ASX announcement

23.02.17

Investa Office Fund (ASX:IOF)

Half Year 2017 Financial Results

Investa Office Fund (ASX:IOF) today releases its financial results for the half year ended 31 December 2016.

The financial results pack includes:

- Appendix 4D;
- Interim Financial Report;
- ASX Release; and
- Results Presentation

To access the live webcast of the half year results presentation which commences at 10am AEST please click here.

- ENDS –

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Appendix 4D

Half-year Report
Half-year ended 31 December 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 half-year ended 31 December 2015
Revenues from ordinary activities	down 3.4% to $106.6m
Profit from ordinary activities after tax attributable to members	down 20.2% to $224.0m
Net profit for the period attributable to members	down 20.2% to $224.0m
Property Council FFO[(i)]	up 1.4% to $91.3m

	31 December 2016	31 December 2015
Net tangible assets per unit	$4.49	$3.98

(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 and other unrealised or one-off items.

Distributions	Amount per unit (cents)	$m
Interim - 31 December 2016 (Scheduled to be paid on 28 February 2017)	10.0	61.4
Total	10.0	61.4
Previous corresponding period - 31 December 2015 (Paid on 29 February 2016)	9.8	60.2
Record date for determining entitlements to the 31 December 2016 distribution	30 December 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 4D, please refer to the following attached documents:

- Directors' report
- Interim financial report
- Results presentation

Andrew Murray
Company Secretary

23 February 2017

Investa Office Fund

Interim Financial Report

for the half-year ended
31 December 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

Interim Financial Report for the half-year ended 31 December 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.

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 interim financial report was authorised for issue by the Directors on 23 February 2017. The Responsible Entity has the power to amend and reissue this interim 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 (AJO) and Prime Credit Property Trust (PCP) (collectively defined as the Trusts). The Responsible Entity for the Trusts is Investa Listed Funds Management Limited (ILFML), which presents the Group's Consolidated Interim Financial Report together with PCP's Consolidated Interim Financial Report for the half-year ended 31 December 2016.

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

The Directors' Report is a combined Directors' Report that covers both the Group and PCP.

Directors

The following persons were Directors of ILFML during the half-year and up to the date of this report, unless otherwise stated:

Richard Longes	Independent Non-Executive Chairman
Robert Seidler AM	Independent Non-Executive Director
John Fast	Independent Non-Executive Director
Geoffrey Kleemann	Independent Non-Executive Director
Jonathan Callaghan	Executive Director (resigned 13 December 2016)

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 the Trust's activities during the half-year.

Financial results
The Group delivered a net profit attributable to unitholders for the half-year ended 31 December 2016 of $224.0 million, down 20.2% from the previous half-year. The change in net profit was primarily due to valuation increases of $176.0 million being $20.8 million lower than the prior period and the combined fair value change of derivatives and foreign exchange movements being $37.9 million lower than the prior period. After adjusting for fair value movements and non-operating items, the Property Council FFO increased by 1.4% to $91.3 million, driven by property level income growth resulting from fixed rental increases and improved occupancies, partially offset by the loss of rental income from 151 Clarence Street, Sydney, following the commencement of its redevelopment.

Property and investment portfolios
At 31 December 2016, the Group held interests in twenty two investment properties located in the key central business districts of major Australian cities. The portfolio is valued at $3,824.6 million and has a total net lettable area of 420,615 sqm at the Group's share.

a) Property portfolio
The key events for the current financial period and up to the date of this report include:

- Completed 95,092 sqm of leasing across the total portfolio, including:
    - The successful negotiation of an 11.5 year lease extension with Telstra for 63,372 sqm at 242 Exhibition Street, Melbourne. This lease will provide a long term income stream and de-risk the Melbourne portfolio, and has been reflected in the most recent valuation of the property which recognised a 3% uplift during the period;
    - The execution of a 10 year lease extension of 11,973 sqm to the Commonwealth of Australia at 836 Wellington Street, Perth on terms favourable to the current market conditions. These new lease terms have been reflected in the most recent valuation, with the property recognising a 3% uplift in the period; and
    - Multiple smaller leases consisting of 3,978 sqm at 10-20 Bond Street, Sydney, 2,269 sqm at 6 O'Connell Street, Sydney and 2,059 sqm at 567 Collins Street, Melbourne.
- Agreed key commercial terms for the lease renewal of 8,424 sqm for 7.5 years to Allens Linklaters at 126 Phillip Street, Sydney. The proposed lease extends the current lease expiry from June 2019 to December 2026, which will reduce the Group's lease expiry in financial year 2019 by 1.4% and improve the WALE of the property by 1.7 years. The terms agreed provides a financial outcome consistent with the most recent valuation of this property;
- Continued progress on the development of Barrack Place, a ~22,000 sqm A grade tower at 151 Clarence Street, Sydney with the building expected to be completed in Q3 2018;
- On 21 September 2016, PCP entered into a conditional agreement in relation to the sale of its 50% share of 800 Toorak Road, Melbourne for $140.5 million less committed costs. On 7 December 2016 the sale became unconditional. The sale reflects a 10.5% premium to the 30 June 2016 book value of $127.1 million. Settlement is anticipated to occur end February 2017; and
- Sale of 383 La Trobe Street, Melbourne which settled on 17 January 2017 for $70.7 million, at a 31% premium to its book value prior to announcement of the sale.

Directors' Report (continued)

Review of results and operations (continued)

a) Property portfolio (continued)
The Group's Sydney and Melbourne assets, which total 80% of the portfolio by value, performed well during the period. Occupancy has remained high in Sydney (99%) and Melbourne (100%) resulting from strong demand from tenants particularly within the professional and business service sectors. The Sydney market in particular continues to benefit 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 A and B grade assets. This has seen growth in face rents, and declines in incentives for both renewals and new deals.

The existing office leases at 388 George Street, Sydney expire in October 2018. This will provide the Group with an opportunity to upgrade the property and revisit the ground floor potential. 388 George Street is a 50% co-owned, 39,000 sqm A grade tower, located on one of Sydney's most prominent retail corners.

The property at 347 Kent Street, Sydney is a 26,000 sqm A grade tower currently leased to Australia and New Zealand Banking Group Limited, until January 2019. The lease expiry provides an opportunity for the Group to refurbish and upgrade the property taking advantage of the strong Sydney market and its core CBD location.

Following a significant period of leasing in financial year 2016, the Group's Brisbane portfolio remains well positioned, with an occupancy of 92% and a WALE of 4.9 years.

In spite of the continued challenging leasing conditions in Perth, the Group has experienced significant leasing success with new leases signed on over 13,000 sqm. Most significant was the retention of the Commonwealth of Australia at 836 Wellington Street where a new 10 year lease was signed, significantly de-risking the income of the asset for the long term. The portfolio occupancy in Perth increased from 79% to 88% and the WALE was extended from 2.9 years to 6.7 years.

Key metrics for the portfolio as at and for the half-year ended 31 December 2016 include:
- Occupancy of 97% (31 December 2015: 94%);
- Tenant retention of 89% (31 December 2015: 64%);
- Like-for-like net property income growth of 4.5% (31 December 2015: 1.9%); and
- Weighted average lease expiry of 5.6 years (31 December 2015: 5.0 years).

b) Valuations
As per the Group's valuation policy, external property valuations are obtained at least every two years or if internal valuation varies by ±5% of the property's current carrying value. In December 2016, in line with the valuation policy, the Group completed external valuations of eleven of the twenty two properties in its portfolio, representing 51% (31 December 2015: 98%) by value of the portfolio. This resulted in a 4% (31 December 2015: 6%) valuation increase on book values for the overall portfolio.

The weighted average capitalisation rate for the overall portfolio as at 31 December 2016 was 6.01% (30 June 2016: 6.20%).

Strong valuation results were achieved across Sydney with total valuation uplifts of 6%:
- Active leasing, increased market rents and capitalisation rate compression in Sydney contributed to valuation uplifts at 6 O'Connell Street of $23.6 million (13%), 111 Pacific Highway of $21.0 million (12%), Piccadilly Complex of $19.5 million (8%), 10-20 Bond Street of $15.7 million (6%) and 99 Walker Street of $15.3 million (7%); and
- Valuation of Barrack Place at 151 Clarence Street, Sydney increased by $36.1 million (35%) reflecting the strengthening of the Sydney office markets and strong investment demand for prime office assets. The external valuation of $138.0 million as at 31 December 2016 for this property was determined using the estimated market value as if the proposed development was complete by applying a 5.38% capitalisation rate and a discount rate of 7.38%, less adjustments to reflect the status of development as at 31 December 2016.

The Group's properties in Melbourne increased by 3%, primarily on account of the valuation uplift of $8.1 million (3%) for 242 Exhibition Street. The Group also recorded a valuation increase of $13.1 million (10%) for the sale 800 Toorak Road, Melbourne during the half-year period.

In Brisbane, the Group's property values increased by 4% largely resulting from increased demand for assets as evidenced by a number of recent market transactions and capitalisation rate compression. The valuation of 295 Ann Street increased by $9.7 million (8%) and 140 Creek Street increased by $9.2 million (5%).

Directors' Report (continued)

Financial performance

A summary of the Group and PCP's results for the half-year is set out below:

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
	$m	$m	**$m**	$m
Net profit attributable to unitholders	**224.0**	280.8	**129.4**	128.8
Property Council FFO	**91.3**	90.0	**na**	na
Per stapled unit:	**Cents**	Cents	**Cents**	Cents
Basic and diluted earnings per unit from net profit(1)	**36.5**	45.7	**na**	na
Property Council FFO per unit	**14.9**	14.7	**na**	na
Distributions per unit	**10.0**	9.8	**5.0**	6.9

(1) The basic and diluted earnings per unit from net profit for AJO and PCP as at 31 December 2016 were 15.4 cents (31 December 2015: 24.8 cents) and 21.1 cents (31 December 2015: 21.0 cents) respectively.

A distribution of $61.4 million for the half-year ended 31 December 2016 was recognised during the period and is scheduled to be paid on 28 February 2017. Distributions per unit have increased by 2.0% from 9.8 cents in the previous half-year to 10.0 cents for the half-year ended 31 December 2016.

Basic and diluted earnings per stapled unit from net profit, as calculated under applicable accounting standards for the half-year ended 31 December 2016 were 36.5 cents, compared to 45.7 cents for the previous half-year.

The key drivers impacting the change in basic and diluted earnings per stapled unit from net profit are as follows:
- Lower valuation gains of investment properties amounting to $176.0 million recorded in the half-year ended 31 December 2016 as compared to $196.8 million in the prior half-year; and
- Loss on the change in fair value of derivative financial instruments of $15.3 million for the half-year ended 31 December 2016, as compared to a gain on the change in fair value of $32.3 million recorded the prior half-year.

Property Council FFO
Property Council FFO for the half-year to 31 December 2016 increased by 1.4% to $91.3 million mainly due to increased net property income from fixed rental increases and improved occupancy at 140 Creek Street, Brisbane. This increase is partially offset by the loss of rental income from 151 Clarence Street, Sydney, following the commencement of its redevelopment.

Property Council FFO for the half-year ending 31 December 2016 and 31 December 2015 has been calculated as follows:

	Investa Office Fund	
	31 Dec 2016	31 Dec 2015
	$m	$m
Net profit attributable to unitholders	**224.0**	280.8
Adjusted for:		
Net (gain)/loss on change in fair value of:		
Investments(1)	**(176.0)**	(196.8)
Derivatives(2)	**15.3**	(32.3)
Net foreign exchange loss(3)	**11.6**	21.6
Amortisation of incentives	**15.9**	15.3
Straight-lining of lease revenue	**2.0**	0.5
Other	**(1.5)**	0.9
Property Council FFO	**91.3**	90.0

(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 loss on change in fair value of derivatives is predominately due to decreases in the fair values of the Group's cross currency interest rate swaps, used to manage the Group's exposure to foreign exchange rate movements on its US dollar denominated US Private Placements (USPPs).
(3) Net foreign exchange loss is driven by the change in carrying amount of the USPPs, which for accounting are translated to Australian dollars using the foreign exchange rate at the half-year end.

Earnings guidance
The Group's 30 June 2017 forecast earnings guidance (based on Property Council FFO) is 29.5 cents per unit (30 June 2016 actual: 28.6 cents per unit) with a full year distribution of 20.2 cents per unit (30 June 2016 actual: 19.6 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 800 Toorak Road, Melbourne.

Directors' Report (continued)

Financial position

A summary of the Group and PCP's net asset position as at 31 December 2016 and 30 June 2016 is set out below:

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
Total assets ($m)	**3,967.0**	3,783.4	**2,058.9**	1,946.0
Total liabilities ($m)	**1,208.1**	1,187.1	**520.8**	506.6
Net assets ($m)	**2,758.9**	2,596.3	**1,538.1**	1,439.4
Net tangible assets per unit (dollars)	**4.49**	4.23	**2.50**	2.34

The value of the Group's and PCP's total assets is derived using the basis set out in Note 1 of the 30 June 2016 Consolidated Financial Statements. The net tangible assets per unit is calculated by dividing the total equity attributable to unitholders of the Group or PCP by the number of units on issue.

Total assets increased by $183.6 million (4.9%) to $3,967.0 million (30 June 2016: $3,783.4 million), mainly due to positive valuations of the Group's investment property portfolio and additions to existing properties. This increase was partially offset by unfavourable fair value movement of the Group's cross currency interest rate swaps, used to manage the Group's exposure to foreign exchange rate movement on its US dollar denominated debt. Total liabilities increased by $21.0 million (1.8%) to $1,208.1 million (30 June 2016: $1,187.1 million) predominantly due to an increase in debt to fund the development of Barrack Place, Sydney and an increase in the carrying value of the US dollar denominated debt resulting from the weakening of the Australian dollar.

Capital management

	Investa Office Fund	
	31 Dec 2016	30 Jun 2016
Drawn debt ($m)	**1,116.1**	1,092.7
Drawn debt – look-through ($m)(1)	**1,025.0**	1,013.0
Undrawn committed debt – look-through ($m)	**174.0**	186.0
Gearing ratio – look-through	**26.5%**	27.7%
Weighted average debt expiry – look-through	**4.5 years**	5.0 years
Interest rate hedging – look-through	**43.9%**	44.4%
Leverage ratio – look-through	**30.5%**	31.4%
Interest coverage – look-through (times)	**4.4x**	4.3x

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

In July 2016, the Responsible Entity on behalf of AJO and PCP 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.

The Group's $125.0 million Medium Term Note (MTN) maturing in November 2017 has been disclosed as a current liability as at 31 December 2016. The Group's strategy is to refinance the MTN with either bank debt or new debt capital market issuance.

The Group's policy is to hedge forecast borrowings using interest rate derivatives, based on hedge ratio range limits. The hedge ratio range limits were revised during the period, reflecting the Group's preference towards achieving a lower exposure to an increase in interest rates. The table below outlines the previous and revised hedge ratio range limits:

Years	**Revised hedge ratio range limit (%)**	Previous hedge ratio range limit (%)
1 - 3	**50-80**	30-80
3 - 5	**20-60**	0-75
5+	**0-60**	0-75

The Group targets to be in the mid to high hedge ratio range limit for years 1 to 3.

In October 2016 and February 2017, the Responsible Entity on behalf of AJO and PCP increased the level of interest rate hedging by $300.0 million and $450.0 million of forward start interest rate derivatives respectively. These interest rate derivatives have various terms ranging from June 2017 to June 2022 and will provide further protection from any potential interest rate increases during this period.

Directors' Report (continued)

Significant matters affecting the Group

a) Break and trailing fees

In December 2015, ILFML entered into a binding Implementation Agreement with DEXUS Property Group (DEXUS) in relation to the proposed acquisition of 100% of the units in the Group by way of a trust scheme. At a unitholder meeting held on 15 April 2016, the DEXUS proposal failed to receive approval by the requisite majority of IOF unitholders and as a result, the Implementation Agreement was terminated. Under the Implementation Agreement, a break fee of $23.52 million could have been payable by the Group in certain circumstances, including where a competing transaction to the DEXUS proposal was substantially completed by 31 December 2016. As no competing transaction was completed by 31 December 2016, the break fee is no longer applicable.

Macquarie Capital (Australia) Limited (Macquarie) and Fort Street Advisers Pty Limited (Fort Street) were previously appointed as advisors to assist with the strategic review of the Group that was undertaken in 2015. 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. The Group has reappointed Macquarie as its financial advisor in relation to transactions involving a possible internalisation of the Investa Office Management platform or a control transaction.

As part of the reappointment of Macquarie, which is on market based terms, Macquarie has agreed to waive its entitlement to any trailing fees under its prior mandates with the Group. These new mandates with Macquarie include a 12 months trailing fee provision post their termination.

The trailing fees that may be payable to Fort Street, based on the total assets of the Group as at 31 December 2016, can amount up to $0.8 million if an internalisation proposal in relation to the Investa Office Management platform is approved or implemented or up to $6.9 million if there is a change of control of the Group. This entitlement to trailing fees ceases on 1 June 2017. The Group has not recorded any accrual in relation to these trailing fees.

b) Investa Property Group

ILFML, the Responsible Entity of the Group is a subsidiary of ICPF Holdings Limited (ICPFHL). ICPFHL is stapled to the wholesale unlisted fund, the Investa Commercial Property Fund (ICPF) to form Investa Property Group. During the period, ICPF acquired an 8.94% stake in IOF from Post Sale Portfolio Issuer Pty Ltd, a company owned by funds managed by Morgan Stanley Real Estate Investing.

c) Rights under the Implementation Deed

Investa Office Management Holdings Pty Limited (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.

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 exceeds $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 a 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 31 May 2017 (extended from 28 February 2017, see below), the price is $45.0 million plus agreed working capital and other agreed reimbursement adjustments.
- If completion of the sale takes place after 31 May 2017 (extended from 28 February 2017, see below), 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.

In December 2016, the Independent Directors successfully negotiated with IOMHPL to extend the date for which the acquisition price of $45.0 million plus agreed working capital and other agreed reimbursement adjustments, if completion of the sale takes place from before 28 February 2017 to 31 May 2017. Any decision on the potential acquisition of 50% of the Management Platform will be taken as part of an operational and governance review of how IOF works with the Management Platform. The aim of the review is to maximise the benefits for IOF unitholders.

The acquisition price for a 50% interest of the Management Platform outlined 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.

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

Directors' Report (continued)

Significant matters affecting the Group (continued)

d) Cromwell Property Group (CPG)

During the period, ILFML received a highly conditional, non-binding and indicative letter from CPG referring to the conditional possibility of an all cash arrangement to acquire all of IOF's outstanding issued capital for $4.45 per unit. CPG's request to carry out a comprehensive due diligence on IOF was not granted, as the Independent Directors considered that CPG's highly conditional approach undervalued IOF and was not compelling or attractive.

Following the determination not to grant CPG comprehensive due diligence, the Independent Directors have been in regular discussions with CPG and are willing to provide CPG with limited confidential information in order to facilitate CPG being in a position to provide IOF unitholders with an all cash proposal which is compelling and attractive.

CPG has offered to execute a Confidentiality Agreement in order to receive limited due diligence information. IOF has prepared a Confidentiality Agreement to ensure IOF's confidential information is protected. CPG has insisted on additional exceptions to certain provisions of the Confidentiality Agreement which the Independent Directors do not believe, with the benefit of independent external legal and financial advice, are market standard nor in the best interests of all IOF unitholders. As such the Independent Directors have been unable to agree with CPG the form and content of the Confidentiality Agreement which adequately protects IOF unitholders and its information.

The Independent Directors remain open to continuing discussions with CPG and should a Confidentiality Agreement be agreed in a form that protects and is in the best interests of all IOF unitholders, the Independent Directors will be able to provide the limited confidential information.

Events occurring after the reporting period

Settlement of the sale of 383 La Trobe Street, Melbourne occurred on 17 January 2017 for $70.7 million. Proceeds from the sale was used to repay existing bank debt facilities.

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

Environmental regulation

The Directors of the Responsibility Entity are satisfied that adequate systems are in place for the management of the Trusts' environmental responsibilities 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.

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 8.

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
23 February 2017

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Auditor's Independence Declaration

As lead auditor for the review of Investa Office Fund and Prime Credit Property Trust for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A S Wood
Partner
PricewaterhouseCoopers

Sydney
23 February 2017

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Consolidated Statements of Comprehensive Income
For the half-year ended 31 December 2016

		Investa Office Fund		Prime Credit Property Trust	
	Note	**31 Dec 2016 $m**	31 Dec 2015 $m	**31 Dec 2016 $m**	31 Dec 2015 $m
Revenue from continuing operations					
Rental and other property income		**106.5**	105.1	**42.9**	40.9
Interest income		**0.1**	5.3	**-**	5.2
		106.6	110.4	**42.9**	46.1
Net foreign exchange loss		**(11.9)**	(21.6)	**(4.3)**	(8.3)
Net gain/(loss) on change in fair value of:					
Investment properties	8	**167.9**	135.5	**87.2**	24.6
Derivative financial instruments		**(15.3)**	32.3	**(5.0)**	11.8
Share of net profit of equity accounted investments	7	**30.3**	77.4	**30.3**	77.4
Costs on disposal of assets		**(0.2)**	(0.7)	**(0.2)**	(0.7)
Property expenses		**(25.6)**	(24.4)	**(10.1)**	(10.4)
Responsible Entity's fees		**(6.6)**	(6.0)	**(3.8)**	(3.5)
Finance costs		**(19.9)**	(20.2)	**(7.0)**	(7.0)
Other expenses		**(1.3)**	(1.9)	**(0.6)**	(1.2)
Profit before income tax		**224.0**	280.8	**129.4**	128.8
Income tax expense		**-**	-	**-**	-
Net profit for the half-year		**224.0**	280.8	**129.4**	128.8
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the half-year		**224.0**	280.8	**129.4**	128.8
Attributable to unitholders of:					
Armstrong Jones Office Fund		**94.6**	152.0	**-**	-
Prime Credit Property Trust		**129.4**	128.8	**129.4**	128.8
		224.0	280.8	**129.4**	128.8
Distributions and earnings per unit					
Distributions per unit (cents)	3	**10.0**	9.8	**5.0**	6.9
Basic and diluted earnings per unit from net profit:					
Per stapled unit (cents)	4	**36.5**	45.7	**na**	na
Per unit of each trust (cents)	4	**15.4**	24.8	**21.1**	21.0

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

Consolidated Statements of Financial Position
As at 31 December 2016

		Investa Office Fund		Prime Credit Property Trust	
		31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
	Note	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents		**4.9**	2.1	**1.7**	1.4
Trade and other receivables		**16.1**	12.6	**8.7**	7.5
Derivative financial instruments	5	**1.6**	-	**-**	-
		22.6	14.7	**10.4**	8.9
Assets classified as held for sale	6	**210.9**	70.5	**210.9**	70.5
		233.5	85.2	**221.3**	79.4
Non-current assets					
Derivative financial instruments	5	**120.9**	143.5	**51.4**	57.2
Investments accounted for using the equity method	7	**813.6**	801.8	**813.6**	801.8
Investment properties	8	**2,799.0**	2,752.9	**972.6**	1,007.6
		3,733.5	3,698.2	**1,837.6**	1,866.6
Total assets		**3,967.0**	3,783.4	**2,058.9**	1,946.0
Current liabilities					
Trade and other payables		**27.6**	25.7	**10.4**	10.0
Distribution payable	3	**61.4**	60.2	**30.7**	37.5
Derivative financial instruments	5	**2.3**	4.2	**0.5**	0.9
Borrowings	10	**124.8**	337.0	**-**	198.0
		216.1	427.1	**41.6**	246.4
Non-current liabilities					
Derivative financial instruments	5	**4.0**	7.8	**-**	0.3
Borrowings	10	**988.0**	752.2	**479.2**	259.9
		992.0	760.0	**479.2**	260.2
Total liabilities		**1,208.1**	1,187.1	**520.8**	506.6
Net assets		**2,758.9**	2,596.3	**1,538.1**	1,439.4
Equity					
Contributed equity		**2,142.3**	2,142.3	**1,193.8**	1,193.8
Retained earnings		**616.6**	454.0	**344.3**	245.6
Total equity		**2,758.9**	2,596.3	**1,538.1**	1,439.4
Attributable to unitholders of:					
Armstrong Jones Office Fund					
Contributed equity		**948.5**	948.5	**-**	-
Retained earnings		**272.3**	208.4	**-**	-
		1,220.8	1,156.9	**-**	-
Prime Credit Property Trust		**1,538.1**	1,439.4	**1,538.1**	1,439.4
Total equity		**2,758.9**	2,596.3	**1,538.1**	1,439.4

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity
For the half-year ended 31 December 2016

	Note	Attributable to unitholders of Investa Office Fund		
		Contributed equity $m	Retained earnings $m	Total equity $m
Balance at 1 July 2015		2,142.3	80.6	2,222.9
Net profit for the half-year		-	280.8	280.8
Other comprehensive income for the half-year		-	-	-
Total comprehensive income for the half-year		-	280.8	280.8
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	3	-	(60.2)	(60.2)
		-	(60.2)	(60.2)
Balance at 31 December 2015		2,142.3	301.2	2,443.5
Balance at 1 July 2016		**2,142.3**	**454.0**	**2,596.3**
Net profit for the half-year		**-**	**224.0**	**224.0**
Other comprehensive income for the half-year		**-**	**-**	**-**
Total comprehensive income for the half-year		**-**	**224.0**	**224.0**
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	3	**-**	**(61.4)**	**(61.4)**
		-	**(61.4)**	**(61.4)**
Balance at 31 December 2016		**2,142.3**	**616.6**	**2,758.9**

	Note	Attributable to unitholders of Prime Credit Property Trust		
		Contributed equity $m	Retained earnings $m	Total equity $m
Balance at 1 July 2015		1,193.8	102.5	1,296.3
Net profit for the half-year		-	128.8	128.8
Other comprehensive income for the half-year		-	-	-
Total comprehensive income for the half-year		-	128.8	128.8
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	3	-	(42.4)	(42.4)
		-	(42.4)	(42.4)
Balance at 31 December 2015		1,193.8	188.9	1,382.7
Balance at 1 July 2016		**1,193.8**	**245.6**	**1,439.4**
Net profit for the half-year		**-**	**129.4**	**129.4**
Other comprehensive income for the half-year		**-**	**-**	**-**
Total comprehensive income for the half-year		**-**	**129.4**	**129.4**
Transactions with unitholders in their capacity as equity holders:				
Distributions paid or payable	3	**-**	**(30.7)**	**(30.7)**
		-	**(30.7)**	**(30.7)**
Balance at 31 December 2016		**1,193.8**	**344.3**	**1,538.1**

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

Consolidated Statements of Cash Flows
For the half-year ended 31 December 2016

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
	$m	$m	**$m**	$m
Cash flows from operating activities				
Cash receipts in the course of operations (inclusive of GST)	**126.6**	123.0	**46.9**	50.5
Cash payments in the course of operations (inclusive of GST)	**(45.2)**	(40.1)	**(18.7)**	(16.5)
Distributions received from equity accounted investments	**18.5**	15.2	**18.5**	15.2
Interest received	**0.1**	0.1	**-**	-
Finance costs paid	**(20.2)**	(19.4)	**(7.3)**	(6.5)
Net cash inflow from operating activities	**79.8**	78.8	**39.4**	42.7
Cash flows from investing activities				
Payments for additions to investment properties	**(28.6)**	(36.4)	**(18.4)**	(17.5)
Payment for costs on disposal of assets	**(0.2)**	(0.4)	**(0.2)**	(0.4)
Loans to equity accounted investments	**-**	(76.0)	**-**	(76.0)
Loans from equity accounted investments	**-**	21.3	**-**	21.3
Net cash outflow from investing activities	**(28.8)**	(91.5)	**(18.6)**	(72.6)
Cash flows from financing activities				
Distributions paid to unitholders	**(60.2)**	(59.6)	**(37.5)**	(35.0)
Proceeds from borrowings	**409.0**	134.0	**246.0**	109.0
Repayment of borrowings	**(397.0)**	(59.0)	**(229.0)**	(44.0)
Net cash (outflow)/inflow from financing activities	**(48.2)**	15.4	**(20.5)**	30.0
Net increase in cash and cash equivalents	**2.8**	2.7	**0.3**	0.1
Cash and cash equivalents at the beginning of the half-year	**2.1**	3.6	**1.4**	1.0
Cash and cash equivalents at the end of the half-year	**4.9**	6.3	**1.7**	1.1

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

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 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 (AJO) and Prime Credit Property Trust (PCP) (collectively defined as the Trusts). AJO and PCP were constituted on 23 September 1984 and 12 October 1989, respectively.

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

AJO and PCP 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 AJO and PCP, 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 AJO and PCP, the date determined by ILFML, in its capacity as the trustee of AJO or PCP, as the unstapling date; or
- (ii) The termination of either AJO or PCP.

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

The Directors of the Responsible Entity have authorised the Interim Financial Report for issue and have the power to amend and reissue the Interim Financial Report.

(b) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 Interim Financial Reports.

This Interim Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(i) Going Concern
These Consolidated Interim Financial Statements are prepared on the going concern basis.

(ii) Rounding of amounts
AJO and PCP 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 Interim Financial Report. Amounts in the Interim Financial Report 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.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 1. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(iii) New and amended standards not yet adopted during the period.

The following accounting standards and interpretations have been issued but were not mandatory for the half-year ended 31 December 2016:

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

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

(ii) AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *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.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 2. 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 Group operates in one segment, being office property in Australia.

Only 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, expenses and other unrealised or one-off items.

(b) Reconciliation of segment result to Property Council FFO and net profit attributable to unitholders

	Investa Office Fund	
	31 Dec 2016	31 Dec 2015
	$m	$m
Net property income	**103.3**	101.6
Interest income	**0.1**	0.4
Finance costs	**(19.8)**	(20.1)
Responsible Entity's fees	**(6.6)**	(6.0)
Net foreign exchange loss	**(0.3)**	-
Other expenses	**(1.3)**	(1.2)
	75.4	74.7
Amortisation of tenant incentives	**15.9**	15.3
Property Council FFO	**91.3**	90.0
Net gain/(loss) on change in fair value of:		
Investment properties	**167.9**	135.5
Equity accounted investments	**8.1**	61.3
Derivatives(1)	**(15.3)**	32.3
Net foreign exchange loss(2)	**(11.6)**	(21.6)
Amortisation of incentives	**(15.9)**	(15.3)
Straight-lining of lease revenue	**(2.0)**	(0.5)
Other unrealised or one-off items:		
Transaction costs	**-**	(0.6)
Other items	**1.5**	(0.3)
Net profit attributable to unitholders for the half-year	**224.0**	280.8

(1) Net loss on change in fair value of derivatives is predominately due to decreases in the fair values of the Group's cross currency interest rate swaps, used to mitigate the Group's exposure to foreign exchange rate movements on its US dollar denominated US Private Placements (USPPs).

(2) Net foreign exchange loss is driven by the change in carrying amount of the USPPs, which for accounting are translated to Australian dollars using the foreign exchange rate at the half-year end.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 3. Distributions

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 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	**10.0**	9.8	**5.0**	6.9
	$m	$m	**$m**	$m
The total amounts of these distributions paid and payable to unitholders were:				
Half-year ended 31 December	**61.4**	60.2	**30.7**	42.4
	61.4	60.2	**30.7**	42.4

The distribution for the half-year ended 31 December 2016 is scheduled to be paid on 28 February 2017. The distribution for the half-year ended 31 December 2015 was paid on 29 February 2016.

Note 4. Earnings per unit

(a) Per stapled unit

	Investa Office Fund	
	31 Dec 2016	31 Dec 2015
Weighted average number of units outstanding (thousands)	**614,047**	614,047
Profit attributable to unitholders ($ millions)	**224.0**	280.8
Basic and diluted earnings per unit (cents)	**36.5**	45.7

(b) Per unit of each Trust

	Armstrong Jones Office Fund		Prime Credit Property Trust	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Weighted average number of units outstanding (thousands)	**614,047**	614,047	**614,047**	614,047
Profit attributable to unitholders ($ millions)	**94.6**	152.0	**129.4**	128.8
Basic and diluted earnings per unit (cents)	**15.4**	24.8	**21.1**	21.0

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 5. Derivative financial instruments

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
	$m	$m	**$m**	$m
Current assets				
Interest rate derivative contracts	**1.6**	-	**-**	-
	1.6	-	**-**	-
Non-current assets				
Interest rate derivative contracts	**5.6**	7.1	**3.2**	1.8
Cross currency swap contracts	**115.3**	136.4	**48.2**	55.4
	120.9	143.5	**51.4**	57.2
Current liabilities				
Interest rate derivative contracts	**2.3**	4.2	**0.5**	0.9
	2.3	4.2	**0.5**	0.9
Non-current liabilities				
Interest rate derivative contracts	**4.0**	7.8	**-**	0.3
	4.0	7.8	**-**	0.3

Note 6. Asset classified as held for sale

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
	$m	$m	**$m**	$m
Investment Properties				
383 La Trobe Street, Melbourne(1)	**70.7**	70.5	**70.7**	70.5
800 Toorak Road, Melbourne(2)	**140.2**	-	**140.2**	-
	210.9	70.5	**210.9**	70.5

(1) On 17 July 2015, PCP exchanged contracts to sell 383 La Trobe Street, Melbourne for $70.7 million. The contracts for sale entitle PCP to a 15% non-refundable deposit. Settlement occurred on 17 January 2017.

(2) On 21 September 2016, PCP entered into a conditional agreement in relation to the sale of its 50% share of 800 Toorak Road, Melbourne for $140.5 million less committed costs. On 7 December 2016 the sale became unconditional. Settlement is anticipated to occur end February 2017.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 7. Investments accounted for using the equity method

(a) Details of joint venture entities

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

Name of joint venture entities	Principal activity	Ownership interest		Investa Office Fund		Prime Credit Property Trust	
		31 Dec 2016	30 Jun 2016	**31 Dec 2016 $m**	30 Jun 2016 $m	**31 Dec 2016 $m**	30 Jun 2016 $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%	**269.3**	257.0	**269.3**	257.0
Phillip Street Trust	Real estate investment	**25%**	25%	**131.5**	131.8	**131.5**	131.8
Macquarie Street Trust	Real estate investment	**25%**	25%	**109.4**	109.4	**109.4**	109.4
567 Collins Street Trust	Real estate investment	**50%**	50%	**303.4**	303.6	**303.4**	303.6
IOF Finance Pty Ltd[1]	Financial Services	**50%**	50%	**-**	-	**-**	-
Total				**813.6**	801.8	**813.6**	801.8

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

Refer to Note 9 for detailed property information of the Group and PCP'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	
	31 Dec 2016 $m	30 Jun 2016 $m	**31 Dec 2016 $m**	30 Jun 2016 $m
Balance at the beginning of the period	**801.8**	543.7	**801.8**	543.7
Acquisitions and contributions to equity accounted investments	**-**	172.5	**-**	172.5
Share of profits after income tax	**30.3**	115.5	**30.3**	115.5
Cash distributions received	**(18.5)**	(29.9)	**(18.5)**	(29.9)
Balance at the end of the period	**813.6**	801.8	**813.6**	801.8

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

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016 $m	31 Dec 2015 $m	**31 Dec 2016 $m**	31 Dec 2015 $m
Share of results				
Revenue	**30.6**	28.7	**30.6**	28.7
Gain on change in fair value of investment properties	**8.1**	61.3	**8.1**	61.3
Expenses	**(8.4)**	(12.6)	**(8.4)**	(12.6)
Profit before income tax	**30.3**	77.4	**30.3**	77.4
Income tax expense	**-**	-	**-**	-
Profit for the half-year	**30.3**	77.4	**30.3**	77.4

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 8. Investment properties

(a) Investment properties at fair value

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
	$m	$m	**$m**	$m
Investment properties at fair value	**2,799.0**	2,752.9	**972.6**	1,007.6

Refer to Note 9 for detailed property information of the Group and PCP's property portfolio.

(b) Movement in carrying amounts

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
	$m	$m	**$m**	$m
Carrying amount at beginning of the period	**2,752.9**	2,554.9	**1,007.6**	1,007.6
Additions to existing investment properties	**35.2**	71.2	**21.4**	33.2
Transfer to assets classified as held for sale	**(140.2)**	(70.5)	**(140.2)**	(70.5)
Amortisation of tenant incentives and leasing fees	**(14.8)**	(32.5)	**(5.8)**	(14.8)
Straight-lining of lease revenue	**(2.0)**	(3.6)	**2.4**	0.7
Net change in fair value	**167.9**	233.4	**87.2**	51.4
Carrying amount at the end of the period	**2,799.0**	2,752.9	**972.6**	1,007.6

Note 9. Property portfolio information

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

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
Investment properties held through:	**$m**	$m	**$m**	$m
Direct ownership interests	**2,799.0**	2,752.9	**972.6**	1,007.6
Direct ownership interest, classified as held for sale	**210.9**	70.5	**210.9**	70.5
Investments accounted for using the equity method	**814.7**	802.5	**814.7**	802.5
Total portfolio	**3,824.6**	3,625.9	**1,998.2**	1,880.6

	Acquisition date	Cost including all additions $m(1)	Independent valuation date	Independent valuer	Independent valuation amount $m	Book value 31 Dec 2016 $m	Book value 30 Jun 2016 $m
Armstrong Jones Office Fund							
10-20 Bond St Sydney NSW (50%)	Jun 89	291.4	Dec 16	JLL	267.0	**267.0**	251.0
388 George St Sydney NSW (50%)	Oct 02	156.4	Nov 15	CBRE	210.0	**210.3**	210.3
347 Kent St Sydney NSW	Jan 99	191.8	Nov 15	CBRE	275.0	**275.3**	275.0
99 Walker St North Sydney NSW	Jul 13	155.0	Dec 16	Knight Frank	235.0	**235.0**	220.0
Piccadilly Complex Sydney NSW (50%)	Mar 14	201.8	Dec 16	Savills	280.5	**280.5**	260.5
6 O'Connell St Sydney NSW	Jun 14	146.6	Dec 16	CBRE	207.0	**207.0**	180.0
239 George St Brisbane QLD	Jul 98	95.0	Nov 15	CBRE	127.0	**127.7**	126.3
15 Adelaide St Brisbane QLD	Jul 98	37.1	Nov 15	CBRE	55.5	**55.4**	55.7
836 Wellington St Perth WA	Sep 07	83.0	Dec 16	CBRE	72.3	**72.3**	69.5
16-18 Mort St Canberra ACT	Mar 01	77.2	Jun 16	Savills	97.0	**95.9**	97.0
Total AJO portfolio		1,435.3			1,826.3	**1,826.4**	1,745.3

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

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 9. Property portfolio information (continued)

	Acquisition date	Cost including all additions $m[1]	Independent valuation date	Independent valuer	Independent valuation amount $m	Book value 31 Dec 2016 $m	Book value 30 Jun 2016 $m
Prime Credit Property Trust							
126 Phillip St Sydney NSW (25%)[2]	Apr 12	178.3	Jun 16	CBRE	241.3	**241.3**	241.3
151 Clarence St Sydney NSW[3]	Nov 02	81.7	Dec 16	Knight Frank	138.0	**138.0**	93.8
105-151 Miller St North Sydney NSW	Dec 98	116.8	Nov 15	CBRE	225.0	**225.6**	225.5
111 Pacific Hwy North Sydney NSW	May 04	115.9	Dec 16	Knight Frank	195.0	**195.0**	173.2
295 Ann St Brisbane QLD	May 98	46.1	Dec 16	JLL	124.5	**124.5**	113.5
232 Adelaide St Brisbane QLD	May 98	7.4	Dec 16	JLL	17.3	**17.3**	16.5
140 Creek St Brisbane QLD	May 98	137.3	Dec 16	JLL	204.5	**204.5**	191.0
567 Collins St Melbourne VIC (50%)[2]	Mar 13	241.8	Jun 16	Colliers	303.7	**303.9**	303.7
242 Exhibition St Melbourne VIC (50%)[2]	Apr 12	234.8	Dec 16	Colliers	269.5	**269.5**	257.5
383 La Trobe St Melbourne VIC[4]	Feb 94	37.1	Dec 13	JLL	53.8	**70.7**	70.5
800 Toorak Rd Melbourne VIC (50%)[4]	Jun 97	87.3	Nov 15	Urbis	127.0	**140.2**	127.1
66 St Georges Tce Perth WA	Aug 12	94.4	Nov 15	Colliers	65.5	**67.7**	67.0
Total PCP portfolio		1,378.9			1,965.1	**1,998.2**	1,880.6
Total Group portfolio		2,814.2			3,791.4	**3,824.6**	3,625.9

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

(2) Property held through investments accounted for using the equity method. As at 31 December 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 by applying a 5.38% capitalisation rate and a discount rate of 7.38%, less adjustments to reflect the status of development as at 31 December 2016. The development costs expended will be added to the book value of the property.

(4) These properties have been disclosed as assets held for sale. Refer to Note 6 for further details.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 10. Borrowings

	Investa Office Fund		Prime Credit Property Trust	
	31 Dec 2016	30 Jun 2016	**31 Dec 2016**	30 Jun 2016
	$m	$m	**$m**	$m
Current liabilities – unsecured				
Bank debt (AUD)	**-**	337.0	**-**	198.0
Medium Term Note (AUD)	**125.0**	-	**-**	-
	125.0	337.0	-	198.0
Capitalised commitments and upfront fees	**(0.2)**	**-**	**-**	**-**
	124.8	337.0	**-**	198.0
Non-current liabilities – unsecured				
Bank debt (AUD)	**542.0**	193.0	**308.0**	93.0
Medium Term Note (AUD)	**-**	125.0	**-**	-
US Private Placement (USD)	**449.1**	437.7	**172.7**	168.3
	991.1	755.7	**480.7**	261.3
Capitalised commitments and upfront fees	**(3.1)**	(3.5)	**(1.5)**	(1.4)
	988.0	752.2	**479.2**	259.9
Total borrowings	**1,112.8**	1,089.2	**479.2**	457.9

In July 2016 the Responsible Entity, on behalf of AJO and PCP, refinanced the $350.0 million bank debt maturing in March 2017. The new bank debt facility agreements totalling $350.0 million have maturity dates between July 2019 and July 2021.

The Group's Medium Term Note maturing in November 2017 have been transferred from non-current liabilities to current liabilities as at 31 December 2016.

(a) Financing arrangements

At 31 December 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						
	31 Dec 2016			30 Jun 2016			
	Limit $m	**Drawn $m**	**Undrawn $m**	Limit $m	Drawn $m	Undrawn $m	Maturity Date
Bilateral facilities							
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**	**51.0**	**15.0**	66.0	10.0	56.0	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	**140.0**	**140.0**	**-**	50.0	50.0	-	Jul 19
Bank debt	**66.0**	**33.0**	**33.0**	66.0	33.0	33.0	Aug 19
Bank debt	**210.0**	**134.0**	**76.0**	-	-	-	Jul 20
Bank debt	**50.0**	**-**	**50.0**	-	-	-	Jul 21
	716.0	**542.0**	**174.0**	716.0	530.0	186.0	
MTN	**125.0**	**125.0**	**-**	125.0	125.0	-	Nov 17
USPPs[1]							
Tranche 1	**107.8**	**107.8**	**-**	105.1	105.1	-	Apr 25
Tranche 2	**172.7**	**172.7**	**-**	168.3	168.3	-	Aug 25
Tranche 3	**88.4**	**88.4**	**-**	86.2	86.2	-	Apr 27
Tranche 4	**80.2**	**80.2**	**-**	78.1	78.1	-	Apr 29
Total	**1,290.1**	**1,116.1**	**174.0**	1,278.7	1,092.7	186.0	

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

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 11. Fair value measurement of financial instruments

This note provides the judgements and estimates made in determining the fair values of the financial instruments.

(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 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).

All of the Group and PCP's derivative financial instruments are classified as level 2 and there have been no transfers between the three levels of the fair value hierarchy during the half-year ended 31 December 2016 and the year ended 30 June 2016.

The Group and PCP measure and recognise both derivative financial instruments and investment properties at fair value on a recurring basis.

(b) Valuation techniques used to derive fair values

(i) Level 2

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.

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.

(ii) Level 1 and level 3

As at 31 December 2016, the Group held no level 1 or level 3 financial instruments.

(c) Fair values of other financial instruments

The Group and PCP have a number of liabilities which are not measured at fair value, but for which fair values are disclosed in the notes. These liabilities had the following fair values as at 31 December 2016 and 30 June 2016:

	Investa Office Fund				**Prime Credit Property Trust**			
	Carrying amount 31 Dec 2016 $m	**Fair Value 31 Dec 2016 $m**	Carrying amount 30 Jun 2016 $m	Fair Value 30 Jun 2016 $m	**Carrying amount 31 Dec 2016 $m**	**Fair Value 31 Dec 2016 $m**	Carrying amount 30 Jun 2016 $m	Fair Value 30 Jun 2016 $m
Non-current liabilities								
Borrowings – USPPs	**449.1**	**479.5**	437.7	500.8	**172.7**	**184.1**	168.3	192.5
	449.1	**479.5**	437.7	500.8	**172.7**	**184.1**	168.3	192.5

The fair values of non-current borrowings outlined in the table above are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ending 31 December 2016, the borrowing rates were determined to be between 4.0% and 5.4% (30 June 2016: 4.0% and 5.4% respectively), depending on the type of borrowing. As at the reporting period end, the carrying amount of non-current bank debts approximate their fair value.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 11. Fair value measurement of financial instruments (continued)

(c) Fair values of other financial instruments (continued)

Due to their short-term nature, the carrying amounts of current receivables, current payables, distribution payable and MTN are assumed to approximate their fair values.

Note 12. Related parties

Responsible Entity and its related parties' interest in the Group

ILFML and its related parties had the following interest in the Group and PCP as at the reporting date:

	Number of units held	
	31 Dec 2016	30 Jun 2016
Name	**000's**	000's
Investa Office Management Holdings Pty Limited	**1**	1
Investa Commercial Property Fund	**54,878**	-
	54,879	1

Note 13. Significant matters affecting the Group

a) Break and trailing fees

In December 2015, ILFML entered into a binding Implementation Agreement with DEXUS Property Group (DEXUS) in relation to the proposed acquisition of 100% of the units in the Group by way of a trust scheme. At a unitholder meeting held on 15 April 2016, the DEXUS proposal failed to receive approval by the requisite majority of IOF unitholders and as a result, the Implementation Agreement was terminated. Under the Implementation Agreement, a break fee of $23.52 million could have been payable by the Group in certain circumstances, including where a competing transaction to the DEXUS proposal was substantially completed by 31 December 2016. As no competing transaction was completed by 31 December 2016, the break fee is no longer applicable.

Macquarie Capital (Australia) Limited (Macquarie) and Fort Street Advisers Pty Limited (Fort Street) were previously appointed as advisors to assist with the strategic review of the Group that was undertaken in 2015. 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. The Group has reappointed Macquarie as its financial advisor in relation to transactions involving a possible internalisation of the Investa Office Management platform or a control transaction.

As part of the reappointment of Macquarie, which is on market based terms, Macquarie has agreed to waive its entitlement to any trailing fees under its prior mandates with the Group. These new mandates with Macquarie include a 12 months trailing fee provision post their termination.

The trailing fees that may be payable to Fort Street, based on the total assets of the Group as at 31 December 2016, can amount up to $0.8 million if an internalisation proposal in relation to the Investa Office Management platform is approved or implemented or up to $6.9 million if there is a change of control of the Group. This entitlement to trailing fees ceases on 1 June 2017. The Group has not recorded any accrual in relation to these trailing fees.

b) Investa Property Group

ILFML, the Responsible Entity of the Group is a subsidiary of ICPF Holdings Limited (ICPFHL). ICPFHL is stapled to the wholesale unlisted fund, the Investa Commercial Property Fund (ICPF) to form Investa Property Group. During the period, ICPF acquired an 8.94% stake in IOF from Post Sale Portfolio Issuer Pty Ltd, a company owned by funds managed by Morgan Stanley Real Estate Investing.

c) Rights under the Implementation Deed

Investa Office Management Holdings Pty Limited (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.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2016

Note 13. Significant matters affecting the Group (continued)

c) Rights under the Implementation Deed (continued)

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 exceeds $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 a 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 31 May 2017 (extended from 28 February 2017, see below), the price is $45.0 million plus agreed working capital and other agreed reimbursement adjustments.
- If completion of the sale takes place after 31 May 2017 (extended from 28 February 2017, see below), 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.

In December 2016, the Independent Directors successfully negotiated with IOMHPL to extend the date for which the acquisition price of $45.0 million plus agreed working capital and other agreed reimbursement adjustments, if completion of the sale takes place from before 28 February 2017 to 31 May 2017. Any decision on the potential acquisition of 50% of the Management Platform will be taken as part of an operational and governance review of how IOF works with the Management Platform. The aim of the review is to maximise the benefits for IOF unitholders.

The acquisition price for a 50% interest of the Management Platform outlined 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.

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

d) Cromwell Property Group (CPG)

During the period, ILFML received a highly conditional, non-binding and indicative letter from CPG referring to the conditional possibility of an all cash arrangement to acquire all of IOF's outstanding issued capital for $4.45 per unit. CPG's request to carry out a comprehensive due diligence on IOF was not granted, as the Independent Directors considered that CPG's highly conditional approach undervalued IOF and was not compelling or attractive.

Following the determination not to grant CPG comprehensive due diligence, the Independent Directors have been in regular discussions with CPG and are willing to provide CPG with limited confidential information in order to facilitate CPG being in a position to provide IOF unitholders with an all cash proposal which is compelling and attractive.

CPG has offered to execute a Confidentiality Agreement in order to receive limited due diligence information. IOF has prepared a Confidentiality Agreement to ensure IOF's confidential information is protected. CPG has insisted on additional exceptions to certain provisions of the Confidentiality Agreement which the Independent Directors do not believe, with the benefit of independent external legal and financial advice, are market standard nor in the best interests of all IOF unitholders. As such the Independent Directors have been unable to agree with CPG the form and content of the Confidentiality Agreement which adequately protects IOF unitholders and its information.

The Independent Directors remain open to continuing discussions with CPG and should a Confidentiality Agreement be agreed in a form that protects and is in the best interests of all IOF unitholders, the Independent Directors will be able to provide the limited confidential information.

Note 14. Events occurring after the reporting period

Settlement for the sale of 383 La Trobe Street, Melbourne occurred on 17 January 2017 for $70.7 million. Proceeds from the sale was used to repay existing bank debt facilities.

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the interim financial report that has significantly or may significantly affect the operations of the Group or PCP, the results of those operations, or state of the Group's or PCP'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 9 to 24 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
   (ii) giving a true and fair view of each of, the Group and Prime Credit Property Trust's consolidated financial position as at 31 December 2016 and of their performance for the half-year ended on that date;

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

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 half-year ending 31 December 2016.

Richard Longes.

RA Longes
Chairman
Sydney
23 February 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying interim financial report which comprises;

- the Consolidated Statements of Financial Position as at 31 December 2016, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Investa Office Fund being the consolidated stapled entity ("Investa Office Fund"). The consolidated entity, as described in Note 1 to the interim financial report, comprises Armstrong Jones Office Fund and the entities it controlled during that half-year, including Prime Credit Property Trust and the entities it controlled during that half-year, and;

- the Consolidated Statements of Financial Position as at 31 December 2016, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Prime Credit Property Trust being the consolidated entity ("Prime Credit Property Trust"). The consolidated entity, as described in Note 1 to the interim financial report, comprises Prime Credit Property Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Investa Listed Funds Management Limited, the responsible entity of Armstrong Jones Office Fund and Prime Credit Property Trust (collectively referred to as "the directors") are responsible for the preparation of the interim 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Investa Office Fund and Prime Credit Property Trust's financial position as at 31 December 2016 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Investa Office Fund and Prime Credit Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Investa Office Fund and Prime Credit Property Trust is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of Investa Office Fund and Prime Credit Property Trust's financial position as at 31 December 2016 and of their performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ashley Wood

A S Wood
Partner

Sydney
23 February 2017