IRONGATE

Irongate Property Fund I

Consolidated financial statements prepared in accordance with the Corporations Act 2001 and ASX Listing Rules

Irongate Group

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Contents

Directors' report

The directors of Irongate Funds Management Limited (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Irongate Property Fund I (**IPF I**, or **the Fund**), present their report together with the consolidated financial statements of the IPF I for the year ended 31 March 2022.

IPF I and its controlled entities together with Irongate Property Fund II (**IPF II**) and its controlled entities form the stapled entity, Irongate Group (**IAP** or **Group**).

Directors of the Responsible Entity

The following persons were directors of the Responsible Entity during the period from 1 April 2021 up to the date of the annual report, unless otherwise stated:

Richard Longes	Independent non-executive chairperson
Sally Herman	Lead independent non-executive director and chairperson of the audit and risk committee of the board of the Responsible Entity (**Audit and Risk Committee**)
Georgina Lynch	Independent non-executive director
Stephen Koseff	Independent non-executive director
Graeme Katz	Executive director

Details of Board and Audit and Risk Committee meetings held during the year and directors' attendance are set out on page 24 of the Sustainability Report 2022.

Directors of the Manager

The following persons were directors of Irongate Property Management Pty Limited (**Manager**) during the period from 1 April 2021 up to the date of the annual report:

Graeme Katz	Executive director
Zach McHerron	Executive director
Kristie Lenton	Executive director

Company secretary

The company secretary for the period 1 April 2021 up to the date of the annual report was Lucy Spenceley.

Details on the appointment and evaluation of company secretary by the Board are set out on page 24 of the Sustainability Report 2022.

Principal activities

The principal activity of IPF I is to invest in real estate assets. There has been no significant change in the principal activities of IPF I during the year.

Significant changes in state of affairs

On 30 March 2022 the Group entered into a Scheme Implementation Agreement (**SIA**) with Charter Hall PGGM Industrial Partnership No. 2 (**CHPIP**) under which CHPIP would acquire 100% of the units in IPF I and Charter Hall Holding Pty Limited or its subsidiary would acquire 100% of units in IPF II (**Proposal**). The directors of the Responsible Entity have recommended the Proposal. The implementation of the Proposal is subject to IAP securityholders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

There were no other significant changes in the state of affairs of IPF I that occurred during the year.

Review of operations

A detailed review of operations is included in the introduction from the chairperson and the CEO on page 3 of the annual report.

The following table summarises the statutory profit for the year ended 31 March 2022.

A$'000	31 MARCH 2022	31 MARCH 2021
Revenue, excluding straightline rental revenue adjustment	106,363	91,468
Straightline rental revenue adjustment	2,477	1,208
Property expenses	(21,814)	(20,715)
Net property income	**87,026**	**71,961**
Other operating expenses	(9,875)	(7,528)
Net finance costs	(13,274)	(8,435)
Other income	1	5
Fair value adjustments	190,776	110,740
Profit/(cost) on sale of investment property	4,942	(2,013)
Total comprehensive income attributable to unitholders	**259,596**	**164,730**

Interests of the Responsible Entity

Prior to the internalisation of the management function, the Responsible Entity had delegated the management of IPF I to the Manager, which was a wholly owned subsidiary of the Investec Group. The Responsible Entity was not paid fees during the year. The following fees were paid to the Manager for the period up to the internalisation of the management function on 30 November 2020 post internalisation of management function, the fees are paid to IPF II:

A$	2022	2021
Asset management fee	8,327,969	5,871,984
Property management fee	1,792,177	1,695,355

Property portfolio

A detailed review of the property portfolio is included from page 10 of the annual report. Note 9 to the consolidated financial statements describes the basis for determining fair value of the Fund's properties.

Directors' report

Continued

Subsequent events to reporting date

There is no item, transaction or event of a material or unusual nature likely that have arisen since the end of the financial year up until the date of the annual report which would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Directors' interest in securities

The directors' interest in securities is set out in Note 22 to the Group financial statements.

Directors' remuneration

Directors' remuneration is set out in the remuneration report on page 30 of the annual report, for the purpose of meeting the requirements of the ASX Listing Rules

Contracts with directors

Post the internalisation transaction on 30 November 2020, the Group has put in place contracts with the directors of the Responsible Entity and the employees of the Manager. The details are set out in the remuneration report (which has not been audited) on page 30 of the Group annual report.

Corporate governance

The Group's corporate governance framework is set out from page 24 of the annual report.

Audit and Risk Committee

The Audit and Risk Committee comprising independent non-executive directors meets regularly with the management team and the external auditor to consider the nature and scope of the assurance activities and the effectiveness of the risk and control systems.

Auditor

KPMG has been appointed by the Responsible Entity as auditor of the Fund.

Subsidiaries

The IPFI has a number of wholly-owned trusts which hold the property assets. Details of subsidiaries are set out in Note 18 to the consolidated financial statements.

Insurance and indemnification of officers and auditors

The Group has paid premiums in respect of a contract insuring all directors and officers of the Group and its related entities against certain liabilities incurred in that capacity. The insurance policies cover former directors and officers of the Responsible Entity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

The Responsible Entity has entered a deed of indemnity with each of its directors, Graeme Katz (Chief Executive Officer), Kristie Lenton (Chief Financial Officer), Zach McHerron (Fund Manager), Adam Broder (Third Party Capital) and Lucy Spenceley (Company Secretary) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Group and its related entities. The deeds also require the Group to grant the indemnified person with access to certain Group documents and insure the indemnified persons.

In addition, the Group's and the Responsible Entity's constitutions provide for the indemnity of officers of the Group/Responsible Entity or its related bodies corporate from liability incurred by a person in that capacity.

No indemnity payment has been made under any of the documents referred to above during, or since the end of, the financial year.

The Fund has not during or since the end of the financial year indemnified or agreed to indemnify an auditor of the Group or of any related body corporate against a liability incurred in their capacity as an auditor.

Provision for non-audit service by auditor

The Fund may decide to employ the auditor, KPMG, on assignments in addition to their statutory audit duties. Details of the amounts paid to the auditor, which includes the amounts paid for non-audit services and other assurance services, are set out in Note 27 to the consolidated financial statements.

Directors have considered the non-audit services and other assurance services provided by the auditor during the financial year. In accordance with advice received from the Audit and Risk Committee, the directors are satisfied that the provision of non-audit services is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

Environmental regulation

As a landlord, the operations of the Fund are subject to a range of environmental laws and regulations under Commonwealth, State and Territory law. However, the leases attaching to the majority of the properties owned by the Fund require the tenant to use reasonable endeavours to prevent contamination at each site and indemnify the Fund for any contamination caused by their operations.

The Fund's operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation.

Rounding off

The Fund is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that ASIC Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 7 of the annual report.

Directors' declaration

1. In the opinion of the directors of Irongate Funds Management Limited, the responsible entity of Irongate Property Fund I:
   (a) the consolidated financial statements and notes that are set out on pages 8 to 43 are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of Irongate Property Fund I and its subsidiaries' financial position as at 31 March 2022 and of its performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Irongate Property Fund I and its subsidiaries will be able to pay their debts as and when they become due and payable.
2. The directors draw attention to Note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Irongate Funds Management Limited:

Dated at Sydney this 10th day of May 2022.

Richard Longes
Independent non-executive chairperson

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Irongate Funds Management Pty Ltd, the Responsible Entity of Irongate Property Fund I.

I declare that, to the best of my knowledge and belief, in relation to the audit of Irongate Property Fund I for the financial year ended 31 March 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

10 May 2022

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2022

A$'000	NOTE	2022	2021
Revenue, excluding straightline rental revenue adjustment		106,363	91,468
Straightline rental revenue adjustment		2,477	1,208
Revenue	3	**108,840**	**92,676**
Property expenses	4	(21,814)	(20,715)
Net property income		**87,026**	**71,961**
Other operating expenses	5	(9,875)	(7,528)
Operating income excluding fair value adjustments		**77,151**	**64,433**
Fair value adjustments	6	190,776	110,740
Finance costs	7	(13,289)	(8,491)
Finance income		15	56
Profit/(loss) on sale of investment property		4,942	(2,013)
Other income		1	5
Total comprehensive income attributable to unitholders		**259,596**	**164,730**
Units in issue at the end of the year ('000)		677,570	611,298
Weighted average number of units in issue for the year ('000)		647,500	611,298
Basic and diluted earning per unit (cents)		40.09	26.95

The Notes on pages 12 to 43 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2022

A$'000	NOTE	2022	2021
ASSETS			
Non-current assets		**1,701,942**	**1,236,956**
Investment properties	9	1,642,354	1,225,356
Investment property under development	10	36,314	11,600
Financial instruments held at fair value	20.6	23,274	–
Current assets		**11,974**	**15,811**
Cash and cash equivalents	12	7,403	6,810
Receivables and other assets	11	4,571	9,001
Total assets		**1,713,916**	**1,252,767**
EQUITY AND LIABILITIES			
Equity		**1,119,092**	**871,640**
Contributed equity	13	698,401	649,679
Retained earnings		420,691	221,961
Non-current liabilities		**554,448**	**345,307**
Long-term borrowings	14	516,979	339,063
Trade and other payables	15	37,469	5,408
Financial instruments held at fair value	20.6	–	836
Current liabilities		**40,376**	**35,820**
Trade and other payables	15	8,733	8,124
Distributions payable	8	31,643	27,696
Total equity and liabilities		**1,713,916**	**1,252,767**
Number of units in issue ('000)		677,570	611,298
Weighted average number of units in issue ('000)		647,500	611,298
Net asset value per unit (A$)		1.65	1.43

The Notes on pages 12 to 43 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 March 2022

	CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL UNITHOLDER'S INTEREST
Balance at 31 March 2020	**696,402**	**111,759**	**808,161**
Total comprehensive income attributable to unitholders	–	164,730	164,730
Capital return[1]	(46,723)	–	(46,723)
Distributions paid/payable to ordinary unitholders		(54,528)	(54,528)
Balance at 31 March 2021	**649,679**	**221,961**	**871,640**
Total comprehensive income attributable to unitholders	–	259,596	259,596
Issue of capital	48,722	–	48,722
Distributions paid/payable to ordinary unitholders		(60,866)	(60,866)
Balance at 31 March 2022	**698,401**	**420,691**	**1,119,092**

The Notes on pages 12 to 43 are an integral part of these consolidated financial statements.

1. Part of the internalisation transaction.

Consolidated statement of cash flows

For the year ended 31 March 2022

A$'000	NOTES	2022	2021
Cash flows from operating activities			
Rental income received		119,198	101,884
Property expenses		(32,319)	(26,277)
Operating expenses		(12,843)	(9,892)
Cash generated from operations		**74,036**	**65,715**
Finance income received		16	60
Finance costs paid		(14,840)	(9,113)
Distribution paid to unitholders		(56,919)	(53,138)
Net cash from operating activities	16	**2,293**	**3,524**
Cash flows from investing activities			
Investment property acquired		(231,002)	(24,750)
Investment property held under development acquired		(6,947)	(3,886)
Acquisition costs and capital expenditure—Investment property		(39,143)	(11,620)
Acquisition costs and capital expenditure—Investment property held for development		(25,813)	(4,698)
Receipts from sale of investment property		35,442	91,945
Loan received/(provided) from/(to) IPF II		37,873	(5,419)
Net cash (used) in/from investing activities		**(229,590)**	**41,572**
Cash flows from financing activities			
Borrowings raised		221,168	103,907
Repayment of loans		(42,000)	(109,708)
Proceeds from issue of units		49,449	–
Payment related to capital raising		(727)	–
Payment of termination of hedging		–	(2,890)
Capital return		–	(46,723)
Net cash from/(used in) financing activities		**227,890**	**(55,414)**
Net increase/(decrease) in cash and cash equivalents		593	(10,318)
Cash and cash equivalents at beginning of the year		6,810	17,128
Cash and cash equivalents at end of the year		**7,403**	**6,810**

The Notes on pages 12 to 43 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2022

Corporate information

The financial report of Irongate Property Fund I (**IPF I** or the **Fund**) for the year ended 31 March 2021 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 10 May 2022.

As at 27 November 2020 the units in Investec Australia property Fund I were stapled to the units in Investec Australia Property Fund II (**IPF II**). Effective 7 December 2020, Investec Australia Property Fund I was renamed to IPF I and Investec Australia Property Fund II was renamed to IPF II.

The Fund is domiciled in Australia. The Responsible Entity is incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Fund are described in the directors' report.

The registered office of the Responsible Entity is located at:

Level 13, 95 Pitt Street
Sydney NSW 2000 Australia

Reporting entity

The Fund is an Australian registered managed investment scheme under the Corporations Act. The Fund is a for profit entity.

The consolidated financial statement of the Fund as at the year ended 31 March 2022 comprise the Fund and its subsidiaries.

Working capital management

The Fund utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Fund will draw this cash back from the debt facility in order to pay the final distribution in June 2022. This results in the most efficient use of the Fund's cash flows.

Going concern

The financial statements have been prepared on a going concern basis. The Group has entered into the SIA with CHPIP in relation to the Proposal. The implementation of the Proposal is subject to IAP securityholders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

The directors of the Responsible Entity are recommending securityholders vote in favour of the Proposal in the absence of a superior proposal and subject to the independent expert concluding that the Proposal is fair and reasonable, and therefore in the best interests of IAP securityholders.

If the Proposal is not successful, the Group will continue to operate on a going concern basis. Amongst a number of conditions under the Proposal, completion of the sale is subject to security holders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

Therefore as at 31 March 2022, there is no binding sale agreement in place or obligations under the Proposal identified by the Group. Accordingly no liability or provisions or contingent liabilities or liabilities have being recognised in the financial statements.

The Fund is in a net current liability position of A$28.4 million as at 31 March 2022 (31 March 2021: A$20.0 million). The net current liability position is principally due to the final distribution declared. It is anticipated that it will be paid from the undrawn debt under the current loan facility (refer to Note 14 *Borrowings*). The Fund has prepared a cashflow forecast 15 months from issuance of the financial statements which indicates that the Fund is expected to have positive ongoing cashflows. Therefore notwithstanding the current liability position at 31 March 2022, the Fund considers the going concern assumption to be appropriate and is confident that the Fund will be able to pay all liabilities as and when they become due and payable.

1. Accounting policies and basis of preparation

1.1 Basis of preparation

1.1.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standard (**IFRS**) adopted by the International Accounting Standards Board (**IASB**).

1.1.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- investment property is measured at fair value

1.1.3 Functional and presentation currency

The consolidated financial statements are presented in AUD (**A$**), which is IPF's functional currency.

IPF I is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that ASIC Class Order, all financial information presented in A$ has been rounded to the nearest thousand unless otherwise stated.

1.1.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the board of the Responsible Entity to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year relates to the valuation of investment properties. Refer to Note 12 to the consolidated financial statements for information on best estimates used in the valuation of investment properties.

1.2 Basis of consolidation

1.2.1 Controlled entities

The Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

All subsidiaries are 100% owned trusts and controlled by the Fund with no restrictions.

1.2.2 Transactions eliminated on consolidation

Intra-fund balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

1.3 Segmental reporting

Determination and presentation of operating segments The Fund has the following operating segments:

- office properties
- industrial properties
- properties by location

The above segments are derived from the way the business of the Fund is structured, managed and reported to the chief operating decision-makers. The Fund manages its business in the office and industrial property sectors as well as the geographic property segments where resources are specifically allocated to each sector in achieving the Group's stated objectives.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment. Segment assets comprise those assets that are directly attributable to the segment on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period on investment property in each segment.

1.4 Revenue recognition

The Fund recognises revenue that depict the transfer of promised good or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Rental income

Revenue from investment property in terms of leases comprises gross rental income and recoveries of operating costs, net of goods and services tax (**GST**). Rental income is recognised in profit or loss on a straightline basis over the term of the rental agreement where the revenue under the lease terms is fixed and determinable. For leases where revenue is determined with reference to market reviews or inflationary measures, revenue is not straightlined and is recognised in accordance with lease terms applicable for the period.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

Recoverable outgoings

Within the Fund's lease arrangements, certain services are provided to tenants (such as utilities, cleaning and maintenance) which are accounted for within IFRS 15 Revenues from contracts with customers. As the Fund has the primary responsibility in delivering these services revenues are recognised on a gross basis. A portion of the consideration within the lease arrangements are allocated to revenue for the provision of services based on the standalone selling method. The service revenue is recognised over time as services are provided and based on the annual estimates, with the estimates reconciled at least annually. These are invoiced monthly based on an annual estimates basis. The consideration is due 30 days from the invoiced date.

1.5 Foreign currency translation

Both the functional and presentation currency of IPFI and its subsidiaries is Australian Dollars (**A$**). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences in the financial report are taken to profit or loss.

1.6 Lease incentives and commissions

Any lease incentives provided to a tenant under the terms of a lease such as fit-outs or cash incentives are first capitalised to investment property and then recognised as an expense or reduction in revenue on a straightline basis over the term of the lease.

Leasing commissions paid to agents on signing of lease agreements are recognised as an expense on a straightline basis over the term of the lease.

1.7 Finance income

Finance income includes interest earned on cash invested with financial institutions which are recognised in the profit or loss on an accrual basis using the effective interest method.

1.8 Finance costs

Finance costs include interest expense and other borrowing costs which are recognised in the profit or loss on an accrual basis using the effective interest method.

1.9 Earnings per unit

Basic earnings per unit is determined by dividing the profit or loss of the Fund by the weighted average number of units outstanding during the financial year.

There are no instruments in issue that could potentially result in a dilution in earnings per unit in the future.

1.10 Financial instruments

The Fund recognises financial instruments when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at their fair value plus, for financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities. All other transaction costs are recognised in profit or loss immediately.

Any gains or losses on these instruments arising from fair value adjustments, where appropriate, do not affect distributable earnings.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability. The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

1.10.1 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less any allowance under the expected credit loss (**ECL**) model.

At each reporting period, the Fund assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred (as described below).

The Fund recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive. The Fund analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL, including:

- significant financial difficulty of a tenant
- default or delinquency by a tenant

The Fund also incorporates forward-looking information by considering economic data and market outlook views by external valuers. Debts that are known to be uncollectable are written off when identified. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments (more than 90 days past due) are considered indicators that the trade receivable is impaired, given all these events would impact the estimated future cashflows of the Fund's trade receivables. The Fund may write off financial assets which are still subject to enforcement activity when there is no reasonable expectation of recovery.

1.10.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value. Cash and cash equivalents are subsequently measured at amortised cost.

1.10.3 Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest method. Any gains or losses on derecognition of trade and other payables are recognised in profit or loss.

1.10.4 Derivative financial instruments

The Fund utilises derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities.

The Fund does not hold or issue derivative financial instruments for trading purposes. Derivatives are not designated as hedges for accounting purposes and are accounted for at fair value. After initial recognition, all derivative instruments are subsequently recorded in the statement of financial position at fair value, with gains and losses recognised in profit or loss.

1.10.5 Borrowings

Long-term borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as non-current unless they are repayable within 12 months.

1.11 Investment property

When the Fund acquires property or a group of properties either directly or by obtaining control of entities that own investment properties, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or asset acquisitions of investment properties. An acquisition is not considered to be a business combination if at the date of the acquisition of the entity/property, it does not meet the definition of a business (i.e. inputs, processes and outputs). In particular where the integrated activities (i.e. processes) deemed necessary to generate outputs are not present.

Properties held by the Fund which are held for rental income or capital appreciation are classified as investment properties. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently measured at fair value, with fair value gains and losses recognised in profit or loss. Investment property consists of land and buildings, installed equipment that is an integral part of the building and land held to earn rental income. The fair value of investment property also includes components relating to lease incentives and straightline rental receivables. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits will flow to the Fund those costs can be reliably measured.

An investment property is classified as held for sale as it will be recovered principally through a sale transaction rather than through continuing use. The asset is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets. Basis of valuation of property held for sale is conditional sales contract. The sale is considered to be highly probable and expected to settle within the next 12 months.

A property interest under an operating lease is classified and accounted for as an investment property when it is held to earn rental income. Any such property interest under an operating lease classified as investment property is carried at fair value.

Should any properties no longer meet the Fund's investment criteria and are sold, any profits or losses will be recognised in profit or loss.

Investment property is maintained, upgraded and refurbished where necessary, in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are recognised in profit or loss as an expense.

Independent valuations are obtained on a rotational basis, ensuring that every property is valued at least once every 24 months by an external independent valuer.

The directors value the remaining properties that have not been independently valued semi-annually on an open market basis. Directors' valuations are prepared by considering the aggregate of the net annual rental receivable from the properties and where relevant, associated costs, using the discounted cash flow method and the capitalisation rate method. The directors believe that their valuations accurately represent the fair value. Note 9 to the consolidated financial statements describes the basis for determining fair value of the Fund's properties.

Gains or losses on subsequent measurement or disposals of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount) are recognised in profit or loss. Such gains or losses are excluded from the calculation and determination of distributable earnings.

Investment properties under development are stated at fair value at each balance date. Fair value is assessed with reference to reliable estimate future cash flows, status of the development and the associated risk profile. Finance costs incurred on properties undergoing development are included in the cost of the development.

1.12 Lease agreements as lessor

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

The Fund is party to numerous lease agreements in the capacity as lessor of the investment properties. All agreements are operating leases.

Where classified as operating leases, lease payable/receivable are charged/credited in the profit or loss on a straightline basis over the lease term. Contingent lease (if any) are accrued to the statement of profit or loss and other comprehensive income when incurred.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised in profit or loss over the term of the lease.

1.13 Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the Fund has a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event and a reliable estimate can be made of the amount of the obligation. Contingent assets and contingent liabilities are not recognised.

Provisions are measured by at the best estimate of expenditure to settle the present obligation.

1.14 Taxation

Under current income tax legislation, IPF I (as a REIT, which is a flow-through structure) is not subject to Australian income tax on any of the net income derived by IPF I, provided that its activities are limited to deriving rental income from real property directly or indirectly held by the IPF I and deriving gains from sale of real property held for rental purposes; and it fully distributes its distributable income(as defined in the IPF I's constitution), subject to amounts permitted to be retained, to investors year-on-year during or within three months after the relevant income year.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

Furthermore, IPF I and management arrangements are structured to meet the required criteria to be classified as an AMIT for Australian tax purposes. As an AMIT, IPF I will be required to withhold tax in Australia at a concessional rate of 15% on distributions to individual and institutional investors in South Africa (including distributions of capital gains) to the extent that it is not a 'tax deferred distribution', a distribution of interest income or non-Australian sourced income.

A 'tax deferred distribution' is the excess of cash distributed over the securityholders' proportionate share of the Australian taxable income of the IPF I.

As the IPF I is an AMIT, the Responsible Entity will be required to withhold tax in Australia at 10% on Australian sourced interest income.

The New Zealand sourced income is subject to the corporate tax rate in New Zealand of 28% and is not subject to Australian withholding tax.

GST

GST is a tax levied or imposed in Australia pursuant to the *GST Act 1999* or otherwise on a supply. Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the consolidated statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

1.15 Unit capital

Ordinary unit capital

Units are classified as equity when the units are redeemable only at the Responsible Entity's option, and any distributions are discretionary. The issued unit capital represents the amount of consideration received for units issued in IPF I.

Transaction costs of an equity transaction are accounted for as a deduction from equity. All securities are fully paid. The securityholders are entitled to receive distributions as declared from time-to-time and are entitled to one vote per stapled security at the annual general meeting of IAP. All securities rank equally with regard to IAP's residual assets.

1.16 Impact of new standards, amendments and interpretations

No new accounting standards, amendments or interpretations have come into effect for the year ended 31 March 2022 that materially affect the Fund's operations or reporting requirements.

1.17 Accounting standards applicable to the Fund not yet effective

AASB 2020-1 Classification of liabilities as current or non-current (Amendments to AASB 101)

Under existing AASB101 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The amendments are to be applied retrospectively from the effective date, 1 January 2023.

AASB 2021-2 Amendment to Australian Accounting Standards—Disclosure of accounting policies (Amendments to AASB 101 and IFRS Practice Statement 2)

Amendments to AASB 101 and an update to IFRS Practice Statement 2 helps companies provide useful accounting policy disclosures. Key amendments to AASB 101 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023 with earlier application permitted.

AASB 2021-2 Amendment to Australian Accounting Standards—Definition of Accounting Estimates (Amendments to AASB 108)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Fund applies the amendments

AASB 2020-3 Amendments to Australian Accounting Standards—Annual Improvement 2018–2020 and Other Amendments

Amendments to existing accounting standard, particularly in relation to:

- AASB 9 *Financial instruments*—to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

The Fund has assessed each of the new accounting standards disclosed, and it is expected that the implementation of these new accounting standards will have minimal impact to the Fund.

2. Segment information

The Fund has determined the reportable segments to be on two separate segments, as follows:

1. The Fund's investment properties are made up of office and industrial assets. This is the first segment basis determined to be relevant to report and is consistent with the sectoral spread disclosure of the portfolio in the Fund's property landscape.
2. The Fund's investment properties are geographically spread over the states of Australia and New Zealand. These disclosures are consistent with the geographical spread disclosure of the portfolio in the Fund's property landscape.

The primary measure of performance of each operating segment is net property income.

The Fund's operating segment results are reported monthly to the Fund's Chief Executive Officer, who is the chief operating decision maker.

FOR YEAR ENDED 31 MARCH 2022 A$'000	OFFICE	INDUSTRIAL	TOTAL
Statement of profit or loss and other comprehensive income 2022			
Revenue from external customers, excluding straightline rental revenue adjustment	74,078	32,285	106,363
Straightline rental revenue adjustment	1,082	1,395	2,477
Property revenue	**75,160**	**33,680**	**108,840**
Property expenses	(16,825)	(4,989)	(21,814)
Net property income	**58,335**	**28,691**	**87,026**
Fair value adjustments—investment property	52,166	110,084	162,250
Fair value adjustments—investment property under development		3,554	3,554
Fair value adjustments—foreign currency revaluation	844	–	844
Total segment results	**111,345**	**142,329**	**253,674**
Other operating expenses			(9,875)
Fair value adjustment on interest rate swaps			24,110
Fair value adjustment on foreign currency			18
Cost on sale of investment property			4,942
Finance costs			(13,289)
Finance income			15
Other income			1
Total comprehensive income attributable to unitholders			**259,596**
Statement of financial position extracts at 31 March 2022			
Investment property	1,068,254	574,100	1,642,354
Investment property under development	–	36,314	36,314
Investment property	**1,068,254**	**610,414**	**1,678,668**
Other assets not managed on a segmental basis			35,248
Total assets as at 31 March 2022			**1,713,916**

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

2. Segment information (continued)

A$'000	VICTORIA	QUEENSLAND	SOUTH AUSTRALIA	WESTERN AUSTRALIA
Statement of profit or loss and other comprehensive income 2022				
Revenue from external customers, excluding straightline rental revenue adjustment	17,392	13,679	3,214	5,341
Straightline rental revenue adjustment	776	372	(131)	586
Property revenue	**18,168**	**14,051**	**3,083**	**5,927**
Property expenses	(2,912)	(3,278)	(341)	(1,046)
Net property income	**15,256**	**10,773**	**2,742**	**4,881**
Fair value adjustments—investment property	24,931	26,037	9,580	26,474
Fair value adjustments—property held for development	–	3,554	–	–
Fair value adjustments—foreign currency revaluation	–	–	–	–
Total segment results	**40,187**	**40,364**	**12,322**	**31,355**
Other operating expenses				
Fair value adjustment on interest rate swaps				
Fair value adjustment on foreign currency				
Cost on sale of investment property				
Finance costs				
Finance income				
Other income				
Total comprehensive income attributable to unitholders				
Statement of financial position extracts at 31 March 2022				
Investment property	393,650	202,100	47,200	122,350
Investment property development	–	36,314	–	–
Investment property	**393,650**	**238,414**	**47,200**	**122,350**
Other assets not managed on a segmental basis				
Total assets as at 31 March 2022				

NEW SOUTH WALES	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY	NEW ZEALAND	TOTAL
37,273	13,152	2,730	13,582	106,363
567	268	140	(101)	2,477
37,840	**13,420**	**2,870**	**13,481**	**108,840**
(7,867)	(1,757)	(223)	(4,390)	(21,814)
29,973	**11,663**	**2,647**	**9,091**	**87,026**
42,445	21,413	2,447	8,923	162,250
–	–	–	–	3,554
–	–	–	844	844
72,418	**33,076**	**5,094**	**18,858**	**253,674**
				(9,875)
				24,110
				18
				4,942
				(13,289)
				15
				1
				259,596
514,750	176,550	32,000	153,754	1,642,354
–	–	–	–	36,314
514,750	**176,550**	**32,000**	**153,754**	**1,678,668**
				35,248
				1,713,916

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

2. Segment information (continued)

FOR THE YEAR ENDED 31 MARCH 2021 A$'000	OFFICE	INDUSTRIAL	TOTAL
Statement of profit or loss and other comprehensive income 2021			
Revenue from external customers, excluding straightline rental revenue adjustment	62,852	28,616	91,468
Straightline rental revenue adjustment	188	1,020	1,208
Property revenue	**63,040**	**29,636**	**92,676**
Property expenses	(16,694)	(4,021)	(20,715)
Net property income	**46,346**	**25,615**	**71,961**
Fair value adjustments—investment property	54,414	55,754	110,168
Fair value adjustments—investment property under development		3,016	3,016
Fair value adjustments—foreign currency revaluation	(7,122)	–	(7,122)
Total segment results	**93,638**	**84,385**	**178,023**
Other operating expenses			(7,528)
Fair value adjustment on interest rate swaps			2,500
Fair value adjustment on foreign currency			2,178
Cost on sale of investment property			(2,013)
Finance costs			(8,491)
Finance income			56
Other income			5
Total comprehensive income attributable to unitholders			**164,730**

Statement of financial position extracts at 31 March 2021			
Investment property balance	819,856	405,500	1,225,356
Investment property under development	–	11,600	11,600
Investment property	**819,856**	**417,100**	**1,236,956**
Other assets not managed on a segmental basis			15,811
Total assets as at 31 March 2021			**1,252,767**

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Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

2. Segment information (continued)

A$'000	VICTORIA	QUEENSLAND	SOUTH AUSTRALIA	WESTERN AUSTRALIA
Statement of profit or loss and other comprehensive income 2021				
Revenue from external customers, excluding straightline rental revenue adjustment	15,152	10,169	3,126	4,992
Straightline rental revenue adjustment	560	86	(95)	283
Property revenue	**15,712**	**10,255**	**3,031**	**5,275**
Property expenses	(3,030)	(2,805)	(300)	(870)
Net property income	**12,682**	**7,450**	**2,731**	**4,405**
Fair value adjustments—investment property	21,644	1,972	3,895	6,690
Fair value adjustments—property held for development	–	3,016	–	–
Fair value adjustments—foreign currency revaluation	–	–	–	–
Total segment results	**34,326**	**12,438**	**6,626**	**11,095**
Other operating expenses				
Fair value adjustment on interest rate swaps				
Fair value adjustment on foreign currency				
Cost on sale of investment property				
Finance costs				
Finance income				
Other income				
Total comprehensive income attributable to unitholders				
Statement of financial position extracts at 31 March 2021				
Investment property balance	227,751	149,750	37,751	62,999
Investment property development	–	11,600	–	–
Investment property	**227,751**	**161,350**	**37,751**	**62,999**
Other assets not managed on a segmental basis				
Total assets as at 31 March 2021				

NEW SOUTH WALES	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY	NEW ZEALAND	TOTAL
33,419	9,728	2,649	12,233	91,468
589	(228)	215	(202)	1,208
34,008	**9,500**	**2,864**	**12,031**	**92,676**
(7,347)	(1,384)	(184)	(4,795)	(20,715)
26,661	**8,116**	**2,680**	**7,236**	**71,961**
46,148	12,624	1,076	16,119	110,168
–	–	–	–	3,016
–	–	–	(7,122)	(7,122)
72,809	**20,740**	**3,756**	**16,233**	**178,023**
				(7,528)
				2,500
				2,178
				(2,013)
				(8,491)
				56
				5
				164,730
466,751	107,342	29,400	143,612	1,225,356
–	–	–	–	11,600
466,751	**107,342**	**29,400**	**143,612**	**1,236,956**
				15,811
				1,252,767

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

3. Property revenue

A$'000	2022	2021
Contracted rental income	92,820	79,237
Recoverable outgoings	13,543	12,231
Revenue, excluding straightline rental revenue adjustment	**106,363**	**91,468**
Straightline rental revenue adjustment	2,477	1,208
	108,840	**92,676**

4. Property expenses

A$'000	2022	2021
Statutory expenses	(7,019)	(6,674)
Electricity	(1,658)	(1,681)
Insurance	(2,326)	(2,383)
Cleaning	(1,374)	(1,241)
Building management	(2,249)	(2,310)
Repairs & Maintenance	(1,251)	(1,196)
Amortisation of fitout expenses	(1,141)	(783)
Tenant rechargeable expenditure	(476)	(511)
Air-conditioning	(875)	(871)
Fire protection	(617)	(374)
Lift and escalators	(458)	(474)
Emergency Generators	(399)	(426)
Gardening/Landscaping	(198)	(179)
Consultancy Fees	(534)	(356)
Leasing fee	(491)	(593)
Legal and marketing expenses	(263)	(241)
Non recoverable property expenses	(457)	(385)
Other property expenses	(28)	(37)
	(21,814)	**(20,715)**

5. Other operating expenses

A$'000	2022	2021
Asset management fee	(8,328)	(5,872)
Auditor's remuneration[1]	(475)	(465)
Audit fee	(315)	(301)
Tax compliance fees	(160)	(164)
Directors' fees	–	(258)
Legal and consulting fees	(473)	(349)
Other fund expenses	(599)	(584)
	(9,875)	**(7,528)**

1. All audit and tax services were provided by KPMG

6. Fair value adjustments

A$'000	2022	2021
Fair value adjustments—investment property	162,250	110,168
Fair value adjustments—investment property under development	3,554	3,016
Fair value adjustments—interest rate swaps	24,110	2,500
Fair value adjustments—foreign currency revaluation	862	(4,944)
Total fair value adjustment	**190,776**	**110,740**

7. Finance costs

A$'000	2022	2021
Finance costs on borrowings and derivatives	(13,289)	(8,491)
Total finance costs	**(13,289)**	**(8,491)**

Refer to Note 14 for details on borrowings

8. Distribution per unit

A$'000 PERIOD FOR DISTRIBUTION	TOTAL DISTRIBUTION A$'000	UNITS IN ISSUE ('000)	DISTRIBUTION PER UNIT (AUD CENTS)
Half year to 30 September 2021	29,223	645,312	4.53
Half year to 31 March 2022	31,643	677,570	4.67
Total distribution for FY2022	**60,866**		**9.20**
Half year to 30 September 2020	26,832	611,298	4.39
Half year to 31 March 2021	27,696	611,298	4.53
Total distribution for FY2021	**54,528**		**8.92**

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

9. Investment property

Investment properties held by the Fund are accounted for as asset acquisitions when the integrated activities deemed necessary to generate outputs are not present at acquisition. The Fund concluded that all the acquisition of properties in the current financial year were asset acquisitions.

For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within the fair value measurements are categorised in their entirety of level 3.

(a) Valuation basis

The basis of valuation of investment properties is fair value. Fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

The Fund's policy is to value properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer (in compliance with the Fund's debt facility). Where a property is not due for an independent valuation, internal valuations are undertaken at the end of the reporting period. The valuation methods include the discounted cash flow (**DCF**) method and income capitalisation method. The mid-point is generally taken between the DCF and income capitalisation method.

(b) Fair value assessment results

External valuations

External valuations were conducted for 33 investment properties in the portfolio for the second half of the year. External valuations were conducted by Colliers International, Urbis, Savills, Knight Frank and JLL who are all registered as Certified Practising Valuers with the Australian Property Institute.

Director valuations

As at 31 March 2022 there were two investment properties where fair value was based on directors' valuations. At each reporting date, the directors update their assessment of the fair value of each property in accordance with the Fund's valuation policy.

As at 31 March 2022, investment properties to the value of A$1,642.4 million (31 March 2021: A$1,225.4 million) is held as security under the syndicated facility agreement drawn down to a value of A$520.7 million (31 March 2021: A$341.5 million).

All of the investment properties located in New South Wales, Victoria, South Australia, Queensland, Western Australia, Northern Territory and New Zealand are held under freehold interests. All of the properties located in the Australian Capital Territory are held under leasehold interests with the earliest termination date in 2088 and no lease payment obligations.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to A$162.2 million (31 March 2021: A$110.2 million) and are presented in profit and loss in the line item 'fair value adjustment'.

PROPERTY PORTFOLIO A$'000	LATEST EXTERNAL VALUATION		CONSOLIDATED CARRYING VALUE	
	DATE	VALUATION	2022	2021
INDUSTRIAL PORTFOLIO				
47 Sawmill Circuit, Hume ACT	31-Mar-22	17,050	17,050	12,700
57 Sawmill Circuit, Hume ACT	31-Mar-22	18,400	18,400	13,900
24 Sawmill Circuit, Hume ACT	31-Mar-22	17,900	17,900	14,500
44 Sawmill Circuit, Hume ACT	31-Mar-22	19,600	19,600	10,500
2–8 Mirage Road, Direk SA	31-Mar-22	12,700	12,700	8,750
30–48 Kellar Street, Berrinba QLD	31-Mar-22	12,100	12,100	9,500
165 Newton Road, Wetherill Park NSW	31-Mar-22	38,500	38,500	33,500
24 Spit Island Close, Newcastle NSW	31-Mar-22	14,500	14,500	12,000
67 Calarco Drive, Derrimut VIC	31-Mar-22	15,300	15,300	12,300
66 Glendenning Road, Glendenning NSW	31-Mar-22	47,750	47,750	38,250
85 Radius Drive, Larapinta QLD	31-Mar-22	25,500	25,500	19,500
54 Miguel Road, Bibra Lake WA	31-Mar-22	44,250	44,250	33,000
24 Rodborough Road, Frenchs Forest NSW	31-Mar-22	29,000	29,000	24,500
6–8 and 11 Siddons Way, Hallam VIC	31-Mar-22	30,100	30,100	23,750
36–42 Hydrive Close, Dandenong South VIC	31-Mar-22	29,250	29,250	25,700
103 Welshpool Road, Welshpool WA	31-Mar-22	47,600	47,600	30,000
46–70 Grand Trunkway, Gillman SA	31-Mar-22	34,500	34,500	29,000
16 Dawson Street, East Arm NT	31-Mar-22	32,000	32,000	29,400
197 Belconnen Crescent, Brendale QLD	31-Mar-22	21,000	21,000	–
131–153 Main Beach Road, Pinkenba QLD	31-Mar-22	30,100	30,100	24,750
81 Dunhill Crescent, Morningside QLD	31-Mar-22	6,500	6,500	–
16 Aspiration Circuit, Bibra Lake WA	31-Mar-22	30,500	30,500	–
OFFICE PORTFOLIO				
449 Punt Road, Cremorne VIC	31-Mar-22	72,500	72,500	61,500
35–49 Elizabeth Street, Richmond VIC	31-Mar-22	113,000	113,000	104,500
2404 Logan Road, Eight Mile Plains QLD	30-Sep-20	17,500	17,400	17,000
186 Reed Street, Greenway ACT	30-Sep-20	25,750	26,100	25,250
21–23 Solent Circuit, Baulkham Hills NSW	31-Mar-22	73,500	73,500	68,000
266 King Street, Newcastle NSW	31-Mar-22	88,000	88,000	81,500
113 Wicks Road, Macquarie Park NSW	31-Mar-22	36,000	36,000	33,000
324 Queen Street, Brisbane QLD	31-Mar-22	89,500	89,500	79,000
20 Rodborough Road, Frenchs Forest NSW	31-Mar-22	72,000	72,000	66,000
2 Richardson Place, North Ryde NSW	31-Mar-22	115,500	115,500	110,000
100 Willis Street, Wellington NZ[1]	31-Mar-22	153,754	153,754	143,606
38 Sydney Avenue, Canberra ACT	31-Mar-22	77,500	77,500	–
510 Church Street, Cremorne VIC	31-Mar-22	133,500	133,500	–
24 Wormald Street, Symonston ACT[2]	31-Mar-21	30,500	–	30,500
Total Investment Properties			**1,642,354**	**1,225,356**

1. Converted at spot rate of 1.0796 at 31 March 2022.
2. Property disposed during the year.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

9. Investment property (continued)

(c) Movement in investment properties' carrying value

A$'000	31 MARCH 2022	31 MARCH 2021
Cost	1,234,107	985,813
Accumulated fair value adjustment	391,298	225,073
Investment properties	**1,625,405**	**1,210,886**
Straightline rental revenue receivable	16,949	14,470
Carrying value	**1,642,354**	**1,225,356**
Movement in investment properties		
Balance at beginning of year	1,225,356	1,084,958
Acquisitions	231,002	24,750
Completion of property under development	17,682	–
Property held for sale	(30,500)	–
Foreign currency revaluation on property	844	(7,122)
Acquisition costs and capital expenditure	33,243	11,394
Fair value adjustment on revaluation of investment properties (refer to note 6)	162,250	110,168
Straightline rental revenue adjustment	2,477	1,208
Carrying value at end of the year	**1,642,354**	**1,225,356**

(d) Valuation process

The fair value for all investment properties A$1,642.4 million (2021: A$1,225.4 million) has been undertaken under the Level 3 fair value hierarchy, where unobservable inputs have been utilised in the valuation techniques. For all investment property that are measured at fair value, the current use of the property is considered the highest and best use.

Valuation techniques used to derive Level 3 fair values

The Fund determines a property's value within a range of reasonable fair value estimates and in making this assessment, considers information from a variety of sources including:

- Current prices for comparable investment properties;
- Discounted cash flows based on estimates of future cash flows; and
- Capitalised income projections based on estimated net market income, and a capitalisation rate based on market analysis.

Under the DCF approach, a property's fair value is estimated by projecting a series of cash flows over a specified time horizon (typically 10 years) and discounting this cash flow, including the projected exit or terminal value, at a market-derived discount rate. Projected cash flows are derived from contracted or expected market rents, operating costs, lease incentives, capital expenditure and future income on vacant space. The net present value of the discounted cash flow represents the fair value of the property.

The income capitalisation approach involves estimating the potential sustainable gross market income of a property from which annual outgoings are deducted to derive the net market income. Net market income is then capitalised in perpetuity at an appropriate market derived capitalisation rate (market yield). Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and general characteristics of the property.

At reporting date, the key assumptions used by the Fund in determining fair value were as follows:

INDUSTRIAL	31 MARCH 2022	31 MARCH 2021
Capitalisation rate	3.75–7.25%	4.50–7.75%
Discount rate	5.00–7.50%	5.50–8.00%
Terminal yield	4.00–7.50%	4.75–8.00%
Rental growth rate	2.21–3.35%	1.95–3.29%

OFFICE	31 MARCH 2022	31 MARCH 2021
Capitalisation rate	4.50–7.75%	5.50–8.00%
Discount rate	5.75–7.75%	6.13–8.25%
Terminal yield	4.63–8.00%	5.75–8.13%
Rental growth rate	2.55–3.55%	2.15–3.51%

Capitalisation rates

Capitalisation rates are derived from the yields indicated by sales of comparable properties. It factors in risk with regard to a property's location, quality, strength of the tenant covenant and length of secured cashflows.

Industrial

The Australian industrial and logistics sector continued to see strong momentum in the occupier and investment markets as $18.2 billion of industrial assets transacted during calendar year 2021—more than three and a half times the average annual transaction activity for the last ten years. The large volume of sales activity experienced during the Fund's financial period ended 31 March 2022 has demonstrated the strength of the industrial market and the main driver for taking all 22 of the Fund's industrial properties for external valuation at 31 March 2022. At 31 March 2022, the weighted average capitalisation rate used in valuing the Fund's industrial portfolio firmed 103 basis points to 4.80% when compared to 31 March 2021. The industrial terminal cap rate firmed 104 basis points to 5.14% when compared to 31 March 2021.

Office

2021 saw a rebound in investment activity as vendors and buyers were comforted by the greater certainty around tenant demand and leasing fundamentals. The increase in activity and depth of the buyer pool has seen yields continue to compress through 2021. The weighted average capitalisation rate used in valuing the Fund's office portfolio firmed 58 basis points to 5.54% when compared to 31 March 2021. The office terminal cap rate firmed 36 basis points to 5.82% when compared to 31 March 2021.

Discount rates

At 31 March 2022 discount rates utilised in the valuation of the Fund's property portfolio have tightened (i.e. lowered) by approximately 66 basis points to 6.09% when compared to 31 March 2021. The weighted average discount rate tightened 55 basis points to 6.22% for the office portfolio and 87 basis points to 5.84% for the industrial portfolio when compared to 31 March 2021.

Market rental growth

Market rental growth is the projected year on year change in market rent based on factors such as population growth, demand for space and expected supply and new developments within markets. A key driver of the DCF calculation outcome is market rental growth, where a property's projected cash flow comprises of actual rental income, speculative rental income, and rental income growth.

Market rent and rental growth have a material impact on the outcome of the terminal value calculation, as terminal market rent is a function of the current market rent and the 10 year CAGR. The terminal market rent is divided by the terminal capitalisation rate to determine the terminal value.

At 31 March 2022, the market rental growth (10-year CAGR) utilised in the valuation of the Fund's property portfolio has increased by approximately 12 basis points to 3.11%, when compared to 31 March 2021.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

9. Investment property (continued)

Significant unobservable inputs

For all classes of investment property the significant unobservable inputs below are used to determine the fair value measurement of investment property at measurement date. Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. The higher the market rent or 10-year compound annual growth rate, the higher the fair value. The higher the capitalisation rate, terminal yield or discount rate, the lower the fair value.

The following significant unobservable inputs have been considered to determine the fair value of measurement at the end of the reporting year:

Capitalisation rate	Increases/(decreases) in the capitalisation rate would (decrease)/ increase estimated fair value	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence.
Discount rate	Increases/(decreases) in the discount rate would (decrease)/increase estimated fair value	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence
Terminal yield	Increases/(decreases) in the terminal yield would result in (decreases)/ increases in the estimated fair value	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence.
Market rent and rental growth	Increases/(decreases) in market rent and rental growth would increase/ (decrease) estimated value	The rent at which a space could be let in the market including rental growth in future years at the date of valuation. Market rent includes gross rent and net rent. Gross rent is where outgoings are incorporated in the rent being paid. Net market rent is where the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

(e) Uncertainty around property valuations

The onset of COVID-19 saw real estate market activity in Australia impacted across many sectors resulting in limited transactional evidence from which to draw reliable valuation conclusions. 2021/2022 has seen investment activity across most Australian commercial markets recover to a substantial degree and the Fund is satisfied that the available transactional evidence is adequately enables appropriate valuation analysis and conclusions. Despite this, markets continue to be heavily influenced by unprecedented global economic and political environments and in the event the impacts are more material or prolonged than anticipated, this may have further impact to the fair value of the Fund's property portfolio, and the future price achieved if a property is sold.

(f) Contractual obligations/capital commitments

At 31 March 2022, the Fund included forecast cost associated with the aluminium cladding panel assessment and remediation for two properties in the portfolio (31 March 2021: 2) within the valuation of these properties rather than a separate provision.

A$'000	31 MARCH 2022	31 MARCH 2021
449 Punt Road, Cremorne VIC	350	650
35–49 Elizabeth Street, Richmond VIC	350	1,200
	700	**1,850**

(g) Leasing arrangements as lessor

The Fund leases office and industrial properties under operating leases. Contractual amounts due in terms of operating lease agreements are receivable as follows:

	31 MARCH 2022	31 MARCH 2021
Less than 1 year	95,303	87,439
Between 1 and 2 years	85,496	81,900
Between 2 and 3 years	73,195	70,293
Between 3 and 4 years	52,177	60,497
Between 4 and 5 years	41,861	40,812
More than 5 years	177,036	105,973
	525,068	**446,914**

Investment property comprises a number of commercial properties and industrial that are leased to third parties. The significant majority of leases are subject to annual rent reviews that are fixed or indexed to consumer prices. Subsequent renewals are negotiated with the lessee and historically, the average renewal period is five years. No contingent rents are charged.

10. Property held for development

A$'000	31 MARCH 2022	31 MARCH 2021
Opening balance	11,600	–
Acquisitions	6,947	3,886
Acquisition cost and capitalised expenditure	31,894	4,698
Completion of property under development	(17,681)	–
Fair value adjustment	3,554	3,016
	36,314	**11,600**

For the year ended 31 March 2022, The Fund completed one development property (197 Belconnen Crescent, Brendale QLD) and held two investment properties (57–83 Mudgee Street, Kingston QLD and 34 Southgate Avenue, Cannon Hill QLD) for development. At the reporting date, the key assumptions (weighted average) used by the Group in determining fair value were as follows:

A$'000	OFFICE	INDUSTRIAL
Capitalisation rate	5.00%	4.75%
Discount rate	5.75%	5.75%
Terminal yield	5.50%	5.13%
Rental growth rate	2.90%	2.87%

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

11. Receivables and other assets

During the year, the Find granted negligible rental relief to tenants in the form of rental waivers and rental deferrals as required for qualifying tenants under the National Cabinet's Mandatory Code of Conduct for SME commercial leasing principles during the COVID-19 pandemic which has been given effect by state and territory legislation. For non-qualifying tenants the principles of the code were taken into account in the consideration of deferral requests. Deferrals granted have been agreed with tenants to be repaid over periods between October 2020 and January 2023.

Consideration of the impact of COVID-19 on tenants has been incorporated into the assessment as at 31 March 2022 based on discussions held to date with each tenant and on any other information known about the tenant and/or their trading conditions. As at 31 March 2022, the Fund had nil allowance for credit losses (31 March 2021: nil).

A$'000	31 MARCH 2022	31 MARCH 2021
Prepaid expenses	3,649	2,405
Trade debtors	660	1,115
Sundry debtors	262	62
Receivable from parent entity	–	5,419
	4,571	**9,001**

12. Cash and cash equivalents

A$'000	31 MARCH 2022	31 MARCH 2021
Cash held on call account	7,403	6,810
Total cash and cash equivalents	**7,403**	**6,810**

13. Contributed equity

A$'000	31 MARCH 2022	31 MARCH 2021
Issued		
On establishment—22 000 000 fully paid ordinary units	22,000	22,000
On listing—112 685 000 fully paid ordinary units	112,685	112,685
On completion of renounceable rights offer Oct 2014—111,896,298 fully paid ordinary units	121,501	121,501
On completion of renounceable rights offer Feb 2016—59,566,747 fully paid ordinary units	59,964	59,964
On completion of renounceable rights offer Mar 2017—5,108,004,819 fully paid ordinary units	143,462	143,462
Distribution re-investment plan Nov 2015—6,393,331 fully paid ordinary units	6,815	6,815
Distribution re-investment plan Jun 2016—9,818,121 fully paid ordinary units	12,008	12,008
Distribution re-investment plan Dec 2016—5,223,526 fully paid ordinary units	7,111	7,111
Share buy back—6,330,842 fully paid ordinary units	(8,000)	(8,000)
On completion unit placement offer Nov 2017—49,545,454 fully paid ordinary units	60,055	60,055
On listing on ASX on 28 May 2019- 76,923,077 fully paid ordinary units	101,366	101,366
On completion unit placement offer October 2019—55,572,553 fully paid ordinary units	82,750	82,750
Fund establishment costs capitalised to contributed equity	(10,128)	(10,128)
Antecedent distributions paid	(15,187)	(15,187)
Capital transferred to IPF II	(46,723)	(46,723)
On completion unit placement offer June 2021—34,013,605 fully paid ordinary units	24,391	–
On completion unit placement offer December 2021—32,258,065 fully paid ordinary units	24,331	–
In issue at year end	**698,401**	**649,679**

Refer to unitholder analysis included on page 142 within the Group Annual Report 2022.

14. Borrowings

A$'000	TRANCHE EXPIRY DATE	INTEREST RATE	31 MARCH 2022	31 MARCH 2021
Loans—secured—bank debt				
ANZ Facility—Tranche G	01-Apr-27	BBSY + 1.5500%[1]	20,000	20,000
ANZ Facility—Tranche H	01-Sep-26	BBSY + 1.5500%[1]	75,000	75,000
ANZ Facility—Tranche I	31-Mar-26	BBSY + 1.5500%[1]	25,000	25,000
Westpac Facility—Tranche N	28-Mar-28	BBSY + 1.4500%[1]	55,000	55,000
Westpac Facility—Tranche P	30-Nov-27	BBSY + 1.7000%[1]	29,940	16,514
Westpac Facility—Tranche Q	31-Mar-26	BBSY + 1.5500%[1]	22,500	–
Westpac Facility—Tranche R	31-Mar-26	BBSY + 1.5500%[1]	47,500	–
Westpac Facility—Tranche S	29-Dec-28	BBSY + 1.6750%[1]	36,742	–
Westpac Facility—Tranche T	15-Dec-28	BBSY + 1.6750%[1]	59,000	–
Westpac Facility—PGIM	22-Dec-29	3.4%	150,000	150,000
Total long-term borrowings—secured			**520,682**	**341,514**
Capitalised loan establishment costs			(3,703)	(2,451)
Total value of interest-bearing borrowings			**516,979**	**339,063**

Movement in borrowings		
Balance at beginning of year	341,514	347,315
Interest charged	13,289	8,491
Interest paid	(13,289)	(8,491)
Additional borrowing acquired	221,168	103,907
Repayments	(42,000)	(109,708)
Closing balance at the end of the year	**520,682**	**341,514**

The Fund's LVR[2] was 30.58% as at 31 March 2022. (31 March 2021: 27.06%)

At 31 March 2022 the approved facility limit of the loan facility was A$625. 0 million (31 March 2021: A$435.0 million) with A$104.3 million undrawn, (31 March 2021: A$93.5 million)

The Fund's policy is to hedge at least 75% of interest rate risk. At the balance date, 85.9% (31 March 2021: 78.3%) of borrowings were hedged using interest rate swaps, locking in a blended rate (including margin and line fees) of 2.95% (31 March 2021: 2.84%) for a weighted average term of 6.0 years, (31 March 2021: 6.1 years)

1. Varies based on gearing levels.
2. LVR is a non-IFRS measure.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

15. Trade and other payable

A$'000	31 MARCH 2022	31 MARCH 2021
Security deposits	1,211	581
Income received in advance	3,803	4,206
Other payables	–	621
Payable to IPF II	32,455	–
Trade and other payables—non current	**37,469**	**5,408**
Accrued expenses	1,127	3,403
Trade creditors	296	1,142
Income received in advance	4,927	2,924
GST payable	596	379
Other payables	1,787	276
Trade and other payables—current	**8,733**	**8,124**

16. Reconciliation of cash flows from operating activities

A$'000	31 MARCH 2022	31 MARCH 2021
Profit for the period	259,596	164,730
Adjusted for:		
Fair value adjustments—investment property	(165,804)	(113,184)
Fair value adjustments—derivatives	(24,110)	(2,500)
Fair value adjustments—foreign currency revaluation	(862)	4,944
Straightline rental revenue adjustment	(2,477)	(1,208)
Profit/(loss) on sale of investment property	(4,942)	2,013
Working capital movement		
Change in trade and other receivables	255	(265)
Change in trade and other payables	(1,200)	1,146
Change in Capital expenses	(1,244)	986
Distributions paid	(56,919)	(53,138)
Net cash from operating activities	**2,293**	**3,524**

17. Related party transactions

Responsible Entity

Prior to the internalisation of management function, The RE of the IPF I is IPL. IPL is a wholly owned subsidiary of IAPHPL

Following the internalisation of the management function the RE is a wholly owned subsidiary of IPF II.

As at 31 March 2022, total fees paid or payable to IPF II is A$10.1 million which includes asset management fee of A$8.3 million and property management fee of A$1.8 million.

The Fund also has a payable of A$ 32.5 million (31 March 2021: receivable of A$5.4 million) from IPF II (refer to Notes 15 and 11).

Manager

Prior to the internalisation of management function, the Manager of IPFI is IPML. IPML is a wholly owned subsidiary of IAPHPL. IPML provides fund management services and property management services to the Fund.

IPL's and IPML's ultimate Australian parent entity is IAPHPL. Its ultimate parent is Investec Plc, incorporated in the United Kingdom

Investec Plc and Investec Limited and their subsidiary companies together comprise the Investec group of companies (referred to as the Investec Fund).

IPFI enters into transactions or arrangements with Investec Group. These transactions are described below. These are entered into on normal commercial terms.

TRANSACTIONS WITH RELATED PARTIES A$'000	31 MARCH 2022	31 MARCH 2021
Payments to Investec Group and its subsidiaries:		
Investec Property Management Pty Limited—subsidiary		
Asset management fee	–	3,808
Property management fee[1]	–	1,136
Investec Bank Limited—parent company		
Sponsor fee	–	16

1. Transactions with Related Parties

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

18. Fund entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1.2. All subsidiaries are established in Australia and are 100% owned and controlled by IPF I with no restrictions.

IPFI enter into transactions with its wholly owned trusts. These transactions mainly involve the payment of distributions between trusts and lending of funds between the trusts. Intertrust loans are repayable upon demand, unsecured and non-interest bearing.

				INTERTRUST LOAN BALANCE	
NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF UNITS	EQUITY HOLDING	2022	2021
Irongate Property Hold Trust No.1	Australia	Ordinary	100%	(61,435)	(54,003)
Irongate Property Sub Trust No.1	Australia	Ordinary	100%	3,439	3,848
Irongate Property Sub Trust No.2	Australia	Ordinary	100%	(6,299)	(5,503)
Irongate Property Sub Trust No.3	Australia	Ordinary	100%	(3,665)	(3,155)
Irongate Property Sub Trust No.4	Australia	Ordinary	100%	(1,521)	427
Irongate Property Sub Trust No.5	Australia	Ordinary	100%	(1,545)	(1,501)
Irongate Property Sub Trust No.6	Australia	Ordinary	100%	15,722	75,347
Irongate Property Sub Trust No.7	Australia	Ordinary	100%	77	87
Irongate Property Sub Trust No.8	Australia	Ordinary	100%	(420)	(110)
Irongate Property Sub Trust No.9	Australia	Ordinary	100%	(442)	(358)
Irongate Property Sub Trust No.10	Australia	Ordinary	100%	(3,775)	(2,697)
Irongate Property Sub Trust No.11	Australia	Ordinary	100%	(1,661)	(360)
Irongate Property Sub Trust No.12	Australia	Ordinary	100%	148	165
Irongate Property Sub Trust No.13	Australia	Ordinary	100%	(310)	(271)
Irongate Property Sub Trust No.14	Australia	Ordinary	100%	(2,009)	(2,258)
Irongate Property Sub Trust No.15	Australia	Ordinary	100%	(2,016)	(974)
Irongate Property Sub Trust No.16	Australia	Ordinary	100%	(6,137)	(3,706)
Irongate Property Sub Trust No.17	Australia	Ordinary	100%	393	506
Irongate Property Sub Trust No.18	Australia	Ordinary	100%	(5,645)	(4,228)
Irongate Property Sub Trust No.19	Australia	Ordinary	100%	(7,010)	(3,911)
Irongate Property Sub Trust No.20	Australia	Ordinary	100%	305	445
Irongate Property Sub Trust No.21	Australia	Ordinary	100%	35,508	242
Irongate Property Sub Trust No.22	Australia	Ordinary	100%	(4,727)	695
Irongate Property Sub Trust No.23	Australia	Ordinary	100%	(43)	31
Irongate Property Sub Trust No.24	Australia	Ordinary	100%	(5,352)	(5,361)
Irongate Property Sub Trust No.25	Australia	Ordinary	100%	1,466	1759
Irongate Property Sub Trust No.26	Australia	Ordinary	100%	2,139	–
Irongate Property Sub Trust No.27	Australia	Ordinary	100%	15,192	–
Irongate Property Sub Trust No.28	Australia	Ordinary	100%	334	–
Irongate Property Sub Trust No.29	Australia	Ordinary	100%	143	–
Irongate Property Sub Trust No.30	Australia	Ordinary	100%	3,065	–
Irongate Property Sub Trust No.31	Australia	Ordinary	100%	(8,668)	–
Irongate Property Sub Trust No.32	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.33	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.34	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.35	Australia	Ordinary	100%	–	–

19. Parent entity disclosures

A$'000	31 MARCH 2022	31 MARCH 2021
Result of parent entity		
Profit for the period	9,579	78,290
Other comprehensive income	–	–
Total comprehensive income for the year	**9,579**	**78,290**
Financial position of parent entity at year end		
Current assets	556	663
Non current assets	882,278	815,178
Total assets	**882,834**	**815,841**
Current liabilities	33,498	25,695
Non current liabilities	112,882	111,993
Total liabilities	**146,380**	**137,688**
Net assets	**736,454**	**678,153**
Total equity of parent entity comprising of:		
Contributed equity	698,401	649,679
Retained earnings	38,053	28,474
Total equity	**736,454**	**678,153**

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

20. Financial Risk and capital management

20.1 Total financial and non-financial assets and liabilities

The table below sets out the Fund's accounting classification of each class of financial and non-financial asset and liability and their fair values at 31 March 2022.

AS AT 31 MARCH 2022 A$'000	MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS	NON-FINANCIAL INSTRUMENTS	AMORTISED COST	TOTAL
ASSETS				
Non-current assets				
Investment property	1,642,354	–	–	1,642,354
Investment property under development	36,314	–	–	36,314
Financial instruments held at fair value	23,274	–	–	23,274
Current assets				
Cash and cash equivalents	–	–	7,403	7,403
Trade and other receivables	–	–	4,571	4,571
Total assets	**1,701,942**	**–**	**11,974**	**1,713,916**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	516,979	516,979
Trade and other payables	–	–	37,469	37,469
Current liabilities				
Trade and other payables	–	–	8,733	8,733
Distribution payable	–	–	31,643	31,643
Total liabilities	**–**	**–**	**594,824**	**594,824**

The table below sets out the Fund's accounting classification of each class of financial and non-financial asset and liability and their fair values at 31 March 2021

AS AT 31 MARCH 2021 A$'000	MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS	NON-FINANCIAL INSTRUMENTS	AMORTISED COST	TOTAL
ASSETS				
Non-current assets				
Investment property	1,225,356	–	–	1,225,356
Investment property under development	11,600	–	–	11,600
Current assets				
Cash and cash equivalents	–	–	6,810	6,810
Trade and other receivables	–	–	9,001	9,001
Total assets	**1,236,956**	**–**	**15,811**	**1,252,767**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	339,063	339,063
Financial instruments held at fair value	836	–	–	836
Trade and other payables	–	–	5,408	5,408
Current liabilities				
Trade and other payables	–	–	8,124	8,124
Distribution payable	–	–	27,696	27,696
Total liabilities	**836**	**–**	**380,291**	**381,127**

Cash and cash equivalents; trade and other receivables; trade and other payables are measured at amortised cost and approximate fair value. The fair value of “long term borrowings at amortised cost” has been estimated by market interest rate at each year end.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

20.2 Fair value hierarchy—financial instruments

In the case of financial instruments whose carrying amount is not the same as their theoretical fair value. The fair value has been calculated as follows:

a. For financial instruments whose carrying amount is equivalent to their fair value, the measurement processes used are defined as follows:

Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2—inputs other than quoted prices included within Level 1 that are observable for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3—inputs for the assets and liabilities that are not based on observable market data (unobservable inputs)

		FAIR VALUE			
A$'000 FAIR VALUE AND CARRYING AMOUNT	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 31 March 2022					
Financial assets not measured at fair value					
Cash and cash equivalents	7,403	–	–	–	–
Receivables and other assets	4,571	–	–	–	–
	11,974	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	46,202	–	–	–	–
Distribution payable	31,643	–	–	–	–
Long term borrowings	516,979	–	513,015	–	513,015
	594,824	**–**	**513,015**	**–**	**513,015**
Financial liabilities measured at fair value					
Interest rate swaps	23,274	–	23,274	–	23,274
	23,274	**–**	**23,274**	**–**	**23,274**

		FAIR VALUE			
A$'000 FAIR VALUE AND CARRYING AMOUNT	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 31 March 2021					
Financial assets not measured at fair value					
Cash and cash equivalents	6,810	–	–	–	–
Trade and other receivables	9,001	–	–	–	–
	15,811	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	13,532	–	–	–	–
Distribution payable	27,696	–	–	–	–
Long term borrowings	339,063	–	352,018	–	352,018
	380,291	**–**	**352,018**	**–**	**352,018**
Financial liabilities measured at fair value					
Interest rate swaps	836	–	836	–	836
	836	**–**	**836**	**–**	**836**

b. Details of changes in valuation techniques

There have been no significant changes in valuation techniques during the year under review

c. Significant transfers between Level 1, Level 2 and Level 3

There have been no transfers between Level 1, Level 2 and Level 3 during the year.

Derivative financial instruments consist of interest rate hedging instruments. Interest rate hedging instruments are valued based on broker quotes and are tested for reasonableness by discounting future cash flows using an observable market interest rate curve at the dates when the cash flows will take place.

20.3 Other financial risk management considerations

The financial instruments of the Fund consist mainly of cash and cash equivalents, including deposits with banks, borrowings, derivative instruments, trade and other receivables and trade and other payables. The Fund purchases or issues financial instruments in order to finance operations and to manage the interest rate risks that arise from these operations and the source of funding.

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board has overall responsibility for the establishment and oversight of the Fund's risk management framework. The board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Fund's risk management policies. The Audit and Risk Committee reports regularly to the Board on its activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Audit and Risk Committee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in its oversight role by Investec Internal Audit, which undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

20.4 Credit risk

Credit risk is the risk of financial loss to the Fund if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from derivatives, as well as trade and other receivables. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives.

AT 31 MARCH A$'000	2022	2021
Cash and cash equivalents	7,403	6,810
Receivables and other assets	4,571	9,001
Financial instruments—Interest rate swaps	23,274	–
Total on-balance sheet exposure	**35,248**	**15,811**
Contingent liabilities, committed facilities and others	–	–
Total gross credit exposures	**35,248**	**15,811**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Fund has derivative financial instruments held with major Australian banks, Westpac and ANZ, which are considered high quality financial institutions. The credit risk of financial instruments has not increased significantly since initial recognition.

The Fund applies the lifetime ECL model to manage the credit risk of financial assets carried at amortised cost in accordance with the accounting policy described in Note 1.10.1 to the consolidated financial statements.

Historical evidence suggests that there is an insignificant ECL, and there are no forward-looking information that indicates potential impairment of receivables. The Fund has determined that no ECL is required to be recognised as at 31 March 2022 (31 March 2021: nil).

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

20.5 Market risk

a. Interest rate risk

The Fund is exposed to interest rate risk and adopts a policy of ensuring that at least 75% of its exposure to changes in interest rates on borrowings is on a fixed basis. This is achieved by entering into variable for fixed rate swap instruments. All such transactions are carried out within the guidelines set by the Audit and Risk Committee. As a consequence, the Fund is exposed to fair value interest rate risk in respect of the fair value of its interest rate financial instruments, which will not have an impact on distributions. Short-term receivables and payables and investments are not directly exposed to interest rate risk.

The potential market risk to the Fund arises from change of interest rate. This relates to its floating debt facility. At 31 March 2022, 85.9% (31 March 2021: 78.3%) of the Fund's interest rate exposure was hedged. The principle outstanding amount of floating debt facility is A$73.4 million (31 March 2021: A$144.7 million). Therefore, for the year ended 31 March 2022, a 1% increase/decrease in interest rates on the variable rate borrowings would have an immaterial impact on the Fund's profit, assuming all other variables remain constant

b. Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's policy is to seek to minimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect the Fund seeks to borrow for as long as possible at the lowest acceptable cost. The Fund regularly reviews the maturity profile of its financial liabilities and will seek to avoid concentration of maturities through the regular replacement of facilities, and by using a selection of maturity dates.

The tables below set out the maturity analysis of the Fund's financial liabilities based on the undiscounted contractual cash flows.

AS AT 31 MARCH 2022 A$'000	WITHIN 1 YEAR	1–2 YEARS	2–5 YEARS	OVER 5 YEARS	TOTAL	CARRYING VALUE
Long-term borrowings[1]	10,955	10,985	220,718	348,695	591,353	520,682
Trade and other payables	8,733	3,455	1,157	32,857	46,202	46,202
Distributions payable	31,643	–	–	–	31,643	31,643
Total liabilities	**51,331**	**14,440**	**221,875**	**381,552**	**669,198**	**598,527**

AS AT 31 MARCH 2021 A$'000	WITHIN 1 YEAR	1–2 YEARS	2–5 YEARS	OVER 5 YEARS	TOTAL	CARRYING VALUE
Long-term borrowings[1]	7,758	7,758	195,691	169,156	380,363	341,514
Trade and other payables	8,124	1,994	2,335	1,079	13,532	13,532
Distributions payable	27,696	–	–	–	27,696	27,696
Total liabilities	**43,578**	**9,752**	**198,026**	**170,235**	**421,591**	**382,742**

The table below outlines the Fund's LVR[2] at the end of the year.

A$'000	2022	2021
Investment properties	1,642,354	1,225,356
Investment property under development	36,314	11,600
Total property value	**1,678,668**	**1,236,956**
Carrying value of interest bearing borrowing	520,682	341,514
Less: Cash and cash equivalents	(7,403)	(6,810)
Net value of borrowing	**513,279**	**334,704**
Current ratio of interest bearing borrowings to value of investment property (%)	30.58	27.06

1. Cash flows in relation to long term borrowings take into account interest payments and the effect of interest rate swaps.
2. LVR is a non-IFRS measure.

20.6 Derivatives

Derivative instruments are used to hedge the Fund's exposure to any increases in interest rates on variable rate loans. Interest rate swap contracts are entered into whereby the Fund hedges out its variable rate obligation to provide a maximum fixed rate obligation. Details of the interest rate fixed for variable swap instruments are as follows:

FINANCIAL INSTITUTION	NOTIONAL AMOUNT $'000	FAIR VALUE $'000	START DATE	END DATE	FIXED RATE
31 March 2022					
Australia and New Zealand Banking Group	30,000	1,136	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	20,000	1,135	22-Mar-21	24-Mar-25	0.64%
Westpac Banking Corporation	67,303	5,030	11-Dec-17	12-Dec-26	2.58%
Westpac Banking Corporation	70,000	5,770	21-Jun-21	21-Jun-27	1.18%
Westpac Banking Corporation	110,000	10,203	15-Dec-21	15-Dec-31	1.92%
Total	**297,303**	**23,274**			

FINANCIAL INSTITUTION	NOTIONAL AMOUNT $'000	FAIR VALUE $'000	START DATE	END DATE	FIXED RATE
31 March 2021					
Australia and New Zealand Banking Group	30,000	(592)	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	20,000	(5)	22-Mar-21	24-Mar-25	0.64%
Westpac Banking Corporation	67,303	(239)	11-Dec-17	12-Dec-26	2.58%
Total	**117,303**	**(836)**			

20.7 Capital Management

In terms of its Constitution, the Fund's gearing ratio must not exceed 60%. The Fund is funded partly by unit capital and partly by external borrowings

In terms of its covenants entered into during the year, the Fund is committed to a maximum value of external borrowings of 55% of the value of investment property and investment assets. In practice, the Fund aims to keep gearing levels between 30% and 40% over the long term. At 31 March 2022, the nominal value of borrowings less cash equivalents was equal to 30.58% (31 March 2021: 27.06%) of the value of investment property.

The Board's policy is to maintain a strong capital base, comprising its unitholders' interest, so as to promote investor, creditor and market confidence and to sustain future development of the business. It is the Fund's stated purpose to deliver medium to long-term sustainable growth in distributions per unit. Distributable income is distributed on a six monthly basis. The board monitors the level of distributions to unitholders. There were no changes in the Fund's approach to capital management during the year. The Fund is not subject to externally imposed capital requirements.

21. Subsequent events

There is no other item, transaction or event of a material or unusual nature likely that have arisen since the end of the financial year up until the date of the annual report which would significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent years.

Independent Auditor's Report

To the Unitholders of Irongate Property Fund I

Opinion

We have audited the ***Financial Report*** of Irongate Property Fund I (the Fund).

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 March 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 March 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Irongate Property Fund I and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KPMG

Valuation of investment property ($1,642m)	
Refer to accounting policy note 1.11 and note 9 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of investment property is a key audit matter as they are significant in value (being 96% of total assets). The properties being valued at fair value increased the judgement applied by us when evaluating evidence available in light of the COVID-19 pandemic. The Group approached the uncertainty risk using internal methodologies and the use of external valuation experts. We focused on the significant forward looking assumptions the Group applied in external and internal valuation models with considerations of the impact of COVID-19 including: • Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; • Capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and Forecast cash flows including: market rental income and leasing assumptions.	Our procedures included: • Understanding the Group's process regarding the valuation of investment property, including specific considerations of the impact of COVID-19; • Assessing the Group's methodologies used in the valuations of investment property for consistency with accounting standards and Group policies; • Assessing the scope, competence and objectivity of external experts engaged by the Group and internal valuers; • For the total portfolio, taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates and market rental income through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the Group and historical performance of the investment properties; • Assessing the appropriateness of the Group's leasing assumptions against each property's actual rental income, weighted average lease expiry and actual vacancy levels; • Checking a sample of actual rental income, weighted average lease expiries and vacancy levels within both internal and external valuations to tenancy schedules as per lease agreements; and • Assessing the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standard requirements. This was considered in light of the impact of COVID-19 on the portfolio.

Other Information

Other Information is financial and non-financial information in Irongate Property Fund I's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Irongate Funds Management Pty Ltd (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

KPMG

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

KPMG

KPMG

Paul Thomas

Partner

Sydney

10 May 2022

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IRONGATE

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