

# IOF FINANCIAL REPORT



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# IOF

Investa Office Fund (IOF or the Fund) is one of Australia's leading owners of investment grade office buildings. IOF has total assets under management (AUM) of \$3.3 billion with 22 investments located in core CBD markets throughout Australia. IOF is an externally managed Australian Real Estate Investment Trust managed by one of Australia's largest office owners and managers, Investa Office (Investa), and governed by Investa Listed Funds Management Limited (ILFML), (consisting of a majority of Independent Directors) as the Responsible Entity.

This Financial Report is one of three documents that form IOF's financial year 2015 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)



140 CREEK STREET  
BRISBANE QLD

LETTABLE AREA SQM

**28,080**

# STRATEGY AND MANAGEMENT

IOF's dedicated management team and the high calibre industry professionals from the Investa Office Management platform are equipped with a diverse range of skills and experience, enabling a balanced approach to managing IOF operationally, strategically and through the cycle. As an Australian office sector specialist, Investa's multidisciplinary team adds value across the entire spectrum of IOF's ownership, management and development initiatives.

IOF's strategy is to deliver attractive risk adjusted returns by investing in high quality Australian CBD office assets and leveraging the competitive advantages of the Investa Office Management platform to proactively add value. As an office-only specialist and leader in the Australian market, Investa's expertise in asset, portfolio and capital management positions IOF strongly in a challenging market – providing the capability to lease-up and renew tenants ahead of market expectations; reposition or recycle assets through the market cycle; and maximise returns by managing the debt and equity base of the Fund.

## GUIDE TO KEY ENTITIES

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



**IOF is delivering attractive risk-adjusted returns to unitholders from a portfolio of high quality assets located in the key CBD office markets of Australia.**

6 O'CONNELL STREET  
SYDNEY NSW

LETTABLE AREA SQM

**16,104**

Net profit down 2.4%

**\$179.2** million

Distributions per unit up 4%

**19.25** cents

Net tangible assets up 8%

**\$3.62**

## LETTER FROM THE CHAIRMAN

**“Your Board  
is committed  
to maintaining  
market leading  
standards  
in corporate  
governance and  
maximising value  
for unitholders.”**

**DEBORAH PAGE AM, CHAIRMAN  
INVESTA LISTED FUNDS  
MANAGEMENT LIMITED**

**Distribution per unit**

**19.25cents**

**Increase in Net Tangible Assets**

**↑8%**



From left: Peter Rowe, Non Executive Independent Director, Deborah Page, Chairman, Peter Dodd, Non Executive Independent Director

It is my pleasure to present IOF's 2015 Annual Report, a year in which we continued to deliver on our commitments to unitholders, including finalising the exit of IOF's offshore investments. IOF is now wholly invested in Australian office assets. Financial results were strong and ahead of guidance. All our key metrics improved for financial year 2015, with Funds From Operations (FFO), our preferred measure of operational performance, up 4.5% to \$169.9 million, and the distribution to unitholders up 4.1% to 19.25 cents per unit. IOF's Net tangible assets per unit increased by 8.1%, from \$3.35 to \$3.62 after \$126 million of valuation uplifts were booked over the year.

### **DELIVERING IMPROVEMENTS ACROSS THE PORTFOLIO**

During the period we delivered on our commitment to completing an orderly sale of IOF's offshore assets, with the sale of Bastion Tower finalised in March 2015. We consider IOF's \$3.3 billion Australian-only office portfolio as being one of the best in the country, and by leveraging the skills and expertise of Investa we are able to generate attractive risk adjusted returns through the cycle for our unitholders.

Our strategy of reinvesting offshore sales proceeds back into the Australian market has been targeted at the largest and most diversified CBDs – Sydney and Melbourne. This approach has increased our weightings to these markets from 66% to 78%, and we are now realising the benefits of that strategy with valuation uplifts averaging 4%, and occupancy of 98% in Sydney and 100% in Melbourne.

Construction of 567 Collins Street, Melbourne has been completed, and this property brings a new premium grade asset into the portfolio. Planning is well progressed for the redevelopment of 151 Clarence Street, Sydney in 2016.

Despite owning high quality assets in Brisbane and Perth, the reliance on the resources industry in these economies has impacted white collar employment and the performance of these assets. Your Board and management team are highly focused on leasing-up vacancy in both these markets.

We also continue to optimise the quality and returns of the portfolio by selling assets, crystallising value and generating capital recycling opportunities. As a result, we have committed to sell \$280 million of assets at an average premium to book value of 19% over the past 18 months.



## UPDATE ON THE SALE OF INVESTA OFFICE MANAGEMENT (THE MANAGER OF IOF) BY MORGAN STANLEY

In February 2015 Morgan Stanley Real Estate Investing (Morgan Stanley) announced it was exploring opportunities to sell its investment in Investa Property Group (IPG), the parent company of Investa Office Management – IOF's Manager. The Board established an Independent Board Committee (IBC) to focus on the best interests of IOF unitholders during the Morgan Stanley sale process.

Following the acquisition by IPG of IOF's management rights from ING in March 2011 certain rights were granted to IOF unitholders, being:

- > Pre-emptive rights over Investa Office Management, triggered in certain circumstances where its legal parent sells the entity, as well as a right to acquire 50% of Investa Office Management in certain circumstances; and
- > A pre-emptive right over Morgan Stanley's 25% interest in 126 Phillip Street, Sydney.

These rights are complex and I direct you to the Implementation Deed and the Notice of Meeting and Explanatory Memorandum dated 23 February 2012 located on the IOF website should you wish to understand these in more detail.

Prior to the launch of the Morgan Stanley sale process, the IBC had discussions with Morgan Stanley in relation to acquiring Investa Office Management. However, threshold terms sought by Morgan Stanley could not provide IOF with certainty of a transaction and was not in the best interests of unitholders. Morgan Stanley then commenced a sale process for IPG which precluded Investa's managed funds from participating in the process.

On 27 July 2015, Morgan Stanley exchanged contracts to sell its own portfolio of assets. The IBC believed that this was the right time to formally re-engage as the perceived

conflicts of interest regarding the sale of Morgan Stanley's properties had been removed; and an internalisation of Investa Office Management by IOF was a logical transaction that was consistent with the expectations of IOF unitholders following representations made by IPG in 2011. Disappointingly, Morgan Stanley informed the IBC that it would not entertain an offer from IOF to acquire Investa Office Management as part of its sale process.

In light of the changes to IOF's strategic opportunity to potentially acquire the highly regarded Investa Office Management platform, and having regard to the continuing uncertainty surrounding the Fund's management, on 14 August 2015 the IBC announced that a strategic review would be undertaken to explore all opportunities for IOF to maximise value for unitholders, including the ongoing management and ownership of IOF. This review is progressing and the IBC remains committed to keeping unitholders informed of any material developments as they occur.

## OUTLOOK

I would like to thank the IOF management team and the employees of Investa Office Management for their commitment and dedication to IOF during a period of considerable uncertainty. Their achievements and the high quality characteristics of the portfolio have underpinned another successful year for IOF, and in a low-growth economic environment the Fund is positioned well, moving into financial year 2016 with forecast FFO growth of 1.4% and distribution growth of 1.8%.

Yours sincerely,

**Deborah Page AM**  
Chairman, Investa Listed Funds Management Limited

## CORPORATE GOVERNANCE

# IOF

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.

During the year ended 30 June 2015, the corporate governance framework of the Investa Office Fund (Fund) was consistent with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Fund now publishes its corporate governance statement on its website rather than in its Annual Financial Report. The Fund's corporate governance statement, as well as the policies referred to in the corporate governance statement, are available in the governance section of the Fund's website at:

[www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/](http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/)

## THE 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.

**PETER DODD**  
Non Executive  
Independent Director

**DEBORAH PAGE AM**  
Chairman and  
Non Executive  
Independent Director

**SCOTT MACDONALD**  
Non Executive Director

**PETER ROWE**  
Non Executive  
Independent  
Director

**JONATHAN  
CALLAGHAN**  
Executive  
Director

**CAMPBELL HANAN**  
Alternate Executive Director  
for Scott MacDonald



## 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** **Non-executive Independent Director and Chairman**

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, 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** **Non-executive Independent Director**

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** **Non-executive Independent Director**

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 is now a consultant to the firm.

Mr Rowe is the Chair of UBS Grocon Real Estate Investment Management Pty Ltd and of the 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.

Mr Rowe holds a Dip. Law (SAB).

### **Scott MacDonald** **Non-executive Director**

Scott MacDonald is the Chairman of Investa Property Group (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.

### **Jonathan Callaghan** **Executive Director**

Jonathan Callaghan is the Managing Director and Finance Director of Investa Property Group.

Mr Callaghan is responsible for the strategic direction of the Group, across the office, funds and land businesses. He is also responsible for the Group's financial strategy and provides leadership to treasury, debt and risk management, taxation and internal and external reporting.

Mr Callaghan has been with the Group for over 8 years where he has held a number of roles, including the role of Group General Counsel.

Mr Callaghan is also a member of the NSW Division Council of the Property Council of Australia and a founding member of the Property Male Champions of Change.

Mr Callaghan holds a Bachelor of Science (Hons), a Bachelor of Laws (Hons) and a Masters of Applied Finance.

### **Campbell Hanan** **Alternate Director (Executive) for Scott MacDonald**

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 \$9bn of commercial office assets within Australia.

# CORPORATE GOVERNANCE CONT.

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

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.

## 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	11	11
Dr. Peter Dodd	11	11
Peter J.S. Rowe	11	11
Scott MacDonald	11	4
Jonathan Callaghan <sup>1</sup>	11	7
Campbell Hanan	11	10

<sup>1</sup> Jonathan Callaghan was appointed as a Director on 17 November 2014

## VISION

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

Investa Office (Investa) and its funds differentiate the sustainability approach through four key priorities in the Environment, Social and Governance (ESG), or Sustainability, approach of the Investa Office Management 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 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.

During financial year 2015, the sustainability and ESG approach delivered 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.



GRI Indicator	GRI Description	IOF 2015 Annual Financial Report and Annual Review
<b>1. Strategy and Analysis</b>		
1.1	Chairman and CEO's Statement	<i>Letter from the Chairman</i> (p.2), IOF 2015 Annual Financial Report. <i>Letter from the Chairman</i> (p.4), IOF 2015 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> (p.27), <i>Strategy</i> (p.1), <i>Overview: Governance &amp; Management</i> (pp. 8-11), of the IOF 2015 Annual Review. <i>ESG and Sustainability Approach</i> (p.6), <i>Directors' Report</i> (pp.22-31), IOF 2015 Annual Financial Report.
<b>2. Organisational Profile</b>		
2.1	Name of the organisation	Investa Office Fund (IOF or the Fund) is an ASX-listed real estate investment trust. 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>Portfolio</i> (pp.28-35), IOF 2015 Annual Review, and the IOF 2015 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 description: <i>Governance and Management</i> , (p.12), IOF 2015 Annual Review.
2.4	Location of headquarters	Sydney, Australia.
2.5	Countries of operation	Australia only. 2015 marked an important milestone for the Fund, with the IOF team successfully navigating the exit of all offshore assets, allowing the Fund to wholly focus on the Australian market.
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, in the cities of: Sydney, North Sydney, Melbourne, Brisbane, Canberra and Perth.
2.8	Scale of the reporting organisation	IOF has total assets under management of A\$3.3 billion. Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2015 (p.15) contains information about employment of management staff, including the number of employees.
2.9	Significant changes during the reporting period	IOF has completed the strategy of transitioning the portfolio to become 100% Australian focused in line with the strengths of an Australian based management team.

GRI Indicator	GRI Description	IOF 2015 Annual Financial Report and Annual Review
2.10	Awards received	IOF was named a “GRESB Green Star 2014” and listed in the top quartile of sustainable funds globally by the Global Real Estate Sustainability Benchmark (GRESB) Foundation. IOF was recognised on the Global A-List Carbon Disclosure Project (CDP) Climate Performance Leadership Index 2014 – one of only 5 Australian ASX companies.
<b>3. Report Parameters</b>		
<b>Report Profile</b>		
3.1	Reporting period	The IOF 2015 Annual Financial Report, IOF 2015 Annual Review and IOF 2015 Property Portfolio report on Australian Financial Year 2015, 1st July 2014 – 30 June 2015. Environmental performance data is provided for the year ended 31 March 2015 to allow time to capture billing data for timely reporting.
3.2	Date of the most recent previous report	IOF 2014 Annual Financial Report IOF 2014 Annual Review IOF 2014 Property Portfolio book Published in September 2014.
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.100), IOF 2015 Annual Financial Report
3.5	Process for defining report content	<i>Directors' Report</i> (pp.22-31), IOF 2015 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.22-31), IOF 2015 Annual Financial Report. Environmental Performance data is supplied where data is both available and comparable to previous years according to the Sustainability Reporting Rules, available online.
3.7	Statement of limitations	<i>Notes to the Consolidated Financial Statements – Year Ended 30 June 2015</i> (pp.39-91), IOF 2015 Annual Financial Report.
3.8	Basis for reporting other entities	<i>Notes to the Consolidated Financial Statements – Year Ended 30 June 2015</i> (pp.39-91), IOF 2015 Annual Financial Report. Environmental Performance data is supplied where data is both available and comparable to previous years according to the Sustainability Reporting Rules, available online.
3.9	Data measurement techniques	<i>Notes to the Consolidated Financial Statements – Year Ended 30 June 2015</i> (pp.39-91), IOF 2015 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	In 2014 there was 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 again this year. <i>Letter from the Chairman</i> (p.2), IOF 2015 Annual Financial Report. <i>Letter from the Chairman</i> (p.4), IOF 2015 Annual Review.
3.12	Table identifying the location of the Standard Disclosures in the report	<i>GRI Index</i> (pp.8-18), IOF 2015 Annual Financial Report.

# GRI INDEX (CONTINUED)

GRI Indicator	GRI Description	IOF 2015 Annual Financial Report and Annual Review
3.13	Policy and current practice regarding external assurance	<i>Independent Auditor's report to the stapled security holders of Investa Office Fund and the unitholders of Prime Credit Property Trust</i> (p.92), IOF 2015 Annual Financial Report. <i>Sustainability Assurance and Reporting Rules</i> (p.36), Investa Office 2015 Sustainability Report and <a href="http://www.investa.com.au/funds/">http://www.investa.com.au/funds/</a>
<b>4. Governance, Commitments and Engagement: Governance</b>		
4.1	Governance structure	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report and <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a> Investa Office has a Risk and Sustainability Committee – Safety, Health, Environment & Audit, reporting to the Board of Investa Office Management Holdings Pty Limited (IOMH) and its Charter extends to all activities of IOMH, including oversight on behalf of Investa Office Fund and ILFML. This is a committee independently chaired that assists the Boards with the risk management system, the processes for monitoring compliance with laws, regulations and the code of conduct of Investa Office. The Committee also guides the implementation, operation and effectiveness of Investa Office's Sustainability, Safety, Health & Environment Policies.
4.2	Chair of the highest governance body	<i>Corporate Governance</i> (pp.4-6), IOF 2015 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> (pp.4-6), IOF 2015 Annual Financial Report.
4.4	Mechanisms to provide recommendations or direction to the highest governance body	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report. And <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>
4.5	Compensation and performance	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report. And <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>
4.6	Conflicts of interest	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report. And <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>
4.7	Expertise of governance bodies	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report. And <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>
4.8	Statement of mission and values	<i>Overview: Governance &amp; Management</i> (pp.10-13), <i>Strategy and Management</i> (p.1) and <i>Strategy</i> (pp.16-25) IOF 2015 Annual Review.
4.9	Management of performance	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report. And <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>
4.10	Performance evaluation	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report. And <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>
4.11	Whether and how a precautionary approach is addressed	<i>Corporate Governance</i> (pp.4-6), IOF 2015 Annual Financial Report. And <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>
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. <a href="http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/">http://www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/</a>

<b>GRI</b>		
<b>Indicator</b>	<b>GRI Description</b>	<b>IOF 2015 Annual Financial Report and Annual Review</b>
4.13	Memberships in associations/advocacy organisations	<p>The Manager was a member or participant with the following associations and advocacy organisations during financial year 2015:</p> <p>ABRT – Australian Business Roundtable for Disaster Resilience and Safer Communities: <a href="http://australianbusinessroundtable.com.au/">http://australianbusinessroundtable.com.au/</a></p> <p>ANREV – Asian Association for Investors: <a href="http://www.anrev.org/">www.anrev.org/</a></p> <p>API – Australian Property Institute: <a href="http://www.api.org.au/">www.api.org.au/</a></p> <p>Australian Marketing Institute: <a href="http://www.ami.org.au/">www.ami.org.au/</a></p> <p>Australian Investor Relations Associations: <a href="http://aira.org.au/">http://aira.org.au/</a></p> <p>CDP – Carbon Disclosure Project: <a href="http://www.cdproject.net">www.cdproject.net</a></p> <p>GBCA – Green Building Council of Australia: <a href="http://www.gbca.org.au/">www.gbca.org.au/</a></p> <p>GRESB – Global Real Estate Sustainability Benchmark, GRESB Foundation: <a href="http://www.gresb.com">www.gresb.com</a></p> <p>PCA – Property Council of Australia: <a href="http://www.propertyoz.com.au/">www.propertyoz.com.au/</a></p> <p>PIF – Property Industry Foundation: <a href="http://www.pif.com.au/">http://www.pif.com.au/</a></p> <p>RIAA – Responsible Investment Association Australasia: <a href="http://www.responsibleinvestment.org/">www.responsibleinvestment.org/</a></p> <p>UDIA – Urban Development Institute of Australia: <a href="http://www.udia.com.au/">www.udia.com.au/</a></p> <p>ULI – Urban Land Institute: <a href="http://uli.org/">http://uli.org/</a></p> <p>UNEPFI – United Nations Environment Program Finance Initiative: <a href="http://www.unepfi.org/">www.unepfi.org/</a></p> <p>UNPRI – United Nations Principles for Responsible Investment: <a href="http://www.unpri.org/">www.unpri.org/</a></p>
<b>Stakeholder Engagement</b>		
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>Overview: The IOF Approach</i> (pp.12-13), IOF 2015 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>Overview: The IOF Approach</i> (pp.12-13) IOF 2015 Annual Review.
4.16	Approaches to stakeholder engagement	<i>Investor Relations</i> (pp.36-37), and <i>Overview: The IOF Approach</i> (pp.12-13), IOF 2015 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.36-37), IOF 2015 Annual Review.
<b>Management Disclosures</b>		
<b>Economic Performance</b>		
EC1	Direct economic value generated and distributed	<i>Financial Information</i> (pp.21-93), IOF 2015 Annual Financial Report. <i>Performance</i> (pp.26-27), IOF 2015 Annual Review.
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	The Fund's 2014 and 2015 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 recognised on the Global A-List CDP Climate Performance Leadership Index in 2014 – one of only 5 Australian ASX companies.
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 financial year 2015.

# GRI INDEX (CONTINUED)

GRI Indicator	GRI Description	IOF 2015 Annual Financial Report and Annual Review
<b>Market Presence</b>		
EC5	Ratios of employee wage compared to the minimum wage	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2015 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 2015. In 2015 as new Supply Chain Management System was developed, including a Supplier Code of Conduct covering expectations regarding environment, social and governance issues.
EC7	Local hiring procedures and proportion of senior management hired from the local community	Investa Office advertises new roles externally in the local markets in Australia in which the business operates.
<b>Materials</b>		
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 2015.
EN2	Percentage of materials used that are recycled and reused input materials	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.31).
<b>Energy</b>		
EN3	Direct energy consumption by primary energy source	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
EN4	Indirect energy consumption by primary source	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
CRE1	Building Energy Intensity	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
EN5	Energy saved due to conservation and efficiency improvements	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions results	<i>Environmental Performance</i> (p.27), the <i>Management Approach</i> (p.13) and <i>Overview: Corporate Social Responsibility</i> (pp.14-15) IOF 2015 Annual Review.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (pp.29).
<b>Water</b>		
EN8	Total water withdrawal by source.	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (pp.8 & 29).
EN9	Water sources significantly affected by withdrawal of water	Water for Investa properties is supplied directly from municipal water supplies.
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> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).

**GRI****Indicator GRI Description IOF 2015 Annual Financial Report and Annual Review****Biodiversity**

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/sustainability/approach/policy/">http://www.investa.com.au/sustainability/approach/policy/</a> Options for improving biodiversity through business operations are being considered by the Manager.
EN15	IUCN Red and National Conservation Listed species with habitats in affected areas	The Fund does not have investments in Australia in, or adjacent to, areas of high biodiversity value.

**Emissions, effluents, and waste**

EN16	Total direct and indirect greenhouse gas emissions by weight	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
EN17	Other relevant indirect greenhouse gas emissions by weight	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
CRE3	Greenhouse gas emissions intensity from buildings	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
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 2015 contains information about these activities.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	<i>Environmental Performance</i> (p.27) and <i>Overview: Corporate Social Responsibility</i> (pp.14-15), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (pp.29 & 32).
EN19	Emissions of ozone-depleting substances by weight	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.29).
EN20	NO, SO and other significant air emissions	Not monitored by the Fund.
EN21	Total water discharge	Storm water and sewerage discharges are made only into regulated municipal systems for treatment, total volume is not monitored.
EN22	Total weight of waste by type and disposal method	<i>Environmental Performance</i> (p.27), IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.31).
EN23	Total number and volume of significant spills	Nil.

# GRI INDEX (CONTINUED)

<b>GRI Indicator</b>	<b>GRI Description</b>	<b>IOF 2015 Annual Financial Report and Annual Review</b>
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> (p.27), <i>Overview: Corporate Social Responsibility</i> , (pp.14-15), and <i>Strategy: Asset Management</i> (p.24), IOF 2015 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> (p.27) and <i>Overview: The IOF Approach</i> (pp.12-13) IOF 2015 Annual Review, and the Investa Office Sustainability Report 2015 (p.31).
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	The Fund and the Manager do not manufacture consumer products.
<b>Compliance</b>		
EN28	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	Nil.
<b>Transport</b>		
EN29	Significant environmental impacts of transporting products, goods, materials, and members of the workforce	The Manager monitors these impacts, however these are not significant against overall impacts of operating commercial office buildings.
<b>Overall</b>		
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. <a href="http://www.investa.com.au/sustainability/approach/policy/">http://www.investa.com.au/sustainability/approach/policy/</a>
<b>Workplace and Labour</b>		
<b>Employment</b>		
LA1	Total workforce by employment type, employment contract, and region	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2015 contains information about employment of management staff (p.15) Investa Office Sustainability Report.

<b>GRI Indicator</b>	<b>GRI Description</b>	<b>IOF 2015 Annual Financial Report and Annual Review</b>
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 2015 contains information about employment of management staff. (p.15) Investa Office Sustainability Report.
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 2015 contains information about employment of management staff. (p.15) Investa Office Sustainability Report.
<b>Labour/Management Relations</b>		
LA4	Percentage of employees covered by collective bargaining agreements	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2015 contains information about employment of management staff. (p.15) Investa Office Sustainability Report.
LA5	Minimum notice period(s) regarding significant operational changes	Investa Office employs the management staff of the Fund. The Investa Office Sustainability Report 2015 contains information about employment of management staff. (p.15) Investa Office Sustainability Report.
<b>Occupational Health and Safety</b>		
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 2015 contains information about employment of management staff. (p.15) Investa Office Sustainability Report.
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 2015 contains information about employment of management staff. (p.24) Investa Office Sustainability Report.
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 2015 contains information about employment of management staff. (p.24) Investa Office Sustainability Report.
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 2015 contains information about employment of management staff. (p.24) Investa Office Sustainability Report.
<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 2015 contains information about employment of management staff. (p.24) Investa Office Sustainability Report.
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 2015 contains information about employment of management staff. (p.24) Investa Office Sustainability Report.
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 2015 contains information about employment of management staff. (p.24) Investa Office Sustainability Report.
<b>Diversity and Equal Opportunity</b>		
LA13	Composition of governance bodies and indicators of diversity	<i>Corporate Governance &amp; Management</i> , (p.4-6), IOF 2015 Annual Financial Report.

# GRI INDEX (CONTINUED)

<b>GRI Indicator</b>	<b>GRI Description</b>	<b>IOF 2015 Annual Financial Report and Annual Review</b>
<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 2015 contains information about employment of management staff. (p.15) Investa Office Sustainability Report.
CRE6	Percentage of the organisation operating in verified compliance with an international recognised health and safety management system	All assets 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.
<b>Human Rights</b>		
<b>Investment and Procurement Practices</b>		
HR1	Significant investment agreements that screen for human rights	The Fund 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.
HR2	Significant suppliers, contractors and other business partners that screen for human rights	The Fund 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 2015 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 2015 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 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 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 2015 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>GRI</b>		
<b>Indicator</b>	<b>GRI Description</b>	<b>IOF 2015 Annual Financial Report and Annual Review</b>
<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.
<b>Society</b>		
<b>Community</b>		
SO1	Impacts of operations on communities, including the nature, scope, and effectiveness	The Manager operated a number of annual assessments, in financial year 2015 including a: > Customer survey, with responses from 40% of tenants. > Staff engagement survey, 83% response rate. > Health and safety staff survey.
CRE7	Number of persons displaced and/or resettled by development	Nil.
<b>Corruption</b>		
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>Overview: Governance &amp; Management</i> (pp.8-11), IOF 2015 Annual Review.
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>Overview: Governance &amp; Management</i> (pp.8-11), IOF 2015 Annual Review.
SO4	Actions taken in response to incidents of corruption	Nil incidents.
<b>Public Policy</b>		
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.
SO6	Financial and in-kind contributions to political parties, politicians, and related institutions	No donations were made to political parties or politicians.
<b>Anti-Competitive Behaviour</b>		
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Nil actions.
<b>Compliance</b>		
SO8	Significant fines and non-monetary sanctions for non-compliance with laws and regulations	None.

# GRI INDEX (CONTINUED)

GRI Indicator	GRI Description	IOF 2015 Annual Financial Report and Annual Review
<b>Product Responsibility</b>		
<b>Customer Health and Safety</b>		
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.
<b>Product and service labelling</b>		
PR3	Product and service information required by procedures	In Australia, mandatory Commercial Building Disclosure (CBD) obligations are set out under the <i>Building Energy Efficiency Disclosure Act 2010 (Cth)</i> . 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>Performance</i> (pp.30-35), IOF 2015 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 93% of respondents satisfied with The Manager as owner. Additionally, 86% of respondents affirmed they would recommend The Manager as a building manager. Investa Office Sustainability Report 2015 (p.6).
<b>Marketing Communications</b>		
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.
<b>Customer Privacy</b>		
PR8	Substantiated complaints regarding breaches of customer privacy	Nil.
<b>Compliance</b>		
PR9	Significant fines for non-compliance with laws and regulations	Nil.

# Financial Information



# FINANCIAL INFORMATION

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 20 August 2015. The Responsible Entity has the power to amend and reissue this financial report.

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# DIRECTORS' REPORT

## YEAR ENDED 30 JUNE 2015

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 2015.

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 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
Ming Long	Executive Director (resigned 20 October 2014)
Jonathan Callaghan	Executive Director (appointed 17 November 2014)
Campbell Hanan	Alternate Director (alternate for Scott MacDonald)

### 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 2015 the Group held twenty two investments located in the key central business districts of major Australian cities. The portfolio is valued at \$3,211.8 million and has a total net lettable area of 414,080 sqm.

The Responsible Entity has now delivered on its stated strategy of exiting the Group's offshore assets, completing the orderly sale of over \$800.0 million of assets in Europe and the United States with the sale of its final offshore asset Bastion Tower, Brussels for \$78.5 million (€54.9 million) in March 2015. The proceeds from offshore sales have been reinvested into \$1.2 billion of high quality Australian assets including 126 Phillip Street, the Piccadilly Complex, 6 O'Connell Street and 99 Walker Street in Sydney; and 242 Exhibition Street and 567 Collins Street in Melbourne.

#### a) Australian property portfolio

As at 30 June 2015, the Group's property portfolio was located in the key central business districts of major Australian cities. Key events for the current financial year include:

- > Completed 55,200 sqm of leasing;
- > The sale of 628 Bourke Street, Melbourne completed on 31 October 2014 for \$129.6 million excluding settlement adjustments, at a 14% premium to the prior book value;
- > Contracts were exchanged for the sale of 383 La Trobe Street, Melbourne for \$70.7 million subject to settlement adjustments and transaction costs, at a 31% premium to the prior book value;
- > Stage 2 DA approval was secured for the redevelopment of 151 Clarence Street, Sydney, as the Group continues to progress on the asset management plan to demolish the building and create a new 22,000sqm A-grade tower to complete in late 2018;
- > Completion of the car park construction at 800 Toorak Road, Melbourne; and
- > Construction of the new premium grade tower at 567 Collins Street, Melbourne completed on 7 July 2015. The Group acquired 50% of this asset via its associate investment in 567 Collins Street Trust in 2013.

The Group's Sydney and Melbourne assets, which total 78% of the portfolio by value, performed well throughout the period. Occupancy has remained high in Sydney (98%) and Melbourne (100%) as assets have been either leased to large tenants on long term leases, or small to medium sized businesses that are experiencing growth. There have also been healthy levels of demand and declining vacancies which have led to effective

rental growth, particularly in assets targeted at affordable users, where absolute rental levels are relatively low.

Although Brisbane and Perth assets make up only 19% of the Group's portfolio by value, the challenging leasing conditions that persist in those markets have impacted the performance of the portfolio. Despite being well located and offering high quality and affordable A-grade space, major vacancies remain at 140 Creek Street, Brisbane and 66 St Georges Terrace, Perth where 10,810 sqm and 4,594 sqm are available for lease.

Key metrics for the Australian portfolio as at and for the year ended 30 June 2015 include:

- > Occupancy of 93% (30 June 2014: 93%);
- > Tenant retention of 62% (30 June 2014: 68%);
- > Like-for-like net property income growth of -1.3% (30 June 2014: -0.4%); and
- > Weighted average lease expiry of 5.2 years (30 June 2014: 5.0 years).

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

Following the sale of the Group's last remaining European investment, Bastion Tower, Brussels in March 2015, the Group's European operations are considered a disposal group and the foreign currency translation reserve, relating entirely to the European operations, has been reclassified to profit or loss. The disposal group is reported as discontinuing operations in the Consolidated Income Statements.

#### **c) Revaluations**

Independent investment property valuations were completed for 97% by value (30 June 2014: 63%) of the Australian portfolio (including investment properties held by equity accounted investments). The average valuation increase over book value for the year was 4% (30 June 2014: 6%).

The weighted average capitalisation rate as at 30 June 2015 was 6.9% for the Australian portfolio (30 June 2014: 7.3%).

The positive valuation results are largely a result of improved leasing outcomes in Sydney and Melbourne:

- > The Group's North Sydney assets delivered an average 10% uplift across 111 Pacific Highway \$15.9 million (11%); 105 Miller Street \$19.5 million (10%); and 99 Walker Street \$13.7 million (8%), after prior period leasing improved cash flow quality and compounded the impact of market cap rate compression;
- > \$16.2 million (9%) increase in valuation of the Piccadilly Complex, Sydney following strong leasing of office and retail space largely ahead of previous valuation assumptions;
- > \$10.8 million (8%) uplift at 6 O'Connell Street, Sydney after vacancy was reduced and rental growth achieved;
- > \$18.9 million (8%) increase on 567 Collins Street, Melbourne to \$269.5 million (as at completion), with the cap rate decreasing from 6.7% at acquisition in 2013 to 5.9% at 30 June 2015; and
- > \$13.5 million (13%) increase in valuation of 800 Toorak Road, Melbourne following the completion of the car park and start of the new 15 year lease to Coles.

The weak conditions in Brisbane and Perth have impacted lease-up of vacancy, and as a result the uplifts outlined above have been partly offset by declines in the following valuations:

- > -\$16.7 million (-9%) decline in valuation of 140 Creek Street, Brisbane;
- > -\$12.9 million (-11%) decline in valuation of 295 Ann Street, Brisbane; and
- > -\$12.0 million (-13%) decline in valuation of 66 St Georges Terrace, Perth.

# DIRECTORS' REPORT

## YEAR ENDED 30 JUNE 2015 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Net profit attributable to unitholders	179.2	183.6	143.2	150.1
Net profit from continuing operations	281.8	226.9	143.2	150.4
Property Council Funds From Operations	169.9	162.6	na	na
Per stapled unit:	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per unit from net profit <sup>1</sup>	29.2	29.9	na	na
Basic and diluted earnings per unit from net profit from continuing operations	45.9	37.0	na	na
Property Council Funds From Operations per unit	27.7	26.5	na	na
Distributions per unit	19.25	18.50	11.20	9.65

1. The basic and diluted earnings per unit from net profit for the Fund and Prime as at 30 June 2015 was 5.9 cents (30 June 2014: 5.5 cents) and 23.3 cents (30 June 2014: 24.4 cents) respectively.

A distribution of \$59.6 million for the half-year ended 30 June 2015 was recognised in the 2015 financial year and is scheduled to be paid on 31 August 2015.

Basic and diluted earnings per stapled unit from net profit, as calculated under applicable accounting standards for the year ended 30 June 2015 was 29.2 cents, compared to 29.9 cents for the previous year. The change is a result of a decrease in net profit attributable to unitholders driven primarily by a loss from the reclassification of the foreign currency translation reserve to the profit and loss, offset by positive revaluations of the Group's investments, as outlined earlier in this report.

Distributions per unit have increased by 4.1% from 18.50 cents to 19.25 cents for the year ended 30 June 2015.

### Property Council FFO

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 2015 and 30 June 2014 has been calculated as follows:

	Investa Office Fund	
	30 June 2015 \$m	30 June 2014 \$m
Net profit attributable to unitholders	179.2	183.6
Adjusted for:		
Net (gain)/loss on change in fair value of:		
Investments <sup>1</sup>	(129.5)	(42.6)
Derivatives <sup>2</sup>	(87.8)	5.6
Net foreign exchange loss/(gain) <sup>2</sup>	77.0	(13.1)
Amortisation of incentives	26.4	22.0
Straight-lining of lease revenue	1.4	3.2
Transfer of foreign currency translation reserve to profit or loss	104.7	–
Other <sup>3</sup>	(1.5)	3.9
<b>Property Council FFO</b>	<b>169.9</b>	<b>162.6</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 (gain)/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. The net gain in the current period is predominantly due to an increase in the fair value of the Group's cross currency interest rate swaps which mitigate its exposure to foreign exchange rate movements on its US dollar denominated US Private Placements ("USPPs"). This gain has been broadly offset by the net foreign exchange loss driven by the change in carrying amount of the USPPs, which for accounting are translated to Australian dollars using the foreign exchange rate prevailing at the period end.
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 or loss, net gains on disposal of investments, offshore exit costs which includes selling costs from the disposal of investments and derivative termination costs, coupon interest from the 567 Collins Street Trust investment, and associated income tax expenses/(benefits).

Property Council FFO for the year to 30 June 2015 increased by 4.5% to \$169.9 million (30 June 2014: \$162.6 million) mainly due to:

- > Increased Australian net property income of \$13.8 million resulting from full year contributions from the Piccadilly Complex and 6 O'Connell Street in Sydney, partly offset by lower net property income due to vacancy at 140 Creek Street, Brisbane; and
- > Increased interest income of \$5.7 million, mainly derived from the Group's interest bearing loan to 567 Collins Street Trust, in place to fund the construction of 567 Collins Street, Melbourne.

The above increases in Property Council FFO were partly offset by:

- > Lower European net property income of \$8.8 million, mainly due to the sale of the DOF investment in December 2013 and Bastion Tower, Brussels in March 2015; and
- > Increased borrowing costs of \$7.1 million attributable to higher average debt levels in the current period, driven by the acquisition of Piccadilly Complex, Sydney in March 2014, and the acquisition of 6 O'Connell Street, Sydney in June 2014.

# DIRECTORS' REPORT

## YEAR ENDED 30 JUNE 2015 CONTINUED

### 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 2015	30 June 2014	30 June 2015	30 June 2014
Value of total assets (\$m)	3,321.2	3,142.5	1,713.9	1,498.3
Total liabilities (\$m)	1,098.3	1,084.1	417.6	297.2
<b>Net assets (\$m)</b>	<b>2,222.9</b>	<b>2,058.4</b>	<b>1,296.3</b>	<b>1,201.1</b>
<b>Net tangible assets per unit (dollars)</b>	<b>3.62</b>	<b>3.35</b>	<b>2.11</b>	<b>1.96</b>

The value of the Group and Prime's total assets is derived using the basis set out in Note 1 of the Consolidated 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 \$178.7 million (5.7%) to \$3,321.2 million (30 June 2014: \$3,142.5 million) mainly due to additions to existing properties; positive revaluation to the Group's investment property portfolio; the construction of 567 Collins Street, Melbourne, an equity accounted investment; and positive revaluation to the Group's cross currency interest rate swaps which mitigate exposure to foreign exchange rate movement on its US dollar denominated debt. The increase in total assets has been partly offset by the sale of 628 Bourke Street, Melbourne and Bastion Tower, Brussels. Total liabilities increased by \$14.2 million (1.3%) to \$1,098.3 million (30 June 2014: \$1,084.1 million) predominantly due to increases in debt to fund the construction of 567 Collins Street, Melbourne and increases in the carrying value of US denominated debt resulting from the weakening of the Australian dollar. The increase in total liabilities has been partly offset by corresponding decreases in debt resulting from the sale of 628 Bourke Street, Melbourne and Bastion Tower, Brussels.

### Capital management

	Investa Office Fund	
	30 June 2015	30 June 2014
Drawn debt (\$m)	1,001.2	948.0
Drawn debt – look-through (\$m) <sup>1</sup>	936.0	1,018.6
Gearing ratio – look-through <sup>2</sup>	28.8%	32.0%
Weighted average debt expiry – look-through <sup>3</sup>	5.2 years	5.8 years
Interest rate hedging – look-through	42.7%	34.4%
Leverage ratio – look-through	33.1%	35.2%
Interest coverage – look-through (times)	4.4x	4.9x

1. Represents the Group's look-through drawn debt, based on the AUD exposure on the US Private Placements after applying hedging arrangements.

2. The methodology for the calculation of the gearing ratio has been amended during the period to reflect a look-through debt balance that includes the Group's Australian dollar exposure after hedging its USPPs. The impact on the 30 June 2014 ratio is that the gearing ratio has increased from 31.5%, as disclosed in 30 June 2014 financial statements, to 32.0% under the new methodology.

3. Prior period includes the refinancing of the Group's syndicate debt in August 2014.

The Group had drawn debt on a look-through basis as at 30 June 2015 of \$936.0 million (30 June 2014: \$1,018.6 million). The Group had undrawn committed bank facilities on a look-through basis as at 30 June 2015 of \$195.0 million (30 June 2014: \$95.1 million).

In July 2014, 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. As a result the Group and Prime repaid a syndicate bank debt which matured on 15 August 2014.

The average maturity of the Group's debt on a look-through basis at 30 June 2015 was 5.2 years (30 June 2014: 5.8 years including the refinancing of the Group's syndicate debt facility in August 2014).

## 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 2015 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 ("the 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 improve income returns;
- > Upgrading assets where appropriate to create relevant, appropriately priced 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 Bastion Tower, Brussels, the Group's portfolio is 100% Australian based. 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 equal 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 2015 CONTINUED

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### 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.

Change in the Responsible Entity's ownership	<p>As outlined in the 'Potential change in ownership of the Responsible Entity' section of this report, the Management Platform is currently in the process of being sold. The Management Platform executes the Group's strategy by appointing personnel and providing asset and property management services to the Group's investment property portfolio. The Management Platform includes Investa Office Management Pty Limited ("IOM"), which is the parent of the Group's Responsible Entity, ILFML.</p> <p>A change in the owner of the Management Platform may result in:</p> <ul style="list-style-type: none"> <li>&gt; a change of ILFML Board members;</li> <li>&gt; the loss of key personnel;</li> <li>&gt; a change in the Group's business strategies;</li> <li>&gt; a change of ILFML's policies and procedures including those around conflicts of interest and risk management;</li> <li>&gt; an impaired ability for the Group to leverage the skills and expertise of the Management Platform to execute its business strategies; and</li> <li>&gt; a loss of, or change in, a strategic opportunity to acquire an interest in the Management Platform.</li> </ul> <p>In the event the Group's unitholders are not satisfied with the Responsible Entity, unitholders have the right to replace the Responsible Entity by means of an ordinary resolution.</p>
Market cycle	<p>Economic growth and economic environment present risks to tenant vacancies, the property valuation cycle, the availability of funding, interest rates, and foreign exchange rates. The mitigation of these risks is discussed further below.</p>
Vacancy levels	<p>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 lower property values. This risk is mitigated by the Group's ability to utilise the specialist skills and expertise of the Management Platform that has a strong focus on tenant service and amenities to embed 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 5.2 years across the Australian portfolio. Less than 7% of income from the Group's portfolio expires in the next 12 months, after taking into consideration the development of 151 Clarence Street, which is scheduled to be demolished late in the 2016 financial year to make way for a new 22,000 sqm A-grade tower.</p>
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 may increase borrowing costs and increases the risk of a breach of financing covenants. This risk is mitigated by the Group targeting a gearing range with reference to the property valuation cycle; 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 is the strongest in Sydney and Melbourne, with improving occupancy fundamentals enhancing investor confidence; whereas continued weak tenant demand and high levels of supply in the Brisbane and Perth markets present a more challenging outlook. With interest rates remaining at record lows across the developed world, commercial property prices have risen dramatically in all the major global markets including Australia. This theme is expected to continue during the 2016 financial year as global investors seek out cash flows underpinned by long leases to strong tenant covenants.</p>

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Availability of funding	<p>The availability of 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's diversified sources of financing, staggering debt maturities across multiple years 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.</p> <p>As outlined in the 'Potential change in ownership of the Responsible Entity' section of this report, the sale of the Management Platform could trigger a review event on certain debt facilities held by the Group. This may lead to the risk that lenders declare the Group's debt due and payable. In the event lenders require the Group to repay its debt, the Group would be required to refinance its existing debt facilities under current market conditions.</p>
Interest rates	<p>The level of interest rates can affect the amount of interest payable on the Group's debt facilities as well as impacting investor sentiment towards property assets and hence market values. Higher interest rates typically increase interest costs and may reduce 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 21(a) of the Consolidated Financial Statements.</p>
Exchange rate risk	<p>The Group is exposed to movements in the AUD/USD exchange rate through its USD 325.0 million USPPs. Exchange rate risk is mitigated by the use of cross currency interest rate swap contracts, which minimises the interest rate and exchange rate risk on these borrowings.</p>

## Future financial prospects

### a) Market conditions

The Australian economy is currently experiencing a challenging period as mining investment slows, weighing on economic growth. Despite some encouraging signs of improvement in the American and Japanese economies, concerns over China combined with some negative sentiment towards the Australian economy has led to business confidence remaining relatively subdued. Employment growth has been weak overall, and as a result the unemployment rate has held at just above 6% for the last 12 months.

However this data masks the divergent conditions being experienced in different locations around the country as the economy transitions away from mining, back to the traditional drivers of economic growth. Low interest rates and a lower Australian dollar are now beginning to stimulate the non-mining sectors of the economy, and the growth prospects of New South Wales and Victoria have lifted over the last year. Key office space occupying industries such as Business Services, are faring the best of all sectors as these firms are now expanding headcount.

Latest office market data indicates improving conditions for white-collar industries. The Sydney and Melbourne markets have seen vacancy rates improve over the course of the year, thanks to a strong rebound in tenant demand, which was recorded at around double the long-term average. Escalated rental growth in these markets over the next 12 months is likely as tenant incentives begin to contract.

Office space absorption has stabilised in Brisbane, which is now through the worst from a demand perspective. However supply headwinds remain and are likely to restrict rental growth over the medium-term. The Perth market continues to face challenges due to the fall in commodity prices which is likely to delay the next round of mining investment. Vacancy is expected to remain elevated for several years in Perth as a result of over 10% of office space currently under construction.

### b) Potential change in ownership of the Responsible Entity

In February 2015, Morgan Stanley Real Estate Investing ("Morgan Stanley") commenced a formal sale process regarding its investment in Investa Property Group ("IPG"). IPG comprises two business units, Investa Office and Investa Land.

The Investa Office business incorporates Investa Property Trust ("IPT") and the Investa Office management platform ("the Management Platform"). The Management Platform is represented by Investa Office Management Holdings Pty Limited ("IOMHPL") which is the direct parent of Investa Office Management Pty Limited ("IOM"). IOM is the parent entity of the Group's Responsible Entity, ILFML, and of the management entities within Investa Office that provide asset and property management services to the Group's investment property portfolio.

A change in ownership of the Management Platform will result in a change in the ultimate owner of ILFML.

As a result of Morgan Stanley's announcement, the Directors of the Responsible Entity established an Independent Board Committee ("IBC") consisting of three Independent Directors of the Group (Deborah Page, Peter Dodd and Peter Rowe) to focus on the interests of unitholders during this sale process.

The Group holds pre-emptive rights over the shares in IOM under an Implementation Deed between Investa Property Group Holdings Pty Limited, IOMHPL and ILFML. Under certain circumstances the pre-emptive rights entitle the Group to:

- > acquire IOM where IOMHPL wishes to sell its interest in IOM; and
- > acquire a 50% interest in IOM when the gross value of the Group's Australian commercial office assets reaches \$3.5 billion.

Morgan Stanley has advised the IBC that it will not accept an offer from the Group to acquire IOM, and that it would complete the sale of the Management Platform in a manner that does not trigger the Group's pre-emptive rights.

# DIRECTORS' REPORT

## YEAR ENDED 30 JUNE 2015 CONTINUED

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

#### b) Potential change in ownership of the Responsible Entity (continued)

On 7 August 2015, Morgan Stanley provided Mirvac Group a period of exclusivity to potentially acquire the Management Platform.

On 14 August 2015, the Group announced that the IBC had commenced a strategic review ("the Strategic Review") to explore all alternatives available in the best interests of the Group's unitholders.

As at the date of this report the sale process of the Management Platform and the Strategic Review are ongoing.

#### Risks arising from a change in ownership

As outlined in the 'Material business risks' section above, a change in the ownership of the Management Platform could lead to a number of risks, in particular a review event on certain debt facilities held by the Group. A review event on any of the Group's debt facilities gives rise to the risk that the facility under review, in part or in whole, is declared due and payable by lenders. If lenders to the Group require their debt to be repaid and the Group is unable to refinance and repay their debt within the nominated period, cross default provisions could be triggered requiring the Group to repay its other debt facilities in part or in full.

In the event lenders require the Group to repay its debt, the Group would be required to refinance its existing debt facilities under current market conditions.

#### c) Earnings guidance

The Group's 30 June 2016 forecast earnings guidance (based on Property Council FFO) is 28.1 cents per unit (30 June 2015 actual: 27.7 cents per unit) with a full year distribution of 19.60 cents per unit (30 June 2015 actual: 19.25 cents per unit). This guidance is subject to prevailing market conditions.

### Events occurring after the reporting period

On 7 July 2015, the construction of 567 Collins Street, Melbourne reached practical completion. The Group holds a 50% interest in this property via its associate investment in 567 Collins Street Trust.

On 17 July 2015, Prime exchanged contracts for the sale of 383 La Trobe Street, Melbourne for \$70.7 million less committed costs. The contracts for sale entitle Prime to a 15% non-refundable deposit and outline a deferred settlement period of twelve to eighteen months from the date of exchange. The sale value has been reflected in the book value of the property as at 30 June 2015.

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.

ILFML and its associates had the following interest in the Trusts as at 30 June 2015:

Name	Number of units held			
	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 '000	30 June 2014 '000	30 June 2015 '000	30 June 2014 '000
Investa Office Management Holdings Pty Limited	54,878	31,942	54,878	31,942
Post Sale Portfolio Issuer Pty Limited	–	9,938	–	9,938
	<b>54,878</b>	<b>41,880</b>	<b>54,878</b>	<b>41,880</b>

As at 30 June 2015 Investa Office Management Holdings Pty Limited and Post Sale Portfolio Issuer Pty Limited held 8.9% and nil% respectively of the total units issued by the Group and Prime (30 June 2014: 5.2% and 1.6% respectively).

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 23 of the Consolidated Financial Statements.

## Interests of Directors of the Responsible Entity

Units in the Trusts held by Directors and Alternate Directors of ILFML as at 30 June 2015 were:

	Number of units
Deborah Page AM	29,450
Peter Dodd	19,902
Scott MacDonald	74,450
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. 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

### ATO income tax audit

As previously announced, the Australian Taxation Office ("ATO") is auditing the income tax returns for Prime. Following the Independent Review of the ATO's positions, the remaining focus of the audit is deductions claimed for foreign exchange losses.

## 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 24 of the Consolidated Financial Statements.

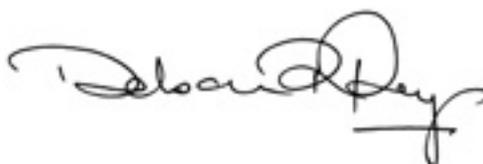
## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

## Rounding of amounts

The Trusts are of a kind of entity referred to in Class Order 98/100, issued by the Australian Securities & 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  
20 August 2015

# 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 2015, 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', is written over a faint horizontal line.

S J Hadfield  
Partner  
PricewaterhouseCoopers

Sydney  
20 August 2015

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# CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Revenue from continuing operations</b>					
Rental and other property income		209.9	189.6	77.7	81.5
Interest income		7.6	4.5	7.3	4.3
		<b>217.5</b>	<b>194.1</b>	<b>85.0</b>	<b>85.8</b>
Net foreign exchange (loss)/gain		(78.6)	13.1	(30.2)	(3.7)
Net gain/(loss) on change in fair value of:					
Investment properties	12	89.4	67.7	24.3	50.7
Derivative financial instruments		87.8	(9.8)	33.1	5.8
Share of net profit of equity accounted investments	11	67.8	52.7	67.8	52.7
Property expenses		(52.5)	(46.4)	(22.0)	(21.4)
Responsible Entity's fees		(11.1)	(10.1)	(6.5)	(5.7)
Finance costs		(41.6)	(31.5)	(12.1)	(11.6)
Other expenses		(3.1)	(2.6)	(2.4)	(1.9)
<b>Profit before income tax</b>		<b>275.6</b>	<b>227.2</b>	<b>137.0</b>	<b>150.7</b>
Income tax benefit/(expense)	4	6.2	(0.3)	6.2	(0.3)
<b>Profit from continuing operations for the year</b>		<b>281.8</b>	<b>226.9</b>	<b>143.2</b>	<b>150.4</b>
Loss from discontinuing operations for the year	9	(102.6)	(43.3)	–	(0.3)
<b>Net profit attributable to unitholders</b>		<b>179.2</b>	<b>183.6</b>	<b>143.2</b>	<b>150.1</b>
<b>Attributable to unitholders of:</b>					
Armstrong Jones Office Fund		36.0	33.5	–	–
Prime Credit Property Trust		143.2	150.1	143.2	150.1
		<b>179.2</b>	<b>183.6</b>	<b>143.2</b>	<b>150.1</b>
<b>Distributions and earnings per unit</b>					
Distributions per unit (cents)	5	19.25	18.50	11.20	9.65
Basic and diluted earnings per unit from net profit from continuing operations:					
Per stapled unit (cents)	6	45.9	37.0	na	na
Per unit of each trust (cents)	6	22.6	12.5	23.3	24.5
Basic and diluted earnings per unit from net profit					
Per stapled unit (cents)	6	29.2	29.9	na	na
Per unit of each trust (cents)	6	5.9	5.5	23.3	24.4

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 2015

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Net profit for the year</b>		<b>179.2</b>	<b>183.6</b>	<b>143.2</b>	<b>150.1</b>
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified to profit or loss</i>					
Transfer of foreign currency translation reserve from disposed operations to profit and loss	17	104.7	–	–	–
Exchange differences on translation of foreign operations	17	(1.2)	1.8	–	–
<b>Total comprehensive income for the year</b>		<b>282.7</b>	<b>185.4</b>	<b>143.2</b>	<b>150.1</b>
Total comprehensive income for the year attributable to unitholders of:					
Armstrong Jones Office Fund		139.5	35.3	–	–
Prime Credit Property Trust		143.2	150.1	143.2	150.1
<b>Total comprehensive income for the year</b>		<b>282.7</b>	<b>185.4</b>	<b>143.2</b>	<b>150.1</b>
Total comprehensive income for the year attributable to unitholders arising from:					
Armstrong Jones Office Fund					
Continuing operations		138.6	76.5	–	–
Discontinued operations		0.9	(41.2)	–	–
		<b>139.5</b>	<b>35.3</b>	<b>–</b>	<b>–</b>
Prime Credit Property Trust					
Continuing operations		143.2	150.4	143.2	150.4
Discontinued operations		–	(0.3)	–	(0.3)
		<b>143.2</b>	<b>150.1</b>	<b>143.2</b>	<b>150.1</b>
		<b>282.7</b>	<b>185.4</b>	<b>143.2</b>	<b>150.1</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 2015

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Current assets</b>					
Cash and cash equivalents	7	3.6	12.3	1.0	2.5
Trade and other receivables	8	18.2	20.2	10.5	9.7
Derivative financial instruments	10	–	3.1	–	0.7
		<b>21.8</b>	<b>35.6</b>	<b>11.5</b>	<b>12.9</b>
Assets classified as held for sale	9	–	171.4	–	–
		<b>21.8</b>	<b>207.0</b>	<b>11.5</b>	<b>12.9</b>
<b>Non-current assets</b>					
Trade and other receivables	8	114.2	60.2	114.2	60.2
Derivative financial instruments	10	86.6	3.4	36.9	2.1
Investments accounted for using the equity method	11	543.7	476.4	543.7	476.4
Investment properties	12	2,554.9	2,395.5	1,007.6	946.7
		<b>3,299.4</b>	<b>2,935.5</b>	<b>1,702.4</b>	<b>1,485.4</b>
<b>Total assets</b>		<b>3,321.2</b>	<b>3,142.5</b>	<b>1,713.9</b>	<b>1,498.3</b>
<b>Current liabilities</b>					
Trade and other payables	14	29.9	38.2	12.4	16.6
Distribution payable	5	59.6	56.8	35.0	29.5
Derivative financial instruments	10	2.5	–	–	–
Borrowings	15	61.9	228.0	41.9	110.0
		<b>153.9</b>	<b>323.0</b>	<b>89.3</b>	<b>156.1</b>
Liabilities directly associated with assets classified as held for sale	9	–	25.7	–	–
		<b>153.9</b>	<b>348.7</b>	<b>89.3</b>	<b>156.1</b>
<b>Non-current liabilities</b>					
Derivative financial instruments	10	9.1	19.2	1.1	–
Borrowings	15	935.3	716.2	327.2	141.1
		<b>944.4</b>	<b>735.4</b>	<b>328.3</b>	<b>141.1</b>
<b>Total liabilities</b>		<b>1,098.3</b>	<b>1,084.1</b>	<b>417.6</b>	<b>297.2</b>
<b>Net assets</b>		<b>2,222.9</b>	<b>2,058.4</b>	<b>1,296.3</b>	<b>1,201.1</b>
<b>Equity</b>					
Contributed equity	16	2,142.3	2,142.3	1,193.8	1,193.8
Reserves	17	–	(103.5)	–	–
Retained earnings	18	80.6	19.6	102.5	7.3
<b>Total equity</b>		<b>2,222.9</b>	<b>2,058.4</b>	<b>1,296.3</b>	<b>1,201.1</b>
<b>Attributable to unitholders of:</b>					
<b>Armstrong Jones Office Fund:</b>					
Contributed equity		948.5	948.5	–	–
Reserves		–	(103.5)	–	–
(Accumulated losses)/retained earnings		(21.9)	12.3	–	–
		<b>926.6</b>	<b>857.3</b>	<b>–</b>	<b>–</b>
Prime Credit Property Trust		1,296.3	1,201.1	1,296.3	1,201.1
<b>Total equity</b>		<b>2,222.9</b>	<b>2,058.4</b>	<b>1,296.3</b>	<b>1,201.1</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 2015

Attributable to unitholders of Investa Office Fund					
	Note	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
Balance at 1 July 2013		2,142.3	(105.3)	(50.4)	1,986.6
Net profit for the year		–	–	183.6	183.6
Other comprehensive income		–	1.8	–	1.8
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>1.8</b>	<b>183.6</b>	<b>185.4</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(113.6)	(113.6)
		<b>–</b>	<b>–</b>	<b>(113.6)</b>	<b>(113.6)</b>
<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>
Balance at 1 July 2014		2,142.3	(103.5)	19.6	2,058.4
Net profit for the year		–	–	179.2	179.2
Other comprehensive income		–	103.5	–	103.5
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>103.5</b>	<b>179.2</b>	<b>282.7</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(118.2)	(118.2)
		<b>–</b>	<b>–</b>	<b>(118.2)</b>	<b>(118.2)</b>
<b>Balance at 30 June 2015</b>		<b>2,142.3</b>	<b>–</b>	<b>80.6</b>	<b>2,222.9</b>

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

Attributable to unitholders of Prime Credit Property Trust					
	Note	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
Balance at 1 July 2013		1,193.8	–	(83.5)	1,110.3
Net profit for the year		–	–	150.1	150.1
Other comprehensive income		–	–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>150.1</b>	<b>150.1</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(59.3)	(59.3)
		<b>–</b>	<b>–</b>	<b>(59.3)</b>	<b>(59.3)</b>
<b>Balance at 30 June 2014</b>		<b>1,193.8</b>	<b>–</b>	<b>7.3</b>	<b>1,201.1</b>
Balance at 1 July 2014		1,193.8	–	7.3	1,201.1
Net profit for the year		–	–	143.2	143.2
Other comprehensive income		–	–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>143.2</b>	<b>143.2</b>
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	–	–	(48.0)	(48.0)
		<b>–</b>	<b>–</b>	<b>(48.0)</b>	<b>(48.0)</b>
<b>Balance at 30 June 2015</b>		<b>1,193.8</b>	<b>–</b>	<b>102.5</b>	<b>1,296.3</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

## AS AT 30 JUNE 2015

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations (inclusive of GST)		243.2	212.5	95.5	90.0
Cash payments in the course of operations (inclusive of GST)		(86.2)	(75.4)	(38.9)	(35.5)
Settlement of income hedging currency derivatives		2.1	1.9	–	0.1
Distributions received from financial asset at fair value through profit or loss		–	3.8	–	–
Distribution received from equity accounted investments	11	25.4	25.2	25.4	25.2
Interest received		0.5	0.4	0.2	0.2
Derivative termination costs paid		–	(4.0)	–	–
Finance costs paid		(43.2)	(36.2)	(12.3)	(13.1)
Income taxes refunded/(paid)		8.0	(0.7)	0.5	(0.3)
<b>Net cash inflow from operating activities</b>	26	<b>149.8</b>	<b>127.5</b>	<b>70.4</b>	<b>66.6</b>
<b>Cash flows from investing activities</b>					
Payments for additions to investment properties		(85.4)	(63.2)	(45.8)	(17.0)
Payments for the acquisition of investment properties		(7.4)	(451.7)	–	–
Proceeds from disposal of investment properties		126.1	–	–	–
Proceeds from sale of investments		20.5	233.7	–	–
Loans to equity accounted investments		(71.7)	(64.5)	(71.7)	(61.1)
Loans from equity accounted investments		0.4	–	–	–
Loans received from stapled entity		–	–	20.8	–
<b>Net cash outflow from investing activities</b>		<b>(17.5)</b>	<b>(345.7)</b>	<b>(96.7)</b>	<b>(78.1)</b>
<b>Cash flows from financing activities</b>					
Distributions to unitholders		(115.4)	(112.1)	(63.3)	(60.5)
Proceeds from borrowings		391.0	679.0	228.0	110.0
Proceeds from issue of US Private Placements		–	358.0	–	128.9
Repayment of borrowings		(416.0)	(709.7)	(140.0)	(167.0)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(140.4)</b>	<b>215.2</b>	<b>24.7</b>	<b>11.4</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8.1)</b>	<b>(3.0)</b>	<b>(1.6)</b>	<b>(0.1)</b>
Cash and cash equivalents at the beginning of the year		12.3	12.4	2.5	1.9
Effects of exchange rate changes on cash and cash equivalents		(0.6)	2.2	0.1	–
Less cash balance transferred from assets held for sale		–	0.7	–	0.7
<b>Cash and cash equivalents at the end of the year</b>	7	<b>3.6</b>	<b>12.3</b>	<b>1.0</b>	<b>2.5</b>
Non-cash investing and financing activities	26				

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 2015

## 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 31 August 2015 and refinance current debt. For details of the Group and Prime's financing arrangements refer to Note 15.

### (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, amendments and interpretations have been applied for the first time for the annual reporting period ending 30 June 2015:

- > AASB 2014-1 Part A *Annual improvements project – 2010-2012 cycle and 2011-2013 cycle* clarifies minor amendments to AASB 3, AASB 8, AASB 13, AASB 124, AASB 138 and AASB 140;
- > AASB 2012-3 *Offsetting Financial Assets and Liabilities* clarifies that the right of set-off must be available today and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy; and
- > Interpretation 21 *Accounting for Levies* confirms what an obligating event is and when a liability is recognised for government imposed levies such as land tax and car park levies.

None of the new standards, amendments or interpretations applied for the first time for the financial year beginning 1 July 2014 have materially affected the disclosures and amounts recognised in the current period or any prior period, and are not likely to affect future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

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

### (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 2015. 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 2015.

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 presentation 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 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 all investments and investment properties held by foreign subsidiaries are 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**

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 Consolidated Statements of Cash Flows, 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

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

### (i) Trade and other receivables (continued)

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 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. Details of the Group's 30 June 2014 loss on financial asset at fair value through profit or loss is disclosed in Note 9.

#### 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 22.

### 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 or liabilities 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.

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 22 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

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

### (n) Investment properties (continued)

#### (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.

### (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 Consolidated Financial Statements. Amounts in the Consolidated 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 the reporting period ended 30 June 2015. 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 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (effective 1 January 2018).*

*AASB 9 Financial Instruments* addresses the classification, measurement, impairment and derecognition of financial assets and financial liabilities. When adopted, the standard will simplify the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss will be presented in other comprehensive income.

- (ii) *AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (effective 1 January 2017).*

*AASB 15 Revenue from Contracts with Customers* will replace *AASB 118* and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This new standard requires a five step analysis of transactions to determine whether revenue can be recognised, when revenue can be recognised, and the extent of revenue to be recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

The Responsible Entity is in the process of assessing any implications of the above new accounting standards and interpretations to the Group's operations and financial results. The Group does not expect to adopt the new standards before their operative dates.

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 25 has been prepared on the same basis as the Consolidated Financial Statements, except as set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

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

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

#### (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.

## 2. Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires IFRS 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 investment properties

Critical judgements are made by the Responsible Entity in respect of the fair values of investment properties (Note 12) and investment properties held through investments in associates (Note 11). These investment properties 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 22(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 value 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 22 and have been developed in compliance with requirements of AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*.

#### (iii) 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 Annual 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 2015 the properties were located in Australia and Europe. On 4 March 2015, the Group sold its 50% investment in Bastion Tower I NV, Belgium which owned the Group's last European investment property, Bastion Tower (see Note 9). As at the reporting date the Group's property portfolio was entirely Australian based (see Note 13).

The Responsible Entity has identified the Group's 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 segment information has only been disclosed for the Group.

#### (b) Segment assets and liabilities

	Investa Office Fund			
	Segment assets		Segment liabilities	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Australia	3,229.8	3,067.8	1,086.5	1,036.8
Europe	–	55.0	–	27.7
Unallocated	91.4	19.7	11.8	19.6
<b>Total segment assets and liabilities</b>	<b>3,321.2</b>	<b>3,142.5</b>	<b>1,098.3</b>	<b>1,084.1</b>

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

#### (c) Segment revenue

	Investa Office Fund	
	30 June 2015 \$m	30 June 2014 \$m
Australia	209.9	189.6
Europe	–	3.8
<b>Segment revenue</b>	<b>209.9</b>	<b>193.4</b>
Interest income	7.6	4.5
<b>Total revenue</b>	<b>217.5</b>	<b>197.9</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 2015 CONTINUED

## 3. Segment information (continued)

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

	Investa Office Fund	
	30 June 2015 \$m	30 June 2014 \$m
Australia	186.9	173.1
Europe	2.2	11.0
<b>Segment result</b>	<b>189.1</b>	<b>184.1</b>
Interest income	10.2	4.5
Finance costs	(41.9)	(34.8)
Responsible Entity's fees	(11.1)	(10.1)
Net foreign exchange gain	0.6	1.8
Foreign asset management fees	(0.2)	(0.4)
Other expenses	(3.2)	(3.0)
Current income tax expense	–	(1.5)
	<b>143.5</b>	<b>140.6</b>
Amortisation of tenant incentives	26.4	22.0
<b>Property Council FFO</b>	<b>169.9</b>	<b>162.6</b>

The Group reports net profit attributed to unitholders in accordance with 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.

**(e) Reconciliation of Property Council FFO to net profit attributable to unitholders**

	Note	Investa Office Fund	
		30 June 2015 \$m	30 June 2014 \$m
Property Council FFO		169.9	162.6
Net gain/(loss) on change in fair value of:			
Investment properties	12	89.4	67.7
Derivatives <sup>1</sup>		87.8	(5.7)
Net foreign exchange (loss)/gain <sup>1</sup>		(77.0)	13.1
Items included in share of net profit of equity accounted investments:			
Investment properties	11	40.1	10.7
Coupon interest		(2.6)	–
Derivative financial instruments	11	–	0.1
Loss on financial asset at fair value (DOF)		–	(35.8)
Amortisation of associate entity pre-acquisition incentives		(0.5)	(0.6)
Amortisation of incentives		(26.4)	(22.0)
Straight-lining of lease revenue		(1.4)	(3.2)
Other unrealised or one-off items:			
Distribution from financial asset at fair value through profit or loss		–	3.8
Transfer of foreign currency translation reserve to profit and loss	17	(104.7)	–
Operating income from DOF		–	(7.6)
Derivative termination costs		–	(4.0)
Offshore exit costs		(0.6)	(4.0)
Income tax benefit		6.2	8.6
Other items		(1.0)	(0.1)
<b>Net profit attributable to unitholders</b>		<b>179.2</b>	<b>183.6</b>

1. Net gain/(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. The net gain in the current period is predominantly due to an increase in the fair value of the Group's cross currency interest rate swaps which mitigate its exposure to foreign exchange rate movements on its US dollar denominated US Private Placements ("USPPs"). This gain has been broadly offset by the net foreign exchange loss driven by the change in carrying amount of the USPPs, which for accounting are translated to Australian dollars using the foreign exchange rate prevailing at the period end.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 3. Segment information (continued)

### (f) Other information

30 June 2015	Investa Office Fund		
	Australia \$m	Europe \$m	Total \$m
Share of net profit of equity accounted investments	67.8	0.5	68.3
Net gain on change in fair value of investment property	89.4	–	89.4
Additions to investment properties and equity accounted investments	128.4	–	128.4

30 June 2014	Investa Office Fund		
	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

#### 4. Income tax expense

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Current tax	(6.2)	(7.1)	(6.2)	0.5
Deferred tax	–	–	–	–
	<b>(6.2)</b>	<b>(7.1)</b>	<b>(6.2)</b>	<b>0.5</b>
Income tax (benefit)/expense is attributable to:				
Profit from continuing operations	(6.2)	0.3	(6.2)	0.3
Loss from discontinued operations	–	(7.4)	–	0.2
<b>Total income tax (benefit)/expense</b>	<b>(6.2)</b>	<b>(7.1)</b>	<b>(6.2)</b>	<b>0.5</b>

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Profit from continuing operations before income tax expense	275.6	227.2	137.0	150.7
Loss from discontinued operations before income tax expense	(102.6)	(50.7)	–	(0.1)
	<b>173.0</b>	<b>176.5</b>	<b>137.0</b>	<b>150.6</b>
Tax at the Australian tax rate of 30% (2014: 30%)	51.9	53.0	41.1	45.2
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Australian income	(52.6)	(67.0)	(40.3)	(43.3)
Other non-taxable income	1.3	12.7	(0.2)	–
Recovery of prior year tax paid/recognised	(6.7)	(8.2)	(6.7)	(0.9)
Foreign income not subject to income tax	–	4.8	–	–
Difference between Australian and foreign tax rates	(0.1)	(2.4)	(0.1)	(0.5)
<b>Income tax (benefit)/expense</b>	<b>(6.2)</b>	<b>(7.1)</b>	<b>(6.2)</b>	<b>0.5</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 5. Distributions

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 cents	30 June 2014 cents	30 June 2015 cents	30 June 2014 cents
Distributions paid or payable in respect of the following periods at the following rates (in cents per unit):				
Half-year ended 31 December	9.55	9.25	5.50	4.85
Half-year ended 30 June	9.70	9.25	5.70	4.80
	<b>19.25</b>	<b>18.50</b>	<b>11.20</b>	<b>9.65</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	58.6	56.8	33.8	29.8
Half-year ended 30 June	59.6	56.8	35.0	29.5
Prior period reallocation <sup>1</sup>	–	–	(20.8)	–
<b>Total distributions paid or payable</b>	<b>118.2</b>	<b>113.6</b>	<b>48.0</b>	<b>59.3</b>

The distribution for the half year ended 30 June 2014 was recognised in the 2014 financial year and paid on 29 August 2014. The distribution for the half year ended 30 June 2015 was recognised in the 2015 financial year and is scheduled to be paid on 31 August 2015.

1. The prior period reallocation represents a reallocation of distributions required between the Fund and Prime in respect of financial years prior to 2011. This adjustment has no impact on the Group's total distributions, net assets, or net profit attributable to unitholders.

## 6. Earnings per unit

### (a) Per stapled unit

	Investa Office Fund	
	30 June 2015	30 June 2014
Weighted average number of units outstanding (thousands)	614,047	614,047
Profit from continuing operations attributable to unitholders (\$ millions)	281.8	226.9
Basic and diluted earnings per unit from continuing operations (cents)	45.9	37.0
Loss from discontinued operations attributable to unitholders (\$ millions)	(102.6)	(43.3)
Basic and diluted earnings per unit from discontinued operations (cents)	(16.7)	(7.1)
Profit attributable to unitholders (\$ millions)	179.2	183.6
Basic and diluted earnings per unit (cents)	29.2	29.9

### (b) Per unit of each Trust

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Weighted average number of units outstanding (thousands)	614,047	614,047	614,047	614,047
Profit from continuing operations attributable to unitholders (\$ millions)	138.6	76.5	143.2	150.4
Basic and diluted earnings per unit from continuing operations (cents)	22.6	12.5	23.3	24.5
Loss from discontinued operations attributable to unitholders (\$ millions)	(102.6)	(43.0)	–	(0.3)
Basic and diluted earnings per unit from discontinued operations (cents)	(16.7)	(7.0)	–	–
Profit attributable to unitholders (\$ millions)	36.0	33.5	143.2	150.1
Basic and diluted earnings per unit (cents)	5.9	5.5	23.3	24.4

## 7. Cash and cash equivalents

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Current assets</b>				
Cash at bank and on hand	3.6	12.3	1.0	2.5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 8. Trade and other receivables

### (a) Trade and other receivables

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Current Assets</b>				
Rental and other amounts due <sup>1</sup>	1.2	1.3	0.3	0.3
Allowance for impairment loss	(0.2)	(0.3)	(0.2)	(0.2)
Tax refund receivable	–	8.2	–	0.9
Accrued income, prepayments and other receivables	17.2	11.0	10.4	8.7
	<b>18.2</b>	<b>20.2</b>	<b>10.5</b>	<b>9.7</b>
<b>Non-current</b>				
Loan to equity accounted investments <sup>2</sup>	114.2	60.2	114.2	60.2
	<b>114.2</b>	<b>60.2</b>	<b>114.2</b>	<b>60.2</b>

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

2. Represents an interest bearing loan to 567 Collins Street Trust, a related party to the Group. When fully drawn the interest received by the Group is based on a 6.4% fixed rate. It is expected that it will be converted to an equity investment in 567 Collins Street Trust in the 2016 financial year following the completion of the building's construction on 7 July 2015. The Group will hold the equity investment as a non-current asset.

### (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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Movements in the provision for impairment of receivables are as follows:				
Balance at the beginning of the year	(0.3)	(0.3)	(0.2)	(0.2)
Provision for impairment reversed during the year	0.1	–	–	–
<b>Balance at the end of the year</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.2)</b>

### (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 2015, trade receivables of the Group of \$0.4 million (30 June 2014: \$0.4 million) and \$nil (30 June 2014: \$nil) 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Current	0.8	0.9	0.3	0.3
0–30 days past due	0.3	0.3	–	–
31–60 days past due	–	0.1	–	–
60+ days past due	0.1	–	–	–
	<b>1.2</b>	<b>1.3</b>	<b>0.3</b>	<b>0.3</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 21 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Disposal group held for sale (discontinued operation – see (c) below)				
Receivable from equity accounted investments	–	0.4	–	–
<b>Total assets of disposal group held for sale</b>	<b>–</b>	<b>0.4</b>	<b>–</b>	<b>–</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	–	–
Investment in Neuilly Victor Hugo SCI, France <sup>3</sup>	–	26.5	–	–
	–	<b>171.0</b>	–	–
<b>Total assets classified as held for sale</b>	<b>–</b>	<b>171.4</b>	<b>–</b>	<b>–</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 occurred on 31 October 2014.
2. Represents the Group's Bastion Tower I NV, Belgium investment. On 12 December 2014, a sale and purchase agreement was exchanged to sell the Group's 50% interest for €54.9 million subject to settlement adjustments. Settlement occurred on 4 March 2015.
3. On 21 November 2014, the Group exited the structure which held the investment in Neuilly Victor Hugo SCI, France. Prior to exit, the remaining investment predominantly comprised a receivable of \$25.7 million as at 30 June 2014 owed by the Group. The Group's prior period liability was disclosed as a liability directly associated with assets classified as held for sale (see Note 9(b)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

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

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Payable to equity accounted investments <sup>1</sup>	–	25.7	–	–
	–	<b>25.7</b>	–	–

1. The liability of \$25.7 million as at 30 June 2014 related to the Neully Victor Hugo SCI, France investment which was settled when the Group exited the structure on 21 November 2014.

### (c) Discontinued operations

#### (i) Description

On 4 March 2015, the Group settled the sale of its 50% investment in Bastion Tower I NV, Belgium which owned the Group's last European investment property, Bastion Tower. The Group's investment was sold for \$78.5 million (€54.9 million), excluding settlement adjustments. In December 2013, the Dutch Office Fund investment, classified as a financial asset at fair value through profit or loss was sold for a sale price of \$232.3 million (€155.0 million).

Any remaining assets and liabilities as at 30 June 2015 that directly relate to the sale of the European investments have been disclosed as part of the disposal group held for sale and accounted for as a discontinued operation.

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 2015 and 30 June 2014.

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Distributions received from financial asset at fair value through profit or loss	–	3.8	–	–
Net foreign exchange gain	2.2	1.8	–	–
Net gain on change in fair value of derivatives	–	4.1	–	–
Transfer of foreign currency translation reserve from disposed operations to profit and loss	(104.7)	–	–	–
Loss on financial asset at fair value through profit or loss	–	(35.8)	–	–
Share of net profit/(loss) of equity accounted investments	0.5	(14.4)	–	–
Property expenses	–	–	–	(0.1)
Finance costs	(0.2)	(3.4)	–	–
Derivative termination costs	–	(4.0)	–	–
European exit costs	(0.4)	(2.5)	–	–
Other	–	(0.3)	–	–
<b>Loss before income tax</b>	<b>(102.6)</b>	<b>(50.7)</b>	–	<b>(0.1)</b>
Income tax benefit/(expense)	–	7.4	–	(0.2)
<b>Loss after income tax from discontinued operations attributable to unitholders</b>	<b>(102.6)</b>	<b>(43.3)</b>	–	<b>(0.3)</b>

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Other Comprehensive Income:				
Transfer from foreign currency translation reserve to profit and loss	104.7	–	–	–
Exchange differences on translation of foreign operations	(1.2)	1.8	–	–
<b>Total comprehensive income/(expense) for the year from discontinued operations</b>	<b>0.9</b>	<b>(41.5)</b>	<b>–</b>	<b>(0.3)</b>
Net cash inflow/(outflow) from operating activities	7.1	(3.4)	–	(0.3)
Net cash inflow from investing activities	20.9	230.4	–	–
Net cash outflow from financing activities	–	(233.7)	–	–
<b>Net increase/(decrease) in cash generated by the discontinued operations</b>	<b>28.0</b>	<b>(6.7)</b>	<b>–</b>	<b>(0.3)</b>

## 10. Derivative financial instruments

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Current assets</b>				
Forward foreign exchange contracts	–	2.4	–	–
Interest rate derivative contracts	–	0.7	–	0.7
	<b>–</b>	<b>3.1</b>	<b>–</b>	<b>0.7</b>
<b>Non-current assets</b>				
Cross currency swap contracts	81.0	1.1	35.6	1.1
Interest rate derivative contracts	5.6	2.3	1.3	1.0
	<b>86.6</b>	<b>3.4</b>	<b>36.9</b>	<b>2.1</b>
<b>Current liabilities</b>				
Interest rate derivative contracts	2.5	–	–	–
	<b>2.5</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Cross currency swap contracts	–	12.5	–	–
Interest rate derivative contracts	9.1	6.7	1.1	–
	<b>9.1</b>	<b>19.2</b>	<b>1.1</b>	<b>–</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 21 and 22. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 11. Investments accounted for using the equity method

### (a) Investments in associates

Investments in associates 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 2015	30 June 2014	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Armstrong Jones Office Fund</b>							
IOF Finance Pty Ltd <sup>1</sup>	Financial services	50%	50%	–	–	–	–
<b>Prime Credit Property Trust</b>							
242 Exhibition Street Trust	Real estate investment	50%	50%	245.1	234.2	245.1	234.2
Phillip Street Trust	Real estate investment	25%	25%	108.3	102.9	108.3	102.9
Macquarie Street Trust	Real estate investment	25%	25%	90.4	85.9	90.4	85.9
567 Collins Street Trust	Real estate investment	50%	50%	99.9	53.4	99.9	53.4
IOF Finance Pty Ltd <sup>1</sup>	Financial services	50%	50%	–	–	–	–
<b>Total</b>				<b>543.7</b>	<b>476.4</b>	<b>543.7</b>	<b>476.4</b>

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 13 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Balance at the beginning of the year	476.4	427.6	476.4	427.6
Acquisitions and contributions to equity accounted investments	27.5	21.3	27.5	21.3
Share of profits after income tax	67.8	52.7	67.8	52.7
Cash distributions received	(25.4)	(25.2)	(25.4)	(25.2)
Capital distributions received	(2.6)	–	(2.6)	–
<b>Balance at the end of the year</b>	<b>543.7</b>	<b>476.4</b>	<b>543.7</b>	<b>476.4</b>

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Share of results</b>				
Revenue	40.9	42.4	36.6	35.8
Gain on change in fair value of:				
Investment properties	40.1	10.7	41.1	26.3
Derivative financial instruments	–	0.1	–	–
Expenses	(12.7)	(14.9)	(9.9)	(9.4)
<b>Profit before income tax</b>	<b>68.3</b>	<b>38.3</b>	<b>67.8</b>	<b>52.7</b>
Income tax expense	–	–	–	–
<b>Profit for the year</b>	<b>68.3</b>	<b>38.3</b>	<b>67.8</b>	<b>52.7</b>
Profit for the year disclosed as:				
Profit from continuing operations	67.8	52.7	67.8	52.7
Profit/(loss) from discontinuing operations	0.5	(14.4)	–	–
<b>Total profit for the year</b>	<b>68.3</b>	<b>38.3</b>	<b>67.8</b>	<b>52.7</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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Associate financial information (at 100%)</b>				
Current assets	2.9	8.2	2.9	8.2
Non-current assets	1,713.8	1,447.9	1,713.8	1,447.9
Current liabilities	(2.5)	(7.8)	(2.5)	(7.8)
Non-current liabilities	(230.3)	(125.1)	(230.3)	(125.1)
Net assets	1,483.9	1,323.2	1,483.9	1,323.2
Revenue	185.5	160.7	185.5	160.7
Profit for the year	172.3	147.9	172.3	147.9
Total comprehensive income	172.3	147.9	172.3	147.9

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 11. 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Profits for the year (at 100%)	172.3	147.9	172.3	147.9
Less profits attributable to outside ownership interests:				
242 Exhibition Street Trust	(27.8)	(16.3)	(27.8)	(16.3)
Phillip Street Trust	(30.3)	(33.4)	(30.3)	(33.4)
Macquarie Street Trust	(24.8)	(30.3)	(24.8)	(30.3)
567 Collins Street Trust	(21.6)	(15.2)	(21.6)	(15.2)
<b>Share of profits after income tax</b>	<b>67.8</b>	<b>52.7</b>	<b>67.8</b>	<b>52.7</b>

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Net assets (at 100%)	1,483.9	1,323.2	1,483.9	1,323.2
Less net assets attributable to outside ownership interests:				
242 Exhibition Street Trust	(244.8)	(233.8)	(244.8)	(233.8)
Phillip Street Trust	(325.0)	(306.2)	(325.0)	(306.2)
Macquarie Street Trust	(270.9)	(255.4)	(270.9)	(255.4)
567 Collins Street Trust	(99.9)	(53.4)	(99.9)	(53.4)
<b>Share of net assets</b>	<b>543.3</b>	<b>474.4</b>	<b>543.3</b>	<b>474.4</b>
Add provisions for unpaid distributions (at share)	0.4	2.0	0.4	2.0
<b>Investment balance at the end of the year</b>	<b>543.7</b>	<b>476.4</b>	<b>543.7</b>	<b>476.4</b>

### (d) Capital commitments

Refer to Note 19 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 for using the equity method.

## 12. Investment properties

### (a) Investment properties at fair value

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Investment properties at fair value	2,554.9	2,395.5	1,007.6	946.7

Refer to Note 13 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Carrying amount at beginning of the period	2,395.5	1,926.8	946.7	881.3
Acquisitions	–	468.5	–	–
Additions to existing investment properties	100.9	81.6	52.9	27.6
Transfer to assets classified as held for sale	–	(123.8)	–	–
Amortisation of tenant incentives and leasing fees	(29.5)	(22.1)	(15.6)	(11.8)
Straight-lining of lease revenue	(1.4)	(3.2)	(0.7)	(1.1)
Net change in fair value	89.4	67.7	24.3	50.7
<b>Carrying amount at the end of the period</b>	<b>2,554.9</b>	<b>2,395.5</b>	<b>1,007.6</b>	<b>946.7</b>

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Cost	133.8	88.2	53.7	45.3
Accumulated Amortisation	(48.3)	(34.9)	(29.6)	(20.6)
	<b>85.5</b>	<b>53.3</b>	<b>24.1</b>	<b>24.7</b>

### (d) Valuation basis

The valuation basis for investment properties is outlined in Note 22.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 12. Investment properties (continued)

### (e) 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Within one year	196.1	203.9	70.7	75.0
Later than one year but not greater than five years	610.0	653.4	221.8	203.8
Later than five years	330.8	254.1	150.7	74.4
	<b>1,136.9</b>	<b>1,111.4</b>	<b>443.2</b>	<b>353.2</b>

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

At 30 June 2015 and 30 June 2014 there were no investment properties pledged as security by the Group.

### (g) Contractual obligations

Refer to Note 19 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.

## 13. 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Investment properties held through:</b>				
Direct ownership interests	2,554.9	2,395.5	1,007.6	946.7
Direct ownership interest, classified as held for sale	–	123.8	–	–
Investments accounted for using the equity method	656.9	536.0	656.9	536.0
Investments accounted for using the equity method, classified as held for sale	–	79.6	–	–
<b>Total portfolio</b>	<b>3,211.8</b>	<b>3,134.9</b>	<b>1,664.5</b>	<b>1,482.7</b>

	Acquisition date	Cost including all additions \$m <sup>1</sup>	Independent valuation date	Independent valuer	Independent valuation amount \$m	Book value 30 Jun 2015 \$m	Book value 30 Jun 2014 \$m
<b>Armstrong Jones Office Fund</b>							
10-20 Bond St. Sydney NSW (50%)	Jun 89	290.2	Dec 14	Knight Frank	193.8	192.8	187.4
388 George St. Sydney NSW (50%)	Oct 02	155.9	Dec 14	JLL	210.0	209.9	207.6
347 Kent St. Sydney NSW	Jan 99	191.4	Dec 14	Knight Frank	272.5	272.7	260.0
99 Walker St. North Sydney NSW	Jul 13	144.3	Jun 15	Savills	183.0	183.0	143.0
Piccadilly Complex Sydney NSW (50%)	Mar 14	198.2	Dec 14	CBRE	206.3	210.3	187.3
6 O'Connell St. Sydney NSW	Jun 14	141.8	Jun 15	Knight Frank	147.0	147.0	135.0
239 George St. Brisbane Qld	Jul 98	91.5	Dec 14	CBRE	120.0	120.6	124.0
15 Adelaide St. Brisbane Qld	Jul 98	35.8	Jun 15	CBRE	51.0	51.0	48.0
628 Bourke St. Melbourne Vic <sup>2</sup>	Oct 01	–	–	–	–	–	123.8
836 Wellington St. Perth WA	Sep 07	82.9	Jun 15	CBRE	75.0	75.0	77.5
16–18 Mort St. Canberra ACT	Mar 01	77.1	Jun 15	Colliers	85.0	85.0	79.0
Avenue des Artes Brussels Belgium (50%) <sup>3</sup>	Nov 07	–	–	–	–	–	79.6
<b>Total Fund portfolio</b>		<b>1,409.1</b>			<b>1,543.6</b>	<b>1,547.3</b>	<b>1,652.2</b>

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

2. 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 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 occurred on 31 October 2014.

3. Represents the investment property held through the Group's Bastion Tower I NV, Belgium investment. On 12 December 2014, a sale and purchase agreement was exchanged to sell the Group's 50% interest for €54.9 million subject to settlement adjustments. Settlement occurred on 4 March 2015. Amounts have been translated at the prevailing period end foreign exchange rate. The property was previously held through investment accounted for using the equity method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 13. 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 2015 \$m	Book value 30 Jun 2014 \$m
<b>Prime Credit Property Trust</b>							
126 Phillip St. Sydney NSW (25%) <sup>2</sup>	Apr 12	178.3	Dec 14	Savills	198.8	198.7	189.2
151 Clarence St. Sydney NSW <sup>3</sup>	Nov 02	65.7	Jun 14	Knight Frank	83.0	84.7	83.0
105-151 Miller St. North Sydney NSW	Dec 98	115.5	Jun 15	CBRE	212.0	212.0	193.5
111 Pacific Hwy. North Sydney NSW	May 04	113.5	Jun 15	Savills	156.0	156.0	139.8
295 Ann St. Brisbane Qld	May 98	44.2	Dec 14	CBRE	100.7	102.2	114.6
232 Adelaide St. Brisbane Qld	May 98	7.1	Dec 14	CBRE	17.0	16.9	16.5
140 Creek St. Brisbane Qld	May 98	131.9	Dec 14	CBRE	165.5	167.8	173.0
567 Collins St. Melbourne Vic (50%) <sup>2,4</sup>	Mar 13	180.7	Jun 15	Colliers	269.5	213.1	113.0
242 Exhibition St. Melbourne Vic (50%) <sup>2</sup>	Apr 12	230.7	Dec 14	JLL	245.0	245.1	233.8
383 La Trobe St. Melbourne Vic <sup>5</sup>	Feb 94	36.8	Dec 13	JLL	53.8	69.7	53.8
800 Toorak Rd. Tooronga Vic (50%)	Jun 97	86.1	Jun 15	Urbis	115.1	115.1	80.5
66 St Georges Tce. Perth WA	Aug 12	90.6	Dec 14	Knight Frank	82.0	83.2	92.0
<b>Total Prime portfolio</b>		<b>1,281.1</b>			<b>1,698.4</b>	<b>1,664.5</b>	<b>1,482.7</b>
<b>Total Group portfolio</b>		<b>2,690.2</b>			<b>3,242.0</b>	<b>3,211.8</b>	<b>3,134.9</b>

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

2. Represents an investment property held through investment accounted for using the equity method. The book value for this property reflects the underlying value of the investment property held through Prime's associate investment.

3. On 23 April 2015 the property at 151 Clarence Street, Sydney received Stage 2 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. As at 30 June 2015 the property at 567 Collins Street, Melbourne was an investment property under construction. The independent valuation amount represents the market value as if complete, subject to proposed development, existing tenant pre-commitments and developer rent guarantee. The construction of this property reached practical completion on 7 July 2015.

5. On 17 July 2015, Prime exchanged contracts to sell 383 La Trobe St, Melbourne. The book value as at 30 June 2015 represents the contracted sale price of \$70.7 million less committed costs. The sale is outlined further in Note 28.

## 14. Trade and other payables

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Current</b>				
Trade payables	19.1	18.4	8.6	8.4
Stamp duty payable <sup>1</sup>	–	7.4	–	–
Other payables	10.8	12.4	3.8	8.2
	<b>29.9</b>	<b>38.2</b>	<b>12.4</b>	<b>16.6</b>

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

## 15. Borrowings

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Current liabilities – unsecured</b>				
Bank debt (AUD)	62.0	228.0	42.0	110.0
Capitalised commitments and upfront fees	(0.1)	–	(0.1)	–
	<b>61.9</b>	<b>228.0</b>	<b>41.9</b>	<b>110.0</b>
<b>Non-current liabilities - unsecured</b>				
Bank debt (AUD)	391.0	250.0	166.0	10.0
Medium Term Note (AUD)	125.0	125.0	–	–
US Private Placements (USD)	423.2	345.0	162.8	132.7
	<b>939.2</b>	<b>720.0</b>	<b>328.8</b>	<b>142.7</b>
Capitalised commitments and upfront fees	(3.9)	(3.8)	(1.6)	(1.6)
	<b>935.3</b>	<b>716.2</b>	<b>327.2</b>	<b>141.1</b>
<b>Total borrowings</b>	<b>997.2</b>	<b>944.2</b>	<b>369.1</b>	<b>251.1</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 15. Borrowings (continued)

### (a) Financing arrangements

At 30 June 2015 the Group had unsecured bank, Medium Term Note ("MTN") and US Private Placement ("USPP") debt facilities, each with specific maturities and limits as detailed below:

Investa Office Fund							
	30 June 2015			30 June 2014			Maturity Date
	Limit \$m	Drawn <sup>3</sup> \$m	Undrawn \$m	Limit \$m	Drawn <sup>3</sup> \$m	Undrawn \$m	
Syndicated bank debt <sup>1</sup>	na	na	na	323.1	228.0	95.1	Aug 14
Bilateral facilities (AUD) <sup>1</sup>							
Bank debt	132.0	62.0	70.0	–	–	–	Jun 16
Bank debt	150.0	145.0	5.0	150.0	150.0	–	Aug 16
Bank debt	50.0	50.0	–	50.0	50.0	–	Jun 18
Bank debt	66.0	55.0	11.0	–	–	–	Jul 18
Bank debt	84.0	84.0	–	–	–	–	Aug 18
Bank debt	50.0	50.0	–	50.0	50.0	–	Jun 19
Bank debt	50.0	–	50.0	–	–	–	Jul 19
Bank debt	66.0	7.0	59.0	–	–	–	Aug 19
	<b>648.0</b>	<b>453.0</b>	<b>195.0</b>	<b>573.1</b>	<b>478.0</b>	<b>95.1</b>	
Medium Term Note (AUD)	125.0	125.0	–	125.0	125.0	–	Nov 17
US Private Placements (USD) <sup>2</sup>							
Tranche 1	162.8	162.8	–	132.7	132.7	–	Aug 25
Tranche 2	101.6	101.6	–	82.8	82.8	–	Apr 25
Tranche 3	83.3	83.3	–	67.9	67.9	–	Apr 27
Tranche 4	75.5	75.5	–	61.6	61.6	–	Apr 29
<b>Total</b>	<b>1,196.2</b>	<b>1,001.2</b>	<b>195.0</b>	<b>1,043.1</b>	<b>948.0</b>	<b>95.1</b>	

1. During the year ended 30 June 2015 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. These facilities allowed the Group and Prime to repay their syndicated bank debt on 15 August 2014.

2. USD USPP amounts have been translated at the prevailing period end foreign exchange rate.

3. As at 30 June 2015 \$nil, \$208.0 million and \$162.8 million (30 June 2014: \$110.0 million, \$10.0 million and \$132.7 million) was drawn by Prime under the Syndicated bank debt, the Bilateral facilities, and the USPPs respectively. Prime is not entitled to draw on any other facilities within the Group.

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

Refer to Note 21 for further details on the Group's exposure to risk arising from borrowings and the maturity profile of borrowings. Refer to Note 22 for the fair value of borrowings.

## 16. Contributed equity

### (a) Carrying amounts

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$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
	<b>2,142.3</b>	<b>2,142.3</b>	<b>1,193.8</b>	<b>1,193.8</b>

### (b) Number of issued units

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 000's	30 June 2014 000's	30 June 2015 000's	30 June 2014 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 20 for the Capital Management strategy for the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 17. Reserves

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Foreign currency translation</b>				
Balance at the beginning of year	(103.5)	(105.3)	–	–
Translation differences arising during the year	(1.2)	1.8	–	–
Transfer to the profit and loss	104.7	–	–	–
<b>Total reserves at the end of the year</b>	<b>–</b>	<b>(103.5)</b>	<b>–</b>	<b>–</b>
The balance at the end of the year is attributable to the unitholders of:				
Armstrong Jones Office Fund	–	(103.5)	–	–
Prime Credit Property Trust	–	–	–	–
	<b>–</b>	<b>(103.5)</b>	<b>–</b>	<b>–</b>

The foreign currency translation reserve represents the 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. During the year ended 30 June 2015, the final European investment was disposed and the cumulative balance that pertains to the European operations was reclassified to the Consolidated Statements of Comprehensive Income.

## 18. Retained earnings

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Balance at the beginning of the year	19.6	(50.4)	7.3	(83.5)
Net profit for the year	179.2	183.6	143.2	150.1
Distributions paid or payable	(118.2)	(113.6)	(48.0)	(59.3)
<b>Balance at the end of the year</b>	<b>80.6</b>	<b>19.6</b>	<b>102.5</b>	<b>7.3</b>
The balance at the end of the year attributable to the unitholders of:				
Armstrong Jones Office Fund	(21.9)	12.3	–	–
Prime Credit Property Trust	102.5	7.3	102.5	7.3
	<b>80.6</b>	<b>19.6</b>	<b>102.5</b>	<b>7.3</b>

## 19. Commitments

### (a) 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Investment properties	29.4	48.9	7.0	35.1
Investment property under construction <sup>1</sup>	56.4	133.6	56.4	133.6

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

## 20. 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 arrangements and associates are proportionately consolidated based on the Group's ownership interest. The Group's strategy is to maintain the Gearing Ratio in the range of 25% to 35%. The actual Gearing Ratio may vary from this range in the short term from time to time.

During the year ended 30 June 2015, the methodology for calculating the Gearing Ratio was amended. The revised Gearing Ratio calculation reflects a look-through debt balance that includes the Group's Australian dollar exposure after hedging its USPPs (refer to Note 21). Previously the look-through debt balance included the carrying value of the USPPs which was calculated by translating the USD denominated debt to Australian dollars at the year end prevailing foreign exchange rate. The Group's gearing ratio calculation is outlined in the table below. The 30 June 2014 comparatives have been adjusted to reflect the change methodology increasing the gearing ratio from 31.5% as disclosed in 30 June 2014 financial statements to 32.0%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 20. Capital management (continued)

	Investa Office Fund	
	30 June 2015 \$m	30 June 2014 \$m
Total consolidated debt	997.2	944.2
Plus:		
Share of debt - assets classified as held for sale	–	57.6
AUD exposure – USPP Tranche 1	128.9	128.9
AUD exposure – USPP Tranche 2, 3 and 4	229.1	229.1
Less: USPP debt carrying value	(423.2)	(345.0)
<b>Net look-through debt</b>	<b>932.0</b>	<b>1,014.8</b>
Total consolidated assets	3,321.2	3,142.5
Plus:		
Share of assets - equity accounted investments	658.6	536.8
Share of assets - equity accounted investments classified as held for sale	–	106.1
Less:		
Equity accounted investments	(543.7)	(476.4)
Equity accounted investments classified as held for sale	–	(47.2)
Receivables from and payables to equity accounted investments	(114.2)	(86.3)
Foreign currency hedge asset balance <sup>1</sup>	(81.0)	(1.1)
<b>Total look-through assets</b>	<b>3,240.9</b>	<b>3,174.4</b>
<b>Gearing Ratio</b>	<b>28.8%</b>	<b>32.0%</b>

1. This equates to the fair value of the Group's cross currency interest rate swap assets at the year end.

In addition to the Gearing Ratio, the Group monitors the ratio of total liabilities to total assets (“Leverage Ratio”) to ensure compliance with the Group’s debt covenants. The calculation of the Leverage Ratio varies depending on the Group’s different types of debt. The table below outlines the Group’s more onerous debt covenant calculation and result.

	<b>30 June 2015</b> <b>\$m</b>	<b>30 June 2014</b> <b>\$m</b>
Total consolidated liabilities	1,098.3	1,084.1
Plus:		
Share of liabilities – equity accounted investments	114.9	60.4
Share of liabilities – assets classified as held for sale	–	58.9
Less:		
Receivables from and payables to equity accounted investments	(114.2)	(86.3)
<b>Total look-through liabilities</b>	<b>1,099.0</b>	<b>1,117.1</b>
Total consolidated assets	3,321.2	3,142.5
Plus:		
Share of assets – equity accounted investments	658.6	536.8
Share of assets – equity accounted investments classified as held for sale	–	106.1
Less:		
Equity accounted investments	(543.7)	(476.4)
Equity accounted investments classified as held for sale	–	(47.2)
Receivables from and payables to equity accounted investments	(114.2)	(86.3)
<b>Total look-through assets</b>	<b>3,321.9</b>	<b>3,175.5</b>
<b>Leverage Ratio</b>	<b>33.1%</b>	<b>35.2%</b>

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 2015 CONTINUED

## 21. Financial risk management

### Introduction

The Group's principal financial instruments comprise cash, receivables, payables, borrowings, derivative financial instruments, and other financial liabilities.

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, cross currency interest rate swaps, interest rate caps and collars, 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 and ageing analysis for credit risk.

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

### (a) Market 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%
3+ 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 collars; 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. Interest rate collars are derivatives that provide the Group with an upper limit similar to an interest rate cap. Interest rate collars however also provide a lower limit which the Group is exposed to if floating interest rates decrease below the lower limit.

As a result of issuing USPPs the Group has entered into cross currency swaps. Cross currency interest rate swaps minimise both foreign interest rate and exchange rate risk exposure on foreign currency borrowings, converting 100% of the foreign denominated principal outstanding and related finance costs to Australian dollar exposures. These swaps also swap the obligation to pay fixed interest to floating interest.

## Interest rate risk exposure

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

Investa Office Fund	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	
<b>30 June 2015</b>						
Borrowings:						
Denominated in AUD – floating	3.8%	453.0	–	–	–	453.0
Denominated in AUD – fixed	5.4%	–	–	125.0	–	125.0
Denominated in USD – fixed	4.4%	–	–	–	423.2	423.2
		<b>453.0</b>	<b>–</b>	<b>125.0</b>	<b>423.2</b>	<b>1,001.2</b>

## 30 June 2014

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
		<b>478.0</b>	<b>–</b>	<b>125.0</b>	<b>345.0</b>	<b>948.0</b>

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

	June 2015 <sup>1</sup> \$m	June 2016 \$m	June 2017 \$m	June 2018 \$m	June 2019 \$m	June 2020 \$m
Interest rate swaps (fixed)	399.9	367.3	418.4	216.0	–	–
Average fixed rate	3.4%	3.4%	3.2%	3.0%	–	–
Interest rate swaps (floating) <sup>2</sup>	125.0	125.0	149.4	132.3	50.0	50.0

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

2. Represents floating interest rate derivatives used to swap the fixed MTN interest rate and floating interest rate swaptions.

The Group's weighted average fixed rate derivatives (notional principal denominated in Australian dollars) held at the end of the previous financial year 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
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. Represents floating interest rate derivatives used to swap the fixed MTN interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 21. Financial risk management (continued)

### (a) Market risk (continued)

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

#### Interest rate risk exposure (continued)

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

Prime Credit Property Trust	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	
<b>30 June 2015</b>						
Borrowings:						
Denominated in AUD – floating	3.6%	208.0	–	–	–	208.0
Denominated in USD – fixed	4.0%	–	–	–	162.8	162.8
		<b>208.0</b>	<b>–</b>	<b>–</b>	<b>162.8</b>	<b>370.8</b>
<b>30 June 2014</b>						
Borrowings:						
Denominated in AUD – floating	4.2%	120.0	–	–	–	120.0
Denominated in USD – fixed	4.0%	–	–	–	132.7	132.7
		<b>120.0</b>	<b>–</b>	<b>–</b>	<b>132.7</b>	<b>252.7</b>

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

	June 2015 <sup>1</sup> \$m	June 2016 \$m	June 2017 \$m	June 2018 \$m	June 2019 \$m	June 2020 \$m
Interest rate swaps (fixed)	128.9	128.9	121.8	–	–	–
Average fixed rate	2.6%	2.6%	2.6%	–	–	–

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

Prime's weighted average fixed and floating rate derivatives (notional principal denominated in Australian dollars) held at the previous 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
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.

## 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.

Sensitivity to interest rates denominated in Euros is deemed insignificant.

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			
	30 June 2015		30 June 2014		30 June 2015		30 June 2014	
	+100bps \$m	-100bps \$m	+100bps \$m	-100bps \$m	+100bps \$m	-100bps \$m	+100bps \$m	-100bps \$m
Variable interest rates - AUD	(4.1)	4.1	(4.9)	4.9	37.7	(44.5)	4.6	(4.9)

Prime Credit Property Trust	Sensitivity on net interest expense				Sensitivity on change in fair value of interest rate derivatives			
	30 June 2015		30 June 2014		30 June 2015		30 June 2014	
	+100bps \$m	-100bps \$m	+100bps \$m	-100bps \$m	+100bps \$m	-100bps \$m	+100bps \$m	-100bps \$m
Variable interest rates - AUD	(2.1)	2.1	(1.3)	1.3	12.8	(14.9)	1.8	(1.8)

### (ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates. The Group's foreign exchange risk arises primarily from offshore borrowings and associated finance costs. Prior to the sale of Bastion Tower, Brussels on 4 March 2015 the Group was also exposed to foreign exchange risk by owning offshore assets.

The Group's exposure to foreign currency risk, denominated in Australian dollars, was as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 21. Financial risk management (continued)

### (a) Market risk (continued)

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

Investa Office Fund	Net foreign currency asset/(liability)			
	Euros		United States dollars	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Cash	0.5	6.3	0.1	1.2
Trade and other receivables	1.2	7.4	–	0.9
Assets classified as held for sale	–	47.6	–	–
Derivative financial instruments	–	2.4	81.0	1.1
<b>Total assets</b>	<b>1.7</b>	<b>63.7</b>	<b>81.1</b>	<b>3.2</b>
Trade and other payables	(0.2)	(2.0)	–	–
Borrowings	–	–	(423.2)	(345.0)
Derivative financial instruments	–	–	–	(12.5)
Liabilities classified as held for sale	–	(25.7)	–	–
<b>Total liabilities</b>	<b>(0.2)</b>	<b>(27.7)</b>	<b>(423.2)</b>	<b>(357.5)</b>
<b>Net assets/(liabilities)</b>	<b>1.5</b>	<b>36.0</b>	<b>(342.1)</b>	<b>(354.3)</b>

The Group mitigates its exposure to the foreign exchange risk inherent in the carrying value of its offshore borrowings by entering into cross currency interest rate swaps. These convert 100% of the foreign denominated principal outstanding and related finance costs to Australian dollar exposures. As a result sensitivity to foreign exchanges is deemed insignificant.

### (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 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 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 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Cash and cash equivalents	3.6	12.3	1.0	2.5
Receivables <sup>1</sup>	132.4	80.4	124.7	69.9
Financial assets included in assets held for sale	–	0.4	–	–
Derivative financial instruments	86.6	6.5	36.9	2.8
<b>Total financial assets</b>	<b>222.6</b>	<b>99.6</b>	<b>162.6</b>	<b>75.2</b>

1. 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, staggering maturity dates, and securing longer term facilities where appropriate 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.

As outlined in Note 27, the sale of Investa Office management platform could trigger a review event on certain debt facilities held by the Group. This may lead to the risk that lenders declare the Group's debt due and payable. Refer to Note 27 for further details.

Refer to Note 15 for disclosure of borrowing facilities available to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 21. Financial risk management (continued)

### (c) Liquidity risk (continued)

The contractual maturities of the Group's 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.

Investa Office Fund	Less than 1 year \$m	1-5 years \$m	Greater than 5 years \$m	Total \$m
<b>30 June 2015</b>				
Trade and other payables	(29.9)	–	–	(29.9)
Borrowings	(62.0)	(516.0)	(423.2)	(1,001.2)
Projected interest cost on borrowings <sup>1</sup>	(43.5)	(106.5)	(113.4)	(263.4)
Projected interest cost on derivative liabilities <sup>1,2</sup>	(4.9)	(5.4)	–	(10.3)
Distribution payable	(59.6)	–	–	(59.6)
<b>Total forecast undiscounted future cash flow</b>	<b>(199.9)</b>	<b>(627.9)</b>	<b>(536.6)</b>	<b>(1,364.4)</b>
Projected interest income on derivative assets <sup>2</sup>	9.3	12.6	109.7	131.6
<b>Net liquidity exposure</b>	<b>(190.6)</b>	<b>(615.3)</b>	<b>(426.9)</b>	<b>(1,232.8)</b>
<b>30 June 2014</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)
Projected interest cost on derivative liabilities <sup>1,2</sup>	0.2	(10.4)	(1.5)	(11.7)
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>(381.9)</b>	<b>(485.2)</b>	<b>(454.2)</b>	<b>(1,321.3)</b>
Projected interest income on derivative assets <sup>2</sup>	5.5	(1.0)	18.3	22.8
<b>Net liquidity exposure</b>	<b>(376.4)</b>	<b>(486.2)</b>	<b>(435.9)</b>	<b>(1,298.5)</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.

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

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

<b>Prime Credit Property Trust</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>
<b>30 June 2015</b>				
Trade and other payables	(12.4)	–	–	(12.4)
Borrowings	(42.0)	(166.0)	(162.8)	(370.8)
Projected interest cost on borrowings <sup>1</sup>	(13.9)	(38.3)	(33.2)	(85.4)
Projected interest cost on derivative liabilities <sup>1,2</sup>	(0.6)	(0.4)	–	(1.0)
Distribution payable	(35.0)	–	–	(35.0)
<b>Total forecast undiscounted future cash flow</b>	<b>(103.9)</b>	<b>(204.7)</b>	<b>(196.0)</b>	<b>(504.6)</b>
Projected interest income on derivative assets <sup>2</sup>	3.1	3.3	49.1	55.5
<b>Net liquidity exposure</b>	<b>(100.8)</b>	<b>(201.4)</b>	<b>(146.9)</b>	<b>(449.1)</b>
<b>30 June 2014</b>				
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)
<b>Total forecast undiscounted future cash flow</b>	<b>(162.3)</b>	<b>(31.6)</b>	<b>(165.0)</b>	<b>(358.9)</b>
Projected interest income on derivative assets <sup>2</sup>	1.7	(3.3)	15.0	13.4
<b>Net liquidity exposure</b>	<b>(160.6)</b>	<b>(34.9)</b>	<b>(150.0)</b>	<b>(345.5)</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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 21. Financial risk management (continued)

### (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 International Swaps and Derivatives Association (“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 and 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. 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 2015</b>			
Derivative financial assets	86.6	(5.7)	80.9
Derivative financial liabilities	(11.6)	5.7	(5.9)
	<b>75.0</b>	<b>–</b>	<b>75.0</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>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 2015</b>			
Derivative financial assets	36.9	(1.1)	35.8
Derivative financial liabilities	(1.1)	1.1	–
	<b>35.8</b>	<b>–</b>	<b>35.8</b>
<b>30 June 2014</b>			
Derivative financial assets	2.8	–	2.8
	<b>2.8</b>	<b>–</b>	<b>2.8</b>

## 22. 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; and
- > 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 2015.

### (a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its derivative financial instruments and investment properties into three levels prescribed under the accounting standards:

- (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 assets and liabilities that were measured and recognised at fair value on a recurring basis.

Investa Office Fund	30 June 2015				30 June 2014			
	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	–	86.6	–	86.6	–	6.5	–	6.5
<b>Total financial assets</b>	<b>–</b>	<b>86.6</b>	<b>–</b>	<b>86.6</b>	<b>–</b>	<b>6.5</b>	<b>–</b>	<b>6.5</b>
<b>Non-financial assets</b>								
Investment properties <sup>1</sup>	–	–	2,554.9	2,554.9	–	–	2,519.3	2,519.3
<b>Total non-financial assets</b>	<b>–</b>	<b>–</b>	<b>2,554.9</b>	<b>2,554.9</b>	<b>–</b>	<b>–</b>	<b>2,519.3</b>	<b>2,519.3</b>
<b>Financial liabilities</b>								
Derivative financial instruments	–	11.6	–	11.6	–	19.2	–	19.2
<b>Total financial liabilities</b>	<b>–</b>	<b>11.6</b>	<b>–</b>	<b>11.6</b>	<b>–</b>	<b>19.2</b>	<b>–</b>	<b>19.2</b>

1. Includes investment properties classified as held for sale.

The following table presents Prime's assets and liabilities that were measured and recognised at fair value on a recurring basis.

Prime Credit Property Trust	30 June 2015				30 June 2014			
	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	–	36.9	–	36.9	–	2.8	–	2.8
<b>Total financial assets</b>	<b>–</b>	<b>36.9</b>	<b>–</b>	<b>36.9</b>	<b>–</b>	<b>2.8</b>	<b>–</b>	<b>2.8</b>
<b>Non-financial assets</b>								
Investment properties	–	–	1,007.6	1,007.6	–	–	946.7	946.7
<b>Total non-financial assets</b>	<b>–</b>	<b>–</b>	<b>1,007.6</b>	<b>1,007.6</b>	<b>–</b>	<b>–</b>	<b>946.7</b>	<b>946.7</b>
<b>Financial liabilities</b>								
Derivative financial instruments	–	1.1	–	1.1	–	–	–	–
<b>Total financial liabilities</b>	<b>–</b>	<b>1.1</b>	<b>–</b>	<b>1.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

There have been no transfers between levels of the fair value hierarchy for the year ended 30 June 2015 or 30 June 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 22. Fair value measurements (continued)

### (a) Fair value hierarchy (continued)

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:

	Investa Office Fund				Prime Credit Property Trust			
	30 June 2015		30 June 2014		30 June 2015		30 June 2014	
	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m
<b>Non-current liabilities</b>								
Borrowings – Medium Term Note	125.0	133.6	125.0	134.3	–	–	–	–
Borrowings – USPPs	423.2	502.2	345.0	403.6	162.8	185.5	132.7	149.3
	<b>548.2</b>	<b>635.8</b>	<b>470.0</b>	<b>537.9</b>	<b>162.8</b>	<b>185.5</b>	<b>132.7</b>	<b>149.3</b>

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 2015, the borrowing rates were determined to be between 4.0% and 5.4% (30 June 2014: 4.0% and 5.4% respectively), 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 lending rate of 6.4% (30 June 2014: 6.4%). As at the reporting period end 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 the 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 are all included in level 2. These financial instruments include forward foreign exchange contracts, cross currency swap contracts and interest rate derivatives.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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.

**(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 2015 and 30 June 2014 for recurring fair value measurements:

	Investa Office Fund		Prime Credit Property Trust		
	Unlisted equity securities \$m	Investment properties <sup>1</sup> \$m	Total \$m	Investment properties \$m	Total \$m
<b>Opening balance 1 July 2013</b>	<b>257.3</b>	<b>1,926.8</b>	<b>2,184.1</b>	<b>881.3</b>	<b>881.3</b>
Movement in investment property carrying amounts <sup>2</sup>	–	592.5	592.5	65.4	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>	<b>946.7</b>
Movement in investment property carrying amounts <sup>2</sup>	–	159.4	159.4	60.9	60.9
Disposals	–	(123.8)	(123.8)	–	–
<b>Closing balance 30 June 2015</b>	<b>–</b>	<b>2,554.9</b>	<b>2,554.9</b>	<b>1,007.6</b>	<b>1,007.6</b>

1. Includes investment properties classified as held for sale.

2. Excludes movements to reclassify investment properties as assets held for sale. Refer to Note 12 for further details.

**(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. The investment property unobservable input ranges relate to the Group and Prime's property portfolios (directly and indirectly owned) outlined in Note 13. 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
		30 June 2015	30 June 2014	
Investment properties	Net passing rent (per sqm p.a)	\$233 – \$1,128	\$230 – \$1,092	The higher net passing rent, the higher the fair value
	Net market rent (per sqm p.a)	\$233 – \$1,121	\$233 – \$1,117	The higher the net market rent, the higher the fair value
	Discount rate	7.8% – 9.3%	8.0% – 10.5%	The higher the discount rate, the lower the fair value
	Terminal yield	5.8% – 8.8%	6.0% – 8.8%	The higher the terminal yield, the lower the fair value
	Capitalisation rate	5.8% – 8.8%	6.0% – 8.8%	The higher the capitalisation rate, the lower the fair value
	Market rental growth rate <sup>1</sup>	2.7% – 3.9%	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

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## 22. Fair value measurements (continued)

### (d) Valuation inputs and relationships to fair value (continued)

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.

## 23. 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 23(f).

### (b) Responsible Entity and its related parties' fees

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

During the year ended 30 June 2015 and 30 June 2014 ILFML and its related parties received or will receive the following fees.

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Investa Listed Funds Management Limited:				
Responsible Entity's fees	11,113	10,136	6,490	5,665
Safe custody fees	90	88	48	46
Related parties of the Responsible Entity <sup>1</sup> :				
Property management fees	3,947	3,442	2,232	2,287
Leasing fees	2,945	2,962	1,826	1,369
Project management services	915	1,062	710	708
	<b>19,010</b>	<b>17,690</b>	<b>11,306</b>	<b>10,075</b>

1. Related parties of ILFML include Investa Asset Management Pty Limited, Investa Asset Management (Qld) Pty Limited and Investa Office Development 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 Street, Melbourne. The Group's remaining capital commitment to develop 567 Collins Street, Melbourne as at 30 June 2015 is outlined in Note 25. Practical completion for the development was achieved on 7 July 2015.

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 2015 \$7,144,377 of interest income (30 June 2014: \$4,112,897) was earned by the Group on the advanced balance.

During the year ended 30 June 2015, in proportion to the Group's ownership interests in its associate investments, related parties of ILFML received \$1,168,213 (30 June 2014: \$1,052,902) in property management, leasing and project management fees for services provided to investment properties held by those associates.

During the years ended 30 June 2015 and 30 June 2014 the Group received rent and other property income from leasing space to related entities of ILFML. The terms of these lease agreements are based on arms-length conditions and approved by the Independent Board Members.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 23. Related parties (continued)

### (d) Responsible Entity and its related parties' interest in the Group

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

30 June 2015	Distributions received/receivable			
	Name	Number of units held 000's	Investa Office Fund \$'000	Prime Credit Property Trust \$'000
	Investa Office Management Holdings Pty Limited	54,878	8,374	4,885
	Post Sale Portfolio Issuer Pty Limited	–	2,190	1,261
		<b>54,878</b>	<b>10,564</b>	<b>6,146</b>

30 June 2014	Distributions received/receivable			
	Name	Number of units held 000's	Investa Office Fund \$'000	Prime Credit Property Trust \$'000
	Investa Office Management Holdings Pty Limited	31,942	5,909	3,082
	Post Sale Portfolio Issuer Pty Limited	9,938	956	496
		<b>41,880</b>	<b>6,865</b>	<b>3,578</b>

### (e) Cross staple loan

As at 30 June 2015, Prime owed the Fund \$9,010 (30 June 2014: \$12,423) via a cross staple loan. For the year ended 30 June 2015 Prime recorded interest income of \$nil (30 June 2014: \$8,466) and an interest expense of \$95,393 (30 June 2014: \$93,784) on the loan.

### (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 (resigned 20 October 2014)
Jonathan Callaghan	Executive Director (appointed 17 November 2014)
Campbell Hanan	Alternate Director for Scott MacDonald (appointed 1 July 2013)

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

Ming Long	Fund Manager (appointed 20 October 2014)
Toby Phelps	Fund Manager (resigned 8 October 2014)

Key management personnel do not receive any remuneration directly from the Group. They receive remuneration from 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.

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 2015					Distributions received/receivable		
Name	Balance at the start of the year 000's	Addition/ (removal) of KMP 000's	Acquired during the year 000's	Balance at the end of the year 000's	Investa Office Fund \$'000	Prime Credit Property Trust \$'000	
Deborah Page AM	26	–	3	29	6	3	
Peter Dodd	20	–	–	20	4	2	
Scott MacDonald	74	–	–	74	14	8	
Ming Long	25	–	–	25	5	3	
Campbell Hanan	8	–	–	8	2	1	
Toby Phelps	4	(4)	–	–	–	–	

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	–		8	8	1	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 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Amount receivable from Bastion Tower I NV	–	381	–	–
Amount payable to Neuilly Victor Hugo SCI	–	(25,726)	–	–
Amount receivable from 567 Collins Street Trust	114,231	60,209	114,231	60,209
Interest income	7,179	4,113	7,144	4,113
Interest expense	262	681	–	–

##### Movements in receivables and payables from/(to) equity accounted investments

	Bastion Tower I NV		Neuilly Victor Hugo SCI		567 Collins St Trust	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Balance at beginning of the year	381	(2,735)	(25,726)	(24,458)	60,209	16,212
Disposal of subsidiary	–	–	25,915	–	–	–
Loan (repayments)/advances	(399)	3,432	–	–	71,700	61,134
Interest received/(charged)	35	(69)	(262)	(612)	7,144	4,113
Capital distributions received	–	–	–	–	2,678	–
Conversion of debt investment to equity investment	–	–	–	–	(27,500)	(21,250)
Exchange rate fluctuations	(17)	(247)	73	(656)	–	–
<b>Balance at the end of the year</b>	<b>–</b>	<b>381</b>	<b>–</b>	<b>(25,726)</b>	<b>114,231</b>	<b>60,209</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

## 24. 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 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
<b>PricewaterhouseCoopers Australia</b>				
Audit or review of financial reports of the Fund and any other entity in the Group	216	217	108	109
Other assurance services	53	43	41	21
<b>Total remuneration of PwC Australia</b>	<b>269</b>	<b>260</b>	<b>149</b>	<b>130</b>

## 25. Parent financial information

### (a) Summary financial information about the parent of each Group

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Current assets	5.4	6.0	1.8	3.2
Total assets	1,972.0	2,013.3	1,728.8	1,621.8
Current liabilities	(57.9)	(155.3)	(81.8)	(150.2)
Total liabilities	(1,045.4)	(1,156.0)	(432.5)	(420.7)
Equity:				
Issued units	948.5	948.5	1,193.8	1,193.8
(Accumulated losses)/retained earnings	(21.9)	(91.2)	102.5	7.3
<b>Total equity</b>	<b>926.6</b>	<b>857.3</b>	<b>1,296.3</b>	<b>1,201.1</b>
Net profit attributable to unitholders from:				
Continuing operations	137.4	78.3	143.2	150.4
Total comprehensive income	139.5	35.3	143.2	150.1

### (b) Capital commitments

Commitments for capital expenditure on investment property contracted 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Investment properties	10.6	7.1	0.8	0.9
Investment property under construction <sup>1</sup>	–	–	56.4	133.6

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 2015 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 have a 30 June reporting date.

## 26. 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 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
<b>Net profit for the year</b>	179.2	183.6	143.2	150.1
Adjustments for:				
Straight-lining of lease revenue	1.4	3.2	0.7	1.1
Unrealised foreign exchange gain/(loss)	77.7	(13.0)	30.0	3.8
Net loss on disposal of investments	–	2.4	–	–
Net (gain)/loss on change in fair value of:				
Investment properties	(89.4)	(67.7)	(24.3)	(50.7)
Derivatives	(87.8)	5.7	(33.1)	(5.8)
Loss on financial asset at fair value through profit or loss	–	35.8	–	–
Transfer of foreign currency translation reserve from disposed operations to profit and loss	104.7	–	–	–
Amortisation of tenant incentives and leasing fees	29.5	22.1	15.6	11.8
Excess of distributions received from equity accounted investments over share of profits	(42.4)	(27.5)	(42.4)	(27.5)
Excess of distribution from asset held for sale over share of profits	(0.5)	14.4	–	–
Non cash interest income	(7.1)	(4.1)	(7.1)	(4.1)
Other non-cash items	(16.8)	(17.9)	(6.7)	(10.5)
<b>Net cash provided by operating activities for the year before changes in working capital</b>	<b>148.5</b>	<b>137.0</b>	<b>75.9</b>	<b>68.2</b>
Changes in working capital:				
Decrease/(increase) in receivables	4.5	(4.5)	(0.5)	(2.3)
(Decrease)/increase in payables	(3.2)	(5.0)	(5.0)	0.7
<b>Net cash provided by operating activities from operations</b>	<b>149.8</b>	<b>127.5</b>	<b>70.4</b>	<b>66.6</b>

### (a) Non-cash investing and financing activities

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2015 \$m	30 June 2014 \$m	30 June 2015 \$m	30 June 2014 \$m
Conversion of debt investment to equity investment	27.5	21.3	27.5	21.3
Capital distributions received from equity investment	2.6	–	2.6	–

567 Collins Street Trust issued units to Prime during the year ended 30 June 2015. The issue of units was settled through a non-cash transaction, converting \$27.5 million (30 June 2014: \$21.3 million) of the loan between Prime and 567 Collins Street Trust to equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 CONTINUED

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## 27. Other information

### Potential change in ownership of the Responsible Entity

In February 2015, Morgan Stanley Real Estate Investing ("Morgan Stanley") commenced a formal sale process regarding its investment in Investa Property Group ("IPG"). IPG comprises two business units, Investa Office and Investa Land.

The Investa Office business incorporates Investa Property Trust ("IPT") and the Investa Office management platform ("the Management Platform"). The Management Platform is represented by Investa Office Management Holdings Pty Limited ("IOMHPL") which is the direct parent of Investa Office Management Pty Limited ("IOM"). IOM is the parent entity of the Group's Responsible Entity, ILFML, and of the management entities within Investa Office that provide asset and property management services to the Group's investment property portfolio.

A change in ownership of the Management Platform will result in a change in the ultimate owner of ILFML.

As a result of Morgan Stanley's announcement, the Directors of the Responsible Entity established an Independent Board Committee ("IBC") consisting of three Independent Directors of the Group (Deborah Page, Peter Dodd and Peter Rowe) to focus on the interests of unitholders during this sale process.

The Group holds pre-emptive rights over the shares in IOM under an Implementation Deed between Investa Property Group Holdings Pty Limited, IOMHPL and ILFML. Under certain circumstances the pre-emptive rights entitle the Group to:

- > acquire IOM where IOMHPL wishes to sell its interest in IOM; and
- > acquire a 50% interest in IOM when the gross value of the Group's Australian commercial office assets reaches \$3.5 billion.

Morgan Stanley has advised the IBC that it will not accept an offer from the Group to acquire IOM, and that it would complete the sale of the Management Platform in a manner that does not trigger the Group's pre-emptive rights.

On 7 August 2015, Morgan Stanley provided Mirvac Group a period of exclusivity to potentially acquire the Management Platform.

On 14 August 2015, the Group announced that the IBC had commenced a strategic review ("the Strategic Review") to explore all alternatives available in the best interests of the Group's unitholders.

As at the date of this report the sale process of the Management Platform and the Strategic Review are ongoing.

### *Risks arising from a change in ownership*

As detailed in the 'Material business risks' section of the 30 June 2015 Directors' Report, a change in the ownership of the Management Platform could lead to a number of risks, in particular a review event on certain debt facilities held by the Group. A review event on any of the Group's debt facilities gives rise to the risk that the facility under review, in part or in whole, is declared due and payable by lenders. If lenders to the Group require their debt to be repaid and the Group is unable to refinance and repay their debt within the nominated period, cross default provisions could be triggered requiring the Group to repay its other debt facilities in part or in full.

In the event lenders require the Group to repay its debt, the Group would be required to refinance its existing debt facilities under current market conditions.

## 28. Events occurring after the reporting period

On 7 July 2015, the construction of 567 Collins Street, Melbourne reached practical completion. The Group holds a 50% interest in this property via its associate investment in 567 Collins Street Trust.

On 17 July 2015, Prime exchanged contracts for the sale of 383 La Trobe Street, Melbourne for \$70.7 million less committed costs. The contracts for sale entitle Prime to a 15% non-refundable deposit and outline a deferred settlement period of twelve to eighteen months from the date of exchange. As outlined in Note 13, the sale value has been reflected in the book value of the property as at 30 June 2015.

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

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 33 to 90 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of each of, the Group and Prime Credit Property Trust's consolidated financial position as at 30 June 2015 and of their performance for the year ended on that date; and

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

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 2015.



**Deborah Page AM**

Chairman  
Sydney  
20 August 2015

# 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 staples 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 2015, 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 2015, 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. Those 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.

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 consolidated 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

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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 opinion.

#### *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 2015 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*, and
- (b) the 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.

PricewaterhouseCoopers

S J Hadfield  
Partner

Sydney  
20 August 2015

## **investa.com.au/IOF**

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 Australian Securities Exchanges (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 manages 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 presentations, immediately following the release of the financial statements to the ASX in August and February each year, which provide 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 opportunities 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 website and the IOF website [www.investa.com.au/IOF](http://www.investa.com.au/IOF)

### **Roadshows and investor meetings**

Undertaken after the Fund's 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 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 statement**

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 financial year 2015 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

# INVESTOR RELATIONS CONTINUED

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 2014 and 30 June 2015.

	31 December 2014	30 June 2015
PCP Trust	57.5%	58.3%
AJO Fund	42.5%	41.7%

## 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 currently scheduled to be held in November 2015. 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.

## 2015/2016 Key dates<sup>1</sup>

Distribution paid for half year ended 30 June 2015	31 August 2015
FY2015 Annual Taxation Statements available	31 August 2015
Annual General Meeting	November 2015
Half year results for six months to 31 December 2015 released to ASX	18 February 2016
Distribution payment for half year ended 31 December 2015	29 February 2016
Annual results for year to 30 June 2016 released to ASX	18 August 2016
Distribution paid for half year ended 30 June 2016	31 August 2016
FY2016 Annual Taxation Statements available	31 August 2016
FY2016 Annual Report available	September 2016

1. These timings are indicative only and subject to change.

## 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 9360  
 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.

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.

# THE TOP 20 AND SUBSTANTIAL HOLDINGS

<b>Rank</b>	<b>Name</b>	<b>31 August 2015</b>	<b>% IC</b>
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	191,988,146	31.27
2	NATIONAL NOMINEES LIMITED	92,524,942	15.07
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	76,073,466	12.39
4	INVESTA OFFICE MANAGEMENT HOLDINGS PTY LTD	54,878,455	8.94
5	CITICORP NOMINEES PTY LIMITED	41,850,460	6.82
6	BNP PARIBAS NOMS PTY LTD	17,628,164	2.87
7	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	12,916,661	2.10
8	AMP LIFE LIMITED	7,642,885	1.24
9	CITICORP NOMINEES PTY LIMITED	6,287,406	1.02
10	QUESTOR FINANCIAL SERVICES LIMITED	5,486,671	0.89
11	AVANTEOS INVESTMENTS LIMITED	3,359,988	0.55
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,967,803	0.48
13	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,995,500	0.32
14	BOND STREET CUSTODIANS LIMITED	1,679,931	0.27
15	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,339,853	0.22
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,208,111	0.20
17	NETWEALTH INVESTMENTS LIMITED	1,099,638	0.18
18	AVANTEOS INVESTMENTS LIMITED	1,030,618	0.17
19	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	981,600	0.16
20	QUESTOR FINANCIAL SERVICES LIMITED	840,088	0.14
<b>TOTAL</b>		<b>523,780,386</b>	<b>85.30</b>
<b>Balance of Register</b>		<b>90,267,072</b>	<b>14.70</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	75	539,002,292	87.78
50,001 to 100,000	58	3,904,702	0.64
10,001 to 50,000	1,614	27,937,399	4.55
5,001 to 10,000	3,061	21,638,088	3.52
1,001 to 5,000	7,095	19,891,230	3.24
1 to 1,000	3,439	1,673,747	0.27
<b>Total</b>	<b>15,342</b>	<b>614,047,458</b>	<b>100</b>
Unmarketable Parcels	339	8,624	0

## Substantial Holdings

The table below gives details of the last notice for each substantial unitholder lodged with the Australian Securities Exchange to 31 August 2015.

Effective Date	Name	Number of Units	%
28 August 2015	CBRE Clarion Securities LLC	57,443,418	9.35
8 May 2015	State Street Corporation	34,229,024	5.57
21 January 2015	Mitsubishi UFJ Financial Group Inc.	72,943,658	11.88
21 January 2015	Morgan Stanley Investment Management Company	72,351,298	11.78
10 October 2014	Investa Office Management Holdings Pty Ltd	54,543,259	8.88

# GLOSSARY

Term	Meaning
<b>AUM</b>	Assets under management
<b>AASB</b>	Australian Accounting Standards Board
<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>Board</b>	The Board of Directors of the Responsible Entity.
<b>Bps or basis points</b>	A basis point is a common unit of measure for interest rates and other percentages. One basis point is equal to 1/100th of 1%, or 0.01% (0.0001), and is used to denote the percentage change in a financial instrument.
<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 organisation 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>ESG</b>	Environmental Social Governance
<b>FFO</b>	Property Council Funds From Operations defined as the Funds'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 organisation 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>IBC</b>	Independent Board Committee consisting of the Independent Directors, Deborah Page, Peter Rowe and Peter Dodd established in preparation for a potential transaction regarding the sale of the Investa Office Management platform.

# GLOSSARY CONTINUED

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>IOM</b>	Investa Office Management Pty Ltd
<b>IPG</b>	Investa Property Group consisting of two business units, Investa Office and Investa Land
<b>Management Platform</b>	Consisting of Investa Office Management which is the parent of the Fund's Responsible Entity, ILFML, the Management Platform executes the strategy by appointing personnel and providing asset and property management services to the Group's investment property portfolio.
<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>NLA</b>	Net Lettable Area
<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>	A non-AAS measure used by the Responsible Entity to measure underlying performance of the Group prior to FY13. 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.
<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>United Nations Principles for Responsible Investment</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

# 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 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  
Jonathan Callaghan  
Campbell Hanan (Alternate)

## IOF Fund Manager

Ming Long

## Company Secretary

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 1300 851 394 (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 Financial 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 2015 unless otherwise stated.

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# CONTACT DETAILS

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.com.au/IOF](http://investa.com.au/IOF)**

**[IOF2015onlinereport.investa.com.au](http://IOF2015onlinereport.investa.com.au)**

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**INVESTA** 