy in our Brisbane portfolio, impacted by the departure of the ATO from 140 Creek Street. With the asset undergoing its first major refurbishment in 20 years, we are focused on securing new tenants for a building we believe provides high quality, attractively priced office space.

For Financial Year 2015 we are forecasting FFO per unit of 27.3 cents, a 3% increase from the 26.5 cents per unit delivered in 2014 and distributions per unit of 19.1 cents, a 3% increase on 2014.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Toby Phelps'.

**Toby Phelps**  
Fund Manager

## Year in review

# Strategic execution driving outperformance

IOF's strategy is to deliver attractive risk adjusted returns by investing in high quality assets in Australian CBD office markets where the manager, Investa, can enhance returns through active asset management and by repositioning or recycling assets through the market cycle.

### Asset Management

Proactively adding value

Addressed leasing risk through proactive management

Valuation uplifts underpinned by active asset management

### Portfolio Management

Continued portfolio transformation

High quality portfolio generating attractive risk adjusted returns

Crystallised value creation and acquired assets in line with strategy

Australian valuations increase of \$112m

↑ **6%**

Percentage of portfolio leased

**23%**

Acquisitions

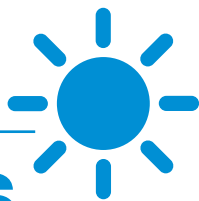
**\$454m**

Australian assets in total portfolio

**>97%**

NABERS Energy rating

**4.2 Stars**



Divestments

**\$362m**

Net profit increased 16%

**\$183.6m**

Total unitholder return

**23.4%**

Distribution increased 4%

**18.5cpu**

NTA increased 4%

**\$3.35**

## Capital Management

Reducing costs and risks

Diverse and efficient debt capital structure

Actively managed debt profile

“

We pride ourselves on being highly proactive in our search for performance – and this year's results show this approach is paying off, with a total unitholder return of over 23% and total return at asset level of 10%”

Toby Phelps, Fund Manager

Weighted average debt maturity from 3.2 to

**5.8yrs**

Weighted average cost of debt from 5.2% to

**4.7%**

Debt issued or refinanced

**\$727m**

Year in review

# Asset Management

Proactively adding value



## Leasing 9,400sqm to reposition 99 Walker Street, North Sydney

Leased 5,600sqm to Jemena for **13 years**

Realised additional **2,000sqm of GLA** by converting the food court to a Coles supermarket

Target **4.0 Star** NABERS Energy rating – up from 2.5 Stars



## Proactive asset management at 126 Phillip Street, Sydney

18,400sqm of leasing – contributing to occupancy increasing from 91% to **97%**

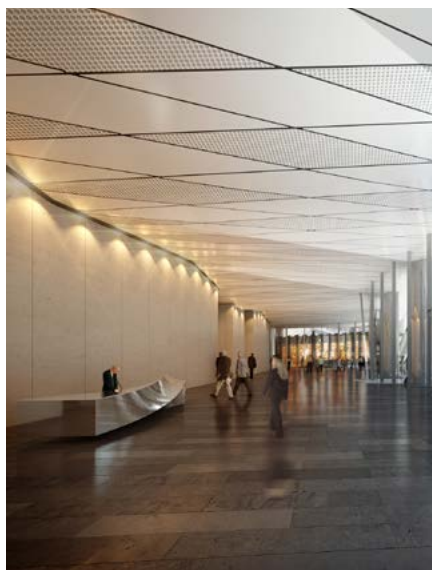
De-risking cash flows resulting in **6%** valuation uplift

100% of leasing documented using Investa's best practice environmental lease

Optimising portfolio performance through active asset management leasing during FY14:



**over 130,000sqm**



### 567 Collins Street, Melbourne 73% pre-committed

**Leased 12,000sqm**  
to Jemena for 13 years  
at rents ahead of target

Strong demand for ground  
floor retail with rents ahead  
of budget

Leasing activity underpinned  
valuation increase of **\$15m**



### Valuation highlights

Asset	Valuation impact	Key drivers
99 Walker Street, North Sydney	<b>\$15m ↑12%</b>	20% increase in rents and 5 year increase in WALE
111 Pacific Highway, North Sydney	<b>\$15m ↑12%</b>	9% increase in market rents
628 Bourke Street, Melbourne	<b>\$15m ↑14%</b>	Occupancy increased from 81% to 99%
800 Toorak Road, Melbourne	<b>\$15m ↑22%</b>	12 year increase in WALE
126 Phillip Street, Sydney	<b>\$11m ↑6%</b>	Vacancy decreased from 9% to 3%

## Year in review

# Portfolio Management

Continued portfolio transformation



## Acquired 50% interest in the Piccadilly Complex, Sydney

Purchased for \$194.25 million – representing a **6.9%** yield on cost

Located in close proximity to Pitt Street Mall, Piccadilly offers tenants quality accommodation at an attractive price point

Creates opportunity to leverage Investa platform to drive improved leasing outcomes

Long weighted average lease expiry of **5.9 years**



## Sold 14.2% interest in the Dutch Office Fund

The **€155m** sale followed an extensive process led by Investa to modernise the DOF structure and refocus the strategy – creating an opportunity to liquidate this structurally challenged investment

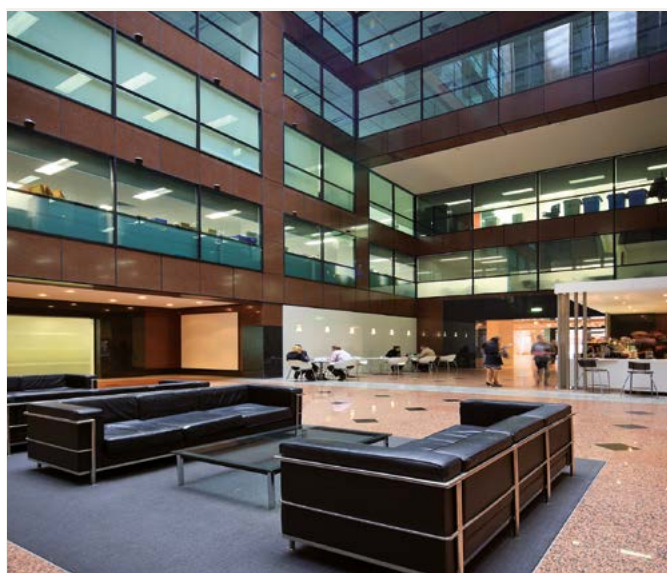
Disposing DOF was an important milestone in delivering the IOF's strategy of becoming **100% Australian focused**

Reduced offshore exposure to less than **3%** of portfolio

Repositioning the portfolio to generate attractive risk adjusted returns  
Asset transactions for the Financial Year:



**over \$800 million**

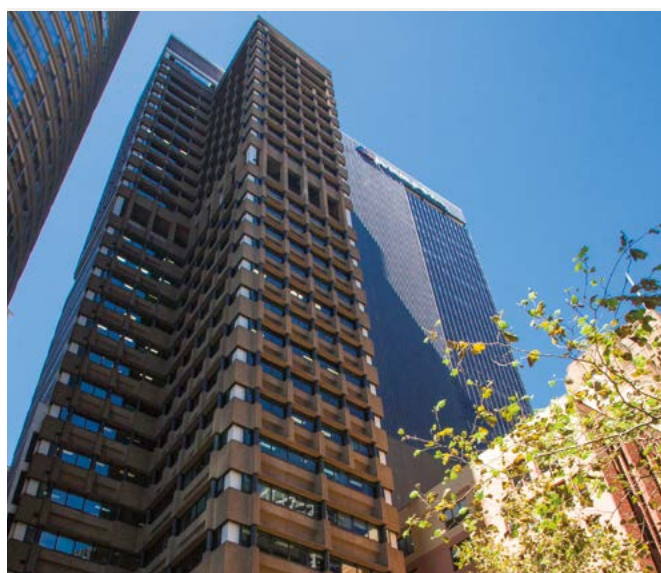


### Agreed sale terms on 628 Bourke Street, Melbourne, at 14% premium to book value

Taking advantage of capital market appetite to unlock value created through lease up

Since taking over management, Investa leased over **20,000sqm** – improving occupancy from 69% to **99%**

Improved building efficiency with a **24% reduction in greenhouse gas emissions intensity** and a **25% reduction in water use intensity** over 12 months



### Recycling capital into assets with higher risk adjusted returns

Acquired 6 O'Connell Street, Sydney, for \$134.95 million – 6.5% initial and **7.5% fully leased yield**

Located in the core of the Sydney CBD, the building features flexible floorplates at attractive rents that cater to the smaller tenant market

**Value-add opportunities** exist through the lease up of vacant space as well as the potential reconfiguration of the ground floor retail space

Year in review

# Capital Management

Reducing costs and risks



We maintain our commitment to a diversified and balanced debt profile, while taking advantage of windows within the debt capital markets that enable us to optimise our cost of debt and debt maturity profile.”

Ming Long  
Joint Managing Director  
and Finance Director,  
Investa Property Group



## Further diversified sources of debt

Issued US\$200m US Private Placement

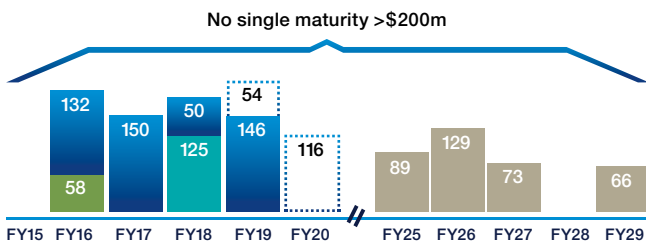
Average term of **13 years** at an average margin of 173 basis points

Strong demand for IOF credit – with the offering being **oversubscribed** by the market

## Debt Maturity Profile<sup>1</sup>

(\$m)

- Undrawn Bank Debt
- Drawn Bank Debt
- USPP (\$A)
- Bastion Tower
- MTN



1. Includes post balance date refinancing of \$398m





Prudently managing the balance sheet by extending the tenure and diversifying the sources of debt



### Balance sheet well positioned for growth

Look-through **gearing 31.5%**, in the middle of the target range of 25-35%

Reduced average cost of debt to **4.7%**

Extended weighted average debt maturity to **5.8 years**, with no single year debt maturity greater than \$200m



### Strong governance underpinning alignment of unitholder interests

Management expense ratio of 33 basis points – one of the lowest in the sector

Requirement for unitholder approval of real estate related party transactions and ratification of Independent Directors underpin governance protections

Maintain focus on clear and transparent disclosure

Year in review

# Our impact



Number of people  
being accommodated  
within our buildings<sup>1</sup>

**50,000**

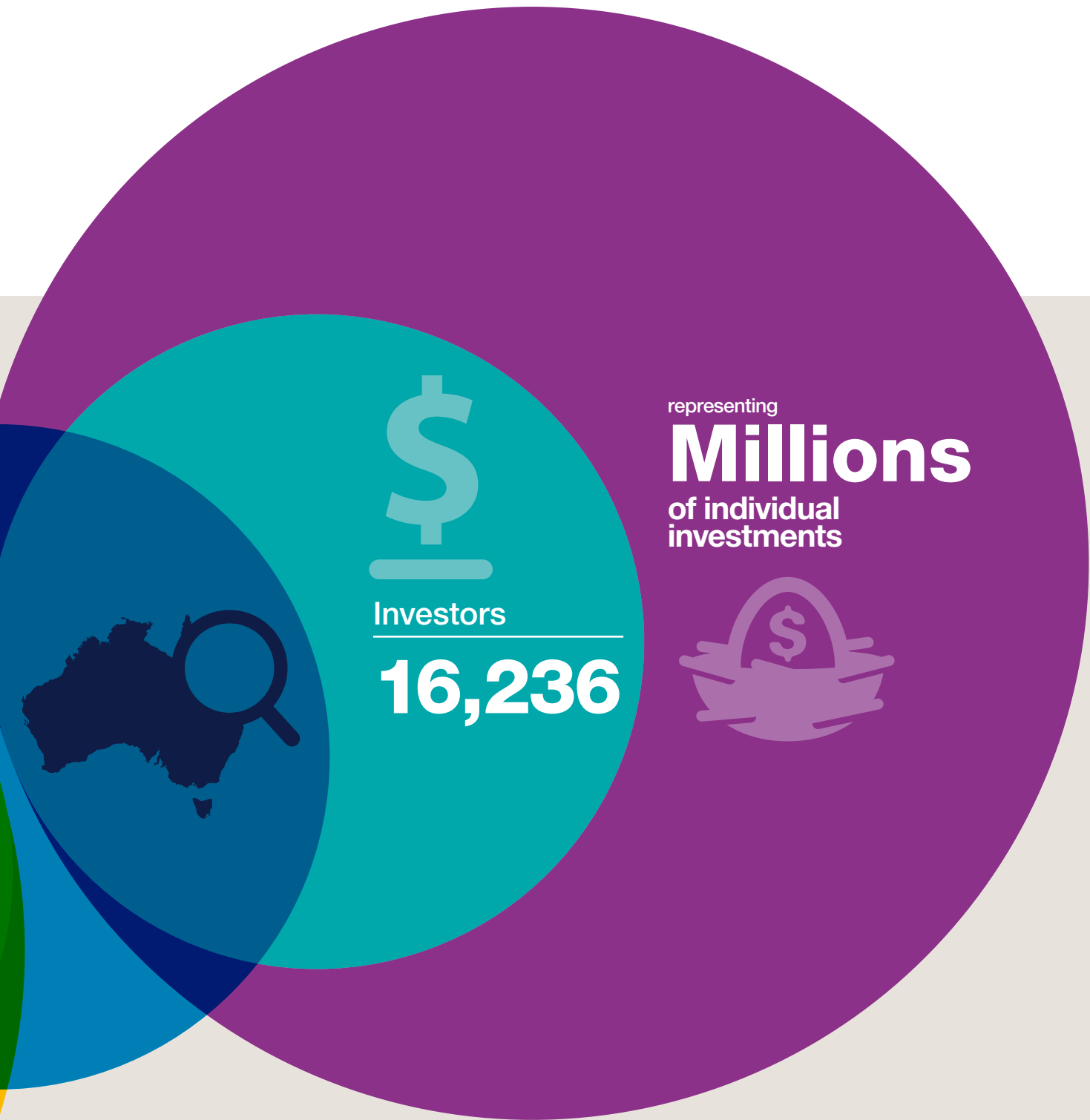
Number  
of tenants<sup>2</sup>

**437**



**23**  
buildings<sup>2</sup>

**IOF**



The first choice in Australian office.

## The manager

# The management platform

Investa is one of Australia's leading office managers, controlling more than \$8.4 billion of assets across the major CBD markets. Investa provides an integrated management service to IOF incorporating asset, portfolio and capital management. As an Australian office sector specialist, its multidisciplinary team operate across the entire spectrum of office ownership, management and development initiatives to create value for IOF's unitholders.

### Who is Investa?

One of the largest office managers in Australia



**A\$8.4**

billion assets under management

Office sector specialist

**>1 million**

sqm of office space

**>900**

businesses accommodated

**>100,000**

occupants<sup>1</sup>

### What do they do?



### How do they add value to IOF?

End-to-end service platform

Australian office specialist

Active portfolio management

Proven leasing capability

Strategic capital management

Deep knowledge of the local market

Extensive tenant relationships

Customer centric service model

Environmental leadership



**85%**

of tenants would recommend Investa as a building manager<sup>2</sup>

Investa funds ranked in the **top quartile** of the Global Real Estate Sustainability Benchmark

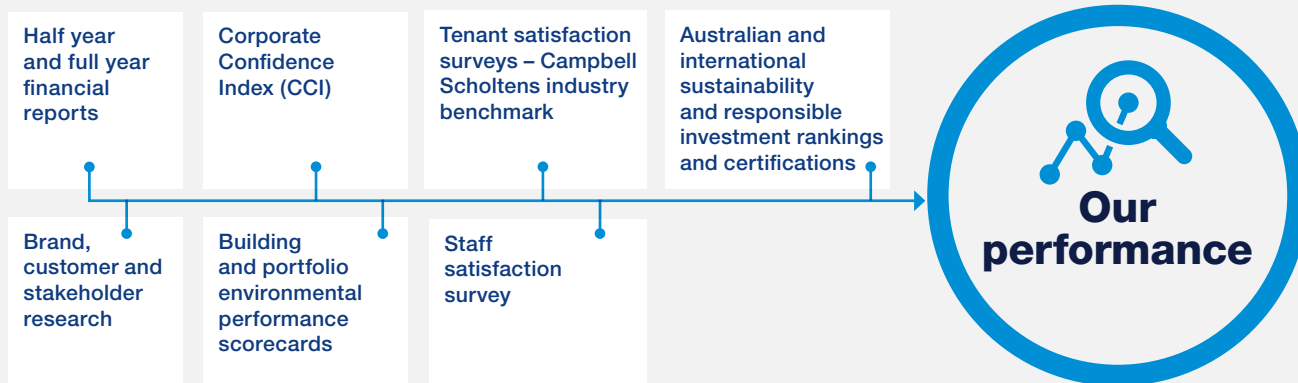


1. Estimate based on 1:12 occupant space ratio  
2. 2014 Campbell Scholtens Tenant Survey, industry benchmark

# The management approach

Investa recognises that the way in which it operates its assets, manages its investors capital and conducts its business, impacts a range of stakeholders. As a result, the management approach takes into account the interests of each stakeholder group, ensuring that outperformance is achieved across a combination of financial, environmental, social and governance measures.

At Investa, the measures used to track our performance include:



## Our stakeholders

# IOF



### Investors

Robust, market leading governance framework

Transparency of disclosure and reporting

Leverage Investa management platform to optimise performance



### Tenants

Tap into Investa's national contracts and procurement management system to achieve operating savings

Optimise tenancy environmental performance through tenant-focused, green initiatives

Apply Investa's customer centric model to deliver market leading tenant service

Leverage Investa's stringent Work, Health and Safety platform to provide a safe environment for IOF tenants and their visitors



### Suppliers

Monitor supply chains and align contractor processes, conduct and material use to Investa's environmental and operational standards



### Community

Engage with the wider community through charities and community investment to deliver societal benefits



### Our People

Attract and retain talented, engaged people to implement IOF's investment strategies and manage and operate the assets

### Environment

Continual improvement across key environmental measures including greenhouse gas emissions, electricity, water and gas use and NABERS Energy and Water ratings

Develop new tools and innovations to enable more effective and efficient building management and operation

Maintain and expand partnerships and initiatives that stimulate progress and continual improvement in responsible investment

## The manager

# The management approach

Investa's sustainable management approach provides a framework for focusing on and enhancing good business practices in a responsible manner. These practices contribute to the operational efficiency of our buildings, improve value and enhance environmental, social and governance outcomes for IOF investors and stakeholders.

### The four pillars of the Investa management strategy incorporate:



**First choice for tenants**

**Meeting tenant needs and harnessing human capital**

Improving communication and services to tenants to deliver a better occupant experience and greater value-add as a building owner



**Research and innovation**

**Adding value through research and innovation**

In-house research and strategic industry, government and business partnerships deliver improved performance and drive change



**Optimising operational performance**

**Active management to deliver operational outperformance**

Through experience and technical expertise, we manage our buildings so they each operate at their optimum level



**Leadership in governance**

**Focus on targets and alignment of strategies across the business**

Maintaining the highest standards of corporate governance and ethical conduct

# First choice for tenants



## Meeting tenant needs and harnessing human capital

Investa's focused on delivering solutions to our current and prospective tenants by providing the highest levels of customer service and building amenity.

### What is the customer centric service model?

#### Dedicated, cross functional asset service teams:

Based within their local market so are more informed on local demand and supply activity. Being closer to their tenants means they can better service their needs.

Building operations directly managed by Investa personnel<sup>1</sup>

Directly accountable for the financial and operational performance of their portfolio

## 82%

Tenant score for Investa asset service teams

## 68%

Tenant retention – IOF portfolio

## 84%

Tenants satisfied with Investa HelpDesk

### What resources are available to tenants?

[Sustainability fact sheets](#)

[Sustainability report](#)

[Building performance scorecards](#)

[Sustainability presentations and consultancy](#)

## 60%

Think communication of sustainability information by the building owner is important to their organisation

## 57%

Think the NABERS Base Building Energy rating is a significant factor in their organisation's selection of office space

### How will Investa improve?

#### Focus on diversity in the workplace

Directly linked to improvements in operational and commercial performance

The cornerstone of diversity is gender equality

#### Expand tenant engagement activities to improve occupation experience

#### Further improve tenant satisfaction and advocacy scores



Investa Office employed 186 staff

Women in management

## 32%

Number of female IOF Board members

## 40%

1. This does not apply to assets where Property Management is outsourced including 66 St Georges Terrace Perth, 836 Wellington Street Perth, 388 George Street Sydney and 10-20 Bond Street Sydney. Tenant ratings or scores refer to results achieved by the Investa managed portfolio as a whole in the 2014 Campbell Scholtens Tenant Survey.

# Research and innovation



## Adding value through research and innovation

Investa's in-house research team analyses the macro and micro-economic drivers of office markets to provide up-to-date and relevant insights to management. Investa also participates in both academic and applied action research for sustainability and facilities management in the built environment.

**1** Research on the economic factors influencing office market conditions and the drivers of office market investment returns, including supply, tenant demand, vacancy rates, rental growth, tenant incentives, investment yields and transaction volumes.

**2** Research to understand and improve the operational performance of buildings using new building management technologies, and leveraging data visualisation and engagement tools for building managers and stakeholders.

## Adding value through market research

Investa Research employs a top-down approach to analysing office markets by interpreting macro-economic conditions and the potential impact on returns; and combining this knowledge with bottom up analysis, leveraging the deep market knowledge of our teams on the ground in each CBD market. This market-leading knowledge and insight identifies opportunities for our funds to drive investment and asset strategies that improve risk-adjusted returns.

The Investa research team has developed a suite of market leading proprietary models that predict future office space demand, rental levels, office market yields and tenant incentives. The team also compiles regular publications including quarterly overviews examining the state of office market conditions, as well as regular thought-leadership white papers covering issues impacting the economy and office markets as they occur.

## Case Study

### Building Run

Making energy management visible

In partnership with the City of Sydney and Deutsche Bank, Investa commissioned and hosted an innovative, interactive artwork exploring the energy efficiency performance of five Sydney CBD buildings, as part of the City of Sydney 2013 Art and About Festival. Branded Building Run, the work by internationally acclaimed video artist Keith Deverell was set up in the foyer of 126 Phillip Street, Sydney. The work showcased four Investa buildings and Customs House as human avatars competing daily against their 'personal best' in energy performance. Over the course of the installation, Investa buildings competed to deliver an average electricity saving of 7% whilst bringing to life the daily challenge of managing office buildings to a new audience.



Average electricity savings recorded

**7%**



Website views via Art and About

**207,547**





# Optimising operational performance

Active management to deliver operational outperformance

IOF's results demonstrate that innovative and active asset management to maximise the operational performance of assets reduces ongoing operational costs and optimises the value of assets.

## Case Study

### 628 Bourke Street, Melbourne

Re-positioned to create value

Since 2011, Investa has delivered on a range of initiatives to improve the financial and operational performance of 628 Bourke Street, Melbourne.

**The agreed sale terms, at a 14% premium to book value, demonstrates that Investa's proactive approach to management is delivering superior outcomes to unitholders.**

Initiatives completed since 2011 include upgrades to Building Management and Control System (BMCS); and the mechanical and electrical services. In conjunction with active management, a 24% reduction in total greenhouse gas emissions intensity and a 25% improvement in water use intensity has been achieved in FY14, reducing total occupancy costs in the building in addition to achieving superior environmental outcomes.

Investa also de-risked the asset through a successful leasing program which saw 20,000 square metres of space leased, improving the weighted average lease expiry from 2.3 to 6.8 years, and positioning the asset for an opportunistic sale.



Reduction in total greenhouse gas emissions intensity

**24%**



Improvement in water use intensity

**25%**

## Case Study

### 126 Phillip Street, Sydney

Place making and relationship building

**It was an active 12 months at 126 Phillip Street with strong leasing results coinciding with the transformation of the building's dining and restaurant space, and an active engagement with tenants and occupants through Australia's first Vertical Community Pilot Program.**

During FY14, the 'Assembly' area on ground level was transformed by the highly popular Mordeo Bistro & Bar. Leveraging Sydney's new small bar licencing rules, Mordeo offers an elegant yet casual bistro that operates throughout the day and into the evening. Mordeo have reinvigorated the Assembly by providing a classic southern European fare that is matched by an extensive wine list, and homemade artisan beer – an offering that is well received by tenants and visitors alike.

In line with Investa's commitment to engage stakeholders directly in sustainability challenges, Investa partnered with CitySwitch, the national tenant energy efficiency program, to establish a pilot 'Vertical Community' program, hosted at 126 Phillip Street. Here, representatives from tenant organisations shared ideas on ways to deliver cost savings and drive sustainability performance improvements throughout the building. These initiatives included energy audits and an LED lighting program, which have already delivered in excess of \$80,000 a year in electricity cost savings via upgrades to 60% of tenant and common area lighting. In addition, all 18,400sqm of leases completed during FY14 were in accordance with Investa's Best Practice Lease, which places obligations on Investa and the tenant to operate the building and tenancy areas in accordance with best environmental practices.

Electricity cost savings via upgrades for the year

**>\$80,000**





# Leadership in governance

Investa continues to be a global leader in responsible investment management of real estate, with a clear strategy for embedding environmental, social and governance focused practices into core activities of the Fund.



#### CDP

IOF recognised on the ASX CDP Climate Disclosure Leader Index 2013.

[www.cdp.net](http://www.cdp.net)



#### GRESB

During FY14, Investa became a Corporate Member of GRESB to contribute Investa's environmental reporting and portfolio benchmarking expertise to evolving this industry tool.

[www.gresb.com](http://www.gresb.com)



#### RIAA Certification

Investa Funds Management is certified for Sustainable Responsible Investment (SRI) by the Responsible Investment Association of Australasia (RIAA).

[www.responsibleinvestment.org](http://www.responsibleinvestment.org)



**UNEP Finance Initiative**  
Changing finance, financing change

#### UNEPFI

The UNEPFI provides advice and advocacy on integrating sustainable approaches to investment.

[www.unepfi.org](http://www.unepfi.org)

Signatory of:



#### UNPRI

Investa has been a signatory to the UN Principles of Responsible Investment since 2007.

[www.unpri.org](http://www.unpri.org)



**AUSTRALIAN BUSINESS ROUNDTABLE**  
for Disaster Resilience  
& Safer Communities

#### National Resilient Australia Award

Investa was jointly recognised when the Australian Business Roundtable for Disaster Resilience and Safer Communities was awarded a Highly Commended for the Roundtable's contribution to public policy to help government, business and communities better prepare for natural disasters.

[www.australianbusinessroundtable.com.au](http://www.australianbusinessroundtable.com.au)



Beck Dawson, General Manager, Corporate Sustainability receiving the National Resilient Australia Award

# The management team

The IOF management team comprises high calibre industry professionals with a diverse range of skills and experience. The team's complementary skills and dedication to the Fund enables a balanced approach to managing IOF both operationally and strategically.



**Toby Phelps**  
Fund Manager

Toby is responsible for actively driving the long-term strategy and performance of IOF. Toby has extensive experience in global real estate investing, asset management, capital raising and corporate finance, and is an accomplished leader of successful investment management teams.



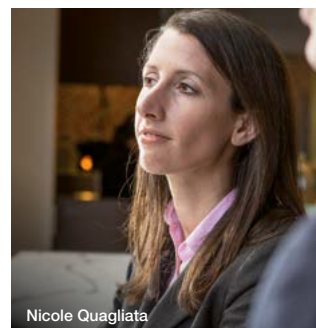
**Ming Long**  
Executive Director, ILFML  
Finance Director, IOF

Ming provides leadership in the areas of treasury, debt and risk management, taxation and internal and external reporting. Ming has extensive experience in finance, property and funds management with significant experience in the management of financial and human capital within organisations.



**Alex Abell**  
Assistant Fund Manager

Alex is responsible for the investment performance of the portfolio and the day-to-day activities of IOF, in addition to managing key relationships between IOF and the investment community. Alex has over 11 years experience in the property industry working in the areas of treasury, corporate finance and funds management.



**Nicole Quagliata**  
Senior Fund Analyst

Nicole is responsible for analysing and monitoring the financial performance of both IOF and the underlying property's performance. Nicole has over 9 years of experience in property and funds management and is a Chartered Financial Analyst.



**IOF continues to benefit from the expertise and commitment of the dedicated management team who work closely with the broader Investa team to monitor, assess and drive value-creation activity on a day-to-day basis."**

Toby Phelps, Fund Manager

## Our performance

# The results

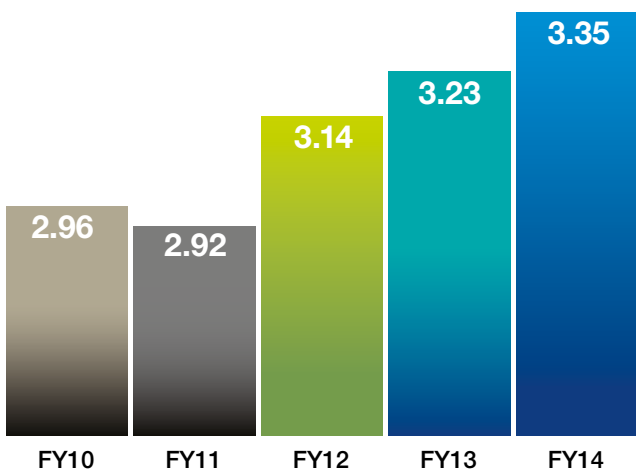


**Our active approach to management has transformed the portfolio to more than 97% Australian. Our competitive advantage in the Australian market has resulted in strong growth across all profit, valuation and sustainability metrics since taking over management in 2011.”**

Ming Long, Executive Director, ILFML, Finance Director, IOF

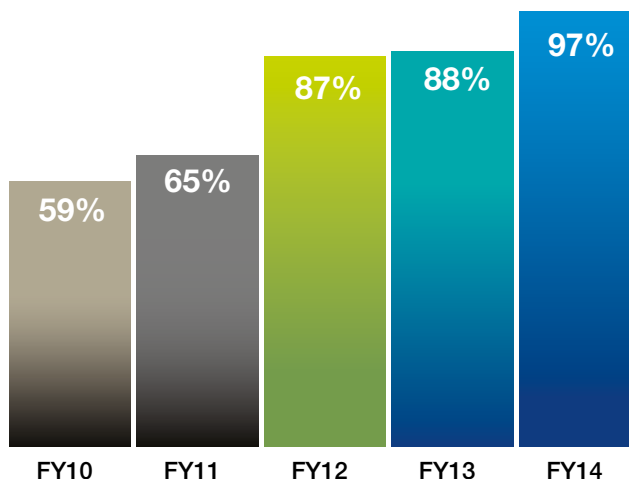
### Net Tangible Assets per Unit

\$



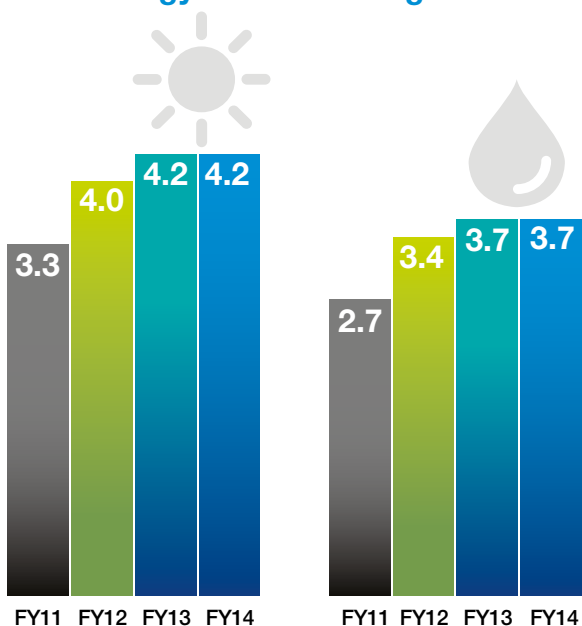
### Australian owned assets

%



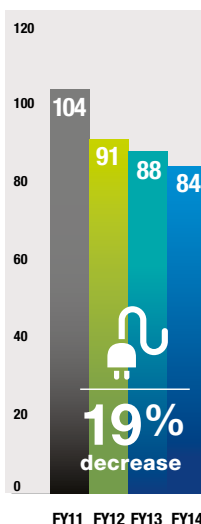
### NABERS Energy & Water ratings

Stars



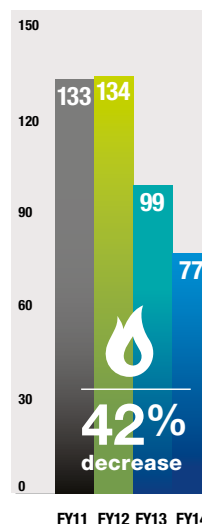
### Electricity Intensity

(kWh/sqm)



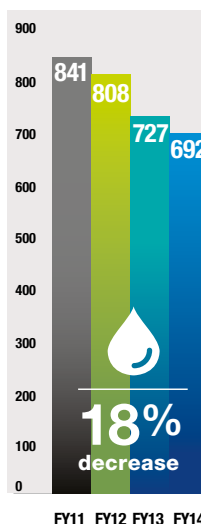
### Gas Intensity

(MJ/sqm)



### Water Intensity

(L/sqm)



Five year performance summary<sup>1</sup>

	Unit of Measure	FY2014	FY2013	FY2012	FY2011	FY2010
<b>Financial</b>						
Revenue	\$m	194.1	191.0	195.1	199.6	212.0
Responsible Entity Fees	\$m	10.1	9.4	8.6	8.5	8.4
Net Profit (statutory)	\$m	183.6	158.7	101.9	143.9	42.5
Funds From Operations	\$m	162.6	153.5	141.8	— <sup>2</sup>	— <sup>2</sup>
Funds From Operations per unit	cents	26.5	25.0	22.3	— <sup>2</sup>	— <sup>2</sup>
Operating Earnings	\$m	140.6	137.5	128.1	135.6	151.2
Total Assets	\$m	3,142.5	2,723.8	2,502.6	2,504.8	2,553.1
Total Liabilities	\$m	1,084.1	737.2	575.8	488.0	506.7
Gearing Ratio (look-through)	%	31.5	26.3	21.9	20.5	23.2
Net Tangible Assets per unit	\$	3.35	3.23	3.14	2.92	2.96
<b>Security holders</b>						
No of Unitholders	#	16,236	16,644	17,588	23,068	25,375
Units on Issue	millions	614.1	614.1	614.1	682.3	682.3
Securities on issue to top 20 Unitholders <sup>3</sup>	%	83.9	83.1	82.6	82.8	79.4
Market Capitalisation	\$bn	2.09	1.79	1.66	1.76	1.58
Total Distributions per unit	cents	18.5	17.75	17.5 <sup>4</sup>	15.6	15.6
<b>Operational</b>						
Portfolio Occupancy	%	92	94	96	93	92
Weighted Average Lease Expiry	years	5.0	4.9	5.1	4.8	5.1
Investment Properties	#	24	23	20	23	25
Net Lettable Area	000s sqm	427,813	502,244	477,533	537,281	560,440
Total Book Value	\$bn	3.1	2.8	2.5	2.6	2.7
Australian Owned Assets	%	97	88	87	65	59
No of Tenants	#	437	312	312	336	348
Retention	%	68	56	79	61	60
<b>Environmental<sup>5</sup></b>						
Electricity metered consumption	MWh	34,617	36,098	27,773	31,537	—
Electricity consumption intensity	kWh/sqm	84	88	91	104	—
Gas metered consumption	GJ	24,702	31,716	25,327	24,991	—
Gas consumption intensity	MJ/sqm	77	99	134	133	—
Greenhouse Gas Emissions intensity	kg.CO <sub>2</sub> -e/sqm	78	86	86	99	—
Water metered consumption	kL	284,508	297,689	245,446	255,392	—
Water consumption intensity	L/sqm	692	727	808	841	—
Waste total <sup>6</sup>	tonnes	557	1517	—	—	—
Waste recycled	%	46	34	—	—	—
NABERS Energy Ratings	Stars	4.2	4.2	4.0	3.3	—
NABERS Water Ratings	Stars	3.7	3.7	3.4	2.7	—

1. Prior year balances have been recalculated where necessary for the 4:1 unit consolidation in 2012

2. The Responsible Entity considers the non-AAS measure, Funds From Operation (FFO), an important indicator of underlying performance of IOF. FFO was adopted as the primary measure of the underlying earnings from FY13 onwards. To calculate FFO, net profit attributable to unitholders is adjusted to exclude unrealised gains or losses, certain non-cash items such as the amortisation of tenant incentives, fair value gains or losses on investments and other unrealised or one-off items. IOF's FFO calculation is based on Property Council of Australia definition of FFO.

3. Securities on issue to top 20 Unitholders is as at 31 August of each year

4. The Financial Year 2012 normal distribution was 15.6 cents. A special distribution of 1.9 cents was paid following the sale of offshore assets.

5. Environmental intensity statistics cover reporting period 1 April 2013-31 March 2014 and have been assured by KPMG. The KPMG Assurance Statement, including selected performance data and the relevant reporting criteria, can be found online at <http://www.investa.com.au/iof-sustainability-assurance>

6. IOF assets joined the broader Investa waste and recycling program in FY13. This transition to new contracts includes provision for ongoing reporting. Recycling performance is now reported for the first time. There is a focus on transitioning remaining contracts in FY15-16.

## Our performance

# Australia



**Our focus on redeploying capital to the Sydney market in recent years has positioned the portfolio to benefit from the improving conditions in this market.”**

Toby Phelps, Fund Manager

IOF owns a range of quality office assets in key CBD markets across Australia, with total assets valued at \$3.3 billion<sup>1</sup>. The strategy is to continue to enhance and build the portfolio in the four major Australian CBD markets of Sydney, Melbourne, Perth and Brisbane. The exit from Europe is nearing completion with Bastion Tower, Brussels on the market for sale in line with the stated strategy to be 100% Australian, with a mix of core, value-add and tactical assets.

### AUSTRALIAN MARKET OVERVIEW

Key economic office market drivers have continued to strengthen over the last 12 months.

Market conditions in Sydney and Melbourne saw significant improvements in the last half of the year, boosted by an increase in occupied space with demand expected to expand further over the next 12 months

Conditions remain challenging in Brisbane and Perth, which have been impacted by the slowdown in the resource sector

There are increasing signs of stabilisation in the resources markets, and we predict that the tenant contraction cycle in Brisbane and Perth will conclude by the end of the calendar year

1. Includes 567 Collins Street, Melbourne at completion

▶ See the 2014 Property Portfolio for detailed property data

Valuation increases across the portfolio



**\$112 million**

Total lettable area

**559,722sqm**

Total number of assets

**23**

Occupancy

**93%**

Weighted average lease expiry

**5.0yrs**

NABERS Energy rating

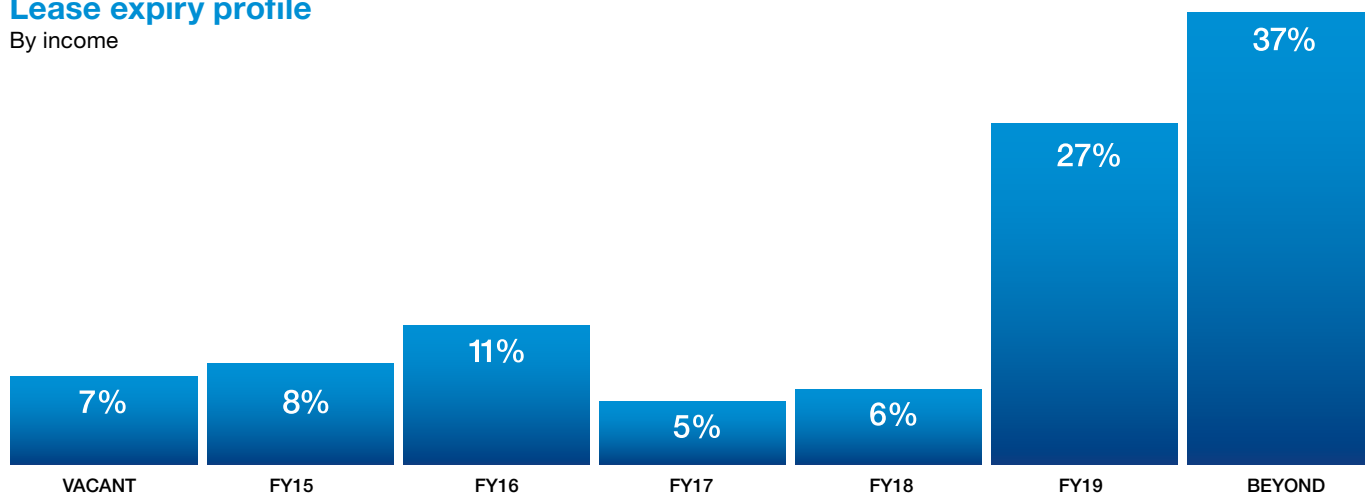
**4.2 Stars**

NABERS Water rating

**3.7 Stars**

**Lease expiry profile**

By income



## Our performance

# Sydney

Book value

**\$1,726m**

Weighted average lease expiry

**4.5yrs**

NABERS Energy rating

**4.4 Stars**

Occupancy

**97%**

### SYDNEY OUTLOOK

Expect continued rebound in leasing markets

Downward trend in vacancy rates boosted by stock withdrawals

Rate of rental growth to escalate over the course of the year

Deutsche Bank Place,  
126 Phillip Street, Sydney NSW



Occupancy level	97%
Net Property Income	\$10.6m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★

347 Kent Street,  
Sydney NSW



Occupancy level	100%
Net Property Income	\$22.6m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★

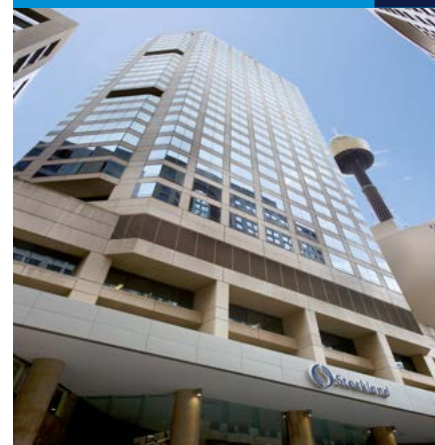
388 George Street,  
Sydney NSW



Occupancy level	100%
Net Property Income	\$13.6m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★

Piccadilly Complex,  
133 Castlereagh Street, Sydney NSW

**NEW**



Occupancy level	93%
Net Property Income	\$13.0m <sup>1</sup>
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★★☆

1. Anticipated Net Property Income stated on an annualised basis as asset was acquired during FY14

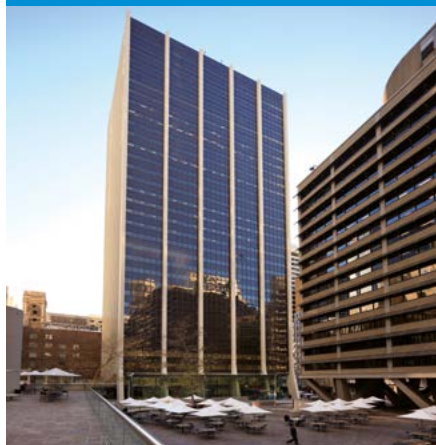


“

The Investa management platform continues to proactively add value to the portfolio by creating tenant solutions that drive leasing success. The equivalent of 23% of the portfolio was leased during the period, accompanied by an extensive \$45 million refurbishment program across the portfolio.”

Alex Abell, Assistant Fund Manager

10-20 Bond Street,  
Sydney NSW



Occupancy level	100%
Net Property Income	\$8.8m
NABERS Energy rating	★★★★★
NABERS Water rating	★★★★☆

151 Clarence Street,  
Sydney NSW



Occupancy level	95%
Net Property Income	\$5.1m
NABERS Energy rating	★★★☆☆
NABERS Water rating	★★★☆☆

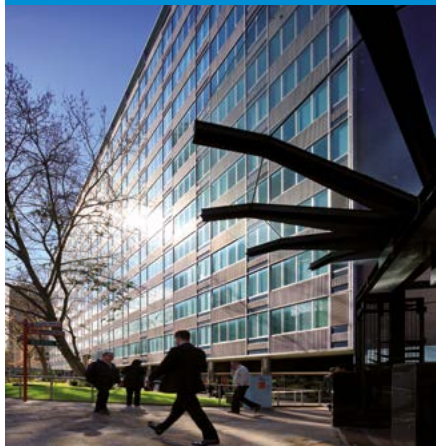
6 O'Connell Street,  
Sydney NSW

NEW



Occupancy level	89%
Net Property Income	\$8.7m <sup>1</sup>
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★★☆

105-151 Miller Street,  
North Sydney NSW



Occupancy level	100%
Net Property Income	\$10.9m
NABERS Energy rating	★★★★★
NABERS Water rating	★★★★☆

99 Walker Street,  
North Sydney NSW

NEW



Occupancy level	93%
Net Property Income	\$9.9m <sup>1</sup>
NABERS Energy rating	★★★☆☆
NABERS Water rating	★★★☆☆

111 Pacific Highway,  
North Sydney NSW



Occupancy level	92%
Net Property Income	\$8.5m
NABERS Energy rating	★★★★★
NABERS Water rating	★★★★☆

## Our performance

## Melbourne

Book value

**\$605m**

Weighted average lease expiry

**7.2yrs**

NABERS Water rating

**4.1 Stars**

Occupancy

**100%**

## MELBOURNE OUTLOOK

Foresee continued improvements in leasing markets

Supply additions may result in slight short-term rise in vacancy

Rents to increase during FY15

567 Collins Street,  
Melbourne VIC

Occupancy level	73% <sup>1</sup>
Net Property Income	N/A
NABERS Energy rating <sup>2</sup>	★★★★★
NABERS Water rating <sup>2</sup>	★★★★★

Telstra Global Headquarters  
242 Exhibition Street, Melbourne VIC

Occupancy level	100%
Net Property Income	\$16.4m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★★★

800 Toorak Road,  
Melbourne, VIC

Occupancy level	100%
Net Property Income	\$5.7m
NABERS Energy rating	Not rated
NABERS Water rating	Not rated

Royal Mint Centre,  
383 La Trobe Street, Melbourne VIC

Occupancy level	100%
Net Property Income	\$4.6m
NABERS Energy rating	★★★☆☆
NABERS Water rating	★★★☆☆

628 Bourke Street,  
Melbourne VIC

Occupancy level	99%
Net Property Income	\$6.2m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★★☆

1. This property is not included in the occupancy total as it is an investment property under construction with an anticipated practical completion date in August 2015

2. Target NABERS ratings

## Our performance

# Brisbane

Book value

# \$476m

Weighted average lease expiry

# 4.1yrs

NABERS Energy rating

# 4.8 Stars

Occupancy

# 78%

### BRISBANE OUTLOOK

Potential withdrawal of 20% of the B-grade market for conversion to alternative uses

Likely stabilisation in line with improving occupancy

Well located assets with efficient floor plates expected to outperform

140 Creek Street,  
Brisbane QLD



Occupancy level	61%
Net Property Income	\$10.9m
NABERS Energy rating	★★★★★
NABERS Water rating	★★★★☆

295 Ann Street,  
Brisbane QLD



Occupancy level	83%
Net Property Income	\$6.8m
NABERS Energy rating	★★★★★
NABERS Water rating	★★★★☆

232 Adelaide Street,  
Brisbane QLD



Occupancy level	100%
Net Property Income	\$1.2m
NABERS Energy rating	★★★★★
NABERS Water rating	★★★★☆

239 George Street,  
Brisbane QLD



Occupancy level	93%
Net Property Income	\$9.4m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★★☆

15 Adelaide Street,  
Brisbane QLD



Occupancy level	72%
Net Property Income	\$3.5m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★★☆

## Our performance

# Perth

Book value

**\$170m**

Weighted average lease expiry

**3.8yrs**

NABERS Energy rating

**4.3 Stars**

Occupancy

**96%**

### PERTH OUTLOOK

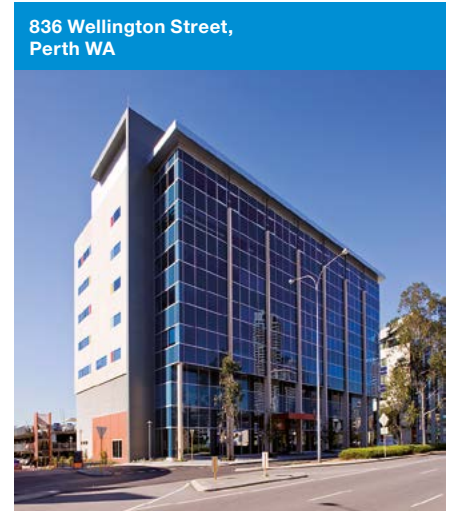
Economic growth will remain strong due to surging resource export volumes

Expect demand conditions to stabilise over the course of the year

Downward pressure on rents to ease



Occupancy level	92%
Net Property Income	\$7.3m
NABERS Energy rating	★★★★☆
NABERS Water rating	★★★★☆



Occupancy level	100%
Net Property Income	\$6.0m
NABERS Energy rating	★★★★★
NABERS Water rating	★★★★★

## Our performance

# Canberra

Book value

**\$79m**

Weighted average lease expiry

**11.7yrs**

Target NABERS Water rating

**4.5 Stars**

Occupancy

**95%**

### CANBERRA OUTLOOK

Short-term demand expected to remain weak, particularly in the B-grade market

Government led demand expected to recover during the last half of 2015

Downward pressure on effective rents likely until demand recovers

Times Square  
16-18 Mort Street, Canberra ACT



Occupancy level	95%
Net Property Income	\$2.4m
NABERS Energy rating <sup>1</sup>	★★★★☆
NABERS Water rating <sup>1</sup>	★★★★☆

“

The capital works programme that underpins the recent leasing and value creation achievements is set to continue in financial year 2015. This programme includes the construction of a new car park at 800 Toorak Road, Melbourne, a new supermarket and services upgrade at 99 Walker Street, North Sydney, and the continued construction of 567 Collins Street, Melbourne. ”

Alex Abell, Assistant Fund Manager

# 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 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.

## 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 the GRESB 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.



Term	Meaning
<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.
<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 Mioduszewska  
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 Review 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 Review 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**



**INVESTA LISTED FUNDS MANAGEMENT LIMITED**

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**The first choice in Australian Office**

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