ASX announcement
18.08.16

Investa Office Fund (ASX:IOF)

Financial Results – 30 June 2016

Investa Office Fund (ASX:IOF) today releases its financial results for the year ended 30 June 2016.

The financial results pack includes:

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

A webcast of the full year results presentation will be available from 10am AEDT at investa.com.au/IOF

-ENDS-

About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an ASX-listed real estate investment trust (A-REIT) and is included in the S&P/ASX100 index. IOF is a leading owner of investment grade office buildings and receives rental income from a tenant register comprised predominately of Government and blue chip tenants. IOF has total assets under management of AU$3.6 billion with 22 investments located in core CBD markets throughout Australia. IOF's focus is on delivering attractive risk-adjusted returns to its unitholders from a portfolio of high quality assets located in the key CBD office markets of Australia.

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The first choice in Australian office.

Appendix 4E

Preliminary Final Report
Year ended 30 June 2016

Name of Entity: Investa Office Fund

ARSN: Investa Office Fund comprising Armstrong Jones Office Fund ARSN 090 242 229 and Prime Credit Property Trust ARSN 089 849 196

Results for announcement to the market

	Comparison to 30 June 2015
Revenues from ordinary activities	down 0.1% to $217.3m
Profit from ordinary activities after tax attributable to members	up 175.6% to $493.8m
Net profit for the period attributable to members	up 175.6% to $493.8m
Property Council FFO(i)	up 3.4% to $175.6m

	30 June 2016	30 June 2015
Net tangible assets per unit	$4.23	$3.62

(i) Investa Office Fund (IOF) reports net profit attributed to unitholders in accordance with Australian Accounting Standards (AAS). Investa Listed Funds Management Limited, as the Responsible Entity of IOF considers the non-AAS measure, Property Council Funds From Operations (Property Council FFO) an important indicator of the underlying performance of IOF. To calculate Property Council FFO, net profit attributable to unitholders is adjusted to exclude non-cash and other items such as the amortisation of tenant incentives, fair value gains/losses on investment property, fair value gains/losses on the mark to market of derivatives, the straight-lining of rent, non-FFO deferred tax benefits and expenses, foreign currency translation reserves recognised in net profit, and other unrealised or one-off items.

Distributions	**Amount per unit (cents)**	**$m**
Interim - 31 December 2015 (paid 29 February 2016)	9.80	60.2
Final – 30 June 2016 (payable 31 August 2016)	9.80	60.2
Total	19.60	120.4
Previous corresponding period (30 June 2015)	19.25	118.2
Record date for determining entitlements to the final distribution	30 June 2016	

Note: Franked amount per unit is not applicable

Other significant information and commentary on results
See attached ASX announcement

For all other information required by Appendix 4E, please refer to the following attached documents:

- Directors' report
- Audited financial report
- Results presentation
- Property portfolio

Ivan Gorridge
Company Secretary

18 August 2016

Investa Office Fund

Annual Financial Report

30 June 2016

The Investa Office Fund comprises
Armstrong Jones Office Fund ARSN 090 242 229 and Prime Credit Property Trust ARSN 089 849 196

www.investa.com.au

Annual Financial Report for the year ended 30 June 2016

Contents

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 18 August 2016. The Responsible Entity has the power to amend and reissue this financial report.

Directors' Report

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 defined as 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 2016.

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:

Richard Longes	Independent Non-Executive Chairman (appointed as Director 15 April 2016 and appointed as Chairman 18 April 2016)
Robert Seidler AM	Independent Non-Executive Director (appointed 15 April 2016)
John Fast	Independent Non-Executive Director (appointed 15 April 2016)
Geoffrey Kleemann	Independent Non-Executive Director (appointed 15 April 2016)
Jonathan Callaghan	Executive Director (resigned 28 January 2016 and re-instated 15 April 2016)
Deborah Page AM	Independent Non-Executive Chairman (resigned 18 April 2016)
Peter Dodd	Independent Non-Executive Director (resigned 18 April 2016)
Peter Rowe	Independent Non-Executive Director (resigned 18 April 2016)
Scott MacDonald	Non-Executive Director (resigned 31 October 2015)
Campbell Hanan	Alternate Director (alternate for Scott MacDonald; ceased 31 October 2015)

Review of results and 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.

Financial results

The Group delivered a net profit attributable to unitholders for the year ended 30 June 2016 of $493.8 million, up 175.6% from the previous year. This was primarily due to strong valuation improvements in the portfolio for the current year. After adjusting for fair value movements and non-operating items, the Property Council FFO increased by 3.4% to $175.6 million, driven by property level income growth and the income from 567 Collins Street, Melbourne, which completed in July 2015.

Property and investment portfolios

At 30 June 2016 the Group held interest in twenty two investments located in the key central business districts of major Australian cities. The portfolio is valued at $3,625.9 million and has a total net lettable area of 421,895 sqm at the Group's share.

a) Property portfolio

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

- Completed 116,253 sqm of leasing across the total lettable area in the portfolio.
- Leased over 31,482 sqm in Brisbane including significant leases to the State Government of Queensland for 8,912 sqm for 7 years at 140 Creek Street, Brisbane and the Commonwealth Government for 10 years over 2,623 sqm at 295 Ann Street, Brisbane. The portfolio occupancy in Brisbane increased to 90% as at 30 June 2016 from 78% as at 30 June 2015;
- Completion of the new premium grade tower at 567 Collins Street, Melbourne on 7 July 2015;
- Exchange of contracts for the sale of 383 La Trobe Street, Melbourne on 17 July 2015 for $70.7 million subject to settlement adjustments and transaction costs, at a 31% premium to the prior book value. The contracts entitle Prime to a 15% non-refundable deposit and outline a deferred settlement period of twelve to eighteen months from the date of exchange. Settlement is anticipated to occur in January 2017;
- Continued progress on the development of a 22,000 sqm A grade tower at 151 Clarence Street, Sydney with the demolition commenced in March 2016 and the building expected to be completed in Q3 2018; and
- Successful negotiation of an 11.5 year lease extension with Telstra for 63,400 sqm at 242 Exhibition Street, Melbourne. This will provide a long term income stream and de-risk the Melbourne portfolio.

Directors' Report (continued)

Review of results and operations (continued)

Property and investment portfolios (continued)

a) Property portfolio (continued)

The Group's Sydney and Melbourne assets, which total 80% of the portfolio by value, performed well throughout the year. Occupancy has remained high in Sydney (98%) and Melbourne (100%) resulting from strong demand from tenants particularly within the professional and business service sectors. The Sydney market in particular has benefited from significant withdrawals of office space, fuelled by residential conversions and compulsory acquisitions by the NSW Government as part of the Sydney Metro City & Southwest infrastructure projects. High levels of demand and declining vacancies have led to effective rental growth, particularly in assets targeted at affordable users, where absolute rental levels have traditionally been relatively low. This has seen growth in face rents, and declines in incentives for both renewals and new deals.

In spite of the challenging leasing conditions in Brisbane, the Group has seen solid leasing results in the current financial year and hence has materially decreased its income exposure in that city. New leases were signed with SAP, the State Government of Queensland and Turner Townsend at 140 Creek Street, Brisbane, while at 295 Ann Street, Brisbane leases with the Commonwealth Government and Australian Institute of Management resulted in an occupancy of 95% and a weighted average lease expiry (WALE) of 6.3 years.

Perth assets make up only 4% of the Group's portfolio by value. However, challenging leasing conditions persist in that market and have impacted the performance of the portfolio. Despite being well located and offering high quality and affordable A grade office space, vacancies remain at 66 St Georges Terrace, Perth where 5,394 sqm being 39% is available for lease.

Key metrics for the portfolio as at and for the year ended 30 June 2016 include:

- Occupancy of 96% (30 June 2015: 93%);
- Tenant retention of 77% (30 June 2015: 62%);
- Like-for-like net property income growth of 3.1% (30 June 2015: -1.3%); and
- Weighted average lease expiry of 4.8 years (30 June 2015: 5.2 years).

b) Valuations

In November 2015, the Group's entire investment property portfolio was independently valued, with the exception of 383 La Trobe Street, Melbourne, an asset contracted for sale. Further, 52% of the portfolio by value (30 June 2015: 97%) was independently valued in June 2016 (including investment properties held through equity accounted investments). The valuation increase over book value for the year was 9% (30 June 2015: 4%). The weighted average capitalisation rate adopted as at 30 June 2016 was 6.2% for the portfolio (30 June 2015: 6.9%).

Strong valuation results were achieved across Sydney and Melbourne assets with total valuation uplifts of 11% for the year:

- Active leasing, increased market rents and cap rate compression in Sydney contributed to valuation uplifts at 10-20 Bond Street of $60.0 million (31%), 6 O'Connell Street of $29.5 million (20%) and Piccadilly Complex of $43.0 million (20%);
- Continued investor demand for premium grade assets resulted in cap rate compression at 126 Phillip Street, Sydney, where the valuation increased by $40.9 million (21%); and
- Investor demand for high quality and long WALE assets resulted in cap rate compression in Melbourne, with 567 Collins Street increasing by $31.7 million (12%), 242 Exhibition Street increasing by $12.4 million (5%) and 800 Toorak Road increasing by $11.0 million (10%).

The Group's asset values in Brisbane increased by 9% for the year across the portfolio, following a period of significant leasing activity and asset repositioning:

- 140 Creek Street increased by $23.1 million (14%) in value following the lease up of 18,297 sqm during the year, improving the WALE of the asset to 6.0 years and allowing for cap rate compression;
- 295 Ann Street increased by $8.9 million (8%) with three new deals completed during the year; and
- 239 George Street increased by $3.9 million (3%).

Contrary to rising valuations in Sydney, Melbourne, and Brisbane, asset values in Perth declined as the slowdown in the resource sector resulted in significant decreases in office rents. The Group's assets in Perth declined in value by 15% on average over the year.

Directors' Report (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 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Net profit attributable to unitholders	**493.8**	179.2	**223.0**	143.2
Net profit from continuing operations	**493.8**	281.8	**223.0**	143.2
Property Council Funds From Operations	**175.6**	169.9	**na**	na
	Cents	Cents	**Cents**	Cents
Per stapled unit:				
Basic and diluted earnings per unit from net profit[1]	**80.4**	29.2	**na**	na
Basic and diluted earnings per unit from net profit from continuing operations	**80.4**	45.9	**na**	na
Property Council Funds From Operations per unit	**28.6**	27.7	**na**	na
Distributions per unit	**19.60**	19.25	**13.00**	11.20

(1) The basic and diluted earnings per unit from net profit for the Fund and Prime as at 30 June 2016 were 44.1 cents (30 June 2015: 5.9 cents) and 36.3 cents (30 June 2015: 23.3 cents) respectively.

A distribution of $60.2 million for the half-year ended 30 June 2016 was recognised in the 2016 financial year and is scheduled to be paid on 31 August 2016.

Basic and diluted earnings per stapled unit from net profit, as calculated under applicable accounting standards for the year ended 30 June 2016, was 80.4 cents, compared to 29.2 cents for the previous year. This change is a result of:

- Strong valuation improvements in the portfolio for the current year; and
- A decrease in the prior year's net profit as a result of a loss from the reclassification of the foreign currency translation reserve to the profit and loss.

Distributions per unit have increased by 1.8% from 19.25 cents to 19.60 cents for the year ended 30 June 2016.

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 year ended 30 June 2016 and 30 June 2015 has been calculated as follows:

	Investa Office Fund	
	30 June 2016	30 June 2015
	$m	$m
Net profit attributable to unitholders	**493.8**	179.2
Adjusted for:		
Net gain on change in fair value of:		
Investments[1]	**(316.2)**	(129.5)
Derivatives[2]	**(56.5)**	(87.8)
Net foreign exchange loss[2]	**14.4**	77.0
Amortisation of incentives	**32.3**	26.4
Straight-lining of lease revenue	**3.6**	1.4
Transfer of foreign currency translation reserve to profit or loss	**-**	104.7
Other[3]	**4.2**	(1.5)
Property Council FFO	**175.6**	169.9

(1) Net gain on change in fair value of investments includes the fair values of investment properties held by the Group and investment properties held through equity accounted investments.

(2) Net gain on change in fair value of derivatives is predominately due to increases in the fair values 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 partly 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 year end.

(3) "Other" includes legal and advisory expenses associated with the DEXUS Proposal; income tax expenses; and other unrealised or one-off items.

Directors' Report (continued)

Property Council FFO (continued)
Property Council FFO for the year to 30 June 2016 increased by 3.4% to $175.6 million (30 June 2015: $169.9 million) mainly due to increased net property income of $11.0 million resulting from full year contributions from 567 Collins Street, Melbourne, higher rents at 105-151 Miller Street, Sydney and improved occupancy and rent reviews from the other Sydney properties. This increase was partially offset by reduced income following the sale of 628 Bourke Street, Melbourne, the redevelopment of 151 Clarence Street, Sydney and lower interest income on the Group's interest bearing loan to 567 Collins Street Trust.

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 2016	30 June 2015	**30 June 2016**	30 June 2015
Value of total assets ($m)	**3,783.4**	3,321.2	**1,946.0**	1,713.9
Total liabilities ($m)	**1,187.1**	1,098.3	**506.6**	417.6
Net assets ($m)	**2,596.3**	2,222.9	**1,439.4**	1,296.3
Net tangible assets per unit (dollars)	**4.23**	3.62	**2.34**	2.11

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 $462.2 million (13.9%) to $3,783.4 million (30 June 2015: $3,321.2 million) mainly due to positive valuation to the Group's investment property portfolio; additions to existing properties; 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. Total liabilities increased by $88.8 million (8.1%) to $1,187.1 million (30 June 2015: $1,098.3 million) predominantly due to increase in debt to fund the construction of 567 Collins Street, Melbourne and an increase in the carrying value of US denominated debt resulting from the weakening of the Australian dollar.

Capital management

	Investa Office Fund	
	30 June 2016	30 June 2015
Drawn debt ($m)	**1,092.7**	1,001.2
Drawn debt – look-through ($m)(1)	**1,013.0**	936.0
Undrawn committed debt - look-through ($m)	**186.0**	195.0
Gearing ratio – look-through	**27.7%**	28.8%
Weighted average debt expiry – look-through(2)	**5.0 years**	5.2 years
Interest rate hedging – look-through	**44.4%**	42.7%
Leverage ratio – look-through	**31.4%**	33.1%
Interest coverage – look-through (times)	**4.3x**	4.4x

(1) Represents the Group's look-through drawn debt, based on the AUD liability on the USPPs after applying cross currency swap hedging arrangements.
(2) Current year calculation includes the impact of the Group's refinance of the bank debt expiring in March 2017 with new bank debt expiring from July 2019 to July 2021.

In February 2016, the Responsible Entity on behalf of the Fund and Prime entered into new debt facility agreements of $350.0 million with a maturity date of March 2017. This allowed the Group and Prime to refinance their bank debt maturing in June 2016 and August 2016.

Subsequent to 30 June 2016, the Responsible Entity on behalf of the Fund and Prime refinanced the $350.0 million bank debt facility maturing in March 2017 with new bank debt facility agreements of $350.0 million maturing from July 2019 to July 2021.

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 2016 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:

Directors' Report (continued)

Business strategies and prospects for future financial years (continued)

Business strategies (continued)

a) Proactive asset management (continued)
- 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 tenants;
- 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 maximise the performance of 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.

The Group will continue to seek out opportunities to maximise risk adjusted returns by acquiring assets that meet the needs of today's tenants, 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 appropriate 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.

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

Market cycle	Economic growth and economic environment present risks to tenant vacancies, the property valuation cycle, the availability of funding, interest rates, and foreign exchange rates. The mitigation of these risks is discussed further below.
Vacancy levels	The level of vacancy can impact the Group's rental returns and market value of its office properties. A high vacancy level is likely to result in lower rental returns and lower property values. This risk is mitigated by the Group's ability to utilise the specialist skills and expertise of the Management Platform, which 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 low levels of existing vacancy of 4% and WALE of 4.8 years across the Australian portfolio. Less than 6% of income from the Group's portfolio expires in the next 12 months.
Property valuation cycle	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 the risk of a breach of financing covenants. This risk is mitigated by the Group's target gearing range appropriately reflecting the property valuation cycle; maintaining a spread to gearing covenants; and by the Group's investment in high quality commercial grade office buildings. 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 strongest in Sydney and Melbourne, with strong occupancy fundamentals enhancing investor confidence; whereas weaker tenant demand combined with high levels of recent supply additions 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 increased as capitalisation rates have tightened. We expect the low interest rate environment to continue to support low office market yields in all the major global markets. Australia will remain high on the list of destinations for global capital as the spread between Australian office yields and bonds remains very healthy by global standards.

Directors' Report (continued)

Business strategies and prospects for future financial years (continued)

Material business risks (continued)

Availability of funding	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. Subsequent to the year end, the Group refinanced its current debt facilities by entering into new debt facility arrangements with long-term maturities. Consequently, the Group will not have any debt facilities maturing in the 12 months after the reporting date.
Interest rates	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 in property assets, 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.
Exchange rate risk	The Group mitigates its exposure to exchange rate risk on its USD 325.0 million USPPs borrowing through cross currency swap hedging arrangements. These arrangements minimise the interest rate and exchange rate risk on the USPPs borrowings.

Future financial prospects

a) Market conditions

The Australian economy is in a relatively strong position, with the transition away from mining investment-led economic growth becoming increasingly entrenched, as a lower Australian dollar and low interest rates continue to stimulate the non-mining economy. Although economic growth has been slightly below trend over the last year, Australia continues to deliver enviable rates of growth compared to other developed economies. However, economic performance continues to vary across different states and markets, with New South Wales and Victoria benefitting the most from the rebalancing of the economy, at the expense of Western Australia and, to a lesser extent, Queensland. Evidence of this can be seen in labour force data, with the rate of national unemployment gradually declining over the last 12 months to 5.7%. However, the bulk of these jobs has been created in the Eastern Seaboard states, particularly in white-collar industries such as business services.

The impact of these labour market trends can be observed in office market data. Sydney, and to a lesser extent Melbourne, have seen above average levels of demand for space, which has tightened the market vacancy rate. Sydney in particular is becoming supply constrained in some market segments, and as a result, office rents are expanding strongly and tenant incentives are winding back, particularly in the case of lease renewals. Melbourne is lagging behind Sydney somewhat; however, market conditions are improving. Brisbane is emerging from a period of above average supply which has increased the vacancy rate. However after a period of weakness, office space absorption has improved over the last 12 months, returning to average levels. This has resulted in a stabilisation of rents and tenant incentives in Brisbane. Perth continues to face significant market headwinds. The unwinding of mining investment has resulted in resources companies and associated service providers cutting back their space requirements. This has been exacerbated by falling commodity prices which have reduced the likelihood that any new mining projects will be approved in the short term. We expect further downward pressure on rental levels before the market stabilises over the next 24 months.

b) Earnings guidance

The Group's 30 June 2017 forecast earnings guidance (based on Property Council FFO) is 29.2 cents per unit (30 June 2016 actual: 28.6 cents per unit) with a full year distribution of 20.0 cents per unit (30 June 2016 actual: 19.60 cents per unit). This guidance is subject to prevailing market conditions, no material changes to the portfolio and no capital transactions, other than the settlement of 383 La Trobe Street, Melbourne.

Significant matters affecting the Group

a) Independent Board Committee (the IBC)

In February 2015, Morgan Stanley Real Estate Investing (Morgan Stanley) commenced a formal sale process of the Management Platform, owned by Investa Office Management Holdings Pty Limited (IOMHPL). IOMHPL is the direct parent of Investa Office Management Pty Limited (IOM), which is the parent entity of the Group's Responsible Entity, ILFML and of the related management entities that provide asset and property management services to the Group's investment property portfolio.

The IBC was established in December 2014 in anticipation of the Morgan Stanley sale process. The members of the IBC were the former Independent Directors of ILFML, namely, Deborah Page, Peter Dodd and Peter Rowe. The IBC had advised that it considered various alternatives available to the Group.

Directors' Report (continued)

Business strategies and prospects for future financial years (continued)

Significant matters affecting the Group (continued)

a) Independent Board Committee (the IBC) (continued)

On 18 December 2015, ILFML entered into a binding Implementation Agreement with DEXUS in relation to DEXUS's proposed acquisition of 100% of the units in the Group by way of a trust scheme (DEXUS Proposal). At a unitholder meeting held on 15 April 2016, the DEXUS Proposal failed to receive approval by the requisite majority of IOF Unitholders. As a result, the Implementation Agreement with DEXUS was terminated. The IBC has also been dissolved. Under the terms of the Implementation Agreement, a $23.52 million break fee could be payable by the Group to DEXUS in certain circumstances (as set out in the Implementation Agreement), including where a competing transaction to the DEXUS Proposal is completed by 31 December 2016.

The IBC had appointed several advisors to assist with its strategic review. The Group may be required to pay trailing fees under the mandates with these advisors, if certain events relating to the control or management of the Group occur within specified timeframes. These trailing fees, based on the total assets of the Group as at 30 June 2016 can amount up to $2.8 million in aggregate if an internalisation proposal is approved or implemented or up to $16.1 million in aggregate if there is a change of control of the Group. Any entitlement to trailing fees reduces after 31 May 2017 and ceases on 1 December 2017.

b) Investa Property Group

In March 2016, ICPF Holdings Limited (ICPFHL) acquired IOMHPL from Morgan Stanley. ICPFHL is stapled to the wholesale unlisted fund, the Investa Commercial Property Fund (ICPF). The stapled ICPF-ICPFHL structure is known as Investa Property Group (IPG). ILFML, the Responsible Entity of the Group has become a subsidiary of ICPFHL.

c) Rights under the Implementation Deed

The Group holds certain rights under an Implementation Deed between ILFML, IOMHPL and IPGH Pty Limited (IPGH) dated 19 December 2012 and amended on 8 September 2015 (Implementation Deed). These rights include:

- A right to negotiate in good faith in relation to the acquisition of a 50% interest in the Management Platform once the Group is notified that the gross asset value of the commercial office assets of the Group equals or exceeds $3.5 billion (the Due Diligence Commencement Date); and
- A right of first refusal in the event that IOMHPL wishes to sell an interest in the Management Platform to an unrelated third party at any time prior to the date that is 12 months after the Due Diligence Commencement Date.

On 12 August 2016, the Group received a Certificate of Valuation from IOMHPL confirming that the gross asset value of the commercial office assets of the Group was greater than $3.5 billion. As a result, under the terms of the Implementation Deed, the Group has a 12 month period (that commenced on 12 August 2016) in which it may choose to exercise its right by notifying IOMHPL and commence the process to negotiate the purchase of 50% interest in the Management Platform. IOMHPL has stated the price at which IOMHPL is prepared to sell a 50% interest in the Management Platform as follows:

- If completion of the sale takes place before 28 February 2017, the price is $45.0 million plus agreed working capital and other agreed reimbursement adjustments.
- If completion of the sale takes place after 28 February 2017, the price is the higher of:
  - $45.0 million plus agreed working capital and other agreed reimbursement adjustments; and
  - The fair market price as at the expected completion date of the sale as determined by an independent expert appointed by IOMHPL (acting reasonably) in consultation with ILFML.

The price mentioned above is also subject to agreement on the various transaction documents to give effect to the sale of the interest and governing the joint venture arrangements.

The Directors will review and consider the Certificate of Valuation within the period allowed under the Implementation Deed.

ILFML will keep IOF unitholders informed in accordance with its Australian Stock Exchange continuous disclosure obligation.

Events occurring after the reporting period

Subsequent to 30 June 2016, the Responsible Entity on behalf of the Fund and Prime refinanced the $350.0 million bank debt facility maturing in March 2017 with new bank debt facility agreements of $350.0 million maturing from July 2019 to July 2021.

On 25 July 2016, the Group agreed terms for an 11.5 year lease extension with Telstra at 242 Exhibition Street, Melbourne, a property held by an equity accounted investment that is jointly owned with ICPF. Telstra occupies over 63,000 sqm of the office tower and has extended its lease expiry from May 2020 to October 2031. This lease extension provides income stability and secures the long-term outlook for the asset.

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

Directors' Report (continued)

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 2016:

	Number of units held			
	Investa Office Fund		Prime Credit Property Trust	
Name	**30 June 2016 ’000**	30 June 2015 ’000	**30 June 2016 ’000**	30 June 2015 ’000
Investa Office Management Holdings Pty Limited	**1**	54,878	**1**	54,878
	1	54,878	**1**	54,878

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.

Environmental regulation

The Directors of the Responsible Entity are satisfied that adequate systems are in place for the management of the Trusts' environmental responsibility and compliance with various licence requirements and regulations. Further, the Directors are not aware of any material breaches of these requirements and, to the best of their knowledge, all activities have been undertaken in compliance with environmental requirements.

Indemnification and insurance of officers and the auditor

The officers of the Responsible Entity are covered under an insurance policy maintained by ICPF Holdings Limited on behalf of all its subsidiaries, including the Responsible Entity. The Group has not paid any insurance premium for any person who is or has been a director or officer of the Responsible Entity.

The Responsible Entity may indemnify, on a full indemnity basis and to the full extent permitted by the law, each officer against all losses or liabilities incurred by the person as an officer of the Responsible Entity. The Responsible Entity and IOMHPL (a parent company of the Responsible Entity) have provided a Deed of Indemnity, Access and Insurance in favour of the Directors of the Responsible Entity. The Deed indemnifies these persons on a full indemnity basis to the extent permitted by law for all liabilities incurred as a director or officer of the Responsible Entity.

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

Other information

ATO income tax audit
The Australian Taxation Office has completed its audit of the income tax returns for Prime and has advised that it does not presently intend as its primary course to amend the income of Prime nor the Group's unitholders in respect of the audit.

Audit and non-audit fees

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

The Directors of the Responsible Entity have adopted a policy governing Auditor Independence which specifies that the auditing firm should not provide services that are or could be perceived to be in conflict with the role of auditor. Each non-audit service is considered in the context of this policy. The Responsible Entity may decide to employ the auditor on assignments additional to 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 11.

Directors' Report (continued)

Rounding of amounts

The Trusts are of a kind of entity referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and in the Consolidated Financial Statements. Amounts in the Directors' report and the Consolidated Financial Statements have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars.

This report is made in accordance with a resolution of the Directors.

RA Longes
Chairman
Sydney
18 August 2016

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 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

S J Hadfield
Partner
PricewaterhouseCoopers

Sydney
18 August 2016

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Consolidated Income Statements
For the year ended 30 June 2016

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
		$m	$m	**$m**	$m
Revenue from continuing operations					
Rental and other property income		**207.4**	209.9	**79.6**	77.7
Interest income		**9.9**	7.6	**9.8**	7.3
		217.3	217.5	**89.4**	85.0
Net foreign exchange loss		**(14.3)**	(78.6)	**(5.4)**	(30.2)
Net gain on change in fair value of:					
Investment properties	12	**233.4**	89.4	**51.4**	24.3
Derivative financial instruments		**56.5**	87.8	**20.1**	33.1
Share of net profit of equity accounted investments	11	**115.5**	67.8	**115.5**	67.8
Net loss on disposal of assets		**(0.5)**	-	**(0.7)**	-
Property expenses		**(50.9)**	(52.5)	**(20.7)**	(22.0)
Responsible Entity's fees		**(12.3)**	(11.1)	**(7.2)**	(6.5)
Finance costs		**(43.2)**	(41.6)	**(15.1)**	(12.1)
Transaction costs	3	**(5.5)**	-	**(2.7)**	-
Other expenses		**(2.2)**	(3.1)	**(1.6)**	(2.4)
Profit before income tax		**493.8**	275.6	**223.0**	137.0
Income tax benefit	4	**-**	6.2	**-**	6.2
Profit from continuing operations for the year		**493.8**	281.8	**223.0**	143.2
Loss from discontinuing operations for the year	8	**-**	(102.6)	**-**	-
Net profit attributable to unitholders for the year		**493.8**	179.2	**223.0**	143.2
Attributable to unitholders of:					
Armstrong Jones Office Fund		**270.8**	36.0	**-**	-
Prime Credit Property Trust		**223.0**	143.2	**223.0**	143.2
		493.8	179.2	**223.0**	143.2
Distributions and earnings per unit					
Distributions per unit (cents)	5	**19.60**	19.25	**13.00**	11.20
Basic and diluted earnings per unit from net profit from continuing operations:					
Per stapled unit (cents)	6	**80.4**	45.9	**na**	na
Per unit of each trust (cents)	6	**44.1**	22.6	**36.3**	23.3
Basic and diluted earnings per unit from net profit					
Per stapled unit (cents)	6	**80.4**	29.2	**na**	na
Per unit of each trust (cents)	6	**44.1**	5.9	**36.3**	23.3

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 2016

	Note	Investa Office Fund 30 June 2016 $m	Investa Office Fund 30 June 2015 $m	Prime Credit Property Trust 30 June 2016 $m	Prime Credit Property Trust 30 June 2015 $m
Net profit for the year		**493.8**	179.2	**223.0**	143.2
Other comprehensive income:					
Items that may be reclassified to profit or loss					
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)	**-**	-
Total comprehensive income for the year		**493.8**	282.7	**223.0**	143.2
Total comprehensive income for the year attributable to unitholders of:					
Armstrong Jones Office Fund		**270.8**	139.5	**-**	-
Prime Credit Property Trust		**223.0**	143.2	**223.0**	143.2
Total comprehensive income for the year		**493.8**	282.7	**223.0**	143.2
Total comprehensive income for the year attributable to unitholders arising from:					
Armstrong Jones Office Fund					
Continuing operations		**270.8**	138.6	**-**	-
Discontinued operations		**-**	0.9	**-**	-
		270.8	139.5	**-**	-
Prime Credit Property Trust					
Continuing operations		**223.0**	143.2	**223.0**	143.2
Discontinued operations		**-**	-	**-**	-
		223.0	143.2	**223.0**	143.2
		493.8	282.7	**223.0**	143.2

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 2016

		Investa Office Fund		Prime Credit Property Trust	
		30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	Note	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents		**2.1**	3.6	**1.4**	1.0
Trade and other receivables	7	**12.6**	18.2	**7.5**	10.5
		14.7	21.8	**8.9**	11.5
Assets classified as held for sale	10	**70.5**	-	**70.5**	-
		85.2	21.8	**79.4**	11.5
Non-current assets					
Trade and other receivables	7	**-**	114.2	**-**	114.2
Derivative financial instruments	9	**143.5**	86.6	**57.2**	36.9
Investments accounted for using the equity method	11	**801.8**	543.7	**801.8**	543.7
Investment properties	12	**2,752.9**	2,554.9	**1,007.6**	1,007.6
		3,698.2	3,299.4	**1,866.6**	1,702.4
Total assets		**3,783.4**	3,321.2	**1,946.0**	1,713.9
Current liabilities					
Trade and other payables	14	**25.7**	29.9	**10.0**	12.4
Distribution payable	5	**60.2**	59.6	**37.5**	35.0
Derivative financial instruments	9	**4.2**	2.5	**0.9**	-
Borrowings	15	**337.0**	61.9	**198.0**	41.9
		427.1	153.9	**246.4**	89.3
Non-current liabilities					
Derivative financial instruments	9	**7.8**	9.1	**0.3**	1.1
Borrowings	15	**752.2**	935.3	**259.9**	327.2
		760.0	944.4	**260.2**	328.3
Total liabilities		**1,187.1**	1,098.3	**506.6**	417.6
Net assets		**2,596.3**	2,222.9	**1,439.4**	1,296.3
Equity					
Contributed equity	16	**2,142.3**	2,142.3	**1,193.8**	1,193.8
Retained earnings	18	**454.0**	80.6	**245.6**	102.5
Total equity		**2,596.3**	2,222.9	**1,439.4**	1,296.3
Attributable to unitholders of:					
Armstrong Jones Office Fund:					
Contributed equity	16	**948.5**	948.5	**-**	-
Retained earnings/(accumulated losses)		**208.4**	(21.9)	**-**	-
		1,156.9	926.6	**-**	-
Prime Credit Property Trust		**1,439.4**	1,296.3	**1,439.4**	1,296.3
Total equity		**2,596.3**	2,222.9	**1,439.4**	1,296.3

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 2016

	Note	Attributable to unitholders of Investa Office Fund			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
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
Total comprehensive income for the year		-	103.5	179.2	282.7
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	-	-	(118.2)	(118.2)
		-	-	(118.2)	(118.2)
Balance at 30 June 2015		2,142.3	-	80.6	2,222.9
Balance at 1 July 2015		**2,142.3**	**-**	**80.6**	**2,222.9**
Net profit for the year		**-**	**-**	**493.8**	**493.8**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**493.8**	**493.8**
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	**-**	**-**	**(120.4)**	**(120.4)**
		-	**-**	**(120.4)**	**(120.4)**
Balance at 30 June 2016		**2,142.3**	**-**	**454.0**	**2,596.3**

	Note	Attributable to unitholders of Prime Credit Property Trust			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
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		-	-	-	-
Total comprehensive income for the year		-	-	143.2	143.2
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	-	-	(48.0)	(48.0)
		-	-	(48.0)	(48.0)
Balance at 30 June 2015		1,193.8	-	102.5	1,296.3
Balance at 1 July 2015		**1,193.8**	**-**	**102.5**	**1,296.3**
Net profit for the year		**-**	**-**	**223.0**	**223.0**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**223.0**	**223.0**
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	5	**-**	**-**	**(79.9)**	**(79.9)**
		-	**-**	**(79.9)**	**(79.9)**
Balance at 30 June 2016		**1,193.8**	**-**	**245.6**	**1,439.4**

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

Consolidated Statements of Cash Flows
For the year ended 30 June 2016

	Note	Investa Office Fund		Prime Credit Property Trust	
		30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
		$m	$m	**$m**	$m
Cash flows from operating activities					
Cash receipts in the course of operations (inclusive of GST)		**247.6**	243.2	**96.3**	95.5
Cash payments in the course of operations (inclusive of GST)		**(90.0)**	(86.2)	**(39.4)**	(38.9)
Settlement of income hedging currency derivatives		**-**	2.1	**-**	-
Distribution received from equity accounted investments	11	**29.9**	25.4	**29.9**	25.4
Interest received		**0.3**	0.5	**0.1**	0.2
Finance costs paid		**(42.6)**	(43.2)	**(14.9)**	(12.3)
Income taxes refunded		**-**	8.0	**-**	0.5
Net cash inflow from operating activities	26	**145.2**	149.8	**72.0**	70.4
Cash flows from investing activities					
Payments for additions to investment properties		**(54.7)**	(85.4)	**(27.9)**	(45.8)
Payments for the acquisition of investment properties		**-**	(7.4)	**-**	-
Proceeds from disposal of investment properties		**-**	126.1	**-**	-
Cost of disposal of assets		**(0.7)**	-	**(0.7)**	-
Proceeds from sale of equity accounted investments		**-**	20.5	**-**	-
Loans to equity accounted investments		**(76.1)**	(71.7)	**(76.1)**	(71.7)
Loans from equity accounted investments		**27.5**	0.4	**27.5**	-
Loans received from stapled entity		**-**	-	**-**	20.8
Net cash outflow from investing activities		**(104.0)**	(17.5)	**(77.2)**	(96.7)
Cash flows from financing activities					
Distributions paid to unitholders		**(119.8)**	(115.4)	**(77.4)**	(63.3)
Proceeds from borrowings		**506.0**	391.0	**371.0**	228.0
Repayment of borrowings		**(429.0)**	(416.0)	**(288.0)**	(140.0)
Net cash (outflow)/inflow from financing activities		**(42.8)**	(140.4)	**5.6**	24.7
Net decrease in cash and cash equivalents		**(1.6)**	(8.1)	**0.4**	(1.6)
Cash and cash equivalents at the beginning of the year		**3.6**	12.3	**1.0**	2.5
Effects of exchange rate changes on cash and cash equivalents		**0.1**	(0.6)	**-**	0.1
Cash and cash equivalents at the end of the year		**2.1**	3.6	**1.4**	1.0
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 2016

Note 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 (IOF). 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 ILFML, in its capacity as 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 Australian Accounting Standards (AAS) 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 Consolidated 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 asset deficiency position due to the current borrowings, provision for distribution, trade and other payables, and minimising cash and cash equivalents. It is the policy of the Group and Prime to use surplus cash to repay debt, and the Group and Prime have the ability to drawdown funds to pay trade and other payables, the distribution on 31 August 2016 and refinance current debt. In line with the policy, the Group has subsequently refinanced its current borrowings with non-current borrowings maturing from July 2019 to July 2021. 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

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(iv) *Critical accounting estimates (continued)*
areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2.

(c) Principles of consolidation

(i) *Subsidiaries*
The Consolidated Financial Statements of IOF 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 2016. 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 2016.

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.

(v) *Joint venture entities*
Interests in joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost. The equity method of accounting is described above in Note 1(c)(ii).

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 Consolidated 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 Consolidated Statement of Financial Position;
- Income and expenses for each Consolidated Income Statement and Consolidated 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:

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(f) Revenue (continued)

(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 to 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 and transaction costs*
All other expenses and transaction costs 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 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 properties 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 de-recognition.

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 Consolidated Income Statements. Comparatives are also adjusted to show the results of a discontinued operation separately in the Consolidated 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial instruments (continued)

(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 is 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.

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 de-recognised 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(m) Derivative financial instruments (continued)

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 an 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. Refer to Note 1(f).

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

(i) *Investment properties under construction*
Investment properties also include properties under construction for 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(o) Lease incentives and leasing fees

Incentives such as cash, rent-free periods, or 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 neither 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 ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, 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 Instrument, 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 2016.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments* (effective 1 January 2018).

AASB 9 *Financial Instruments* addresses hedge accounting and the classification, measurement, impairment and de-recognition 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 2015-8 *Amendments to Australian Accounting Standards arising from AASB 15* (effective 1 January 2018).

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.

(iii) AASB 16 *Leases* (effective 1 January 2019).

AASB 16 will replace AASB 117 Leases. It requires recognition of a right-of-use asset along with the associated lease liability where the entity is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right-of-use asset will be depreciated. Lessor accounting would largely remain unchanged.

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

(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.

(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.

Note 2. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated value of 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 joint venture entities (Note 11). These investment properties are reviewed regularly by reference to external independent property valuations and market conditions, using generally accepted market practices.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 2. Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(i) Estimated value of investment properties (continued)
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 the 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.

Note 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. The Responsible Entity has identified the Group's operating segments as being the regions in which it operates, based on internal reporting to the chief operating decision maker.

Following the disposal of its last European investment property, Bastion Tower I NV, Belgium, in March 2015, the Group's property portfolio is now entirely Australian based. As a result, the Group now operates in one segment, being office property in Australia.

Only the Group segment information is provided to the Directors of the Responsible Entity. For this reason segment information has only been disclosed for the Group.

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 the amortisation of tenant incentives, fair value gains/losses on investment property, fair value gains/losses on the mark to market of derivatives, the straight-lining of rent, non-FFO deferred tax benefits and expenses, foreign currency translation reserves recognised in net profit, and other unrealised or one-off items.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 3. Segment information (continued)

(b) Reconciliation of segment result to Property Council FFO

	Investa Office Fund	
	30 June 2016	30 June 2015
	$m	$m
Australia	**200.1**	186.9
Europe	**-**	2.2
Segment result	**200.1**	189.1
Interest income	**0.7**	10.2
Finance costs	**(43.1)**	(41.9)
Responsible Entity's fees	**(12.3)**	(11.1)
Net foreign exchange gain	**0.1**	0.6
Foreign asset management fees	**-**	(0.2)
Other expenses	**(2.2)**	(3.2)
	143.3	143.5
Amortisation of tenant incentives	**32.3**	26.4
Property Council FFO	**175.6**	169.9

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

		Investa Office Fund	
	Note	**30 June 2016**	30 June 2015
		$m	$m
Property Council FFO		**175.6**	169.9
Net gain on change in fair value of:			
Investment properties	12	**233.4**	89.4
Equity accounted investments	11	**82.8**	40.1
Derivatives(1)		**56.5**	87.8
Net foreign exchange loss(1)		**(14.4)**	(77.0)
Amortisation of incentives		**(32.3)**	(26.4)
Straight-lining of lease revenue		**(3.6)**	(1.4)
Other unrealised or one-off items:			
Transfer of foreign currency translation reserve to profit and loss	17	**-**	(104.7)
Transaction costs(2)		**(5.5)**	-
Other items		**1.3**	1.5
Net profit attributable to unitholders		**493.8**	179.2

(1) The net gain on change in fair value of derivative 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 partly 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 year end.

(2) Represents legal and advisory expenses associated with the DEXUS Proposal and other alternatives reviewed by the Independent Board Committee. Refer to Note 27.

Note 4. Income tax benefit

(a) Income tax benefit

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Current tax	**-**	(6.2)	**-**	(6.2)
Deferred tax	**-**	-	**-**	-
	-	(6.2)	**-**	(6.2)

Notes to the Consolidated Financial Statements (continued)
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Note 4. Income tax benefit (continued)

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Profit from continuing operations before income tax expense	**493.8**	275.6	**223.0**	137.0
Loss from discontinued operations before income tax expense	**-**	(102.6)	**-**	-
	493.8	173.0	**223.0**	137.0
Tax at the Australian tax rate of 30% (2015: 30%)	**148.1**	51.9	**66.9**	41.1
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Australian income	**(148.3)**	(52.6)	**(66.9)**	(40.3)
Other non-taxable income	**0.2**	1.3	**-**	(0.2)
Recovery of prior year tax paid/recognised	**-**	(6.7)	**-**	(6.7)
Difference between Australian and foreign tax rates	**-**	(0.1)	**-**	(0.1)
Income tax benefit	**-**	(6.2)	**-**	(6.2)

Note 5. Distributions

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	Cents	Cents	**Cents**	Cents
Distributions paid or payable in respect of the following periods at the following rates (in cents per unit):				
Half-year ended 31 December	**9.80**	9.55	**6.90**	5.50
Half-year ended 30 June	**9.80**	9.70	**6.10**	5.70
	19.60	19.25	**13.00**	11.20
	$m	$m	**$m**	$m
The total amounts of these distributions were:				
Half-year ended 31 December	**60.2**	58.6	**42.4**	33.8
Half-year ended 30 June	**60.2**	59.6	**37.5**	35.0
Prior period reallocation[1]	**-**	-	**-**	(20.8)
Total distributions paid or payable	**120.4**	118.2	**79.9**	48.0

The distribution for the half year ended 30 June 2015 was recognised in the 2015 financial year and paid on 31 August 2015. The distribution for the half year ended 30 June 2016 was recognised in the 2016 financial year and is scheduled to be paid on 31 August 2016.

(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 had no impact on the Group's total distributions, net assets, or net profit attributable to unitholders.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 6. Earnings per unit

	Investa Office Fund	
	30 June 2016	30 June 2015
(a) Per stapled unit		
Weighted average number of units outstanding (thousands)	**614,047**	614,047
Profit from continuing operations attributable to unitholders ($ millions)	**493.8**	281.8
Basic and diluted earnings per unit from continuing operations (cents)	**80.4**	45.9
Loss from discontinued operations attributable to unitholders ($ millions)	**-**	(102.6)
Basic and diluted earnings per unit from discontinued operations (cents)	**-**	(16.7)
Profit attributable to unitholders ($ millions)	**493.8**	179.2
Basic and diluted earnings per unit (cents)	**80.4**	29.2

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
(b) Per unit of each Trust				
Weighted average number of units outstanding (thousands)	**614,047**	614,047	**614,047**	614,047
Profit from continuing operations attributable to unitholders ($ millions)	**270.8**	138.6	**223.0**	143.2
Basic and diluted earnings per unit from continuing operations (cents)	**44.1**	22.6	**36.3**	23.3
Loss from discontinued operations attributable to unitholders ($ millions)	**-**	(102.6)	**-**	-
Basic and diluted earnings per unit from discontinued operations (cents)	**-**	(16.7)	**-**	-
Profit attributable to unitholders ($ millions)	**270.8**	36.0	**223.0**	143.2
Basic and diluted earnings per unit (cents)	**44.1**	5.9	**36.3**	23.3

Note 7. Trade and other receivables

(a) Trade and other receivables

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016 $m	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Current assets				
Rental and other amounts due[(1)]	**0.8**	1.2	**0.1**	0.3
Allowance for impairment loss	**(0.4)**	(0.2)	**(0.2)**	(0.2)
Accrued income, prepayments and other receivables	**12.2**	17.2	**7.6**	10.4
	12.6	18.2	**7.5**	10.5
Non-current assets				
Loan to equity accounted investments[(2)]	**-**	114.2	**-**	114.2
	-	114.2	**-**	114.2

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

(2) The prior year amount represents an interest bearing loan to 567 Collins Street Trust, a joint venture entity of the Group. The loan was converted to an equity investment in 567 Collins Street Trust in 2016 financial year and the Group holds this investment as an investment accounted for using the equity method.

(b) 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 7. Trade and other receivables (continued)

(c) Past due but not impaired

At 30 June 2016, trade receivables of the Group of $0.5 million (30 June 2015: $0.4 million) and $nil (30 June 2015: $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.

(d) 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.

Note 8. 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 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 2016 and 30 June 2015.

	Investa Office Fund		**Prime Credit Property Trust**	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Net foreign exchange gain	-	2.2	-	-
Transfer of foreign currency translation reserve from disposed operations to profit and loss	-	(104.7)	-	-
Share of net profit of equity accounted investments	-	0.5	-	-
Finance costs	-	(0.2)	-	-
European exit costs	-	(0.4)	-	-
Loss before income tax	-	(102.6)	-	-
Loss after income tax from discontinued operations attributable to unitholders	-	(102.6)	-	-
Other comprehensive income:				
Transfer from foreign currency translation reserve to profit and loss	-	104.7	-	-
Exchange differences on translation of foreign operations	-	(1.2)	-	-
Total comprehensive income for the year from discontinued operations	-	0.9	-	-
Net cash inflow from operating activities	-	7.1	-	-
Net cash inflow from investing activities	-	20.9	-	-
Net increase in cash generated by the discontinued operations	-	28.0	-	-

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 9. Derivative financial instruments

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Non-current assets				
Cross currency swap contracts	**136.4**	81.0	**55.4**	35.6
Interest rate derivative contracts	**7.1**	5.6	**1.8**	1.3
	143.5	86.6	**57.2**	36.9
Current liabilities				
Interest rate derivative contracts	**4.2**	2.5	**0.9**	-
	4.2	2.5	**0.9**	-
Non-current liabilities				
Interest rate derivative contracts	**7.8**	9.1	**0.3**	1.1
	7.8	9.1	**0.3**	1.1

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.

Note 10. Asset classified as held for sale

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Asset classified as held for sale				
Investment in 383 La Trobe Street, Melbourne[(1)]	**70.5**	-	**70.5**	-
	70.5	-	**70.5**	-

(1) On 17 July 2015, Prime exchanged contracts to sell 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. Settlement is anticipated to occur in January 2017. Accordingly, the investment property has been classified as an asset held for sale.

Note 11. Investments accounted for using the equity method

(a) Details of joint venture entities

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 11. Investments accounted for using the equity method (continued)

(a) Details of joint venture entities (continued)

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

Name of joint venture entity	Principal activity	Ownership interest		Investa Office Fund		Prime Credit Property Trust	
		30 June 2016	30 June 2015	**30 June 2016 $m**	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Armstrong Jones Office Fund							
IOF Finance Pty Ltd[(1)]	Financial services	**50%**	50%	**-**	-	**-**	-
Prime Credit Property Trust							
242 Exhibition Street Trust	Real estate investment	**50%**	50%	**257.0**	245.1	**257.0**	245.1
Phillip Street Trust	Real estate investment	**25%**	25%	**131.8**	108.3	**131.8**	108.3
Macquarie Street Trust	Real estate investment	**25%**	25%	**109.4**	90.4	**109.4**	90.4
567 Collins Street Trust	Real estate investment	**50%**	50%	**303.6**	99.9	**303.6**	99.9
IOF Finance Pty Ltd[(1)]	Financial services	**50%**	50%	**-**	-	**-**	-
Total				**801.8**	543.7	**801.8**	543.7

(1) This investment is a joint venture of both Armstrong Jones Office Fund and Prime Credit Property Trust and is consolidated in the Group's Financial Report.

Investments in joint venture entities are held through the ownership of interests in unlisted property trusts and the book value represents the ownership percentage of the net tangible assets of the relevant trusts. The principal net tangible asset of the relevant trusts is the investment property.

The carrying value of the investment in joint venture entities are supported by the underlying property value as above. The book value of the investment will vary from the independent valuation of the underlying property due to the Group's share of the joint venture entities other assets and liabilities.

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 2016 $m	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Balance at the beginning of the year	**543.7**	476.4	**543.7**	476.4
Acquisitions and contributions to equity accounted investments	**172.5**	27.5	**172.5**	27.5
Share of profits after income tax	**115.5**	67.8	**115.5**	67.8
Cash distributions received	**(29.9)**	(25.4)	**(29.9)**	(25.4)
Capital distributions received	**-**	(2.6)	**-**	(2.6)
Balance at the end of the year	**801.8**	543.7	**801.8**	543.7

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 11. Investments accounted for using the equity method (continued)

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Share of results				
Revenue	**58.2**	40.9	**58.2**	36.6
Gain on change in fair value of:				
Investment properties	**82.8**	40.1	**82.8**	41.1
Expenses	**(25.5)**	(12.7)	**(25.5)**	(9.9)
Profit before income tax	**115.5**	68.3	**115.5**	67.8
Income tax expense	**-**	-	**-**	-
Profit for the year	**115.5**	68.3	**115.5**	67.8
Profit for the year disclosed as:				
Profit from continuing operations	**115.5**	67.8	**115.5**	67.8
Profit from discontinuing operations	**-**	0.5	**-**	-
Total profit for the year	**115.5**	68.3	**115.5**	67.8

The following table of summarised financial information is reported directly from the Group's and Prime's equity accounted 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 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Joint venture entities' financial information (at 100%)				
Cash and cash equivalents	**1.6**	0.9	**1.6**	0.9
Current assets	**9.3**	2.9	**9.3**	2.9
Non-current assets	**2,082.4**	1,713.8	**2,082.4**	1,713.8
Current liabilities	**(13.9)**	(2.5)	**(13.9)**	(2.5)
Non-current liabilities	**(1.6)**	(230.3)	**(1.6)**	(230.3)
Net assets	**2,076.2**	1,483.9	**2,076.2**	1,483.9
Revenue	**130.4**	185.5	**130.4**	185.5
Profit for the year	**332.3**	172.3	**332.3**	172.3
Total comprehensive income	**332.3**	172.3	**332.3**	172.3

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 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Profits for the year (at 100%)	**332.3**	172.3	**332.3**	172.3
Less profits attributable to outside ownership interests:				
242 Exhibition Street Trust	**(28.8)**	(27.8)	**(28.8)**	(27.8)
Phillip Street Trust	**(83.5)**	(30.3)	**(83.5)**	(30.3)
Macquarie Street Trust	**(68.4)**	(24.8)	**(68.4)**	(24.8)
567 Collins Street Trust	**(36.1)**	(21.6)	**(36.1)**	(21.6)
Share of profits after income tax	**115.5**	67.8	**115.5**	67.8

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 11. Investments accounted for using the equity method (continued)

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Net assets (at 100%)	**2,076.2**	1,483.9	**2,076.2**	1,483.9
Less net assets attributable to outside ownership interests:				
242 Exhibition Street Trust	**(256.7)**	(244.8)	**(256.7)**	(244.8)
Phillip Street Trust	**(392.5)**	(325.0)	**(392.5)**	(325.0)
Macquarie Street Trust	**(326.2)**	(270.9)	**(326.2)**	(270.9)
567 Collins Street Trust	**(302.2)**	(99.9)	**(302.2)**	(99.9)
Share of net assets	**798.6**	543.3	**798.6**	543.3
Add provisions for unpaid distributions (at share)	**3.2**	0.4	**3.2**	0.4
Investment balance at the end of the year	**801.8**	543.7	**801.8**	543.7

(d) Capital commitments

There are no significant restrictions resulting from borrowing arrangements, regulatory requirements or contractual arrangements between the Group and its joint venture entities, 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 for using the equity method

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

Note 12. Investment properties

(a) Investment properties at fair value

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Investment properties at fair value	**2,752.9**	2,554.9	**1,007.6**	1,007.6

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 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Carrying amount at beginning of the year	**2,554.9**	2,395.5	**1,007.6**	946.7
Additions to existing investment properties	**71.2**	100.9	**33.2**	52.9
Transfer to assets classified as held for sale	**(70.5)**	-	**(70.5)**	-
Amortisation of tenant incentives and leasing fees	**(32.5)**	(29.5)	**(14.8)**	(15.6)
Straight-lining of lease revenue	**(3.6)**	(1.4)	**0.7**	(0.7)
Net change in fair value	**233.4**	89.4	**51.4**	24.3
Carrying amount at the end of the year	**2,752.9**	2,554.9	**1,007.6**	1,007.6

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Cost	**145.2**	133.8	**57.9**	53.7
Accumulated amortisation	**(64.2)**	(48.3)	**(37.4)**	(29.6)
	81.0	85.5	**20.5**	24.1

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 12. Investment properties (continued)

(d) Valuation basis

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

(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 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Within one year	**210.7**	196.1	**72.1**	70.7
Later than one year but not greater than five years	**565.9**	610.0	**219.6**	221.8
Later than five years	**299.9**	330.8	**123.7**	150.7
	1,076.5	1,136.9	**415.4**	443.2

(f) Non-current assets pledged as security & contractual obligations

At 30 June 2016 and 30 June 2015 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 13. Property portfolio information

The Group and Prime's investment property portfolios comprise 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 2016	30 June 2015	**30 June 2016**	30 June 2015
Investment properties held through:	**$m**	$m	**$m**	$m
Direct ownership interests	**2,752.9**	2,554.9	**1,007.6**	1,007.6
Direct ownership interest, classified as held for sale	**70.5**	-	**70.5**	-
Investments accounted for using the equity method	**802.5**	656.9	**802.5**	656.9
Total portfolio	**3,625.9**	3,211.8	**1,880.6**	1,664.5

	Acquisition date	Cost including all additions $m(1)	Independent valuation date	Independent valuer	Independent valuation amount $m	Book value 30 Jun 2016 $m	Book value 30 Jun 2015 $m
Armstrong Jones Office Fund							
10-20 Bond St Sydney NSW (50%)	Jun 89	290.6	Jun 16	JLL	251.0	**251.0**	192.8
388 George St Sydney NSW (50%)	Oct 02	156.3	Nov 15	CBRE	210.0	**210.3**	209.9
347 Kent St Sydney NSW	Jan 99	191.6	Nov 15	CBRE	275.0	**275.0**	272.7
99 Walker St North Sydney NSW	Jul 13	154.6	Jun 16	Knight Frank	220.0	**220.0**	183.0
Piccadilly Complex Sydney NSW (50%)	Mar 14	200.9	Jun 16	Savills	260.5	**260.5**	210.3
6 O'Connell St Sydney NSW	Jun 14	143.6	Jun 16	CBRE	180.0	**180.0**	147.0
239 George St Brisbane QLD	Jul 98	94.4	Nov 15	CBRE	127.0	**126.3**	120.6
15 Adelaide St Brisbane QLD	Jul 98	36.9	Nov 15	CBRE	55.5	**55.7**	51.0
836 Wellington St Perth WA	Sep 07	82.9	Nov 15	CBRE	69.5	**69.5**	75.0
16-18 Mort St Canberra ACT	Mar 01	77.2	Jun 16	Savills	97.0	**97.0**	85.0
Total Fund portfolio		1,429.0			1,745.5	**1,745.3**	1,547.3

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

Notes to the Consolidated Financial Statements (continued)
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Note 13. Property portfolio information (continued)

	Acquisition date	Cost including all additions $m[1]	Independent valuation date	Independent valuer	Independent valuation amount $m	Book value 30 Jun 2016 $m	Book value 30 Jun 2015 $m
Prime Credit Property Trust							
126 Phillip St Sydney NSW (25%)[2]	Apr 12	178.3	Jun 16	CBRE	241.3	**241.3**	198.7
151 Clarence St Sydney NSW[3]	Nov 02	73.9	Nov 15	Knight Frank	88.0	**93.8**	84.7
105-151 Miller St North Sydney NSW	Dec 98	116.4	Nov 15	CBRE	225.0	**225.5**	212.0
111 Pacific Hwy North Sydney NSW	May 04	115.3	Nov 15	Knight Frank	173.0	**173.2**	156.0
295 Ann St Brisbane QLD	May 98	45.2	Jun 16	JLL	113.5	**113.5**	102.2
232 Adelaide St Brisbane QLD	May 98	7.3	Jun 16	JLL	16.5	**16.5**	16.9
140 Creek St Brisbane QLD	May 98	134.9	Jun 16	JLL	191.0	**191.0**	167.8
567 Collins St Melbourne VIC (50%)[2][4]	Mar 13	241.5	Jun 16	Colliers	303.7	**303.7**	213.1
242 Exhibition St Melbourne VIC (50%)[2]	Apr 12	230.8	Nov 15	JLL	257.5	**257.5**	245.1
383 La Trobe St Melbourne VIC[5]	Feb 94	36.8	Dec 13	JLL	53.8	**70.5**	69.7
800 Toorak Rd Tooronga VIC (50%)	Jun 97	87.2	Nov 15	Urbis	127.0	**127.1**	115.1
66 St Georges Tce Perth WA	Aug 12	93.9	Nov 15	Colliers	65.5	**67.0**	83.2
Total Prime portfolio		1,361.5			1,855.8	**1,880.6**	1,664.5
Total Group portfolio		2,790.5			3,601.3	**3,625.9**	3,211.8

(1) Cost amounts comprise historical acquisition costs and capital expenditure incurred to the year end.
(2) Property held through investments accounted for using the equity method. As at 30 June 2016, Investa Commercial Property Fund, a related party of the Group held an effective interest of 50% in these properties.
(3) Subsequent to the development approvals to construct a new A-grade tower, the Group commenced demolition work in March 2016 and the property is expected to be completed in Q3 2018. The independent valuation included the following factors to determine the property's fair value: the estimated market value as if the proposed development was complete, less development costs to complete and an appropriate adjustment for risk and return associated with the development. The development costs expended will be added to the book value of the property.
(4) On 7 July 2015, the construction of 567 Collins Street, Melbourne reached practical completion.
(5) On 17 July 2015, Prime exchanged contracts to sell 383 La Trobe Street, Melbourne. The book value as at 30 June 2016 represents the contracted sale price of $70.7 million less committed costs.

Note 14. Trade and other payables

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016 $m	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Current				
Trade payables	**17.7**	19.1	**6.9**	8.6
Other payables	**8.0**	10.8	**3.1**	3.8
	25.7	29.9	**10.0**	12.4

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 15. Borrowings

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Current liabilities – unsecured				
Bank debt (AUD)	**337.0**	62.0	**198.0**	42.0
Capitalised commitments and upfront fees	**-**	(0.1)	**-**	(0.1)
	337.0	61.9	**198.0**	41.9
Non-current liabilities – unsecured				
Bank debt (AUD)	**193.0**	391.0	**93.0**	166.0
Medium Term Note (AUD)	**125.0**	125.0	**-**	-
US Private Placements (USD)	**437.7**	423.2	**168.3**	162.8
	755.7	939.2	**261.3**	328.8
Capitalised commitments and upfront fees	**(3.5)**	(3.9)	**(1.4)**	(1.6)
	752.2	935.3	**259.9**	327.2
Total borrowings	**1,089.2**	997.2	**457.9**	369.1

(a) Financing arrangements

At 30 June 2016 the Group had unsecured bank, Medium Term Note (MTN) and USD denominated US Private Placement (USPP) debt facilities, each with specific maturities and limits as detailed below:

	Investa Office Fund						
	30 June 2016			30 June 2015			
	Limit $m	**Drawn $m**	**Undrawn $m**	Limit $m	Drawn $m	Undrawn $m	Maturity date
Bilateral facilities							
Bank debt	**-**	**-**	**-**	132.0	62.0	70.0	Jun 16
Bank debt	**-**	**-**	**-**	150.0	145.0	5.0	Aug 16
Bank debt	**350.0**	**337.0**	**13.0**	-	-	-	Mar 17
Bank debt	**50.0**	**50.0**	**-**	50.0	50.0	-	Jun 18
Bank debt	**66.0**	**10.0**	**56.0**	66.0	55.0	11.0	Jul 18
Bank debt	**84.0**	**-**	**84.0**	84.0	84.0	-	Aug 18
Bank debt	**50.0**	**50.0**	**-**	50.0	50.0	-	Jun 19
Bank debt	**50.0**	**50.0**	**-**	50.0	-	50.0	Jul 19
Bank debt	**66.0**	**33.0**	**33.0**	66.0	7.0	59.0	Aug 19
	716.0	**530.0**	**186.0**	648.0	453.0	195.0	
MTN	**125.0**	**125.0**	**-**	125.0	125.0	-	Nov 17
USPPs(1)							
Tranche 1	**105.1**	**105.1**	**-**	101.6	101.6	-	Apr 25
Tranche 2	**168.3**	**168.3**	**-**	162.8	162.8	-	Aug 25
Tranche 3	**86.2**	**86.2**	**-**	83.3	83.3	-	Apr 27
Tranche 4	**78.1**	**78.1**	**-**	75.5	75.5	-	Apr 29
Total	**1,278.7**	**1,092.7**	**186.0**	1,196.2	1,001.2	195.0	

(1) The USPP amounts have been translated at the year end foreign exchange rate.

(b) New bank debt

In February 2016, the Responsible Entity on behalf of the Fund and Prime entered into new debt facility agreements of $350.0 million with a maturity date of March 2017. This allowed the Group and Prime to refinance their bank debt maturing in June 2016 and August 2016.

Subsequent to 30 June 2016, the Responsible Entity on behalf of the Fund and Prime refinanced the $350.0 million bank debt facility maturing in March 2017 with new bank debt facility agreements of $350.0 million maturing from July 2019 to July 2021.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 15. Borrowings (continued)

(c) 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.

Note 16. Contributed equity

(a) Carrying amounts

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Balance at the beginning and end of the year	**2,142.3**	2,142.3	**1,193.8**	1,193.8
The balance at the end of the year is attributable to the unitholders of:				
Armstrong Jones Office Fund	**948.5**	948.5	**-**	-
Prime Credit Property Trust	**1,193.8**	1,193.8	**1,193.8**	1,193.8
	2,142.3	2,142.3	**1,193.8**	1,193.8

(b) Number of issued units

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	000's	000's	**000's**	000's
Balance at the beginning and end of the year	**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.

Note 17. Reserves

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Foreign currency translation				
Balance at the beginning of year	**-**	(103.5)	**-**	-
Translation differences arising during the year	**-**	(1.2)	**-**	-
Transfer to the profit and loss	**-**	104.7	**-**	-
Total reserves at the end of the year	**-**	-	**-**	-
The balance at the end of the year is attributable to the unitholders of:				
Armstrong Jones Office Fund	**-**	-	**-**	-
Prime Credit Property Trust	**-**	-	**-**	-
	-	-	**-**	-

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 18. Retained earnings

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Balance at the beginning of the year	**80.6**	19.6	**102.5**	7.3
Net profit for the year	**493.8**	179.2	**223.0**	143.2
Distributions paid or payable	**(120.4)**	(118.2)	**(79.9)**	(48.0)
Balance at the end of the year	**454.0**	80.6	**245.6**	102.5
The balance at the end of the year attributable to the unitholders of:				
Armstrong Jones Office Fund	**208.4**	(21.9)	**-**	-
Prime Credit Property Trust	**245.6**	102.5	**245.6**	102.5
	454.0	80.6	**245.6**	102.5

Note 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 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Investment properties	**15.1**	29.4	**8.4**	7.0
Investment property under construction:				
567 Collins Street, Melbourne[1]	**-**	56.4	**-**	56.4
151 Clarence Street, Sydney	**112.2**	-	**112.2**	-

(1) This investment property reached practical completion on 7 July 2015 and is held by an equity accounted investment.

Note 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 joint venture entities 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 20. Capital management (continued)

	Investa Office Fund	
	30 June 2016	30 June 2015
	$m	$m
Total consolidated debt	**1,089.2**	997.2
Add:		
AUD liability – USPP	**358.0**	358.0
Less: USPP debt carrying value	**(437.7)**	(423.2)
Net look-through debt[1]	**1,009.5**	932.0
Total consolidated assets	**3,783.4**	3,321.2
Less:		
Share of net assets – equity accounted investments included in consolidated assets	**(801.8)**	(543.7)
Add:		
Share of total assets – equity accounted investments	**805.2**	658.6
Receivables from and payables to equity accounted investments	**-**	(114.2)
Foreign currency hedge asset balance[2]	**(136.4)**	(81.0)
Total look-through assets	**3,650.4**	3,240.9
Gearing Ratio	**27.7%**	28.8%

(1) Represents the Group's look-through debt, based on the AUD liability on the USPPs after applying cross currency swap hedging arrangements.

(2) 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.

	Investa Office Fund	
	30 June 2016	30 June 2015
	$m	$m
Total consolidated liabilities	**1,187.1**	1,098.3
Add:		
Share of liabilities – equity accounted investments	**3.4**	114.9
Less:		
Receivables from and payables to equity accounted investments	**-**	(114.2)
Total look-through liabilities (Leverage Ratio)	**1,190.5**	1,099.0
Total consolidated assets	**3,783.4**	3,321.2
Less:		
Share of net assets – equity accounted investments included in consolidated assets	**(801.8)**	(543.7)
Add:		
Share of total assets – equity accounted investments	**805.2**	658.6
Receivables from and payables to equity accounted investments	**-**	(114.2)
Total look-through assets (Leverage Ratio)	**3,786.8**	3,321.9
Leverage Ratio	**31.4%**	33.1%

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 (continued)
For the year ended 30 June 2016

Note 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 in 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.

Cross currency interest rate swaps minimise both foreign interest rate and exchange rate risk exposure on the Group's USPPs debt facilities, converting 100% of the foreign denominated principal outstanding and related finance costs to Australian dollar exposures. These cross currency swaps also swap the obligation to pay fixed interest to floating interest.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 21. Financial risk management (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

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	Floating interest rate	Fixed interest rate			Total
			Less than 1 year	1– 5 years	More than 5 years	
30 June 2016	**(%pa)**	**$m**	**$m**	**$m**	**$m**	**$m**
Borrowings:						
Denominated in AUD – floating	**2.8%**	**530.0**	**-**	**-**	**-**	**530.0**
Denominated in AUD – fixed(1)	**5.4%**	**-**	**-**	**125.0**	**-**	**125.0**
Denominated in USD – fixed	**4.4%**	**-**	**-**	**-**	**437.7**	**437.7**
		530.0	**-**	**125.0**	**437.7**	**1,092.7**
30 June 2015						
Borrowings:						
Denominated in AUD – floating	3.8%	453.0	-	-	-	453.0
Denominated in AUD – fixed(1)	5.4%	-	-	125.0	-	125.0
Denominated in USD – fixed	4.4%	-	-	-	423.2	423.2
		453.0	-	125.0	423.2	1,001.2

(1) Represents the fixed interest rate on the Group's MTN, swapped to a floating interest rate via fixed to floating interest rate derivative, as disclosed below.

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 2016 (1) $m	June 2017 $m	June 2018 $m	June 2019 $m	June 2020 $m	June 2021 $m
Interest rate swaps (fixed)	**449.9**	**420.4**	**400.9**	**533.1**	**-**	**-**
Average fixed rate	**3.2%**	**3.1%**	**2.5%**	**1.9%**	**-**	**-**
Interest rate swaptions	**-**	**24.4**	**100.0**	**100.0**	**100.0**	**0.8**
Interest rate swaps (floating)(2)	**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.

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 2015(1) $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 swaptions	-	-	24.4	87.8	50.0	50.0
Interest rate swaps (floating)(2)	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 (continued)
For the year ended 30 June 2016

Note 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	Floating interest rate	Fixed interest rate – Less than 1 year	Fixed interest rate – 1– 5 years	Fixed interest rate – More than 5 years	Total
30 June 2016	**(%pa)**	**$m**	**$m**	**$m**	**$m**	**$m**
Borrowings:						
Denominated in AUD – floating	**2.7%**	**291.0**	**-**	**-**	**-**	**291.0**
Denominated in USD – fixed	**4.0%**	**-**	**-**	**-**	**168.3**	**168.3**
		291.0	**-**	**-**	**168.3**	**459.3**
30 June 2015						
Denominated in AUD - floating	3.6%	208.0	-	-	-	208.0
Denominated in USD – fixed	4.0%	-	-	-	162.8	162.8
		208.0	-	-	162.8	370.8

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 2016(1) $m	June 2017 $m	June 2018 $m	June 2019 $m	June 2020 $m	June 2021 $m
Interest rate swaps (fixed)	**128.9**	**123.8**	**181.6**	**296.4**	**-**	**-**
Average fixed rate	**2.6%**	**2.6%**	**1.9%**	**1.9%**	**-**	**-**

(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 2015(1) $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.

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 21. Financial risk management (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

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 2016		30 June 2015		**30 June 2016**		30 June 2015	
	+ 100bps	**- 100bps**	+ 100bps	- 100bps	**+ 100bps**	**- 100bps**	+ 100bps	- 100bps
	$m	**$m**	$m	$m	**$m**	**$m**	$m	$m
Variable interest rates - AUD	**(4.4)**	**4.4**	(4.1)	4.1	**12.8**	**(14.0)**	37.7	(44.5)

Prime Credit Property Trust	Sensitivity on net interest expense				Sensitivity on change in fair value of interest rate derivatives			
	30 June 2016		30 June 2015		**30 June 2016**		30 June 2015	
	+ 100bps	**- 100bps**	+ 100bps	- 100bps	**+ 100bps**	**- 100bps**	+ 100bps	- 100bps
	$m	**$m**	$m	$m	**$m**	**$m**	$m	$m
Variable interest rates - AUD	**(2.9)**	**2.9**	(2.1)	2.1	**5.8**	**(5.9)**	12.8	(14.9)

(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.

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

Investa Office Fund	Net foreign currency asset/(liability) United States dollars	
	30 June 2016	30 June 2015
	$m	$m
Cash	**0.1**	0.1
Derivative financial instruments	**136.4**	81.0
Borrowings	**(437.7)**	(423.2)
Net liabilities	**(301.2)**	(342.1)

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 21. Financial risk management (continued)

(b) Credit risk (continued)

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

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$m	$m	**$m**	$m
Cash and cash equivalents	**2.1**	3.6	**1.4**	1.0
Receivables[1]	**12.6**	132.4	**7.5**	124.7
Derivative financial instruments	**143.5**	86.6	**57.2**	36.9
Total financial assets	**158.2**	222.6	**66.1**	162.6

[1] An analysis of credit risk exposure for receivables is included in Note 7.

(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 and consistent with the Group's strategy. The Group also uses interest rate derivatives to hedge known and forecast positions and reviews potential transactions to understand the impact on the Group's covenants and credit risk profile.

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

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**	**1 - 5 years**	**Greater than 5 years**	**Total**
30 June 2016	**$m**	**$m**	**$m**	**$m**
Trade and other payables	**(25.7)**	**-**	**-**	**(25.7)**
Borrowings	**(337.0)**	**(318.0)**	**(437.7)**	**(1,092.7)**
Projected interest cost on borrowings[1]	**(40.4)**	**(90.5)**	**(98.0)**	**(228.9)**
Projected interest cost on derivative liabilities[1][2]	**(5.7)**	**(5.7)**	**-**	**(11.4)**
Distribution payable	**(60.2)**	**-**	**-**	**(60.2)**
Total forecast undiscounted future cash flow	**(469.0)**	**(414.2)**	**(535.7)**	**(1,418.9)**
Projected interest income on derivative assets[2]	**9.2**	**28.1**	**155.2**	**192.5**
Net liquidity exposure	**(459.8)**	**(386.1)**	**(380.5)**	**(1,226.4)**

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 21. Financial risk management (continued)

(c) Liquidity risk (continued)

30 June 2015	Less than 1 year $m	1 - 5 years $m	Greater than 5 years $m	Total $m
Trade and other payables	(29.9)	-	-	(29.9)
Borrowings	(62.0)	(516.0)	(423.2)	(1,001.2)
Projected interest cost on borrowings[(1)]	(43.5)	(106.5)	(113.4)	(263.4)
Projected interest cost on derivative liabilities[(1)(2)]	(4.9)	(5.4)	-	(10.3)
Distribution payable	(59.6)	-	-	(59.6)
Total forecast undiscounted future cash flow	(199.9)	(627.9)	(536.6)	(1,364.4)
Projected interest income on derivative assets[(2)]	9.3	12.6	109.7	131.6
Net liquidity exposure	(190.6)	(615.3)	(426.9)	(1,232.8)

(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:

Prime Credit Property Trust 30 June 2016	**Less than 1 year $m**	**1 - 5 years $m**	**Greater than 5 years $m**	**Total $m**
Trade and other payables	**(10.0)**	**-**	**-**	**(10.0)**
Borrowings	**(198.0)**	**(93.0)**	**(168.3)**	**(459.3)**
Projected interest cost on borrowings[(1)]	**(10.8)**	**(28.4)**	**(27.6)**	**(66.8)**
Projected interest cost on derivative liabilities[(1)(2)]	**(0.9)**	**(0.3)**	**-**	**(1.2)**
Distribution payable	**(37.5)**	**-**	**-**	**(37.5)**
Total forecast undiscounted future cash flow	**(257.2)**	**(121.7)**	**(195.9)**	**(574.8)**
Projected interest income on derivative assets[(2)]	**3.4**	**9.2**	**63.5**	**76.1**
Net liquidity exposure	**(253.8)**	**112.5**	**(132.4)**	**(498.7)**

30 June 2015	Less than 1 year $m	1 - 5 years $m	Greater than 5 years $m	Total $m
Trade and other payables	(12.4)	-	-	(12.4)
Borrowings	(42.0)	(166.0)	(162.8)	(370.8)
Projected interest cost on borrowings[(1)]	(13.9)	(38.3)	(33.2)	(85.4)
Projected interest cost on derivative liabilities[(1)(2)]	(0.6)	(0.4)	-	(1.0)
Distribution payable	(35.0)	-	-	(35.0)
Total forecast undiscounted future cash flow	(103.9)	(204.7)	(196.0)	(504.6)
Projected interest income on derivative assets[(2)]	3.1	3.3	49.1	55.5
Net liquidity exposure	(100.8)	(201.4)	(146.9)	(449.1)

(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 (continued)
For the year ended 30 June 2016

Note 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.

Investa Office Fund **30 June 2016**	**Gross amounts presented $m**	**Amounts subject to netting arrangements $m**	**Net amount $m**
Derivative financial assets	**143.5**	**(7.1)**	**136.4**
Derivative financial liabilities	**(12.0)**	**7.1**	**(4.9)**
	131.5	**-**	**131.5**
30 June 2015			
Derivative financial assets	86.6	(5.7)	80.9
Derivative financial liabilities	(11.6)	5.7	(5.9)
	75.0	-	75.0

Prime Credit Property Trust **30 June 2016**	**Gross amounts presented $m**	**Amounts subject to netting arrangements $m**	**Net amount $m**
Derivative financial assets	**57.2**	**(1.2)**	**56.0**
Derivative financial liabilities	**(1.2)**	**1.2**	**-**
	56.0	**-**	**56.0**
30 June 2015			
Derivative financial assets	36.9	(1.1)	35.8
Derivative financial liabilities	(1.1)	1.1	-
	35.8	-	35.8

Note 22. Fair value measurements

The Group and Prime measure and recognise 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 2016 and 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 22. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

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 2016				30 June 2015			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets								
Derivative financial instruments	-	143.5	-	143.5	-	86.6	-	86.6
Total financial assets	-	143.5	-	143.5	-	86.6	-	86.6
Non-financial assets								
Investment properties[1]	-	-	2,823.4	2,823.4	-	-	2,554.9	2.554.9
Total non-financial assets	-	-	2,823.4	2,823.4	-	-	2,554.9	2,554.9
Financial liabilities								
Derivative financial instruments	-	12.0	-	12.0	-	11.6	-	11.6
Total financial liabilities	-	12.0	-	12.0	-	11.6	-	11.6

(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 2016				30 June 2015			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets								
Derivative financial instruments	-	57.2	-	57.2	-	36.9	-	36.9
Total financial assets	-	57.2	-	57.2	-	36.9	-	36.9
Non-financial assets								
Investment properties	-	-	1,078.1	1,078.1	-	-	1,007.6	1,007.6
Total non-financial assets	-	-	1,078.1	1,078.1	-	-	1,007.6	1,007.6
Financial liabilities								
Derivative financial instruments	-	1.2	-	1.2	-	1.1	-	1.1
Total financial liabilities	-	1.2	-	1.2	-	1.1	-	1.1

There have been no transfers between levels of the fair value hierarchy for the years ended 30 June 2016 and 30 June 2015.

The Group and Prime have 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			
	Carrying amount 30 June 2016 $m	Fair value 30 June 2016 $m	Carrying amount 30 June 2015 $m	Fair value 30 June 2015 $m	Carrying amount 30 June 2016 $m	Fair value 30 June 2016 $m	Carrying amount 30 June 2015 $m	Fair value 30 June 2015 $m
Non-current liabilities								
Borrowings – MTN	125.0	129.5	125.0	131.0	-	-	-	-
Borrowings – USPPs	437.7	500.8	423.2	444.2	168.3	192.5	162.8	171.4
	562.7	630.3	548.2	575.2	168.3	192.5	162.8	171.4

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 year ending 30 June 2016, the borrowing rates were determined to be between 4.0% and 5.4% (30 June 2015: 4.0% and 5.4% respectively), depending on the type of borrowing.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 22. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

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. At year end the carrying amount of the non-current loan receivable is $nil (30 June 2015: $114.2 million). At 30 June 2015, the fair value of the non-current loan receivable disclosed in Note 7 was based on future contractual cash flows discounted using the lending rate of 6.4%.

(b) Valuation techniques used to derive level 2 and level 3 fair values

For financial instruments not traded in active markets, the Group uses several 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 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 cross currency swaps; and
- Other valuation techniques, such as discounted cash flow analysis, used to determine fair value of other 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 2016 and 30 June 2015 for recurring fair value measurements:

	Investa Office Fund Investment properties[1] $m	**Prime Credit Property Trust Investment properties[1] $m**
Opening balance 1 July 2014	2,519.3	946.7
Movement in investment property carrying amounts	159.4	60.9
Disposals	(123.8)	-
Closing balance 30 June 2015	**2,554.9**	**1,007.6**
Movement in investment property carrying amounts[2]	**268.5**	**70.5**
Closing balance 30 June 2016	**2,823.4**	**1,078.1**

(1) Includes investment properties classified as held for sale.
(2) Excludes movements to reclassify investment properties as assets held for sale. Refer to Note 10 for further details.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 22. Fair value measurements (continued)

(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 2016	30 June 2015	
Investment properties	Net passing rent (per sqm p.a)	**$228 - $1,405**	$233 - $1,128	The higher the net passing rent, the higher the fair value
	Net market rent (per sqm p.a)	**$228 - $1,381**	$233 - $1,121	The higher the net market rent, the higher the fair value
	Discount rate	**6.8% - 8.8%**	7.8% - 9.3%	The higher the discount rate, the lower the fair value
	Terminal yield	**5.3% - 8.3%**	5.8% - 8.8%	The higher the terminal yield, the lower the fair value
	Capitalisation rate	**4.9% - 8.3%**	5.8% - 8.8%	The higher the capitalisation rate, the lower the fair value
	Market rental growth rate(1)	**2.8% - 4.1%**	2.7% - 3.9%	The higher the rental growth rate, the higher the fair value

(1) 10 year compound average growth rate.

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving at 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 are 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 22. Fair value measurements (continued)

(e) Valuation process (continued)

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 Entity's 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.

Note 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).

In March 2016 ICPF Holdings Limited (ICPFHL) acquired Investa Office Management Holdings Pty Limited (IOMHPL) from Morgan Stanley Real Estate Investing. IOMHPL is the direct parent of Investa Office Management Pty Limited (IOM), which is the parent entity of ILFML, and of the related management entities that provide asset and property management services to the Group's investment property portfolio. ICPFHL is stapled to Investa Commercial Property Fund (ICPF), a related party to the Group to form Investa Property Group (IPG).

(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 years ended 30 June 2016 and 30 June 2015, ILFML and its related parties received or will receive the following fees.

	Investa Office Fund		**Prime Credit Property Trust**	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	$'000	$'000	**$'000**	$'000
Investa Listed Funds Management Limited:				
Responsible Entity's fees	**12,266**	11,113	**7,152**	6,490
Safe custody fees	**92**	90	**47**	48
Related parties of the Responsible Entity(1):				
Property management fees	**3,793**	3,947	**1,863**	2,232
Leasing fees	**1,531**	2,945	**472**	1,826
Project management services	**1,246**	915	**842**	710
	18,928	19,010	**10,376**	11,306

(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 of 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

567 Collins Street, Melbourne, a premium grade office building was jointly constructed by the Group and ICPF, a related party of the Responsible Entity. Practical completion of this development was achieved on 7 July 2015. The Group had advanced funds to 567 Collins Street Trust, a joint venture entity of the Group, in proportion to its unitholding in the Trust. These funds were used to meet the contracted construction and other related costs. During the year the balance of the advanced funds was converted to an equity investment in 567 Collins Street Trust. During the year ended 30 June 2016 $9,632,774 of interest income (30 June 2015: $7,144,377) was earned by the Group on the advanced balance.

During the year ended 30 June 2016, in proportion to the Group's ownership interests in this joint venture entity, related parties of ILFML received $1,163,500 (30 June 2015: $1,168,213) in property management, leasing and project management fees for services provided to investment properties held by those joint venture entities.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 23. Related parties (continued)

(c) Other transactions with related parties of the Responsible Entity (continued)

During the years ended 30 June 2016 and 30 June 2015 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.

(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 2016		**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	**1**	**5,378**	**3,787**
	1	**5,378**	**3,787**

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
	54,878	10,564	6,146

(e) Cross staple loan

As at 30 June 2016, Prime owed the Fund $nil (30 June 2015: $9,010) via a cross staple loan. For the year ended 30 June 2016 Prime recorded interest income of $nil (30 June 2015: $nil) and an interest expense of $12,006 (30 June 2015: $95,393) 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:

Richard Longes	Independent Non-Executive Chairman (appointed as Director 15 April 2016 and appointed as Chairman 18 April 2016)
Robert Seidler AM	Independent Non-Executive Director (appointed 15 April 2016)
John Fast	Independent Non-Executive Director (appointed 15 April 2016)
Geoffrey Kleemann	Independent Non-Executive Director (appointed 15 April 2016)
Jonathan Callaghan	Executive Director (resigned 28 January 2016 and re-instated 15 April 2016)
Deborah Page AM	Independent Non-Executive Chairman (resigned 18 April 2016)
Peter Dodd	Independent Non-Executive Director (resigned 18 April 2016)
Peter Rowe	Independent Non-Executive Director (resigned 18 April 2016)
Scott MacDonald	Non-Executive Director (resigned 31 October 2015)
Campbell Hanan	Alternate Director (alternate for Scott MacDonald; ceased 31 October 2015)

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

Jason Leong	Acting Fund Manager (appointed 20 April 2016)
Ming Long	Fund Manager (resigned 20 April 2016)

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 23. Related parties (continued)

(f) Key management personnel (continued)

Key management personnel, including their related parties, held the following units and distributions received or receivable directly, indirectly or beneficially in each Trust at each year end.

30 June 2016

					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	**29**	**(29)**	**-**	**-**	**3**	**2**
Peter Dodd	**20**	**(20)**	**-**	**-**	**2**	**1**
Scott MacDonald	**74**	**(74)**	**-**	**-**	**-**	**-**
Ming Long	**25**	**(25)**	**-**	**-**	**2**	**2**
Campbell Hanan	**8**	**(8)**	**-**	**-**	**-**	**-**

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)	-	-	-	-

(g) Transactions with equity accounted investments

Receivables and payables from/to equity accounted investments

	Investa Office Fund		**Prime Credit Property Trust**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Amount receivable from 567 Collins Street Trust	**-**	114,231	**-**	114,231
Cash distributions received from joint venture entities	**29,942**	25,353	**29,942**	25,353
Capital distributions received from joint venture entities	**-**	2,678	**-**	2,678
Interest income	**9,633**	7,179	**9,633**	7,144
Interest expense	**-**	262	**-**	-

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

	567 Collins Street Trust	
	30 June 2016 $'000	30 June 2015 $'000
Balance at beginning of the year	**114,231**	60,209
Loan advances	**76,125**	71,700
Loan repayments	**(27,500)**	-
Interest received	**9,633**	7,144
Capital distributions received	**-**	2,678
Conversion of debt investment to equity investment	**(172,489)**	(27,500)
Balance at the end of the year	**-**	114,231

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 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 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
PricewaterhouseCoopers				
Audit or review of financial reports of the Fund and any other entity in the Group	**222**	216	**111**	108
Other advisory and assurance services	**210**	53	**105**	41
Total remuneration of PwC	**432**	269	**216**	149

Note 25. Parent financial information

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

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	30 June 2016 $m	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Current assets	**-**	5.4	**2.8**	1.8
Total assets	**2,196.4**	1,972.0	**1,956.8**	1,728.8
Current liabilities	**(174.2)**	(57.9)	**(241.5)**	(81.8)
Total liabilities	**(1,039.5)**	(1,045.4)	**(517.4)**	(432.5)
Equity:				
Issued units	**948.5**	948.5	**1,193.8**	1,193.8
Retained earnings/(accumulated losses)	**208.4**	(21.9)	**245.6**	102.5
Total equity	**1,156.9**	926.6	**1,439.4**	1,296.3
Net profit attributable to unitholders from:				
Continuing operations	**270.8**	137.4	**223.0**	143.2
Total comprehensive income	**270.8**	139.5	**223.0**	143.2

(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 2016 $m	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Investment properties	**2.7**	10.6	**0.3**	0.8
Investment property under construction				
567 Collins Street, Melbourne[(1)]	**-**	-	**-**	56.4
151 Clarence Street, Sydney	**-**	-	**112.2**	-

(1) This investment property reached practical completion on 7 July 2015 and is held by an equity accounted investment.

(c) Investments in subsidiaries

During the years ended 30 June 2016 and the 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 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 2016 $m	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Net profit for the year	**493.8**	179.2	**223.0**	143.2
Adjustments for:				
Straight-lining of lease revenue	**3.6**	1.4	**(0.7)**	0.7
Unrealised foreign exchange gain	**14.3**	77.7	**5.4**	30.0
Net loss on disposal of investments	**-**	-		-
Net gain on change in fair value of:				
Investment properties	**(233.4)**	(89.4)	**(51.4)**	(24.3)
Derivatives	**(56.5)**	(87.8)	**(20.1)**	(33.1)
Transfer of foreign currency translation reserve from disposed operations to profit and loss	**-**	104.7	**-**	-
Amortisation of tenant incentives and leasing fees	**32.3**	29.5	**14.8**	15.6
Excess of distributions received from equity accounted investments over share of profits	**(85.6)**	(42.4)	**(85.6)**	(42.4)
Excess of distribution from assets held for sale over share of profits	**-**	(0.5)	**-**	-
Cost of disposal of assets	**0.5**	-	**0.7**	-
Non cash interest income	**(9.6)**	(7.1)	**(9.6)**	(7.1)
Other non-cash items	**(15.1)**	(16.8)	**(4.5)**	(6.7)
Net cash provided by operating activities for the year before changes in working capital	**144.3**	148.5	**72.0**	75.9
Changes in working capital:				
Decrease/(increase) in receivables	**5.6**	4.5	**3.1**	(0.5)
Decrease in payables	**(4.7)**	(3.2)	**(3.1)**	(5.0)
Net cash provided by operating activities from operations	**145.2**	149.8	**72.0**	70.4

(a) Non-cash investing and financing activities

	Investa Office Fund		Prime Credit Property Trust	
	30 June 2016 $m	30 June 2015 $m	**30 June 2016 $m**	30 June 2015 $m
Conversion of debt investment to equity investment	**172.5**	27.5	**172.5**	27.5
Capital distributions received from equity investment	**-**	2.6	**-**	2.6

567 Collins Street Trust issued units to Prime during the year ended 30 June 2016 and 30 June 2015. The issue of units was settled through a non-cash transaction, converting $172.5 million (30 June 2015: $27.5 million) of the loan between Prime and 567 Collins Street Trust to equity.

Note 27. Significant matters affecting the Group

a) Independent Board Committee (the IBC)

In February 2015, Morgan Stanley Real Estate Investing (Morgan Stanley) commenced a formal sale process of the Management Platform, owned by Investa Office Management Holdings Pty Limited (IOMHPL). IOMHPL is the direct parent of Investa Office Management Pty Limited (IOM), which is the parent entity of the Group's Responsible Entity, ILFML and of the related management entities that provide asset and property management services to the Group's investment property portfolio.

The IBC was established in December 2014 in anticipation of the Morgan Stanley sale process. The members of the IBC were the former Independent Directors of ILFML, namely, Deborah Page, Peter Dodd and Peter Rowe. The IBC had advised that it considered various alternatives available to the Group.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2016

Note 27. Significant matters affecting the Group (continued)

a) Independent board committee (the IBC) (continued)

On 18 December 2015, ILFML entered into a binding Implementation Agreement with DEXUS in relation to DEXUS's proposed acquisition of 100% of the units in the Group by way of a trust scheme (DEXUS Proposal). At a unitholder meeting held on 15 April 2016, the DEXUS Proposal failed to receive approval by the requisite majority of IOF Unitholders. As a result, the Implementation Agreement with DEXUS was terminated. The IBC has also been dissolved. Under the terms of the Implementation Agreement, a $23.52 million break fee could be payable by the Group to DEXUS in certain circumstances (as set out in the Implementation Agreement), including where a competing transaction to the DEXUS Proposal is completed by 31 December 2016.

The IBC had appointed several advisors to assist with its strategic review. The Group may be required to pay trailing fees under the mandates with these advisors, if certain events relating to the control or management of the Group occur within specified timeframes. These trailing fees, based on the total assets of the Group as at 30 June 2016 can amount up to $2.8 million in aggregate if an internalisation proposal is approved or implemented or up to $16.1 million in aggregate if there is a change of control of the Group. Any entitlement to trailing fees reduces after 31 May 2017 and ceases on 1 December 2017.

b) Investa Property Group

In March 2016, ICPF Holdings Limited (ICPFHL) acquired IOMHPL from Morgan Stanley. ICPFHL is stapled to the wholesale unlisted fund, the Investa Commercial Property Fund (ICPF). The stapled ICPF-ICPFHL structure is known as Investa Property Group (IPG). ILFML, the Responsible Entity of the Group has become a subsidiary of ICPFHL.

c) Rights under the Implementation Deed

The Group holds certain rights under an Implementation Deed between ILFML, IOMHPL and IPGH Pty Limited (IPGH) dated 19 December 2012 and amended on 8 September 2015 (Implementation Deed). These rights include:

- A right to negotiate in good faith in relation to the acquisition of a 50% interest in the Management Platform once the Group is notified that the gross asset value of the commercial office assets of the Group equals or exceeds $3.5 billion (the Due Diligence Commencement Date); and
- A right of first refusal in the event that either IOMHPL wishes to sell an interest in the Management Platform to an unrelated third party at any time prior to the date that is 12 months after the Due Diligence Commencement Date.

On 12 August 2016, the Group received a Certificate of Valuation from IOMHPL confirming that the gross asset value of the commercial office assets of the Group was greater than $3.5 billion. As a result, under the terms of the Implementation Deed, the Group has a 12 month period (that commenced on 12 August 2016) in which it may choose to exercise its right by notifying IOMHPL and commence the process to negotiate the purchase of 50% interest in the Management Platform. IOMHPL has stated the price at which IOMHPL is prepared to sell a 50% interest in the Management Platform as follows:

- If completion of the sale takes place before 28 February 2017, the price is $45.0 million plus agreed working capital and other agreed reimbursement adjustments.
- If completion of the sale takes place after 28 February 2017, the price is the higher of:
  - $45.0 million plus agreed working capital and other agreed reimbursement adjustments; and
  - The fair market price as at the expected completion date of the sale as determined by an independent expert appointed by IOMHPL (acting reasonably) in consultation with ILFML.

The price mentioned above is also subject to agreement on the various transaction documents to give effect to the sale of the interest and governing the joint venture arrangements.

The Directors will review and consider the Certificate of Valuation within the period allowed under the Implementation Deed.

ILFML will keep IOF unitholders informed in accordance with its Australian Stock Exchange continuous disclosure obligation.

Note 28. Events occurring after the reporting period

Subsequent to 30 June 2016, the Responsible Entity on behalf of the Fund and Prime refinanced the $350.0 million bank debt facility maturing in March 2017 with new bank debt facility agreements of $350.0 million maturing from July 2019 to July 2021.

On 25 July 2016, the Group agreed terms for an 11.5 year lease extension with Telstra at 242 Exhibition Street, Melbourne, a property held by an equity accounted investment that is jointly owned with ICPF. Telstra occupies over 63,000 sqm of the office tower and has extended its lease expiry from May 2020 to October 2031. This lease extension provides income stability and secures the long-term outlook for the asset.

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with within this financial report that has significantly affected or may significantly affect the operations of 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 12 to 58 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 2016 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 Consolidated 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 2016.

RA Longes
Chairman
Sydney
18 August 2016

Independent auditor's report to the stapled securityholders of Investa Office Fund and the unitholders of Prime Credit Property Trust

Report on the financial report

We have audited the accompanying financial report which comprise of:

- the Consolidated Statement of Financial Position as at 30 June 2016, 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 2016, 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 the Investa Office Fund and Prime Credit Property Trust's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(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

PricewaterhouseCoopers

SJHadfield

S J Hadfield
Partner

Sydney
18 August 2016