



Annual report 2015

Investec Australia Property Fund integrated
annual report and financial statements

About this report

Cross-referencing tools:



Audited information

Denotes information audited by the Fund's auditors, KPMG.



Reporting standard

Denotes our consideration of a reporting standard.



Page references

Refers readers to information elsewhere in this report



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Overview of Investec Australia Property Fund



About us

Investec Australia Property Fund (IAPF or the Fund) is the first inward listed Australian real estate investment trust (REIT) on the JSE. It is an income producing fund that operates in a stable and developed market. The Fund aims to maximise sustainable returns to unitholders by investing in quality office, industrial and retail properties in Australia, giving unitholders exposure to the Australian real estate market.

Objectives

The objective of the Fund is to grow and diversify its asset base and to optimise capital and income returns over time for unitholders by investing in high quality commercial real estate assets (office, industrial and retail) that possess the following qualities:

- positioned in well located commercial precincts in Australia
- medium to long-term lease profiles
- limited or no short-term capex requirements
- contractual rental growth
- strong tenant covenants

Background

The Fund listed on the JSE on 23 October 2013, as the first inward listed Australian REIT. The Fund offers investors direct exposure to the Australian property market, as well as providing exposure to the Australian dollar.

The Fund currently comprises seventeen properties in Australia with a total gross lettable area (GLA) of 125,118m² independently valued at AUD361.3 mn.

The Fund is an uncapped and open ended fund and existing and future unitholders will hold a participatory interest in the Fund, which entitles unitholders to a pro rata share of the underlying income generated by the Fund and a pro rata beneficial interest in the assets of the Fund. The Fund is registered as a Managed Investment Scheme in Australia and allows for the tax efficient flow-through of net income to unitholders.

The Fund is governed and operated by Investec Property Limited (IPL) as the responsible entity. The Fund is managed by Investec Property Management Pty Limited (IPML) under a management agreement. Both IPL and IPML are wholly owned subsidiaries of Investec Group entities.

* Post implementation of the Glendenning acquisition

** Pre-transaction costs

Note: All amounts are in Australian dollars (AUD) unless otherwise stated

Our highlights for the year

Successful execution of strategy outlined on listing

Full year distribution of 8.18 cpu pre WHT
7.6% annualised growth

Portfolio growth of 178% represents 2.8x growth since listing

AUD156 mn (77%) of rights offer capital deployed in six months strongly acquisitive in very competitive market

Fund now geared at 28%* geared growth effect materialised, while headroom for growth maintained

Strong underlying property fundamentals
6.4 year WALE with 64% of leases expiring after five years

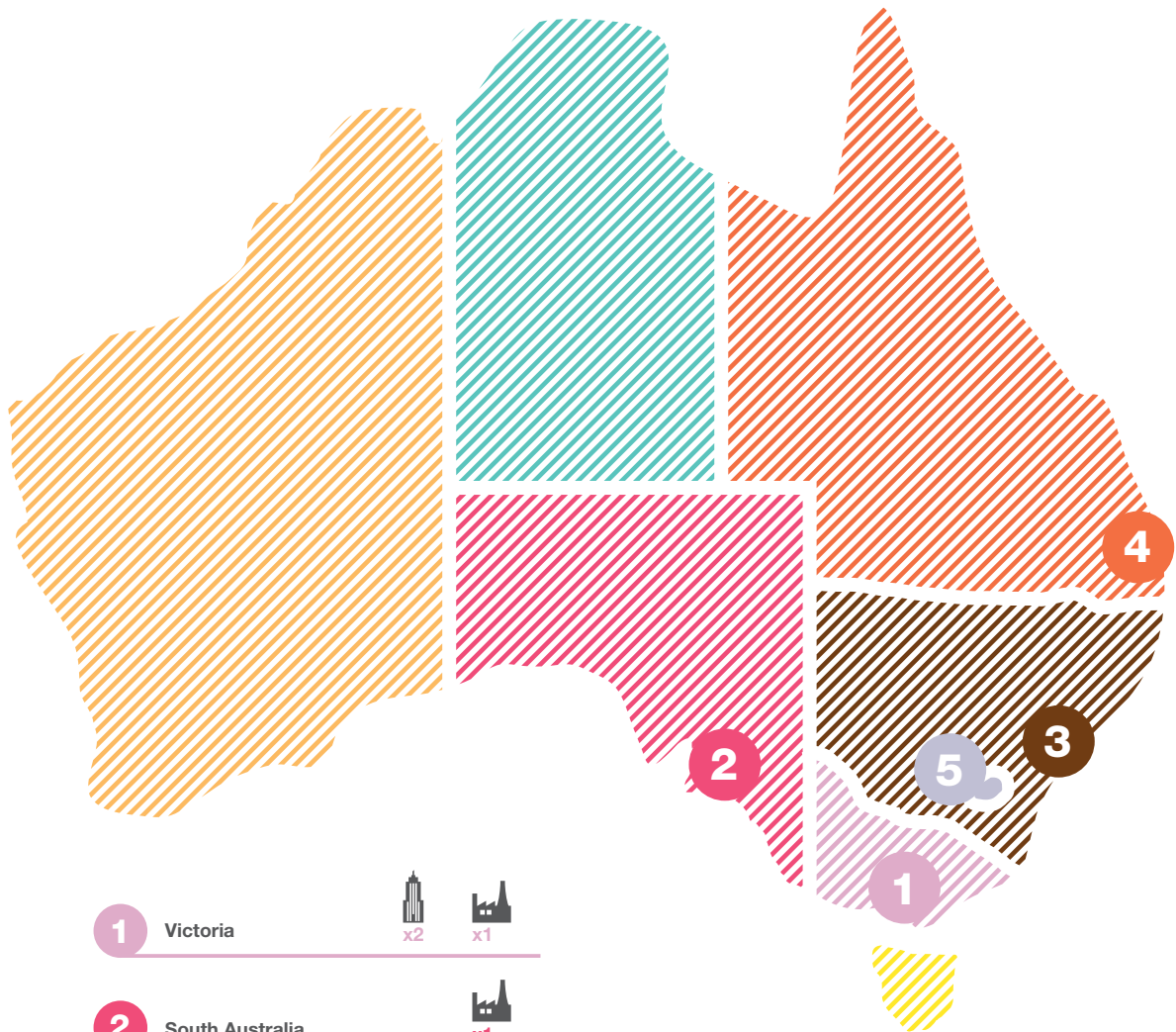
Quality tenant base supports sustainable earnings – 1.3% vacancy

9.7%** NAV growth since listing – driven by underlying property performance

Conservative balance sheet management, with historically low funding rates locked in
4.15% all in funding rate and 100% hedged

FY16 guidance
10% to 12% growth pre WHT

Our property landscape



1	Victoria	x2	x1
2	South Australia		x1
3	New South Wales	x1	x3
4	Queensland	x2	x2
5	ACT	x1	x4

Property key

Office properties | Industrial properties



Property features



757 Ann Street Brisbane QLD

Major tenant | Ventyx



Valuation
AUD 65 500 000
GLA – 9 125m²

WALE
7.10 years
Occupancy
100%

Purchase price
65 500 000
Purchase yield
8.33%



21-23 Solent Circuit Baulkham Hills NSW

Major tenant | Clarendon Homes



Valuation
AUD 39 000 000
GLA – 10 835m²

WALE
5.50 years
Occupancy
92% (after new
lease signed on
vacant space)

Purchase price
38 915 000
Purchase yield
7.77% (now 8.42%
after new lease signed
on vacant space)

Property features (continued)



30-48 Kellar Street Berrinba VIC
Major tenant | HJ Langdon



Valuation
AUD 8 200 000
GLA – 4 102m²

WALE: 4.60 years
Occupancy: 100%

Purchase price: 8 200 000
Purchase yield: 8.30%



165 Newton Road Wetherill Park NSW
Major tenant | Horan Steel



Valuation
AUD 18 500 000
GLA – 12 529m²

WALE: 10.80 years
Occupancy: 100%

Purchase price: 18 500 000
Purchase yield: 7.90%



67 Calarco Drive Derrimut VIC
Major tenant | Groundmaster Engineering



Valuation
AUD 8 100 000
GLA – 7 149m²

WALE: 7.50 years
Occupancy: 100%

Purchase price: 8 100 000
Purchase yield: 7.70%



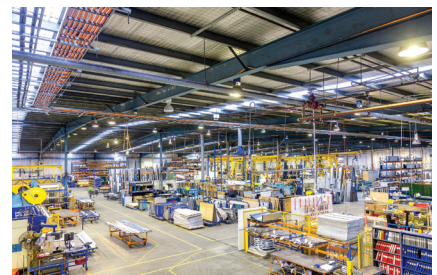
186 Reed Street Greenway ACT
Major tenant | Department of Human Services



Valuation
AUD 26 500 000
GLA – 5 407m²

WALE: 7.90 years
Occupancy: 100%

Purchase price: 25 805 000
Purchase yield: 7.84%



66 Glendenning Road Glendenning NSW (acquired post year end)
Major tenant | McAlpine Hussman



Valuation
 AUD 19 170 000
GLA – 16 461m²

WALE
 4.60 years
Occupancy
 100%

Purchase price
 19 170 000
Purchase yield
 7.66%



24 Spit Island Close Newcastle NSW
Major tenant | Horan Steel



Valuation
 AUD 8 350 000
GLA – 5 258m²

WALE
 5.60 years
Occupancy
 100%

Purchase price
 8 350 000
Purchase yield
 8.00%

Property portfolio

Property	Address	State	Grade	Tenancy M/S*	GLA	GLA	Effective date of acquisition
					31 March 2014 m ²	31 March 2015 m ²	
Industrial portfolio							
48 Hawkins Crescent	Ipswich	QLD	A	S	2 045	2 045	21-Dec-12
47 Sawmill Circuit	Hume	ACT	A	S	5 535	5 535	21-Dec-12
57 Sawmill Circuit	Hume	ACT	A	S	7 079	7 079	21-Dec-12
24 Sawmill Circuit	Hume	ACT	A	S	6 300	6 300	21-Dec-12
44 Sawmill Circuit	Hume	ACT	A	S	4 639	4 639	21-Dec-12
2 – 8 Mirage Road	Direk	SA	A	S	6 783	6 783	21-Dec-12
30 – 48 Kellar Street	Berrinba	QLD	A	S	–	4 102	31-Oct-14
165 Newton Road	Wetherill Park	NSW	B	S	–	12 529	10-Dec-14
24 Spit Island Close	Newcastle	NSW	A	S	–	5 258	10-Dec-14
67 Calarco Drive	Derrimut	VIC	A	S	–	7 149	24-Dec-14
Office portfolio							
449 Punt Road	Cremorne	VIC	A	M	6 383	6 384	25-Oct-13
35 – 49 Elizabeth Street	Richmond	VIC	A	M	11 917	11 917	25-Oct-13
Building 20, 2404 Logan Road	Eight Mile Plains	QLD	A	M	3 568	3 571	07-Mar-14
186 Reed Street	Greenway	ACT	A	S	–	5 407	15-May-14
757 Ann Street	Fortitude Valley	QLD	A	M	–	9 125	11-Nov-14
21 – 23 Solent Circuit	Baulkham Hills	NSW	A	M	–	10 835	31-Mar-15
Total					54 249	108 658	

* Multi- or single-tenanted.

Note: Excludes the Glendenning acquisition

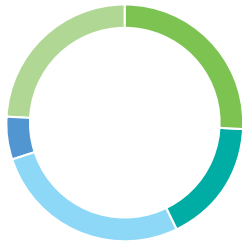
Carrying value (fair value/ directors' valuation) 31 March 2014 AUD	Disposals to 31 March 2015 AUD	Additions at cost year to 31 March 2015 AUD	Total capitalised costs period to 31 March 2015 AUD	Revaluation (impairment) 31 March 2015 AUD	Carrying value (fair value/ directors' valuation) 31 March 2015 AUD	Valuation per m ² to 31 March 2015 AUD	Average gross rental per m ² (excluding parking) 31 March 2015 AUD	Occupancy rate 31 March 2014	Occupancy rate 31 March 2015
3 560 000	-	-	-	20 000	3 580 000	1 751	165	100%	100%
9 600 000	-	-	-	800 000	10 400 000	1 879	135	100%	100%
8 750 000	-	-	-	350 000	9 100 000	1 285	108	100%	100%
9 000 000	-	-	-	400 000	9 400 000	1 492	121	100%	100%
9 100 000	-	-	-	400 000	9 500 000	2 048	189	100%	100%
9 100 000	-	-	-	900 000	10 000 000	1 474	126	100%	100%
-	-	8 200 000	533 147	(533 147)	8 200 000	1 999	170	-	100%
-	-	18 500 000	1 062 001	(1 062 001)	18 500 000	1 477	116	-	100%
-	-	8 350 000	504 070	(504 070)	8 350 000	1 588	123	-	100%
-	-	8 100 000	484 552	(484 552)	8 100 000	1 133	87	-	100%
29 800 000	-	-	-	4 200 000	34 000 000	5 326	428	100%	100%
54 500 000	-	-	-	6 500 000	61 000 000	5 119	406	100%	100%
20 954 000	-	-	-	46 000	21 000 000	5 881	502	100%	100%
-	-	25 805 000	1 460 002	(765 002)	26 500 000	4 901	444	-	100%
-	-	65 500 000	4 066 596	(4 066 596)	65 500 000	7 178	600	-	100%
-	-	38 915 306	2 186 911	(2 102 217)	39 000 000	3 599	291	-	85%
154 364 000	-	173 370 306	10 297 279	4 098 415	342 130 000	3 149	259	100%	98.5%

Property portfolio (continued)

Geographic spread

The Fund has a well diversified geographic spread and will continue to invest in properties that are well located in major metropolitan cities and established commercial precincts.

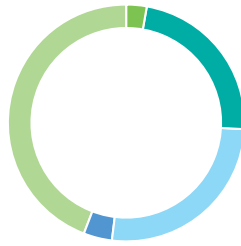
Geographic spread by GLA



31 March 2015

NSW	26%
QLD	17%
ACT	27%
SA	6%
VIC	24%

Geographic spread by income



31 March 2015

NSW	3%
QLD	23%
ACT	26%
SA	4%
VIC	44%

Sectoral spread

The Fund's sectoral exposure is mixed between office and industrial. The Fund will consider investments in retail; however no opportunities to date have met the investment profile of the Fund.

Sectoral spread by GLA



31 March 2015

Office	43%
Industrial	57%

Sectoral spread by income

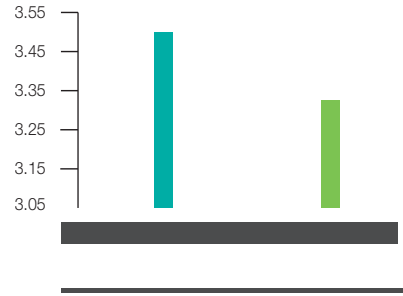


31 March 2015

Office	73%
Industrial	27%

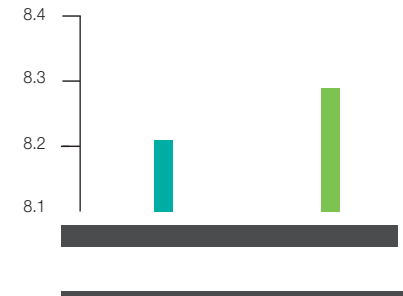
Weighted average rent escalations (GLA)

Percentage



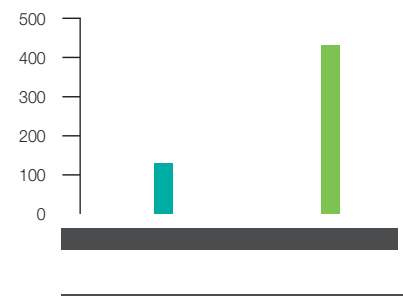
Weighted average annualised property yields (GLA)

Percentage



Weighted average rental per square metre (GLA)

AUD



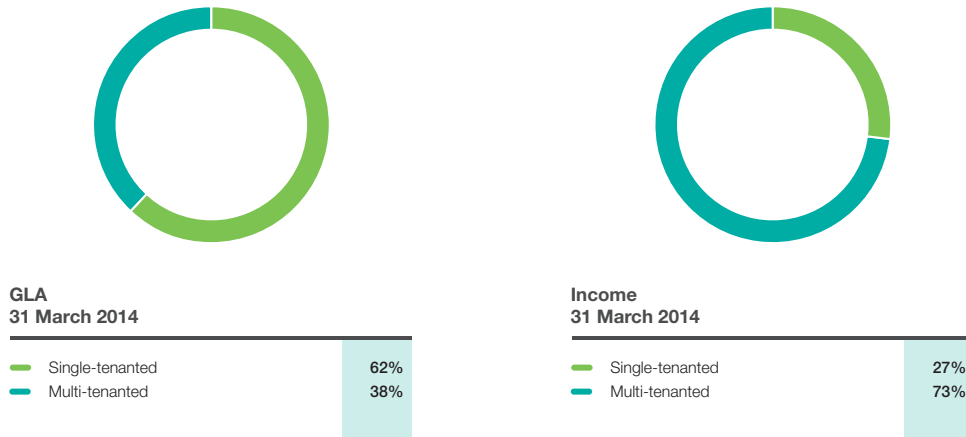
● Industrial
● Office

Property portfolio (continued)

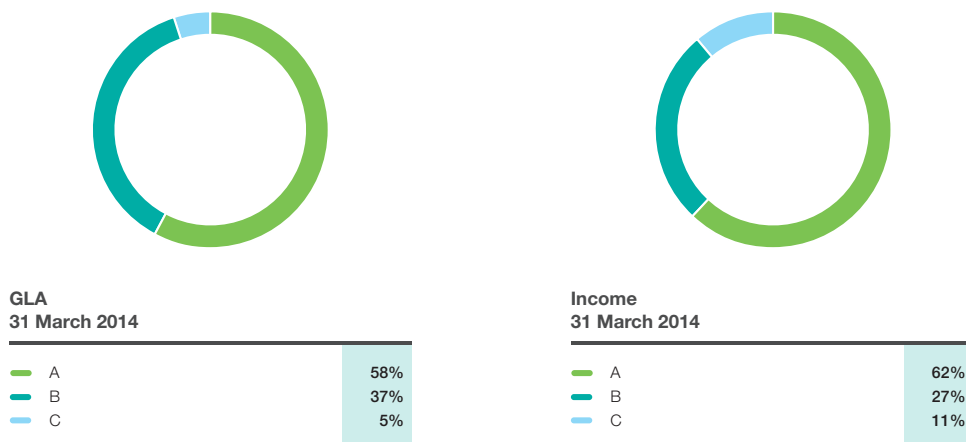
Tenant profile

The Fund has a high profile tenant base with 89% of the portfolio comprising of listed or national tenants. The Fund also has 62% of the portfolio represented by single tenant users.

Single vs multi-tenanted



Tenant grading



For the graphs above the following key is applicable:

- A Large national tenants, large listed tenants, government and major franchises.
- B National tenants, listed tenants, franchisees and medium to large professional firms.
- C All other tenants that do not fall into either of the other two categories



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Executive reports



The board of directors of IPL, the responsible entity of the Fund, is pleased to announce a full year distribution of 8.18 cents per unit pre-withholding tax (2014: 7.60 cpu annualised), representing growth for the full year of 7.6%.

Distribution per unit pre WHT

2015	2014
8.18	7.60*

Distribution per unit post WHT

2015	2014
7.88	7.10*

Cost to income ratio

2015	2014
13.2%	14.8%

Gearing

2015	2014
28%**	14%

* Annualised

** Post the Glendenning acquisition (valued at AUD19.2 mn)



The Fund is also reporting a post-withholding tax full year distribution of 7.88 cents per unit, representing growth for the full year of 11.0%

post-withholding tax. The effective rate of withholding tax on the distribution has been impacted by the antecedent distribution (which is not subject to withholding tax) and one off tax deductions which are not expected to be repeated in future years. The normalised distribution per unit post-withholding tax without the effect of these one off items would have been approximately 7.73 cents per unit representing normalized growth of 8.8% post-withholding tax.

These results are supported by the performance of the base portfolio and the underlying property fundamentals of acquisitions made during the year.

Portfolio growth

During the year the Fund completed AUD183.7 mn of property acquisitions and has completed a further AUD21.5 mn acquisition post year end, increasing the portfolio value by 122% for the year and 2.8 times since listing in October 2013.

The acquisitions comprise a mix of high quality office and industrial properties which are well located and have strong tenant covenants. They also reflect management's strategic focus and ability to unlock off-market transactions through the Investec network in a very competitive market.

Balance sheet strength

The Fund's balance sheet continues to provide the capacity to grow and to take

Asset and gearing growth



advantage of opportunities. The Fund has continued to review its fixed borrowing costs and has taken advantage of falling interest rates in Australia by locking in lower forward rates during the year. The Fund has also improved its borrowing facility in terms of pricing and tenor.

During the year, the Fund was successful in raising AUD122 mn of equity by way of a rights offer that was oversubscribed, the proceeds of which were used to fund the Ann Street acquisition and to retire debt. This gave the Fund significant capacity to grow. 77% of this capacity has already been deployed.

Governance

As set out on pages 21 to 24 in this report, the board and management are committed to upholding the requirements of disclosure and transparency prescribed by applicable regulations and statutes, including the JSE listings requirements, and the King Code of Governance Principles for South Africa.

The Fund is a registered Managed Investment Scheme under the Corporations Act 2001 of Australia and is operated by IPL as responsible entity. Under Australian law the responsible entity has the primary responsibility for the governance and operation of the Fund and is statutorily obliged to act in the best interest of unitholders. IPL has entered into the management agreement with IPML, under which IPML performs asset management and property management services for the Fund.

Sustainability

The board acknowledges its responsibility to its stakeholders, the environment and the community at large and consistently focuses on continual improvement of our business and environmental sustainability. During the year, management has undertaken a number of initiatives to improve the energy efficiency and environmental impact of the Fund's properties. The Fund has recorded improvements in the NABERS ratings of its office buildings. Refer to page 29 for further details on sustainability.

Changes to the board of IPL

In July 2014, unitholders were informed of the unfortunate and untimely passing of Michael Crawford. Michael was an independent non-executive director of IPL and a member of the Audit and Risk Committee. Michael made an invaluable contribution to the board and board committees of IPL and to the listing and initial growth phase of the Fund.

Sam Hackner resigned as a non-executive director of IPL effective 7 July 2014.

Stephen Koseff was appointed as a non-executive director of IPL effective 7 July 2014. As the Chief Executive Officer of the Investec Group, Stephen brings a wealth of knowledge and experience to the IPL board.

Hugh Martin was appointed as an independent non-executive director of IPL effective 30 September 2014. He is also a member of the Audit and Risk Committee. Hugh has a wealth of experience in the Australian finance and property industries.

Prospects

The FY 2015 results reflect the positive outcome of the successful execution of the Fund's strategy to date. The Fund is well positioned to continue with the execution of its strategy to deliver long term sustainable income and capital growth through the acquisition and efficient management of quality properties and conservative yet proactive balance sheet and interest rate management.

The board of IPL is therefore pleased to have announced expected distribution growth in FY 2016 of between 10% and 12% pre-withholding tax. The lower end of this guidance assumes no change in the current property portfolio and a gearing level of 30%. The upper end of this guidance assumes further deployment of gearing capacity during FY 2016 into similar yielding assets. The Fund currently has AUD67.0 mn of gearing capacity up to 40% gearing to deploy into new acquisitions.

This forecast is based on the assumption that the macro-economic environment will not deteriorate markedly, no tenant failures will occur and budgeted renewals will be concluded. Budgeted rental income was based on in force leases, contractual escalations and market-related renewals.

Funding costs

2015	2014
4.15%	4.69%

Weighted average debt expiry

2015	2014
4.8 years	2.0 years

Weighted average swap expiry

2015	2014
5.5 years	1.9 years

Hedged position

2015	2014
100%	100%

Acknowledgements

My appreciation is extended to the board of IPL for their commitment, support and active contribution to the significant growth of the Fund in the last 12 months. I would also like to thank the members of the management team who have been fundamental to the strong performance of the Fund.

Thank you for your support of the Fund.

Richard Longes
CHAIRMAN

Chief executive officer's report

In a year in which the total portfolio grew 122%, increasing the portfolio 2.8x since listing, the Fund also grew distributions by 7.6%.



Introduction

I am pleased to report that the Fund has delivered strong results for the year ended 31 March 2015, arising from the successful implementation of the strategy outlined at listing, namely:

- Acquiring quality real estate, backed by solid property fundamentals:
 - good location, strong tenant covenants, contractual escalations, new or near new buildings or limited capital expenditure requirements with attractive depreciation shields
- Deploying the gearing capacity from the listing and subsequent equity capital raised quickly and effectively, by accessing off-market transactions and benefiting from the positive spread between property yields and cost of debt
- Locking in near all-time low interest and credit spreads through conservative and effective balance sheet and interest rate management.

The Fund has established a strong property platform for future growth with a long dated lease expiry profile, low vacancies and good quality tenants.

The Fund has an attractive pipeline of acquisition opportunities which are expected to be earnings accretive and will compliment the existing property portfolio.

Management is focused on its core philosophy of hands on property management and efficient management of the Fund's balance sheet. This ensures that the Fund has a stable platform to aggressively grow when new investment opportunities present.

Australian property landscape

The Australian property market continues to be characterised by strong investor demand, which has impacted pricing. The leasing market has improved across the broader market, which has had a positive impact on rents and incentives.

Yields continue to compress as a result of sustained capital flow into real estate markets and the sustained low interest rate environment. This has been driven by local superannuation funds, offshore pension funds, sovereign wealth funds and high net worth individuals.

In this environment there are still opportunities for the Fund. Yields are still attractive relative to the cost of debt. The Fund has been able to buy quality office and industrial buildings at yields of between 7%-8% with all-in funding costs of 4.15%. This locks in a positive yield spread in excess of 3%, which is still a unique and attractive dynamic in Australia versus other global property markets.

The Fund is well capitalised and well positioned to continue to grow its asset base. Opportunities continue to be sourced through long term relationships within Investec's extensive network. The Fund has also mitigated any short term weakness in tenant demand through investment in assets with good quality tenants and long lease terms.

Operational KPIs*

Number of properties

2015	2014
17	9

Property portfolio

2015	2014
AUD	AUD
361mn	154mn

Gross lettable area

2015	2014
125 118m ²	54 249m ²

Weighted average lease expiry (by income)

2015	2014
6.4 years	7.3 years

* Post the Glendenning acquisition (valued at AUD19.2 mn)

Operational KPIs*

Financial results

The Fund delivered strong financial results for the year in terms of distribution growth and net asset value (NAV) growth.

For the full year the Fund delivered 7.6% distribution growth pre-withholding tax and 11.0% distribution growth post-withholding tax.

The Fund's average level of gearing during the year was 17.4% (2014: 2.9%), which when combined with the spread of property yields over cost of debt of approximately

3% – 4%, has contributed to the full year growth.

The Fund also recorded good asset value growth on the back of strong revaluations across the portfolio (7.8% uplift year on year). This, along with the strong performance of the property portfolio as a whole, has translated into NAV growth of 8.7% year on year and 9.7% since listing, pre-transaction costs. The NAV growth post transaction costs (largely stamp duty of approximately 5.5% of transaction value) is diluted to 3.4% due to the extent of acquisitive growth that the Fund has experienced.

Weighted average escalations

2015	2014
3.4%	3.5%

Occupancy rate

2015	2014
98.7%	99.5%

Units in issue

2015	2014
246 581 298	134 685 000

Net asset value bridge



Operational performance

The Fund has had an active year and continued its strategy of growing the portfolio through the acquisition of quality long-term income-producing assets. The Fund's mandate remains to invest in office, industrial and retail properties for the generation of net property income for distribution to unitholders and to achieve income and capital growth over time.

To date the Fund's activities have been focused on the office and industrial sectors.

The strong result for the year is attributable to the strength of the Fund's real estate fundamentals and tight operational controls. These are reflected in the following key performance indicators:

- Occupancy across the portfolio of 98.7%;

- No arrears;
- 89% of the portfolio is represented by large listed and national tenants;
- Weighted average lease expiry of 6.4 years;
- Contracted escalations across the portfolio of approximately 3.4%; and
- Cost to income ratio of 13.2%.

Chief executive officer's report (continued)

The Fund's properties are managed by a team of dedicated property specialists who focus on hands on active management of the properties and the tenants. Day to day management of the properties has been outsourced to CBRE and two other smaller managers, who provide facilities management, property management and property accounting services. IPML has set up a tight system of controls to ensure each property and tenant is appropriately managed. IPML has also bolstered the property management team to roll out a number of initiatives to reduce costs for our tenants. This is greatly appreciated by our tenants and should ultimately assist in retention.

Property portfolio

The Fund currently has a core portfolio of 17 quality well located properties with a combined value of AUD361.3 mn.

The base portfolio of AUD154 mn was bolstered by the integration of the AUD183.7 mn of acquisitions executed during the year and a further AUD21.5 mn post year end. This was achieved despite a highly competitive and sometimes aggressively priced market. This again points to the value add of the Investec network and networks of the management team and board.

The acquisitions have been funded by a combination of debt and equity and have been accretive to the Fund due to the current positive spread of property yields over the cost of debt.

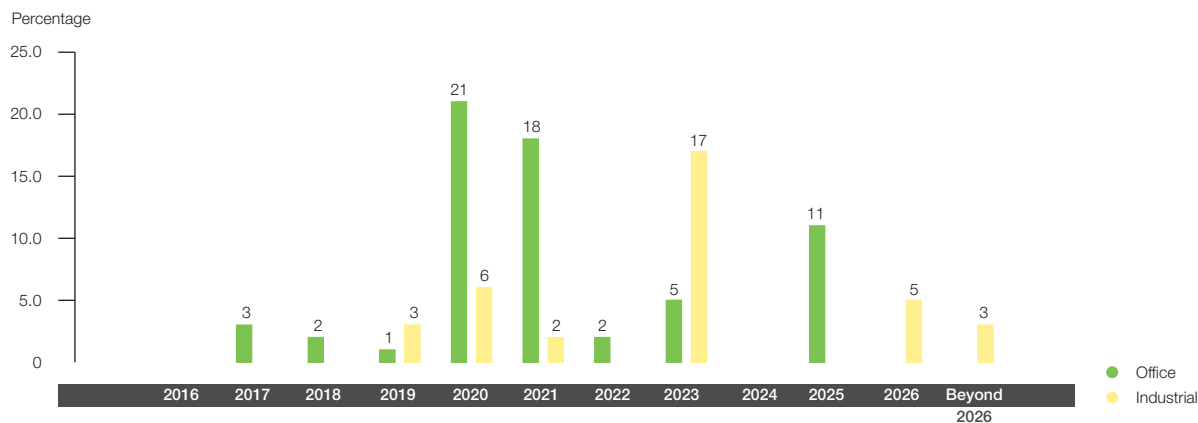
IPML will continue to leverage its network to source quality acquisition opportunities and will continue to actively manage the Fund's balance sheet to ensure the Fund is well positioned take advantage of these opportunities.

The Fund has a well diversified geographic spread and will continue to invest in properties that are well located in major metropolitan cities and established commercial precincts.

Property	State	Sector	Book value (AUD)	% of portfolio by value	Total area (m ²)	% of portfolio by area	Cap rate
Industrial portfolio							
48 Hawkins Crescent, Ipswich	QLD	Industrial	3 580 000	1.0	2 045	1.6	8.00%
47 Sawmill Circuit, Hume	ACT	Industrial	10 400 000	2.9	5 535	4.4	7.25%
57 Sawmill Circuit, Hume	ACT	Industrial	9 100 000	2.5	7 079	5.7	7.75%
24 Sawmill Circuit, Hume	ACT	Industrial	9 400 000	2.6	6 300	5.0	7.75%
44 Sawmill Circuit, Hume	ACT	Industrial	9 500 000	2.6	4 639	3.7	8.75%
2 – 8 Mirage Road, Direk	SA	Industrial	10 000 000	2.8	6 783	5.4	8.00%
Industrial assets acquired during the year							
30 – 48 Kellar Street, Berrinba	QLD	Industrial	8 200 000	2.3	4 102	3.3	8.34%*
165 Newton Road, Wetherill Park	NSW	Industrial	18 500 000	5.1	12 529	10.0	7.86%*
24 Spit Island Close, Newcastle	NSW	Industrial	8 350 000	2.3	5 258	4.2	8.04%*
67 Calarco Drive, Derrimut	VIC	Industrial	8 100 000	2.2	7 149	5.7	7.73%*
Office portfolio							
449 Punt Road, Cremorne	VIC	Office	34 000 000	9.4	6 384	5.1	7.50%
35 – 49 Elizabeth Street, Richmond	VIC	Office	61 000 000	16.9	11 917	9.5	7.50%
Building 20, 2404 Logan Road, Eight Mile Plains	QLD	Office	21 000 000	5.8	3 571	2.9	8.25%
Office assets acquired during the year							
186 Reed Street, Greenway	ACT	Office	26 500 000	7.4	5 407	4.3	7.84%*
757 Ann Street, Fortitude Valley	QLD	Office	65 500 000	18.1	9 125	7.3	8.34%*
21 – 23 Solent Circuit, Baulkham Hills	NSW	Office	39 000 000	10.8	10 835	8.7	7.77%*
Total at 31 March 2015			342 130 000		108 657		
Acquired subsequent to 31 March 2015							
66 Glendenning Road, Glendenning	NSW	Industrial	19 170 000	5.3	16 461	13.2	7.66%*
Total			361 300 000		125 118		

* Acquisition yield.

Lease expiry profile by sector



Balance sheet management and capital funding

Management has been active in balance sheet management.

On listing, and in a subsequent fully subscribed rights offer, the Fund has raised AUD234.2 mn of equity capital.

The Fund's balance sheet remains well positioned for growth with gearing currently at 28%, post the Glendenning acquisition. At the Fund's target gearing ratio of up to 40% this gives the Fund up to AUD67.0 mn in debt capacity to continue to aggressively pursue attractive acquisition opportunities.

The Fund has continued to review its fixed borrowing costs and has taken advantage of falling interest rates in Australia by locking in lower forward rates during the year. The Fund has renegotiated its debt facility,

increasing the tenure by 3 years to 5 years and simultaneously reducing the margin by 42.5bps to 1.275%. The Fund now has a long dated debt and swap maturity profile of 4.84 years and 5.52 years respectively and a current hedged position of 100%. The Fund has also achieved an all in cost of funding of 4.15% at a 100% hedged level – a 15% reduction of 64bps since listing.

Conclusion

The Fund's performance for the year was pleasing, having delivered strong distribution and NAV growth. In addition the Fund released strong guidance for FY 2016 distribution growth, of between 10% and 12% pre-withholding tax. The lower end of this guidance assumes no change in the current property portfolio and current gearing levels. The higher end of this guidance assumes further deployment of gearing capacity during FY2016 into similar yielding properties. The Fund is

well positioned to continue to deliver on its objectives of delivering long term growth in income and capital returns to its unitholders.

While the property market remains challenging with tightening yields and strong competition for assets, the Fund is well capitalised and well positioned to grow. Management's expertise and strong connections in the market will ensure the Fund is able to continue to grow its quality asset base and in turn the Fund's income.

I wish to thank all of our service providers, suppliers and tenants for their contributions to the success of the Fund. I would also like to thank our dedicated management team and the board of IPL for their invaluable contributions to our successful capital raising and growth during the year.

Directorate

Directors of the responsible entity

Non-executive directors

Richard Longes (70)

Chairman

Committees: Audit and Risk Committee

BA (Sydney University); LLB (Sydney University); MBA (University of NSW); Solicitor (non-practicing)

Richard has been a director of Investec Group companies in Australia since March 2001. Richard is currently chairman of Austbrokers Holdings Limited. He was a co-founder of Investec Wentworth (Pty) Ltd (formerly Wentworth Associates) and was previously a partner in the law firm, Freehills. He holds, or has held, positions with government advisory boards, including the review of the National Museum and the Funds Management Committee for the IIF programme, and non-profit organisations. Richard was previously chairman of MLC Limited and GPT Group and a non-executive director of Boral Limited.

Stephen Koseff (63)

BCom (Hons), Dip Acc, CA(SA)

Stephen is Chief Executive Officer of the Investec Group. Stephen has been with the Investec Group for 35 years in various capacities and has been in his current role as Chief Executive Officer since 1996. Stephen is a qualified Chartered Accountant and holds a Masters Degree in Business Administration and a Higher Diploma in Business Data Processing. In addition to his directorships of Investec Limited and Investec plc and various other Investec Group subsidiaries, he is a former Chairman and current non-executive director of the South African Banking Association. He is a former non-executive director of The Bidvest Group Limited and former director of the Johannesburg Stock Exchange, former member of the Financial Markets Advisory Board and former chairman of the Independent Bankers Association.

Sam Leon (64)

LLB (London)

Sam has over 38 years of experience across all sectors of the property industry with 24 years at Investec Property, firstly as a director, then managing director and currently as deputy chairman. He was a founder of the transformation of Growthpoint

into South Africa's largest listed property REIT and was a director until Investec sold its interests in October 2007. Sam was also a director of a specialist listed property fund Metboard Properties Limited, until it was sold to Growthpoint in April 2007, as well as a board member of SAPOA (the South African Property Industry body). He is also currently Deputy Chairman of Investec Property Fund a JSE listed REIT, having relinquished his role as CEO effective 31 March 2015 which position he held since the fund listed in April 2011 and a board member of the Investec GLL Global Special Opportunity Fund, a Luxembourg based Fund for Investment in global real estate.

Sally Herman (58)

Committees: Audit and Risk Committee (Chairperson)

BA (UNSW), GAICD

Sally has had a long career in financial services in both Australia and the US. In late 2010, she transitioned from an executive career to expand her non-executive portfolio. Prior to that, she had spent 16 years with the Westpac Group, running business units in most operating divisions of the Group, including the Institutional Bank, Wealth Management (BT Financial) and the Retail and Business Banking division. Sally is now a nonexecutive director and consultant, sitting on both for profit and not for profit boards and is actively involved in the community, with a particular interest in disability, education and the arts. Her commercial boards are in the property, financial services and retail sectors and include two publically listed companies, Premier Investments Limited and Breville Group Limited. Sally is also Chair of an independent girls school in Sydney.

Hugh Martin (67)

Committees: Audit and Risk Committee

Bachelor of Business, Finance and Accounting, CPA and MAICD

Hugh has enjoyed a successful career at director and senior executive level with over 30 years' experience in major institutions in the finance and property industry, internationally and locally. He started his career as an accountant in South Africa before relocating to Australia. Hugh was formerly an Executive Director of the Apartments Business of Lend Lease Limited. From 1997 to 2001, Hugh was CEO of the joint venture between Mirvac and Lend Lease for the development, construction and sale of the Olympic

Village, now known as the suburb of Newington in Sydney. Hugh has previously held senior executive positions as Finance Director of Baulderstone Hornibrook, Director of Property Investment with the State Authorities Superannuation Board of NSW (now Dexus), Managing Director of Leda Holdings, Chief General Manager of Homebush Bay Development Corporation, General Manager of Special Projects at Westfield Holdings Limited, Project Director for Lend Lease Group and National General Manager for the Apartments Development Division at Stockland Corporation. Hugh is now a non-executive director and Consultant and sits on both profit and non-profit boards.

Executive directors

Graeme Katz (51)

Chief Executive Officer

Bachelor of Social Science (Economics) Rhodes University; Industrial Relations Development Programme University of Stellenbosch Business School; Financial Planning Principles and Practice, Securities Institute.

Graeme joined the Investec Group to head up the Property team in Australia since 2006. Prior to that he was general manager of investment sales at Mirvac Group where he was the key person and responsible officer for the Mirvac real estate licence dealing with their registered and unregistered schemes. Graeme is a director of a number of companies within the Investec Group. He was previously a director of the Property Investors Association of Australia.

3

Corporate governance and risk management



Corporate governance

Code of corporate practice and conduct

The Fund and IPL (the Responsible Entity) are committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business and affairs.

The Responsible Entity is fully committed to the principles of the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa, 2009 (King Code), the JSE Listings Requirements and the Corporations Act 2001.

In so doing, the directors recognise the need to conduct the business of the Fund with integrity and provide effective leadership based on an ethical foundation. This includes timely, relevant and meaningful reporting to unitholders and other stakeholders providing a proper and objective perspective of the Fund and its activities, direct the strategy and operations of the Fund to build a sustainable business and consider short and long term impacts of the strategy on the economy, society and the environment. The Board ensures that the Fund is seen to be a responsible corporate citizen through the implementation of the corporate governance policies provided below.

The formal steps taken by the directors are summarised below.

1. Board of directors and board sub-committees

In terms of the JSE Listings Requirements, the minimum number of directors required is four. This is contrary to the Articles of the Responsible Entity, which allows for a minimum of three directors. The Board currently consists of six directors, one executive and five non-executive, of whom three directors are considered independent. This achieves compliance with the King Code as the majority of the Board comprises non-executive directors and the majority of non-executive directors are independent. The appointed non-executive directors, representing both South Africa and Australia, have a diverse and wide range of expertise, financial and commercial experience and property industry knowledge and other skills that enable them to bring independent

judgement to Board deliberations and decisions. The Board ensures that there is an appropriate balance of power and authority on the Board, such that no one individual or block of individuals can dominate the Board's decision making.

The Board continually strives to give strategic direction to the Fund for the benefit of its unitholders and has set values and ethical standards to which it will adhere in all aspects of managing the business of the Fund. The Board ensures that each director adheres to the duties of a director and will act in the best interests of unitholders. The Board is ultimately responsible for the day-to-day management of the Fund's business, strategy and key policies. The executive directors are employees of Investec Australia Limited (IAL) and via the Responsible Entity and Investec Property Management Pty Limited (Manager), are intimately involved in the day-to-day business activities of the Fund. They are responsible for ensuring that the decisions of the Board are implemented in accordance with the mandates given by the Board. The Board is also responsible for approving the Fund's financial objectives and targets and ensuring the integrity of financial reporting.

The Board has adopted a compliance plan (Compliance Plan), as required by the Corporations Act 2001, setting out its responsibilities for monitoring of operational performance and management of the Fund, determination of policy and processes to ensure the integrity of the Responsible Entity's risk management and internal controls, communication policy and evaluation of personnel.

The Board has appointed a CEO (Graeme Katz) and has established a framework for delegation of authority and ensures that the CEO's performance is evaluated against specified criteria. The positions of chairman and chief executive officer are separately held with a clear division of duties. The chairman (Richard Longes) is an independent non-executive director.

The information needs of the Board are reviewed annually and directors have unrestricted access to all company information, records, documents and property to enable them to discharge their responsibilities sufficiently. Efficient and timely methods of informing and briefing board members prior to board meetings has been developed and in this regard steps have been taken to identify and

monitor key risk areas, key performance areas and non-financial aspects relevant to the company. In this context, the directors are afforded information in respect of key performance indicators, variance reports and industry trends.

The Board has established an orientation programme to familiarise incoming directors with the Fund's operations, senior management and its business environment, and to inform them of their fiduciary duties and responsibilities. Directors have a working understanding of applicable laws. New directors with no or limited board experience will receive development and education to inform them of their duties, responsibilities, powers and potential liabilities. Per the Compliance Plan, performance review of all officers and employees of the Responsible Entity is conducted annually.

The Responsible Entity is appointed by unitholders. Members of the Board are appointed by the shareholder of the Responsible Entity, being Investec Australia Property Holdings Pty Limited. Appointments to the Board occur by way of resolution and are formal and transparent and a matter for the Board as a whole. Directors have been and will be nominated based on their competency, credibility, knowledge, experience, impact they are expected to have and time and attention they can devote to the role. Directors hold office until they die or are removed from office through a resolution by the shareholder of the Responsible Entity.

Directors may convene a meeting of the Board whenever a director thinks fit. Board meetings are held at least quarterly with additional meetings convened when circumstances necessitate. The Board has established and delegated certain functions to an Audit and Risk Committee, to give detailed attention to certain of its responsibilities which will operate within defined, written terms of reference. External advisors and executive directors who are not members of specific committees attend committee meetings by invitation, if deemed appropriate by the relevant committees.

The Board and individual directors have their overall performance reviewed periodically in order to identify areas for improvement in the discharge of individual director's and the Board's functions on an annual basis. This review will be undertaken by the chairman and, if so determined by the Board, an independent service provider.

Corporate governance (continued)

In respect of the directors that are only directors of the Responsible Entity and not employed within the Investec Group, a director may be employed in any other capacity in the Fund or as a director or employee of another entity that is controlled by a subsidiary of the Fund. In this event, their appointment and remuneration in respect of this other office will be determined by a disinterested quorum

of directors. This does not apply to the executive directors who are employed by IAL as their remuneration is determined by the Remuneration Committee of IAL and not by the directors.

Board meetings

The board meets at least four times annually. Seven board meetings were held during the reporting period.

The chairman is responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of meetings.

Directors		Independent	Board	Audit and risk committee
Richard Longes	Chairman and independent non-executive director	Yes	7 (7)	3 (4)
Stephen Koseff	Non-executive director (appointed 7 July 2014)	No	2 (4)	
Sam Leon	Non-executive director	No	7 (7)	
Graeme Katz	Executive director	No	7 (7)	
Sally Herman	Independent non-executive director	Yes	7 (7)	4 (4)
Hugh Martin	Independent non-executive director (appointed 30 September 2014)	Yes	3 (3)	2 (2)
Michael Crawford	Independent non-executive director (deceased 2 July 2014)	Yes	2 (2)	2 (2)
Sam Hackner	Non-executive director (resigned 7 July 2014)	Yes	0 (3)	

2. Terms of employment of directors

The directors who are employees or directors of IAL or another entity within the Investec Group are not remunerated for their services as directors of the Responsible Entity. A disinterested quorum of directors determine the remuneration of the non-executive directors, which is limited to the re-imbursment of reasonable expenses incurred by such person for purposes of attending Board meetings and the appropriate director's fees.

The directors have been appointed by way of an engagement letter and no service contract has been concluded with them. The termination of their employment will therefore be subject to the relevant notice period as determined by any applicable labour law from time to time. The directors are appointed for indefinite periods subject to applicable law and the provisions of the Responsible Entity's Articles. Directors hold office until they die or are removed from office through a resolution by the shareholder of the Responsible Entity.

Directors have an obligation to attend and to actively participate in meetings of the Board and Board committees on which they serve, to spend the time required and to meet as frequently as necessary to discharge their duties and responsibilities with due care. They are also expected to attend the annual general meeting of unitholders.

3. Company secretary of the Responsible Entity

The Board is satisfied that a suitably qualified, competent and experienced company secretary (Paul Lam-Po-Tang) has been appointed and is appropriately empowered to fulfill duties with regards to assistance to the Board. In arriving at this appointment, the directors evaluated Mr Lam-Po-Tang's qualifications and experience.

The company secretary together with the Fund's Sponsors provide the Board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the Fund. The company secretary provides a central source of guidance and advice to the Board, and within the Fund, on matters of ethics and good corporate governance and will assist with the appointment of directors. The company secretary, together with the assistance of the Fund's Sponsors, ensures that the Fund complies with applicable laws and JSE Listings Requirements. In addition, the company secretary, together with the Fund's Sponsors, will be subjected to an annual evaluation by the Board. Directors have access to the services and advice of the company secretary. The company secretary is not a director of the Responsible Entity and has an arm's length relationship with the Board, who can also remove him from office.

4. Audit and Risk Committee

The Audit and Risk Committee is comprised of three independent non-executive directors as set out below:

- Sally Herman, independent non-executive director (chairperson);
- Hugh Martin, independent non-executive director; and
- Richard Longes, independent non-executive director.

All members of the Audit and Risk Committee are financially literate. The committee's primary objective is to provide the Board with additional assurance regarding the efficacy and reliability of the financial information used by the directors, to assist them in the discharge of their duties. The committee is required to provide satisfaction to the Board that adequate and appropriate financial and operating controls are in place, that significant business, financial and other risks have been identified and are suitably managed, and that satisfactory standards of governance, reporting and compliance are in operation.

Furthermore, the Audit and Risk Committee has general oversight over and report on the sustainability issues, reviews the integrated report to ensure that the information contained therein is reliable and does not contradict the financial aspects of

the report. The Audit and Risk Committee reviews the content of the Fund's results and engages external auditors to provide assurance on the summarised financial information.

Within this context, the Board is responsible for the Fund's systems of internal, financial and operational control. The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation will be performed by external practitioners, whose work will be overseen by the Manager and reported to the Audit and Risk Committee.

The Audit and Risk Committee has considered and satisfied itself as to the appropriateness of the expertise and experience of the financial function being the chief financial officer, Jason Sandler.

The Audit and Risk Committee has nominated the external auditor for appointment and has approved the terms of engagement and remuneration for the external audit engagement. KPMG has been appointed as external auditors of the Fund.

As the Fund is a registered Managed Investment Scheme under the Corporations Act 2001 it has Australian reporting obligations. The Fund is required to lodge audited financial statements with ASIC. KPMG Australia have been appointed to perform the audit over the Australian audited financial statements.

KPMG Inc. in South Africa have been appointed to perform the audit over the South African audited financial statements which are required to be lodged with the JSE.

The Audit and Risk Committee meets at least two times a year. Executives of the Responsible Entity and the Manager with financial expertise are also in attendance. The committee also meets with the external auditors, KPMG, outside of meetings, as frequently as is necessary.

The Audit and Risk Committee will report at the Fund's annual general meeting and in the annual report how it has discharged its duties during the relevant financial year.

5. Remuneration committee

A Remuneration committee is not required given that the Fund has no employees. The executive directors are employees of and paid by IAL and will not be remunerated for their services as directors of the Fund. The Board determines the remuneration of the non-executive directors.

6. Investment committee

The Board has not appointed a separate Investment Committee as this function is performed by the Board.

The Board's role is to consider investments proposals put forward by the Manager and develop appropriate investment strategies and guidelines to ensure that IAPF's investments are in line with its investment policy and overall strategy and vision. The Board considers acquisitions and disposal of assets in line with the Fund's overall strategy, ensures appropriate investment of unitholder funds, effects disposals within approved investment policy and authority limits and ensures that appropriate due diligence procedures are followed when acquiring or disposing of assets.

7. Risk management and internal control systems

The objective of risk management is to identify, assess, manage and monitor the risks to which the Fund is exposed, including but not limited to information technology risk. It is the responsibility of the Board, through the Audit and Risk Committee, to determine policies and processes to ensure the integrity of the Fund's risk management and internal controls. The Fund has outsourced the asset management and property management services to the Manager who is responsible for the implementation of risk management and internal control processes on a continual basis subject to oversight of the Audit and Risk Committee. The Audit and Risk Committee participates in management's process of setting risk tolerance levels, formulating and implementing the risk management plan and reports on the plan adopted by management to the Board.

With assistance from the Manager (or if considered appropriate, expert risk consultants), risks are assessed and appropriate insurance cover purchased for all material risks above pre-determined self-insured limits. Levels of cover are re-assessed annually in light of claims experiences and events affecting the Fund, internally and externally.

To enable the directors to meet these responsibilities, the Audit and Risk Committee has set standards and implemented, through the Manager, systems of internal control and an effective risk-based internal audit, comprising policies, procedures, operational systems and information to assist in:

- safeguarding of assets and reducing risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting;
- the timely preparation of reliable financial statements and information in compliance with relevant legislation; and
- increasing the probability of anticipating unpredictable risk.

The Board ensures that management considers and implements the appropriate risk responses and information technology strategy.

8. Directors' dealings and professional advice



The directors' report as set out on pages 34 – 36 contains details of units in the Fund held by directors of the Responsible Entity.

The Fund operates a policy incorporating the terms of the JSE Listings Requirements and the Corporations Act 2001 of prohibiting dealings by directors and employees of the Responsible Entity and Manager in periods preceding the announcement of its interim and year-end financial results and at any other time deemed necessary by the Board.

The Board has established a procedure for directors, in furtherance of their duties, to take independent professional advice, if necessary, at the Fund's expense. All directors will have access to the advice and services of the company secretary.

9. Communication

The Manager maintains contact regularly with institutional unitholders, private investors and investment analysts, and provides presentations on the Fund and its performance.

The Board appreciates that unitholder perceptions affect the Fund's reputation and in this regard has established policies for the engagement of all the Fund's stakeholders, particular in light of the Australian domiciled nature of the Fund. The Board encourages unitholders to attend annual general meetings.

10. Integrated reporting

The Fund reports to its unitholders at least annually by preparing an annual report that includes reviews of the Fund, together with a detailed review of the financial results and financing positions. In this way the Board seeks to present a balanced and understandable assessment of the Fund's position and prospects.

The Manager is responsible for establishing comprehensive management reporting disciplines in respect of the Fund, which include the preparation of management accounts, detailed budgets and forecasts.

Sustainability reporting and disclosure is integrated with the Fund's financial reporting. The Board ensures the integrity of the Fund's integrated report.

11. Business rescue

The Board will consider business rescue proceedings or other turn-around mechanisms if the Fund becomes financially distressed. In this regard the Board will ensure the Fund's solvency and liquidity is continuously monitored, a suitable practitioner will be appointed in the event that business rescue is adopted and the practitioner will be required to provide security for the value of the assets of the Fund.

12. King Code

While it is not a strict requirement in terms of Australian corporate law, the Fund has resolved as a business philosophy to adopt and pursue the principles prescribed by the King Code report to the extent feasible, given the unique nature of the Fund in a South African context.



The majority of the principles of King Code are being applied and this is evidenced in the various sections of this report, including pages 69 – 74 where a full checklist of our level of compliance with King Code can be found.

Risk management

Risk management

The board of the Responsible Entity is responsible for the entire risk management process and the systems of internal control. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls. The audit and risk committee, accountable to the board, is responsible for establishing, reviewing and monitoring the process of risk management.

Philosophy and approach

The Responsible Entity's comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with the business. Risk awareness, control and compliance are embedded in all our day-to-day activities. We

monitor and control risk exposure through operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business. Risk management objectives are to:

- Be the custodian of our risk management culture
- Ensure the business operates within the board stated risk appetite
- Support long-term sustainability by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk
- Set, approve and monitor adherence to risk parameters and limits and ensure they are implemented and adhered to consistently

- Aggregate and monitor our exposure across risk classes
- Coordinate risk management activities across the business
- Give the board reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled
- Establish appropriate risk committees, as mandated by the board.

The following risks, which may result in reduction of earnings and/or loss of value should they materialise, are of primary importance:

Risk	Impact	Mitigation
Failure to identify and/or execute property acquisitions	Growth and distribution targets not met	<ul style="list-style-type: none"> • Management actively seeking investment opportunities through Investec's extensive contact base and through on market campaigns • The Fund is well capitalised to take advantage of investment opportunities when they present • The team has a strong track record of successfully executing property transactions.
Operational risk due to inadequate or failed internal processes	Loss or volatility of earnings	<ul style="list-style-type: none"> • Promotion of appropriate and relevant operational risk management practices • Audit and Risk Committee regular review.
Business continuity risk	Loss of important management information, delays in billing and collections in revenue or payment of expenditure resulting in client queries and inaccurate expenses	<ul style="list-style-type: none"> • The Manager forms part of the Investec global business continuity management capability. This focuses on building an appropriate level of resilience into Investec's operations to mitigate the risk of severe operational disruptions occurring. Information security is a key area of focus. Regular testing exercises are conducted annually, to ensure that the recovery capability remains appropriate • The property management process is sub-contracted to CBRE, Maxiserv and Norwest Commercial and Industrial Real Estate, who adopt a similar process to mitigate the risk of operational disruptions at its business. The Fund has confirmed these processes with these service providers.
Interest rate risk	Movements in interest rates will result in increased borrowing costs, and hence reducing the distributable earnings	<ul style="list-style-type: none"> • Currently 100% of the borrowings are hedged by interest rate swaps • Monitoring of the costs of borrowings, and restructuring the borrowings whenever appropriate.

Risk management (continued)

Risk	Impact	Mitigation
Liquidity risk	Inability to take advantage of investment opportunities and thus reducing the distributable earnings	<ul style="list-style-type: none"> • Manage cash flows and monitor the liquidity needs via accurate forecasts of cash requirements • Manage the debt maturity profile.
Investment risk	<ul style="list-style-type: none"> • Buying properties at prices above market • Capital erosion • Reduction of distributable earnings. 	<ul style="list-style-type: none"> • Board reviews and approves all investments with reference to external valuations and internal forecasts • Detailed due diligence process • Ensuring a conservative approach seeking to acquire properties that offer good value with consistent and reliable income streams.
Poor service from the property managers	<ul style="list-style-type: none"> • Tenant dissatisfaction • Poor financial reporting. 	<ul style="list-style-type: none"> • Service level agreements with the property managers outlining minimum service levels expected • Constant and open communication with the property managers to ensure their goals are aligned with those of the Fund • Review of all outputs from property managers • Communication with tenants to identify any deficiencies in the quality of service.
Vacancies	<ul style="list-style-type: none"> • Loss of revenue • Decreased distributable earnings. 	<ul style="list-style-type: none"> • Monitoring of expiry profile • Active leasing campaigns on vacant space or short-dated expiries.
Lease expiries concentrated in a single period	<ul style="list-style-type: none"> • Erosion of rental income and increases in property holding costs • Increases in incentives and leasing commissions. 	<ul style="list-style-type: none"> • Monitoring of the lease expiry profiles • Concentration of management on tenant retention and renewals • Dedicated team of external agents focused on securing long-term leases.
Reputational risk and conflicts of interest	<ul style="list-style-type: none"> • Reputation tarnished and return to unitholders reduced • Investments inappropriate due to conflicts of interests. 	<ul style="list-style-type: none"> • Board of directors committed to integrity and honesty • Board approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy • Related party protocol in place.
Property damage or destruction risk	Unforeseen damage to properties could increase expenses and thus reduce the distributable earnings.	<ul style="list-style-type: none"> • The Manager maintains adequate insurance to cover key insurable risks of the Fund.

Risk management (continued)

Risk	Impact	Mitigation
Regulatory and compliance risk	Potential non-compliance with any regulatory requirements may result in reputational risk and possible penalties.	<ul style="list-style-type: none"> • The board members endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust • The Investec group compliance and group legal functions ensure that the Fund and the Manager continuously comply with existing and emerging regulations that impacts on its operations.
Information security risk	Leaks of information could result in reputation risk and loss of clients.	<ul style="list-style-type: none"> • Strong controls are in place over information systems and data management • Group ERM focus on ensuring confidentiality, integrity and integrity of information.

Internal audit

The Investec Group internal audit function is engaged to perform the internal assurance function for the Fund. A risk-based audit approach is followed and the audit and risk committee approves audit plans. The head of internal audit reports back to the chairman of the audit and risk committee and the CFO. Internal audit conducts a formal risk assessment of the Fund periodically to formulate a comprehensive risk-based audit plan. The assessment and programme are validated by executive management and approved by the audit committee. As the Fund was not in the Investec Group internal audit plan this year no internal audit has been completed. The first internal audit will take place during the forthcoming financial year.

Internal audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The audit plan is reviewed to ensure it remains relevant and responsive, given changes in the operating environment.

External audit

KPMG are the auditors of the Fund. The independence of the external auditor is reviewed by the audit and risk committee each year. The audit and risk committee

meets with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters. The external auditors are invited to attend audit and risk committee meetings and have access to the chairperson of the audit committee.

Compliance

The Fund endeavours to comply with the highest professional standards of integrity and behaviour, always keeping the interests of our tenants and unitholders at the forefront of the corporate agenda. We also seek to establish high standards of compliance practice to build trust and promote the quality of service to our colleagues and clients.

Compliance risk is managed through internal policies and procedures, which include legal, regulatory and operational requirements relevant to the business. In addition to monitoring compliance with the provisions prescribed by the respective regulatory authorities, key compliance functions include ensuring that the business is not being used for money laundering, terrorist financing or market abuse, that tenants are fairly treated and afforded the necessary consumer protections and that conflicts of interests are adequately identified and managed.

Our stakeholders

Communication, public disclosure obligations and stakeholder relations

The Board recognises that effective communication is integral to building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders. The aim is to enable stakeholders to make meaningful assessments and informed investment decisions about the Fund.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters

of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

We comply with the disclosure obligations contained in the JSE Listings Requirements and with any public disclosure obligations required by the regulators. We also comply with disclosure requirements under the Corporations Act 2001.

The key stakeholders in the Fund include:

- Unitholders
- Government
- Regulatory bodies in South Africa and Australia
- Tenants
- Suppliers
- The media
- Communities
- Industry equity and debt analysts.

Goal

Processes to ensure compliance with public disclosure

To comply with the disclosure obligations contained in the applicable JSE listings requirements

- Significant announcements are released directly to the market primarily via the services offered by the JSE. Documents are also published on our website
- Maintenance of a comprehensive investor relations component to the Fund's website
- Executive management meet with the key unitholders at least twice a year, after the release of interim and year-end results
- Unitholders are encouraged to attend the annual general meeting and to raise issues and participate in discussions
- The chairperson of the audit and risk committee as well as the chairman attend the annual general meeting to respond to relevant questions
- All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all unitholders
- Separate resolutions are posed on each substantially separate issue and resolutions are not bundled together inappropriately
- The chairperson and the non-executive directors are committed to communicating with unitholder representative bodies, to help develop a balanced understanding of their issues and concerns.

Sustainability report

Sustainable future

The Fund is committed to sustainability and driving improvements in the way buildings are leased, managed and occupied. Our key objectives are to:

1. provide energy-efficient buildings that reduce operating costs and increase customer profitability;
2. meet and exceed recognised sustainable development standards to deliver projects that enable more efficient customer operations; and
3. engage customers to reduce energy, water and waste in ways that enhance profitability and reduce our environmental footprint.

Environmental initiatives that we implemented during the year include:

- **Recycling**
 - All our buildings now operate co-mingled recycling programmes, which include glass, paper, cardboard and aluminium cans. Contractor participation in the recycling programme has been a focus for day-to-day operations.
- **Lighting**
 - At 449 Punt Road and 35 – 49 Elizabeth Street, common area stair cases have been upgraded from a 24/7 operated light fitting to a CBUS movement detection system utilising high efficiency light fittings. The car park lighting at 35 – 49 Elizabeth

Street is now being operated with a combination of time clock switching and use of passive infra red movement detection.

- Light fittings were replaced with T5 Luminaire fittings at 35 – 49 Elizabeth Street. T5 lamps are specially designed to operate on electronic control gear, which reduces operational losses and increase the overall efficiency of the light system. They also have a longer average rated lamp life of 20 000 hours which results in reduced maintenance costs.
- **Solar power**
 - Rooftop solar panels were installed at 35 – 49 Elizabeth Street, feeding directly back to the base building electricity meter and reducing the electricity load on the building by 128MWh.
- **Earth Hour**
 - A WWF global initiative raising awareness about climate change and reducing energy use, Earth Hour took place on Saturday, 28 March 2015 at 20:00. With over 7 000 cities and towns in 162 countries taking part, Earth Hour has grown into the world's largest community-driven campaign for the planet. Working with our tenants, we ensured all non-essential lighting was switched off during Earth Hour.

- **Sustainable transport**
 - We encourage tenants to improve their wellbeing and be environmentally friendly by riding to work. Bike racks have been installed at 449 Punt Road, 35 – 49 Elizabeth Street, 757 Ann Street and 186 Reed Street.

NABERS ratings

The National Australia Building Environment Ratings System (NABERS) is a national rating system that measures the environmental performance of buildings, tenancies and homes. Put simply, NABERS measures the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment. It does this by using measured and verified performance information, such as utility bills, and converting them into an easy to understand star rating scale from one to six stars.

Four of the six commercial office buildings in the Fund's portfolio require a NABERS rating.

The average NABERS ratings across the portfolio has increased from 4.0 stars in 2014 to 4.5 stars in 2015, which demonstrates the Fund's commitment to meet and exceed sustainability standards. The savings in energy costs not only benefit our customers by lowering their outgoings but also drive sustainability initiatives across the portfolio.

Property	GLA (m ²)	2014 Rating	2015 Rating
35 – 49 Elizabeth Street, Richmond VIC	11 917	3.0	4.0*
186 Reed Street, Greenway ACT	5 407	5.0	5.5
449 Punt Road, Richmond VIC	6 384	4.0	4.5
21 Solent Circuit, Baulkham Hills NSW	10 836	4.0	4.0
757 Ann Street, Brisbane QLD	9 125	n/a	n/a
BLDG 20 2404A Logan Road, Eight Mile Plains QLD	3 571	n/a	n/a
Average rating		4.0	4.5

* estimate

Diversity

We are committed to a workplace culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills and qualities of all staff and directors.

4

Annual financial statements



Directors' responsibility statement



The directors of IPL are responsible for the preparation and fair presentation of the consolidated annual financial statements of Investec Australia Property Fund (the Fund or Group).

The consolidated annual financial statements comprise the following:

- Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2015
- Consolidated statement of financial position at 31 March 2015
- Consolidated statement of changes in equity for the year ended 31 March 2015
- Consolidated statement of cash flows for the year ended 31 March 2015
- Notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes
- Directors' report
- Property portfolio
- Unitholder information

in accordance with International Financial Reporting Standards, the Constitution of the Fund, the JSE Listings Requirements and the requirements of the Corporations Act 2001.

The directors of IPL are also responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors of IPL have made an assessment of the ability of the Fund to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Fund's consolidated annual financial statements

The consolidated annual financial statements of the Fund, as identified in the first paragraph, were approved by the board of IPL on 26 June 2015 and are signed on their behalf by:

RA Longes
Chairman

Dated at Sydney
26 June 2015

GA Katz
Chief executive officer

Dated at Sydney
26 June 2015

Report of the audit and risk committee



The audit and risk committee of the Fund has pleasure in submitting this report to unitholders as recommended by the King III Code of Governance Principles for South Africa (King Code).



The activities of the audit and risk committee (the committee), which comprises three independent non-executive directors, are determined by its charter and mandate as set out on page 22.

The committee is satisfied that it has considered and discharged its responsibilities in terms of its mandate and charter, the King Code and the Corporations Act 2001.

As the Fund is a registered Managed Investment Scheme under the Corporations Act 2001 it has Australian reporting obligations. The Fund is required to lodge audited financial statements with the Australian Securities and Investments Commission (ASIC). This is in addition to the Fund's reporting obligations in South Africa. The committee is satisfied that the Fund has discharged all of its reporting obligations in Australia and South Africa.

The committee carried out its duties by inter alia, reviewing the following:

- Financial management reports
- External audit reports
- Management's risk assessment
- Compliance reports.

The abovementioned information, together with interaction with the external and internal auditors, management and other invitees attending meetings in an ex officio capacity, enabled the committee to conclude that the risk management process and systems of internal financial control have been designed and were operating effectively during the financial period.

The committee is satisfied:

- Its members have the requisite financial skills and experience to contribute to its deliberations
- With the independence and effectiveness of the external auditor, including the provision on non-audit services and compliance with the Fund's policy in this regard
- IPL has complied with the majority of the principles of King Code and the JSE Listings Requirements
- It considered and approved that audit fee payable to the external auditors in respect of the audit for the year ended 31 March 2015 as well as their terms of engagement and scope of the audit
- That the appointment of the external auditor is in compliance with the Corporations Act 2001 and the JSE Listings Requirements

- With the effectiveness of the internal audit function and that the system of internal financial control in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements
- With the expertise and experience of the chief financial officer and the overall adequacy and appropriateness of the finance function.

The committee, having fulfilled the oversight role regarding the reporting process and the integrated report, recommends that integrated report and the annual financial statements at and for the year ended 31 March 2015 for approval by the board of IPL.

Sally Herman
Chairperson
Audit and risk committee

Sydney
26 June 2015

Directors' report



The directors of IPL, the responsible entity of the Fund, present their report together with the consolidated financial statements of the Group comprising the Fund and its controlled entities (the Fund or Group), for the year ended 31 March 2015 and the auditor's report thereon.

The Fund is an Australian-domiciled real estate investment trust which is registered as a Managed investment scheme in Australia under the Corporations Act 2001 and is subject to regulatory oversight by the Australian Securities and Investments Commission (ASIC).

The Fund was listed on the JSE Limited (JSE) on 23 October 2013 under the "Real Estate Holdings and Development" sector of the JSE under share code IAP and ISIN: AU60INL0018.

Perpetual Corporate Trust Limited is the custodian of the Fund.

Responsible entity

The registered office and principal place of business of IPL and the Fund is Level 23, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

Issued unit capital

The unit capital of the Fund is 246 581 298 ordinary units. The Fund's ordinary units are listed on the JSE. Details of the unit capital are set out in note 13 to the financial statements.

The directors of IPL during or since the end of the financial period are:

Full name	Capacity
Richard Anthony Longes (Australian)	Chairman and independent non-executive director
Stephen Koseff (South African)	Non-executive director (appointed 7 July 2014)
Samuel Ronald Leon (South African)	Non-executive director
Graeme Anthony Katz (Australian)	Executive director
Sally Herman (Australian)	Independent non-executive director
Hugh Martin (Australian)	Independent non-executive director (appointed 30 September 2014)
Michael Crawford (South African)	Independent non-executive director (deceased 2 July 2014)
Sam Hackner (South African)	Non-executive director (resigned 7 July 2014)



Details on directors' experience is set out in the Directorate section of the Annual Report. Details of board meetings are set out in the Corporate Governance section of the Annual Report.

Principal activities

The principal activities of the Fund are to invest in high quality commercial real estate assets to derive rental income and capital growth.

The Fund did not have any employees during the year.

Review of operations

A detailed review of operations is included in the CEO Report.

Results

The net profit of the Fund is presented in the statement of profit or loss and other comprehensive income. The net profit for the year ended 31 March 2015 is AUD16 341 852.

The net assets of the Fund are AUD248 703 879 at 31 March 2015. This equates to a net asset value of AUD1.01 per unit.

Distributions

Unitholders were given notice of a final distribution declaration number 3 of:

- 4.15 cents per unit pre-withholding tax
 - 3.96 cents per unit post-withholding tax
- for the six months ended 31 March 2015.

The final distribution was paid to unitholders on 15 June 2015. Withholding tax of 0.19 cents per unit was withheld from the distribution paid to non-Australian unitholders and was paid to the Australian Taxation Office.

Performance

The above distributions equate to full year distribution growth of 7.6% pre-withholding tax and 11.0% post-withholding tax. This also equates to growth for the second half of 9.1% pre-withholding tax and 11.6% post-withholding tax.

The effective rate of withholding tax on the distribution has been impacted by the antecedent distribution (which is not subject to withholding tax) and one off tax deductions which are not expected to be repeated in future years. The normalised distribution per unit post-withholding tax without the effect of these one off items

would have been approximately 7.73 cents per unit representing normalized growth of 8.8% post-withholding tax.

The results below are the outcome of the successful implementation of the strategy outlined at listing, namely:

- Acquiring quality real estate, backed by solid property fundamentals:
 - good location, strong tenant covenants, contractual escalations, new or near new buildings or limited capital expenditure requirements with attractive depreciation shields
- Deploying the gearing capacity from the listing and subsequent equity capital raised quickly and effectively, by accessing off-market transactions and benefiting from the positive spread between property yields and cost of debt
- Locking in near all-time low interest and credit spreads through conservative and effective balance sheet and interest rate management.

Directors' report (continued)



Interests of IPL

IPL has delegated the management of the Fund to IPML. IPL was not paid any fees during the period. The following fees were paid to IPML during the period:

	2015 AUD	2014 AUD
Asset management fee	1 583 495	439 362
Property management fee*	320 242	161 080

* IPML has been contracted to perform property management services. IPML has sub-contracted this to third party property managers who receive part of this fee from IPML.

Significant changes in the state of affairs

There have been no significant changes in the nature of the Fund's activities during the period.

Likely developments

The Fund will continue to pursue its strategy of investing in high quality commercial real estate assets that are well located in major metropolitan cities or established commercial precincts in Australia. In pursuing this strategy IPL intends to fulfil the objectives of the fund being:

- to grow and diversify the Fund's asset base with further investments offering attractive income and capital growth profiles which will also spread investment risk;
- to offer unitholders sustainable growth in income and capital appreciation across a sectorally diversified portfolio; and
- to maintain a strong corporate governance framework to ensure the interests of unitholders are protected.

To achieve these objectives, IPL intends to pursue the following strategies:

- focus on property fundamentals:
 - acquire quality commercial real estate with the following characteristics:
 - medium to long term lease profiles;
 - situated in well-located commercial precincts;
 - limited or no short-term capex requirements;
 - contracted rental growth; and
 - sustainable income supported by strong tenant covenants;
- leverage off IPL's on-the-ground presence in Australia and existing relationships with key players in the industry to source growth opportunities;
- maximise property performance through proactive asset management, property management and leasing; and
- implement appropriate debt and equity funding strategies and adopt a prudent interest rate hedging policy.

Directors' interests in units



The directors' interests in units is set out in note 17 to the financial statements on page 57.

Directors' remuneration

No fees are paid by the Fund to the directors or officers of IPML.

Employees or directors of other entities within the Investec Group are not remunerated for their services as directors. The remuneration of any independent, non-associated and non-executive director appointed to the board of IPL is limited to the reimbursement of reasonable expenses incurred by such person for purposes of attending board meetings and the appropriate director's fees, unless the responsible entity determines otherwise. In respect of the independent, non-associated and non-executive directors, fees and expenses are reimbursed out of the Fund.

Directors' report (continued)



Accordingly, directors' remuneration for the year to 31 March 2015 was as follows:

For the period to 31 March 2015 AUD'000	Salary (including emoluments paid by IAL)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Director						
Richard Longes ¹	–	36	–	–	–	36
Stephen Koseff ²	–	13	–	–	–	13
Sam Leon ²	–	18	–	–	–	18
Graeme Katz ³	150	–	–	–	–	150
Sally Herman ⁴	–	30	–	–	–	30
Hugh Martin ⁴	–	12	–	–	–	12
Sam Hackner (resigned 7 July 2014) ²	–	5	–	–	–	5
Michael Crawford (deceased 2 July 2014) ⁴	–	6	–	–	–	6
Total	150	120	–	–	–	270

- ¹ Apportionment of directors' fees paid by Investec Australia Limited (IAL) that are attributable to the Fund. Richard Longes is not separately remunerated for his services as a director of IPL as he is remunerated by IAL for his services as a director of IAL. An estimate of attributable fees has been provided based on market related non-executive director and chairman fees and proportion of time allocated to IAPF. Mr Longes is not remunerated out of the Fund.
- ² Stephen Koseff, Sam Leon and Sam Hackner receive salaries as employees of Investec Group subsidiaries and are not separately remunerated for their services as directors of IPL. An estimate of attributable fees has been provided based on market related non-executive directors' fees and proportion of time allocated to the Fund; however these directors are not remunerated out of the Fund.
- ³ Graeme Katz is not separately remunerated for his services as Chief Executive Officer and director of IPL as he is remunerated by IAL. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of IPL but is not a cost to the Fund.
- ⁴ Sally Herman and Hugh Martin are independent, non-associated and non-executive directors of IPL and their remuneration is apportioned between all funds managed by IPL based on gross asset value. Ms Herman is also remunerated for her role as chairperson of the Audit and Risk Committee. Michael Crawford was an independent, non associated and non-executive director of IPL and his remuneration was calculated on the same basis as Ms Herman and Mr Martin.

Directors' remuneration for the period from 12 December 2012 to 31 December 2014 was as follows:

For the period from 12 December to 31 March 2014 AUD'000	Salary (including emoluments paid by IAL)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Director						
Sam Hackner ¹	–	12	–	–	–	12
Sam Leon ¹	–	12	–	–	–	12
Graeme Katz ²	195	–	–	–	–	195
David Gonski ³	–	23	–	–	–	23
Richard Longes ³	–	47	–	–	–	47
Sally Herman ⁴	–	21	–	–	–	21
Michael Crawford ⁴	–	16	–	–	–	16
Total	195	131	–	–	–	326

- ¹ Sam Hackner and Sam Leon received salaries as employees of Investec Property Limited, the property division of Investec Limited in South Africa, and were not separately remunerated for their services as directors of the Responsible Entity. An estimate of attributable fees was provided based on market-related non-executive directors' fees and proportion of time allocated to IAPF; however, these directors were not remunerated out of the Fund.
- ² Graeme Katz was not separately remunerated for his services as chief executive officer and director of the Responsible Entity as he was remunerated by Investec Bank (Australia) Limited (IBAL). The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity, but was not a cost to the Fund.
- ³ Appointment of directors' fees paid by IBAL that are attributable to the Fund. David Gonski and Richard Longes were not separately remunerated for their services as directors of the Responsible Entity as they were remunerated by IBAL for their services as directors of IBAL. An estimate of attributable fees was provided based on market-related non-executive directors' fees and proportion of time allocated to IAPF. Mr Longes, being the chairman of IAPF, is assumed to allocate a higher proportion of time to the Fund. However, these directors are not remunerated out of the Fund.
- ⁴ Sally Herman and Michael Crawford are independent, non-associated and non-executive directors of the Responsible Entity and their remuneration was apportioned between all funds managed by the Responsible Entity based on gross asset value. Ms. Herman was also remunerated for her role as chairperson of the audit and risk committee.



Corporate governance

The Fund's corporate governance board statement and governance framework are set out on page 21.

Audit and risk committee

The audit and risk committee comprising independent non-executive directors meets regularly with the senior management of IPML and the external auditors to consider the nature and scope of the assurance activities and the effectiveness of our risk and control systems.

Further details on the role and responsibility of the audit and risk committee are set out on page 22.

Auditors

KPMG have been appointed by IPL as auditors of the Fund.

Contracts

The Fund does not have any contracts with directors of IPL.

Subsidiaries

The Fund has a number of wholly owned trusts which hold the Fund's property assets. Details of subsidiaries are set out in note 18 of the financial statements.

Major unitholders

The largest unitholders of the Fund are set out on page 67.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable Australian law and International Financial Reporting Standards.



These policies are set out in note 1 of the financial report on page 46.

Financial instruments

Detailed information on the Fund's risk management process and policy can be found in the risk management report on page 25.

Information on the Fund's use of derivatives can be found in note 22 of the financial report on pages 60.

Management and administration

The Fund is managed by IPML, which is a wholly owned subsidiary of Investec Australia Property Holdings Pty Limited. IPML provides fund management services and property management services to the Fund under the terms of a management agreement. IPML has in turn outsourced certain of the property management to property management companies, namely CBRE Pty Ltd, MaxiServ Pty Ltd and Norwest Commercial and Industrial Real Estate Pty Ltd.

Environmental regulation

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

Events subsequent to reporting date

On 30 April 2014, the Fund acquired the office building at 66 Glendenning Road, Glendenning NSW for a cost of AUD19 170 000 (excluding transaction costs). The acquisition was funded with debt from the Fund's existing facility with Westpac Banking Corporation.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of IPL, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

Indemnities and insurance premiums for officers or auditors

Indemnification

Under the Fund constitution IPL, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

Insurance premiums

No insurance premiums are paid out of the Fund's assets in relation to insurance cover for the Responsible Entity, its officers and employees or the auditors of the Fund.

Rounding off

The Fund is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors of IPL.

RA Longes

Sydney
26 June 2015

GA Katz

Sydney
26 June 2015

Independent auditor's report to the unitholders of Investec Australia Property Fund



To the unitholders of Investec Australia Property Fund

We have audited the consolidated financial statements of Investec Australia Property Fund, which comprise the consolidated statement of financial position of Investec Australia Property Fund as at 31 March 2015, and its consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 65.

Directors' responsibility for the financial statements

The directors of the responsible entity are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Investec Australia Property Fund as at 31 March 2015, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per Gavin de Lange
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg

26 June 2015

Consolidated statement of profit or loss and other comprehensive income



Period from
12 December
2012 to
31 March
2014

For the year ended 31 March 2015

AUD'000

	Notes	2015	2014
Revenue, excluding straight-line rental revenue adjustment		22 180	10 129
Straight-line rental revenue adjustment		2 040	1 051
Revenue	2	24 220	11 180
Property expenses	3	(2 867)	(1 498)
Net property income		21 353	9 682
Fair value adjustments – investment property	5	2 051	(18)
Other operating expenses	4	(2 500)	(941)
Operating profit		20 904	8 723
Finance costs	6	(4 803)	(1 388)
Finance income	7	195	152
Other income		46	6
Total profit and other comprehensive income for the period		16 342	7 493
		Cents	Cents
Basic and diluted earnings per unit	9	8.84	13.10



The notes on pages 46 to 65 are an integral part of these consolidated financial statements.

Consolidated statement of financial position



As at 31 March 2015

AUD'000

	Notes	2015	2014
Assets			
Non-current assets		342 130	154 381
Investment property	10	342 130	154 364
Financial instruments held at fair value		–	17
Current assets		3 609	6 657
Cash and cash equivalents	12	2 361	6 370
Trade and other receivables	11	1 248	287
Total assets		345 739	161 038
Equity and liabilities			
Unitholders' interest		248 704	132 058
Contributed equity	13	246 496	131 025
Retained earnings		2 208	1 033
Total unitholders' interest		248 704	132 058
Non-current liabilities		81 652	22 185
Long-term borrowings	14	78 752	22 185
Financial instruments held at fair value	22	2 900	–
Current liabilities		15 383	6 795
Trade and other payables	15	5 157	2 193
Distributions payable	8	10 226	4 602
Total equity and liabilities		345 739	161 038
Units in issue		246 581	134 685
Net asset value per unit (cents)		100.86	98.05



The notes on pages 46 to 65 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity



For the year ended 31 March 2015 AUD'000	Contributed equity	Retained earnings	Total unitholders' interest
Balance at 12 December 2012	–	–	–
Profit for the period	–	7 493	7 493
Total comprehensive income	–	7 493	7 493
Transaction with unitholders in their capacity as unitholders:			
Issue of ordinary units	131 025	–	131 025
Distributions paid/payable to ordinary unitholders	–	(6 460)	(6 460)
Balance at 31 March 2014	131 025	1 033	132 058
Profit for the period	–	16 342	16 342
Total comprehensive income	–	16 342	16 342
Transaction with unitholders in their capacity as unitholders:			
Issue of ordinary units	120 462	–	120 462
Distributions paid/payable to ordinary unitholders	(4 991)	(15 167)	(20 158)
Balance at 31 March 2015	246 496	2 208	248 704



The notes on pages 46 to 65 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows



For the year ended 31 March 2015

AUD'000

	Notes	2015	2014
Cash flows from operating activities			
Rental income received		23 556	10 667
Property expenses		(2 738)	(484)
Fund expenses		(2 142)	(968)
Security deposits received		433	–
Retention amounts paid		(277)	328
Cash generated from operations		18 832	9 543
Finance income received		195	135
Finance costs paid		(1 856)	(1 329)
Distribution paid to unitholders		(14 533)	(1 858)
Net cash inflow from operating activities	16	2 638	6 491
Cash flows used in investing activities			
Investment property acquired		(183 675)	(153 331)
Net cash outflow used in investing activities		(183 675)	(153 331)
Cash flows from/(used in) financing activities			
Borrowings raised		108 306	48 918
Repayment of loans		(51 740)	(26 733)
Proceeds from issue of units		121 501	134 685
Payment of transaction costs related to the issue of units		(1 039)	(3 660)
Net cash inflow from financing activities		177 028	153 210
Net increase in cash and cash equivalents		(4 009)	6 370
Cash and cash equivalents at the beginning of the period		6 370	–
Cash and cash equivalents at the end of the period	12	2 361	6 370



The notes on pages 46 to 65 are an integral part of these consolidated financial statements.

Segmental analysis



For the year ended 31 March 2015

AUD'000

	Office	Industrial	Total
Statement of profit or loss and other comprehensive income 2015			
Revenue from external customers, excluding straight-line rental revenue adjustment	16 179	6 001	22 180
Straight-line rental revenue adjustment	1 493	547	2 040
Property expenses	(2 228)	(639)	(2 867)
Segment results	15 444	5 909	21 353
Net investment property revaluation	2 312	(261)	2 051
Total segment results	17 756	5 648	23 404
Other operating expenses			(2 500)
Fair value adjustment on interest rate swap derivatives			(2 917)
Finance costs			(1 886)
Finance income			195
Other income			46
Profit for the period			16 342
Statement of financial position extracts at 31 March 2015			
Investment property balance at 1 April 2014	105 254	49 110	154 364
Acquisitions	137 941	45 734	183 675
Straight-line rental revenue receivable	1 493	547	2 040
Fair value adjustments	2 312	(261)	2 051
Investment property at 31 March 2015	247 000	95 130	342 130
Other assets not managed on a segmental basis			3 609
Total assets as at 31 March 2015			345 739

Segmental analysis (continued)



AUD'000	Victoria	Queensland	South Australia	New South Wales	Australian Capital Territory	Total
Statement of profit or loss and other comprehensive income 2015						
Revenue from external customers, excluding straight-line rental revenue adjustment	9 931	4 990	922	704	5 633	22 180
Straight-line rental revenue adjustment	597	639	98	107	599	2 040
Property expenses	(1 548)	(453)	(80)	(63)	(723)	(2 867)
Segment results	8 980	5 176	940	748	5 509	21 353
Total fair value adjustment on total investment property						
	9 618	(5 179)	802	(3 775)	585	2 051
Statement of financial position extracts at 31 March 2015						
Investment property balance 1 April 2014	84 300	24 514	9 101	–	36 449	154 364
Acquisitions	8 585	78 307	–	69 518	27 265	183 675
Straight-line rental revenue receivable	597	639	98	107	599	2 040
Fair value adjustments	9 618	(5 180)	802	(3 775)	586	2 051
Investment property at 31 March 2015	103 100	98 280	10 001	65 850	64 899	342 130
Other assets not managed on a segmental basis						3 609
Total assets at 31 March 2015						345 739

Revenues from the following tenants represent greater than 10% of the Fund's total revenues for the period:

Tenant	Segment	Revenue	% of total revenue
Carsales.com Limited	Office	2 966	12
Toll Transport (Pty) Limited*	Industrial	2 747	11

* operating out of three buildings

Segmental analysis (continued)



For the year ended 31 March 2014

AUD'000

	Office	Industrial	Total
Statement of profit or loss and other comprehensive income 2014			
Revenue from external customers, excluding straight-line rental revenue adjustment	4 208	5 921	10 129
Straight-line rental revenue adjustment	311	740	1 052
Property expenses	(824)	(674)	(1 499)
Segment results	3 695	5 987	9 682
Net investment property revaluation	(480)	462	(18)
Total segment results	3 215	6 449	9 664
Other operating expenses			(941)
Fair value adjustment on interest rate swap derivatives			17
Finance costs			(1 388)
Finance income			135
Other income			6
Profit for the period			7 493
Statement of financial position extracts at 31 March 2014			
Investment property balance at 12 December 2012	–	–	–
Acquisitions	105 423	47 908	153 331
Straight-line rental revenue receivable	311	740	1 051
Fair value adjustments	(480)	462	(18)
Investment property at 31 March 2014	105 254	49 110	154 364
Other assets not managed on a segmental basis			6 674
Total assets at 31 March 2014			161 038

Segmental analysis (continued)



AUD'000	Victoria	Queensland	South Australia	New South Wales	Australian Capital Territory	Total
Statement of profit or loss and other comprehensive income 2014						
Revenue from external customers, excluding straight-line rental revenue adjustment	4 071	598	1 146	–	4 314	10 129
Straight-line rental revenue adjustment	311	25	167	–	548	1 051
Property expenses	(800)	(85)	(99)	–	(514)	(1 498)
Segment results	3 582	538	1 214	–	4 348	9 682
Total fair value adjustment on total investment property						
	842	(1 389)	(246)	–	775	(18)
Statement of financial position extracts at 31 March 2014						
Investment property balance at 12 December 2012	–	–	–	–	–	–
Acquisitions	83 147	25 878	9 180	–	35 126	153 331
Straight-line rental revenue receivable	311	25	167	–	548	1 051
Fair value adjustments	842	(1 389)	(246)	–	775	(18)
Investment property at 31 March 2014	84 300	24 514	9 101	–	36 449	154 364
Other assets not managed on a segmental basis						6 674
Total assets at 31 March 2014						161 038

Revenues from the following tenants represent greater than 10% of the Fund's total revenues for the period:

Tenant	Segment	Revenue	% of total revenue
Sirva (Pty) Limited	Industrial	1 818	16
Toll Transport (Pty) Limited	Industrial	3 007	27



The notes on pages 46 to 65 are an integral part of these consolidated financial statements.

Notes to the financial statements



Corporate information

The financial report of Investec Australia Property Fund (IAPF or the Fund or the Group) for the year ended 31 March 2015 was authorised for issue in accordance with a resolution of the directors of Investec Property Limited (the Responsible Entity) on 26 June 2015.

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

The nature of the operations and principal activities of IAPF are described in the Director's Report.

The registered office of IAPF is located at:

Level 23
The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

Reporting entity

IAPF is an Australian registered managed investment scheme under the Corporations Act 2001. IAPF is a for profit entity.

The consolidated financial statements of the Fund as at and for the year ended 31 March 2015 comprise the Fund and its subsidiaries (together referred to as "the Group").

Comparative period

The comparative period results presented cover the 15-month period from 12 December 2012 (being the date the Fund was established) to 31 March 2014; however, the period relevant to unitholders is from the listing date (being 24 October 2013) to 31 March 2014. Therefore the comparative results are limited in their comparability with the current preliminary results.

Working capital management

The Fund utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Fund has drawn this cash back from the debt facility in order to pay its final distribution in June 2015. This results in the most efficient use of the Fund's strong cash flows. The current undrawn facility limit is AUD3.98 mn and the Fund has the ability to draw on this unconditionally.

1. Accounting policies

1.1 Basis of preparation

1.1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Corporations Act 2001.

The consolidated financial statements are prepared in accordance with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), in addition to IFRS.

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; and
- investment property is measured at fair value.

The financial statements are prepared on the going concern basis and the accounting policies set out below have been applied consistently by the Fund.

1.1.3 Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is IAPF's functional currency.

IAPF is of a kind referred to in Australian Securities and Investments Commission ("ASIC") Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, all financial information presented in Australian dollars 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 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.

The key area in which estimates are applied relates to the valuation of investment properties. Refer to Note 10 for information on critical judgements used in the valuation of investment properties.

1.2 Basis of consolidation

1.2.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gains on bargain purchase agreements is recognised in profit or loss.

1.2.2 Controlled entities

The Group 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.

Notes to the financial statements (continued)



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

1.2.3 Transactions eliminated on consolidation

Intra-group 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 Group has the following operating segments:

- office properties
- industrial properties.

The above segments are derived from the way the business of the Group is structured, managed and reported to the chief operating decision makers. The Group manages its business in the office and industrial property sectors 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 and liabilities comprise those assets and liabilities 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

Revenue consists of rental income measured at the fair value of consideration received or receivable.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the Group.

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 straight-line 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, inflationary measures or other variables, revenue is not straight lined and is recognised in accordance with lease terms applicable for the period.

1.5 Lease incentives and commissions

Any lease incentives provided to a tenant under the terms of a lease such as fit-outs or rent free periods are recognised as an expense or reduction in revenue on a straight line basis over the term of the lease.

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

1.6 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; and
- net gains on financial instruments measured at fair value through profit or loss.

1.7 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; and
- net losses on financial instruments measured at fair value through profit or loss.

1.8 Earnings per unit

Basic earnings per unit is determined by dividing the profit or loss of the Group 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.

Headline earnings is profit for the period adjusted for certain re-measurements such as investment property fair value adjustments. As required by the JSE Listings Requirements headline earnings per unit is calculated using Circular 2/2013.

1.9 Financial instruments

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

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.

Notes to the financial statements (continued)



1.9.1 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any impairment losses or reversals on trade and other receivables are recognised in profit or loss. An estimate is made for impairment losses based on a review of all outstanding amounts at the year end.

Impairment losses are recognised when there is objective evidence that a loss event has occurred. Objective evidence that a loss event has occurred includes:

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

1.9.2 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.

1.9.3 Trade and other payables

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

1.9.4 Derivative financial instruments

The Group 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.

1.9.5 Borrowings

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

1.9.6 Offset

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

1.10 Investment property

Properties held by the Group which are held for rental income 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 undeveloped land held to earn rental income. The carrying amount of investment property also includes components relating to lease incentives and straight line rental receivables. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits will flow to the Group and those costs can be reliably measured.

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 Group'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 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 method. The directors are confident that their valuations accurately represent the fair value.

Gains or losses on subsequent measurement or disposals of investment properties are recognised in profit or loss. Such gains or losses are excluded from the calculation and determination of distributable earnings.

1.11 Rental agreements

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 Group is party to numerous rental agreements in the capacity as lessor of the investment properties. All rental agreements are operating leases.

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

Notes to the financial statements (continued)



1.12 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 at the best estimate of expenditure to settle the present obligation.

1.13 Taxation

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

Furthermore, the Fund and management arrangements are structured to meet the required criteria to be classified as a Managed Investment Trust for Australian tax purposes. As a Managed Investment Trust, the Responsible Entity 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 investors' proportionate share of the Australian taxable income of the Fund.

The Responsible Entity will be required to withhold tax in Australia at 10% on distributions of interest income to investors in South Africa.

1.14 Unit capital

1.14.1 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 by IAPF. Transaction costs of an equity transaction are accounted for as a deduction from equity. All units are fully paid. The unitholders are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at the Annual General Meeting of IAPF. All units rank equally with regard to IAPF's residual assets.

1.15 Standards and interpretations applicable to the Group not yet effective

The following standards, which may have an impact on the Group in the future, have been issued but are not yet effective.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard includes changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

These changes are not expected to have a significant impact on the Group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application; early adoption is permitted.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

These changes are not expected to have a significant impact on the Group. The standard is effective for annual periods beginning on or after 1 January 2017.

1.16 Changes in Accounting Policy

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 1 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7).
- IFRS 10 Consolidated Financial Statements (2011).
- IFRS 12 Disclosure of Interests in Other Entities

Notes to the financial statements (continued)



For the period ended 31 March

AUD'000

	2015	2014
2. Revenue		
Contracted rental income	18 095	8 209
Income – support arrangements (refer to note 17)	1 515	406
Recoverable outgoings	2 570	1 514
Revenue, excluding straight-line rental revenue adjustment	22 180	10 129
Straight-line rental revenue adjustment	2 040	1 051
	24 220	11 180

For the period ended 31 March

AUD'000

	2015	2014
3. Property expenses		
Recoverable expenses		
Statutory expenses	(1 473)	(846)
Electricity	(245)	(120)
Insurance	(128)	(166)
Cleaning	(206)	(68)
Building management	(336)	(103)
Repairs and maintenance	(132)	(49)
Other property expenses	(347)	(146)
	(2 867)	(1 498)

For the period ended 31 March

AUD'000

	2015	2014
4. Other operating expenses		
Asset management fee	(1 583)	(439)
Fund operating costs		
Auditor's remuneration*	(247)	(139)
Audit fee	(165)	(102)
Tax compliance fees	(82)	(37)
Other assurance and tax fees	–	–
Other assurance fees	(22)	(60)
Other tax fees	–	(265)
Less: Capitalised to equity (as part of capital raising)	22	325
Directors' fees	(81)	(37)
Legal fees	(88)	(119)
Other fund expenses	(501)	(208)
	(2 500)	(941)

* All audit, tax and other assurance services were provided by KPMG.

Notes to the financial statements (continued)



For the period ended 31 March
AUD'000

	2015	2014
5. Fair value adjustments		
Gross investment property fair value adjustment	4 091	1 033
Less: Straight-line rental revenue adjustment	(2 040)	(1 051)
Total fair value adjustment	2 051	(18)

For the period ended 31 March
AUD'000

	2015	2014
6. Finance costs		
Interest paid on borrowings	(1 886)	(1 388)
Fair value adjustment – loss on interest rate swap derivatives	(2 917)	–
	(4 803)	(1 388)

Refer to note 14 for details on borrowings.

For the period ended 31 March
AUD'000

	2015	2014
7. Finance income		
Interest received from banks	195	135
Fair value adjustment – gain on interest rate swap derivatives	–	17
	195	152

For the period ended 31 March
AUD'000

	2015	2014
8. Distribution per unit		
Profit for the period	16 342	7 493
Less: Straight-line rental revenue adjustment	(2 040)	(1 051)
Add: Fair value adjustments – investment property	(2 051)	18
Add: Fair value adjustments – derivatives	2 917	–
Antecedent distribution	4 991	–
Distributable earnings	20 159	6 460
Reconciliation of distribution per unit		
Final distribution for the year to 31 March		
Distributable earnings	20 159	6 460
Less: Interim distribution paid	(9 933)	–
Less: Pre-listing distribution paid	–	(1 858)
Final distribution (pre-withholding tax)	10 226	4 602
Withholding tax paid/payable to the Australian Taxation Office	(460)	(290)
Final distribution (post-withholding tax)	9 766	4 312
Units in issue at 31 March	246 581	134 685
Final distribution per unit (cents) (pre-withholding tax)	4.15	3.42
Interim distribution per unit (cents) (pre-withholding tax)	4.03	–
Total distribution per unit (cents) (pre-withholding tax)	8.18	3.42
Final distribution per unit (cents) (post-withholding tax)	3.96	3.20
Interim distribution per unit (cents) (post-withholding tax)	3.92	–
Total distribution per unit (cents) (post-withholding tax)	7.88	3.20

Withholding tax

The blended withholding tax rate for the final distribution is 3.64%.

Antecedent distribution

On 20 October 2014 the Fund completed a renounceable Rights Offer of 111.896 million rights offer units at a price of AUD1.09 (ZAR10.70) per unit which included 2.02 cents of antecedent distribution. AUD 4.5 mn was paid to shareholders in December 2014 with the remainder paid on 15 June 2015.

Notes to the financial statements (continued)



For the period ended 31 March

AUD'000

	2015	2014
9. Earnings per unit		
Reconciliation of basic earnings to headline earnings		
Profit for the period	16 342	7 493
Less: Net fair value adjustment – investment property	(2 051)	18
Headline earnings attributable to unitholders	14 290	7 512
	Cents	Cents
Basic and diluted earnings per unit	8.84	13.10
Basic and diluted headline earnings per unit	7.73	13.13
	Number of units	Number of units
Units in issue at the end of the period	246 581	134 685
Weighted average number of units in issue	184 962	57 214
Reconciliation of weighted average number of units in issue:		
Units at the beginning of the year	134 685	22 000
Rights offer – October 2014	50 277	35 214

On 12 December 2012, the Fund was established with the issue of 22 million units for AUD1.00 each. On 23 October 2013, the Fund completed a private placement and listing on the JSE that resulted in the issue of 112.685 million new units for a consideration of AUD112.685 mn. The placement was at a price of AUD1.00 (ZAR9.42).

On 20 October 2014, the Fund completed a renounceable Rights Offer of 111.896 million rights offer units at a price of AUD1.09 (ZAR10.70) per unit in the ratio of 83.08 rights offer units for every 100 units held. A total of AUD121.50 mn was raised.

Headline earnings are profit for the period adjusted for fair value adjustments on investment property. Headline earnings are a measure of the Fund's earnings based solely on operational activities and in the case of the Fund will exclude fair value adjustments and profits or losses on sale of properties. As required by the JSE Listings Requirements, headline earnings per unit are calculated using Circular 2/2013.

For the period ended 31 March

AUD'000

	2015	2014
10. Investment property		
Cost	337 006	153 331
Accumulated fair value adjustment – refer to note 5	2 033	(18)
Investment properties	339 039	153 313
Straight-line rental revenue receivable	3 091	1 051
Carrying value	342 130	154 364
Movement in investment properties		
Balance at the beginning of year	154 364	–
Acquisitions	183 675	153 331
Disposals	–	–
Capital expenditure	–	–
Fair value adjustment on revaluation of investment properties – refer to note 5	2 051	(18)
Straight-line rental revenue adjustment	2 040	1 051
Carrying value at the end of the period	342 130	154 364

Property to the value of AUD342.13 mn is held as security under the Westpac debt facility currently drawn down to a value of AUD79.22 mn.

All of the investment properties located in New South Wales, Victoria, South Australia and Queensland are held under freehold interests. All of the properties located in the Australian Capital Territory are held under leasehold interests terminating in 2101. These are classified as operating leases.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to AUD2.05 mn and are presented in profit and loss in the line item 'fair value adjustment'.

Refer to note 22.3 for further disclosure regarding the fair value of investment property.

Notes to the financial statements (continued)



Property portfolio For the period ended 31 March AUD'000	Latest external valuation		Consolidated carrying value 2014
	Date	Valuation	
10. Investment property (continued)			
Industrial portfolio			
48 Hawkins Crescent, Ipswich, QLD	31 March 2015	3 580	3 580
47 Sawmill Circuit, Hume, ACT	31 March 2015	10 400	10 400
57 Sawmill Circuit, Hume, ACT	31 March 2015	9 100	9 100
24 Sawmill Circuit, Hume, ACT	31 March 2015	9 400	9 400
44 Sawmill Circuit, Hume, ACT	31 March 2015	9 500	9 500
2 – 8 Mirage Road, Direk, SA	31 March 2015	10 000	10 000
30 – 48 Kellar Street, Berrinba QLD	19 September 2014	8 200	8 200
165 Newton Road, Wetherill Park NSW	19 November 2014	18 500	18 500
24 Spit Island Close, Newcastle NSW	18 November 2014	8 350	8 350
67 Calarco Drive, Derrimut VIC	4 December 2014	8 100	8 100
Office portfolio			
449 Punt Road, Cremorne VIC	31 March 2015	34 000	34 000
35 – 49 Elizabeth Street, Richmond VIC	31 March 2015	61 000	61 000
Building 20, 2404 Logan Road, Eight Mile Plains QLD	31 March 2015	21 000	21 000
186 Reed Street, Greenway ACT	31 March 2015	26 500	26 500
757 Ann Street, Fortitude Valley QLD	29 July 2014	65 500	65 500
	31 March 2015	39 000	39 000
Total investment properties			342 130

Refer to property selection and property portfolio disclosed on pages 5 to 9 for further details of investment properties held.

(A) Valuation basis

The basis of the valuation of investment properties is fair value. The 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 the measurement date.

External valuations were conducted for all of the properties in the portfolio during the year. External valuations were conducted by Colliers International, m3property, Savills and CBRE who are all registered as Certified Practising Valuers with the Australian Property Institute.

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.

The key assumptions used are as follows:

	2015	2014
Capitalisation rate	7.86%	8.44%
Discount rate	8.93%	9.25%
Rental growth rate	3.19%	3.37%

The above are weighted average rates based on fair value.

(B) Uncertainty around property valuations

The fair value of investment property has been assessed to reflect market conditions at the end of the reporting period. While this represents the best estimate of fair value as at the balance sheet date, future changes in key assumptions may mean that if investment property is sold in the future the prices achieved may be higher or lower than the most recent valuations.

Notes to the financial statements (continued)



10. Investment property (continued)

(C) Contractual obligations/capital commitments

At 31 March 2015 there were no significant contractual obligations or capital commitments relating to investment property (31 March 2014: Nil).

(D) Leasing arrangements

For the period ended 31 March

AUD'000

	2015	2014
The Fund leases office and industrial properties under operating leases.		
Contractual amounts due in terms of operating lease agreements		
Less than one year	28 921	13 301
Between one and five years	105 459	48 503
More than five years	57 245	25 195
	191 625	86 999

For the period ended 31 March

AUD'000

	2015	2014
11. Trade and other receivables		
Prepaid expenses	588	132
Capitalised incentives and leasing fees	499	–
Sundry debtors	161	155
	1 248	287

For the period ended 31 March

AUD'000

	2015	2014
12. Cash and cash equivalents		
Cash held on call account	2 361	6 370
Total cash and cash equivalents	2 361	6 370

For the period ended 31 March

AUD'000

	2015	2014
13. Contributed equity		
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 – 111 896 298 fully paid ordinary units	121 501	–
Fund establishment costs capitalised to contributed equity	(4 699)	(3 660)
Antecedent distribution paid	(4 991)	–
In issue at year-end	246 496	131 025

Refer to unitholder analysis included on pages 67 to 68 for further details on unitholders.

Notes to the financial statements (continued)



For the period ended 31 March

AUD'000

	Tranche expiry date	Interest rate	2015	2014
14. Borrowings				
Loans – secured – bank debt				
Westpac facility – Tranche A	10 December 2019	BBSY + 1.275%*	48 240	22 290
Westpac facility – Tranche B	30 March 2020	BBSY + 1.275%*	30 982	–
Total long-term borrowings – secured			79 222	22 290
Capitalised loan establishment costs			(470)	(105)
Total value of interest-bearing borrowings			78 752	22 185

* *Varies based on gearing levels.*

The Fund's LVR was 23.2% as at 31 March 2015 (31 March 2014: 14.4%).

At 31 March 2015, the approved facility limit of the Westpac facility was AUD93.24 mn with AUD14.02 mn undrawn.

The Fund's policy is to hedge at least 75% of interest rate risk. At year-end, 100% of borrowings were hedged using interest rate swaps, locking in a blended rate (including margin and line fees) of 4.15% for a weighted average 5.5 year term.

For the period ended 31 March

AUD'000

	2015	2014
15. Trade and other payables		
Accrued expenses	526	413
Trade creditors	197	154
Income received in advance	2 343	428
Security deposits	433	–
GST payable	647	347
Other payables	1 011	851
	5 157	2 193

For the period ended 31 March

AUD'000

	2015	2014
16. Reconciliation of cash flows from operating activities		
Profit for the period	16 342	7 493
Adjusted for:		
Fair value adjustments – investment property	(2 278)	18
Fair value adjustments – derivatives	2 917	(17)
Straight-line rental revenue adjustment	(1 813)	(1 051)
Working capital movement		
Change in trade and other receivables	(961)	(287)
Change in trade and other payables	2 964	2 193
Distributions paid	(14 533)	(1 858)
Net cash from operating activities	2 638	6 491

Notes to the financial statements (continued)



17. Related party transactions

Responsible Entity

The Responsible Entity of the Fund is IPL. IPL is a wholly-owned subsidiary of Investec Australia Property Holdings Pty Limited (IPHPL).

Manager

The Manager of the Fund is Investec Property Management Pty Limited (IPML). IPML is a wholly-owned subsidiary of IPHPL. The Manager provides fund management services and property management services to the Fund.

IPL's and IPML's ultimate Australian parent entity is IPHPL. 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 Group).

From time to time, the Fund 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

For the period ended 31 March

AUD'000	2015	2014
<i>Payments to Investec Group and its subsidiaries:</i>		
Investec Property Management Pty Limited		
Asset management fee	1 583	439
Property management fee*	320	161
Leasing fee	41	–
Investec Bank Limited		
Sponsor fee	10	10
Capital raising fees and listing costs	888	2 160
<i>Receipts from Investec group, IBAL and its subsidiaries:</i>		
Investec Bank (Australia) Limited		
Payments to the Fund under income support arrangements (refer below)	1 161	834
Payments under assumption arrangements (refer below)	–	4 813

Amounts owing to related parties

For the period ended 31 March

AUD'000	2015	2014
Investec Property Management Pty Limited		
Asset management fee payable	204	98

* IPML has been contracted to perform property management services. IPML has sub-contracted this to third party property managers who receive this fee from IPML.

Income support arrangements

The Fund is party to the Elizabeth Street Support Deed with Investec Australia Limited (IAL), a wholly-owned Investec Group entity, under which the following support arrangements have been provided by IAL:

- In respect of the existing lease with the Department of Justice, there is a rent abatement of AUD55 351 (excluding GST) per month. The rent abatement ends on 31 August 2015. For the period commencing on the date the Fund became the owner of the Elizabeth Street Property and ending on 31 August 2015, IAL will pay to the Fund a monthly amount equivalent to the rent abatement such that the Fund is receiving the full face rent for this area. IAL must pay this amount in advance on the first date of each month. This arrangement will only apply if the lease with the Department of Justice has not terminated and the Fund (or the assignee of its rights) is the owner of the Elizabeth Street Property. AUD664 212 has been received and recognised in the current year.

Notes to the financial statements (continued)



17. Related party transactions (continued)

Income support arrangements (continued)

- In respect of a formerly vacant area of 289m² on the ground floor and 92 car parks not leased, IAL provided rent support at prevailing market rents for two years commencing on the date the Fund became the owner of the Elizabeth Street Property. The total value of this support was AUD546 240 and the Fund called the full amount on 1 November 2013. The amount was being recognised in profit and loss over the period of the support being two years. The space was leased in July 2014 and the unamortised amount was recognised in the profit or loss. AUD353 702 has been recognised in the current period.
- In respect of the existing lease with BMS Telecorp, there was a one-off incentive payment of AUD1 130 940 (excluding GST). The payment was due on 1 November 2014. IAL made this payment on the due date.
- There is an area of 642m² currently leased by Domaine Chandon, which expired on 19 October 2014. Domaine Chandon had the option to extend this lease to 19 October 2017. If Domaine Chandon did not exercise their option, IAL would provide a gross rent support at prevailing market rents in relation to the period commencing on 20 October 2014 and ending on 19 April 2016. The total value of this support is AUD496 570 and the Fund could request this in one or more instalments with no obligation to mitigate. Even if the Fund was able to secure a tenant or a new lease, it was still entitled to the full amount of the support. The Fund signed a new lease with Domaine Chandon commencing 20 October 2014 and called the support amount on the same date. AUD496 570 was paid to the Fund and recognised in the profit or loss in the current year.

The Fund is party to the Punt Road Support Deed with IAL under which the following support arrangements have been provided by IAL:

- In respect of an area of 691m² on the ground floor of the building, IAL will provide income support for the period commencing on 1 March 2015 and ending on 29 February 2016 in the event:
 - that the income supported by IAL (AUD326 210) exceeds the actual gross rent received;
 - the reason for this is not a consequence of the breach or default of the the Fund; and
 - the Fund (or the assignee of its rights) is the owner of the Punt Road Property.

This income support was not able to be called as the sitting tenant exercised their six-month option at the prevailing rents.

Key management personnel (KMP)

IAPF does not employ any personnel in its own right. However, it is required to have an incorporated Responsible Entity (RE) to manage its activities. The RE is considered the KMP of the Fund. Furthermore, the RE has sub-contracted the management of IAPF to the Manager which is also considered KMP. The directors of the RE are Richard Longes (Chairman), Sam Leon, Stephen Koseff, Graeme Katz, Sally Herman and Hugh Martin. The directors of the Manager are Graeme Katz, Sam Leon, Zach McHerron, Jason Sandler and Matthew Liston.

KMP compensation

Employees or directors of entities within the Investec Group are not remunerated for their services as directors. The remuneration of any independent, non-associated and non-executive director appointed to the Board is limited to the reimbursement of reasonable expenses incurred by such person for purposes of attending Board meetings and the appropriate directors' fees, unless the Responsible Entity determines otherwise. In respect of the independent, non-associated and non-executive directors', fees and expenses are reimbursed out of the Fund.

Individual directors' compensation disclosures

Information regarding individual directors' compensation disclosure is provided in the Directors' Report.

Movements in securities

The movement during the reporting period in the number of ordinary units in IAPF held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

AUD'000	Held at 31 Mar 2014	Purchases	Sales	Held at 31 Mar 2015
Directors				
Sam Leon	1 591 241	1 322 003	–	2 913 244
Graeme Katz	106 083	88 134	–	194 217

There have been no changes in these holdings since the end of the reporting period.

Notes to the financial statements (continued)



18. Group 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.

IAPF enters 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.

Name of entity	Country of incorporation	Class of units	Equity holding
Investec Australia Hold Trust No. 1	Australia	Ordinary	100%
Investec Australia Sub Trust No. 1	Australia	Ordinary	100%
Investec Australia Sub Trust No. 2	Australia	Ordinary	100%
Investec Australia Sub Trust No. 3	Australia	Ordinary	100%
Investec Australia Sub Trust No. 4	Australia	Ordinary	100%
Investec Australia Sub Trust No. 5	Australia	Ordinary	100%
Investec Australia Sub Trust No. 6	Australia	Ordinary	100%
Investec Australia Sub Trust No. 7	Australia	Ordinary	100%
Investec Australia Sub Trust No. 8	Australia	Ordinary	100%
Investec Australia Sub Trust No. 9	Australia	Ordinary	100%
Investec Australia Sub Trust No. 10	Australia	Ordinary	100%
Investec Australia Sub Trust No. 11	Australia	Ordinary	100%
Investec Australia Sub Trust No. 12	Australia	Ordinary	100%

For the period ended 31 March
AUD'000

2015 2014

19. Parent entity disclosures

As at, and throughout the period ended 31 March 2015 the parent of the group was Investec Australia Property Fund.

Result of parent entity

Profit for the period	15 167	6 460
Other comprehensive income	–	–
Total comprehensive income for the period	15 167	6 460

Financial position of parent entity at period end

Current assets	144	400
Total assets	251 654	131 410
Current liabilities	5 158	385
Total liabilities	5 158	385
Net assets	246 496	131 025
Total equity of parent entity comprising of:		
Contributed equity	246 496	131 025
Retained earnings	–	–
Total equity	246 496	131 025

Notes to the financial statements (continued)



For the period ended 31 March
AUD'000

	2015	2014
20. Net asset value		
Units in issue at the end of the year	246 581	134 685
	Cents	Cents
Net asset value per unit	100.86	98.05

21. Subsequent events

On 30 April 2014, the Fund acquired the office building at 66 Glendenning Road, Glendenning NSW for a cost of AUD19 170 000 (excluding transaction costs). The acquisition was funded with debt from the Fund's existing Westpac facility.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

As at 31 March 2015
AUD'000

	Measured at fair value	Non-financial instruments	Amortised cost	Total
22. Financial risk and capital management				
22.1 Total financial and non-financials 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 2015:				
ASSETS				
Non-current assets				
Investment property	-	342 130	-	342 130
Financial instruments held at fair value	-	-	-	-
Current assets				
Cash and cash equivalents	-	-	2 361	2 361
Trade and other receivables	-	132	1 116	1 248
Total assets	-	342 262	3 477	345 739
LIABILITIES				
Non-current liabilities				
Long-term borrowings	-	-	78 752	78 752
Other non-current liabilities	2 900	-	-	2 900
Current liabilities				
Trade and other payables	-	-	5 157	5 157
Unitholders for distributions	-	-	10 226	10 226
Total liabilities	2 900	-	94 135	97 035

Notes to the financial statements (continued)

As at 31 March 2014
AUD'000

	Measured at fair value	Non-financial instruments	Amortised cost	Total
22. Financial risk and capital management (continued)				
22.1 Total financial and non-financials 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 2014				
ASSETS				
Non-current assets				
Investment property	–	154 364	–	154 364
Financial instruments held at fair value	17	–	–	17
Current assets				
Cash and cash equivalents	–	–	6 370	6 370
Trade and other receivables	–	132	287	287
Total assets	17	154 364	6 657	161 038
LIABILITIES				
Long-term borrowings	–	–	22 185	22 185
Other non-current liabilities	–	–	–	–
NON-CURRENT LIABILITIES				
Current liabilities				
Trade and other payables	–	–	2 193	2 193
Unitholders for distributions	–	–	4 602	4 602
Total liabilities	–	–	28 980	28 980

1. In all cases the amortised cost approximates fair value on the basis that:

- the amortised cost reflects known credit risk, or
- credit risk is not significant and the financial assets and financial liabilities are either short term or subject to market-based variable interest.

22.2 Fair value hierarchy – financial instruments

The table below analyses financial instruments carried at fair value, by valuation method, 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).

For the period ended 31 March 2015 AUD'000	Total financial instruments held at fair value	Measured at fair value		
		Level 1	Level 2	Level 3
Financial instruments held at fair value	2 900	–	2 900	–
Total financial assets	2 900	–	2 900	–

For the period ended 31 March 2014 AUD'000	Total financial instruments held at fair value	Measured at fair value		
		Level 1	Level 2	Level 3
Financial instruments held at fair value	17	–	17	–
Total financial assets	17	–	17	–

Notes to the financial statements (continued)



22. Financial risk and capital management (continued)

a. Details of changes in valuation techniques

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

b. Significant transfers between level 1, level 2 and level 3

There have been no significant transfers between level 1, level 2 and level 3 during the period.

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.

22.3 Fair value hierarchy – investment property

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Properties are valued under the income capitalisation method and discounted cashflow method (“DCF”).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period:

Significant unobservable inputs	Relationship between unobservable inputs and fair value measurement
Net passing rent	Increases/(decreases) in net passing rent would increase/(decrease) estimated fair value
Gross market rent	Increases/(decreases) in gross market rent would increase/(decrease) estimated fair value
Net market rent	Increases/(decreases) in net market rent would increase/(decrease) estimated fair value
Capitalisation rate	Increases/(decreases) in the capitalisation rate would (decrease)/increase estimated fair value
Discount rate	Increases/(decreases) in the discount rate would (decrease)/increase estimated fair value
Terminal yield	Increases/(decreases) in the terminal yield would result in (decreases)/increases in the estimated fair value

The table above includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Net passing rent	The contracted amount for which a property or space within a property is leased at the time of the valuation. In a net rent, the owner recovers outgoings from the tenant on a <i>pro rata</i> basis (where applicable).
Gross market rent	The gross rent at which space could be let in the market conditions prevailing at the date of valuation.
Net market rent	The net rent at which space could be let in the market conditions prevailing at the date of valuation. In a net rent, the owner recovers outgoings from the tenant on a <i>pro rata</i> basis (where applicable).
Capitalisation rate	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	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	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.

Notes to the financial statements (continued)



22. Financial risk and capital management (continued)

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

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate, given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value.

When assessing a DCF, the discount rate and terminal yield have a strong interrelationship in deriving at a fair value, given the discount rate will determine the rate at which the terminal value is discounted to the present value.

For the year ended 31 March 2015 AUD'000	Measured at fair value			Total gain or (loss) in the period in the profit or loss
	Level 1	Level 2	Level 3	
	Total assets			
Investment property				
Office	–	–	247 000	2 312
Industrial	–	–	95 130	(261)
Total non-financial assets	–	–	342 130	2 051

For the year ended 31 March 2014 AUD'000	Measured at fair value			Total gain or (loss) in the period in the profit or loss
	Level 1	Level 2	Level 3	
	Total assets			
Investment property				
Office	–	–	105 254	(480)
Industrial	–	–	49 110	462
Total non-financial assets	–	–	154 364	(18)

a. Details of changes in valuation techniques

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

b. Significant transfers between level 1, level 2 and level 3

There have been no transfers between hierarchy levels.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

Notes to the financial statements (continued)



22. Financial risk and capital management (continued)

22.4 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.

22.5 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.

a. Exposure to credit risk

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

22.6 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.

At 31 March 2015, 100% of the Fund's interest rate exposure was hedged. Therefore, for the year ended 31 March 2015, a 1% increase/decrease in interest rates on the variable rate borrowings would have no impact on the Fund's profit, assuming all other variables remain constant.

Notes to the financial statements (continued)



22. Financial risk and capital management (continued)

a. 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:

For the period ended

31 March 2015

AUD'000	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying value
Long-term borrowings ¹	3 288	3 288	88 477	–	95 053	78 752
Trade and other payables	5 157	–	–	–	5 157	5 157
Distributions payable	10 226	–	–	–	10 226	10 226
Total liabilities	18 671	3 288	88 477	–	110 436	94 135

For the period ended

31 March 2014

AUD'000	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying value
Long-term borrowings ¹	1 045	1 045	23 335	–	25 425	22 185
Trade and other payables	2 193	–	–	–	2 193	2 193
Distributions payable	4 602	–	–	–	4 602	4 602
Total liabilities	7 840	1 045	23 335	–	32 220	28 980

¹ Cash flows in relation to long-term borrowings take into account the effect of interest rate swaps.

Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the funding requirements of the Fund. Subsequent to year-end in terms of covenants with its lenders, the nominal value of interest-bearing borrowings may not exceed 50% of the value of investment property (including investment property reclassified as held for sale).

Notes to the financial statements (continued)



22. Financial risk and capital management (continued)

For the period ended 31 March

AUD'000	2015	2014
Value of investment property	342 130	154 364
Carrying value of interest-bearing borrowing	78 752	22 185
Current ratio of interest-bearing borrowings to value of investment property	23.0%	14.4%

22.7 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	Amount AUD'000	Start date	End date	Fixed rate
31 March 2015				
Westpac Banking Corporation	22 290	9-Mar-15	10-Dec-19	2.98%
Westpac Banking Corporation	25 950	16-Feb-15	10-Dec-19	3.00%
Westpac Banking Corporation	40 000	07-Sep-15	07-Sep-20	2.72%
Westpac Banking Corporation	20 000	07-Dec-15	07-Dec-22	2.88%

22.8 Capital management

In terms of its Constitution, the Group'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 Group is committed to a maximum value of external borrowings of 50% of the value of investment property and investment assets. In practice, the Group aims to keep gearing levels between 30% and 40% over the long term. At 31 March 2015, the nominal value of borrowings was equal to 23.2% 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.

5

Unitholder information



Unitholder analysis

As at 31 March 2015 the Fund had 246.581 million units in issues (2014: 135.685 million).

Spread of unitholders as at 31 March 2015

Holdings	Number of unitholders	% of total unitholders	Number of units in issue	% of issued capital
1 – 10 000	1 645	58%	7 327 221	3%
10 001 – 50 000	775	27%	17 605 041	7%
50 001 – 100 000	190	7%	13 630 100	6%
100 001 and over	229	8%	208 018 936	84%
	2 839	100%	246 581 298	100%

Unitholder classification as at 31 March 2015

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	4	0.14%	89 155 061	36.16%
Director holdings	2	0.07%	3 107 461	1.26%
Holding 10% or more	2	0.07%	86 047 600	34.90%
Public shareholders	2 835	99.86%	157 426 237	63.84%
Total	2 839	100%	246 581 298	100%

Top 10 unitholders as at 31 March 2015

	Number of units held	% holding
Investec Property Fund	45 770 000	19%
Investec Limited	40 277 600	16%
Stadium On Main Investments (Pty) Limited	8 955 736	4%
Sanlam	7 340 180	3%
STANLIB	6 771 643	3%
MMI Holdings Limited	5 442 760	2%
Golden Falls Trading 420 (Pty) Limited	5 304 139	2%
Investec Asset Management	4 826 099	2%
M & F Giuricich Developments (Pty) Limited	4 544 215	2%
Absa	4 400 000	2%
Total	133 632 372	54%

Unitholder analysis (continued)

Directors' interests in units

	Balance at 31 March 2015	Balance at 31 March 2014
Executive director		
Graeme Anthony Katz	194 217	106 083
Non-executive directors		
Samuel Ronald Leon	2 913 244	1 591 241
Sam Hackner*	1 697 324	1 697 324
Michael Crawford*	5 304 139	5 304 139
	10 108 924	8 698 787

* as at the date ceasing to be a director.

Unit statistics

	2015	2014
Closing market price (ZAR)		
– Year-end	10.99	11.76
– High	12.40	12.34
– Low	10.45	9.42
Units in issue (million)	246.58	134.69
Market capitalisation (ZAR'million)	2 709.93	1 583.95
Daily average volume of units traded	132 489	252 354

Unitholder diary

Financial year-end	31 March 2015
Publication of financial results	22 May 2015
Final distribution paid to unitholders	15 June 2015
Annual report posted to unitholders	30 June 2015
Annual general meeting	4 August 2015

Distributions

Unitholders were given notice of a final distribution declaration number 3 of:

- 4.15 cents per unit pre-withholding tax
- 3.96 cents per unit post-withholding tax

for the six months ended 31 March 2015.

The final distribution was paid to unitholders on 15 June 2015. Withholding tax of 0.19 cents per unit was withheld from the distribution paid to non-Australian unitholders and was paid to the Australian Taxation Office.

King Code checklist

Principle number	King III code principle	Status	Cross reference/comments
Ethical leadership and corporate citizenship			
1.1	The Board should provide effective leadership based on an ethical foundation	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Compliance plan Investec values and ethics
1.2	The Board should ensure that the Fund is and is seen to be a responsible corporate citizen	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Investec group policies
1.3	The Board should ensure that the Fund's ethics are managed effectively	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Compliance plan Investec values and ethics
Board and directors			
2.1	The board should act as the focal point for and custodian of corporate governance	√	<ul style="list-style-type: none"> Code of corporate practice and conduct
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Audit and risk committee
2.3	The board should provide effective leadership based on an ethical foundation	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Compliance plan Investec values and ethics
2.4	The board should ensure that the Fund is and is seen to be a responsible corporate citizen	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Compliance plan Investec values and ethics
2.5	The board should ensure that the Fund's ethics are managed effectively	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Compliance plan Investec values and ethics
2.6	The board should ensure that the Fund has an effective and independent audit committee	√	<ul style="list-style-type: none"> Audit and risk committee Charter
2.7	The board should be responsible for the governance of risk	√	<ul style="list-style-type: none"> Audit and risk committee Risk management Board of directors
2.8	The board should be responsible for information technology (IT) governance	√	<ul style="list-style-type: none"> Audit and risk committee

King Code checklist (continued)

Principle number	King III code principle	Status	Cross reference/comments
2.9	The board should ensure that the Fund complies with applicable laws and considers adherence to non-binding rules, codes and standards	√	<ul style="list-style-type: none"> • Audit and risk committee • Risk management • Compliance
2.10	The board should ensure that there is an effective risk-based internal audit	√	<ul style="list-style-type: none"> • Audit and risk committee • Risk management • Internal audit
2.11	The board should appreciate that stakeholders' perceptions affect the Fund's reputation	√	<ul style="list-style-type: none"> • Communication and stakeholder relations
2.12	The board should ensure the integrity of the Fund's integrated annual report	√	<ul style="list-style-type: none"> • Audit and risk committee • External audit • Board of directors
2.13	The board should report on the effectiveness of the Fund's system of internal controls	√	<ul style="list-style-type: none"> • Audit and risk committee • Internal control
2.14	The board and its directors should act in the best interests of the Fund	√	<ul style="list-style-type: none"> • Code of corporate practice and conduct • Responsible entity fiduciary duties • Board of directors • Investec values and ethics
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the Fund is financially distressed	√	It is unlikely that business rescue will be an eventuality. However, the Fund's policy in this regard is detailed in the corporate governance report
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the Fund should not also fulfil the role of the chairman	√	<ul style="list-style-type: none"> • Chairman is an independent non-executive director • A CEO has been appointed
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	√	<ul style="list-style-type: none"> • Code of corporate practice and conduct • Board of directors
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	√	<ul style="list-style-type: none"> • Code of corporate practice and conduct • Board of directors
2.19	Directors should be appointed through a formal process	√	While directors are not appointed by unitholders, the appointment of a director occurs by way of resolution and through a letter of appointment
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	√	<ul style="list-style-type: none"> • Code of corporate practice and conduct • Board of directors
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	√	<ul style="list-style-type: none"> • Company secretary

King Code checklist (continued)

Principle number	King III code principle	Status	Cross reference/comments
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	√	<ul style="list-style-type: none"> Code of corporate practice and conduct Board of directors
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	√	<ul style="list-style-type: none"> Audit and risk committee
2.24	A governance framework should be agreed between the group and its subsidiary boards	N/A	<ul style="list-style-type: none"> Not applicable – the group has no subsidiary boards
2.25	The Fund should remunerate directors and executives fairly and responsibly	N/A	<ul style="list-style-type: none"> Not applicable – the Fund has no employees; executive directors are not remunerated by the Fund; directors of the Fund who are directors of IAL are not remunerated by the Fund but are remunerated by IAL for their services as directors of IAL; non-executive directors' remuneration will be limited to reimbursement of expenses and directors' fees
2.26	The Fund should disclose the remuneration of each individual director	√	<ul style="list-style-type: none"> Directors' report
2.27	Unitholders should approve the Fund's remuneration policy	N/A	<ul style="list-style-type: none"> Not applicable – the remuneration policy of the directors is set by the directors but the shareholder of the Responsible Entity (being IAL) may fix a limit on the amount of remuneration payable to the directors
Audit committee			
3.1	The board should ensure that the Fund has an effective and independent audit and risk committee	√	<ul style="list-style-type: none"> Audit and risk committee
3.2	Audit and risk committee members should be suitably skilled and experienced independent non-executive directors	√	<ul style="list-style-type: none"> Audit and risk committee Directors
3.3	The audit and risk committee is to be chaired by an independent non-executive director	√	<ul style="list-style-type: none"> Audit and risk committee
3.4	The audit and risk committee should oversee integrated reporting	√	<ul style="list-style-type: none"> Audit and risk committee
3.5	The audit and risk committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	√	<ul style="list-style-type: none"> Audit and risk committee
3.6	The audit and risk committee should satisfy itself of the expertise, resources and experience of the Fund's finance function	√	<ul style="list-style-type: none"> Audit and risk committee report
3.7	The audit and risk committee should be responsible for overseeing Internal Audit	√	<ul style="list-style-type: none"> Audit and risk committee
3.8	The audit and risk committee should be an integral part of the risk management process	√	<ul style="list-style-type: none"> Audit and risk committee
3.9	The audit and risk committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	√	<ul style="list-style-type: none"> Audit and risk committee
3.10	The audit and risk committee should report to the board and unitholders on how it has discharged its duties	√	<ul style="list-style-type: none"> Audit and risk committee report

King Code checklist (continued)

Principle number	King III code principle	Status	Cross reference/comments
The Governance of risk			
4.1	The board should be responsible for the governance of risk	√	<ul style="list-style-type: none"> • Audit and risk committee • Board of directors
4.2	The board should determine the levels of risk tolerance	√	<ul style="list-style-type: none"> • Audit and risk committee
4.3	The audit and risk committee should assist the board in carrying out its risk responsibility	√	<ul style="list-style-type: none"> • Audit and risk committee
4.4	The board should delegate to management the responsibilities to design, implement and monitor the risk management plan	√	<ul style="list-style-type: none"> • Audit and risk committee
4.5	The board should ensure that risk assessments are performed on a continual basis	√	<ul style="list-style-type: none"> • Audit and risk committee • Risk management
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√	<ul style="list-style-type: none"> • Audit and risk committee • Risk management
4.7	The board should ensure that management considers and implements appropriate risk responses	√	<ul style="list-style-type: none"> • Risk management • Compliance plan
4.8	The board should ensure continual risk monitoring by management	√	<ul style="list-style-type: none"> • Audit and risk committee • Risk management
4.9	The board should receive assurance regarding the effectiveness of the risk management process	√	<ul style="list-style-type: none"> • Audit and risk committee • Risk management • Investec group internal audit
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	√	<ul style="list-style-type: none"> • Risk management
Governance of information technology			
5.1	The board should be responsible for information technology (IT) governance	√	Applied to the extent possible as the Fund will not have IT systems of its own but through a Services Agreement with the Manager, will make use of IAL systems and will be governed by the IT governance framework of IAL.
5.2	IT should be aligned with the performance and sustainability objectives of the Fund	√	To be applied going forward – assisted by the Manager, the Responsible Entity ensures that the IT processes currently in place are aligned to the performance and sustainability objectives of the board
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	√	The board has not formulated an IT governance policy as the Fund does not have IT systems of its own. The IT governance framework of IAL has been adopted
5.4	The board should monitor and evaluate significant IT investments and expenditure	√	Applied to the extent possible as the Fund will not have IT systems of its own but through a Services Agreement with the Manager, will make use of IAL systems and will be governed by the IT governance framework of IAL.
5.5	IT should form an integral part of the Fund's risk management	√	<ul style="list-style-type: none"> • Audit and risk committee

King Code checklist (continued)

Principle number	King III code principle	Status	Cross reference/comments
5.6	The board should ensure that information assets are managed effectively	√	<ul style="list-style-type: none"> Compliance plan
5.7	The audit and risk committee should assist the board in carrying out its IT responsibilities	√	Applied to the extent possible as the Fund will not have IT systems of its own but through a Services Agreement with the Manager, will make use of IAL systems and will be governed by the IT governance framework of IAL
Compliance with laws, codes, rules and standards			
6.1	The board should ensure that the Fund complies with applicable laws and considers adherence to non-binding rules, codes and standards	√	<ul style="list-style-type: none"> Compliance
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Fund and its business	√	The board is assisted by the company secretary and its sponsors in this regard
6.3	Compliance risk should form an integral part of the Fund's risk management process	√	<ul style="list-style-type: none"> Compliance
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	√	<ul style="list-style-type: none"> Audit and risk committee Compliance plan
Internal audit			
7.1	The board should ensure that there is an effective risk-based Internal Audit	√	The Fund will make use of the internal audit function of IAL
7.2	Internal Audit should follow a risk-based approach to its plan	√	The Fund will make use of the internal audit function of IAL
7.3	Internal Audit should provide a written assessment of the effectiveness of the Fund's system of internal controls and risk management	√	The Fund will make use of the internal audit function of IAL
7.4	The audit and risk committee should be responsible for overseeing Internal Audit	√	The Fund will make use of the internal audit function of IAL
7.5	Internal Audit should be strategically positioned to achieve its objective	√	The Fund will make use of the internal audit function of IAL

King Code checklist (continued)

Principle number	King III code principle	Status	Cross reference/comments
Governing stakeholder relationships			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	√	<ul style="list-style-type: none"> Communication and stakeholder relations
8.2	The board should delegate to management to proactively deal with stakeholder relationships	√	<ul style="list-style-type: none"> Communication and stakeholder relations
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Fund	√	<ul style="list-style-type: none"> Communication and stakeholder relations
8.4	Companies should ensure the equitable treatment of unitholders	√	<ul style="list-style-type: none"> Communication and stakeholder relations Compliance plan
8.5	Transparent and effective communication with stakeholders is essential to building and maintaining their trust and confidence	√	<ul style="list-style-type: none"> Communication and stakeholder relations
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	√	<ul style="list-style-type: none"> Board of directors Communication and stakeholder relations
Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the Fund's integrated report	√	The annual report has been signed off by the audit and risk committee and the board
9.2	Sustainability reporting and disclosure should be integrated with the Fund's financial reporting	√	<ul style="list-style-type: none"> Sustainability report
9.3	Sustainability reporting and disclosures should be independently assured	X	<ul style="list-style-type: none"> Sustainability report NABERS ratings have been independently assured. The rest of the report has not been independently assured in the current year

Notice of annual general meeting

Investec Australia Property Fund

Incorporated and registered in Australia in terms of ASIC (ARSN 162 067 736)
Registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No.45 of 2003
Operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909) (the Responsible Entity)
Share code: IAP/ISIN: AU60INL00018
(the Fund)



Directors of the Responsible Entity

Richard Longes (independent non-executive chairman)
Graeme Katz (chief executive office)
Sally Herman (independent non-executive)
Hugh Martin (independent non-executive)
Sam Leon (non-executive)
Stephen Koseff (non-executive)

Notice is given that the annual general meeting of unitholders of the Fund (the **Meeting**) will be held at:

Time: 17:00 (Sydney)/09:00 (Johannesburg)

Date: Tuesday, 4 August 2015

Place:

- Boardroom, Level 23, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia; and
- 2nd Floor, Executive Boardroom, 100 Grayston Drive, Sandown, Sandton 2196, South Africa.

The chairperson will be in Australia and the Meeting will be broadcast via video conference to South Africa. Unitholders at either location will be able to participate in the Meeting, including to ask questions.

Business of the Meeting

Ordinary Business

Item 1 Directors' report and financial statements

To receive and consider the annual financial report, directors' report, the report of the audit and risk committee and the auditor's report in relation to the Fund for the period from 1 April 2014 to 31 March 2015.

Item 2 Resolutions

Resolution 1 Special Resolution No.1: On-market re-purchase or buy-back of units

To consider and, if thought fit, pass the following resolution as a special resolution of the Fund:

RESOLVED THAT the Responsible Entity is authorised by way of a general authority to re-purchase or buy-back units in the Fund (Units) from any person at any time before the anniversary of the passing of this resolution, upon such terms and conditions and in such number as the Responsible Entity determines, where such re-purchase or buy-back is permitted under, and undertaken in compliance with, the constitution of the Fund (Constitution), the Corporations Act 2001 Cth Australia (Act) (including as modified by Instrument 13-0380) and the listing requirements of the JSE Limited (JSE Listing Requirements). Any such re-purchase or buy-back of Units will not in aggregate before the anniversary of the passing of this resolution exceed 20% (twenty percent) of the Fund's issued unit capital of that class in any 1 (one) financial year.

The Responsible Entity considers it beneficial to obtain the authority to enable the Fund to take advantage of any business opportunity that may arise in future.

This resolution is a special resolution. To be passed, it must be approved by at least 75% (seventy five percent) of the total votes cast by unitholders voting on the resolution (including unitholders who are voting by proxy).

Resolution 2 Special Resolution No. 2: Issue of Units for cash

To consider and, if thought fit, pass the following resolution as a special resolution of the Fund:

RESOLVED THAT to the extent required by, and subject to the listings requirements of the JSE Listings Requirements, the Constitution and the Act, the Responsible Entity is authorised by way of a general

authority, which authority shall not extend beyond the date of the next annual general meeting of the Fund to be held in 2016 or the date that is 15 (fifteen) months from the date of the annual general meeting of the Fund convened for Tuesday, 4 August 2015, whichever period is shorter, to issue 36 987 194 (thirty six million nine hundred and eighty seven thousand one hundred and ninety four) Units for cash (i.e. other than by way of rights offer, to the existing unitholders in proportion to their then existing holdings) which represents 15% (fifteen percent) of the number of the Units issued as at the date of this notice of annual general meeting, subject to the limitations as required by the JSE Listings Requirements from time to time, which provide, *inter alia*, that:

- a press announcement giving full details, including the impact on net asset value and earnings per Unit, will be published at the time of an issue of Units for cash representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of Units in issue prior to such issue;
- the issue of Units for cash in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen percent) of the number of the Units in issue, including instruments which are compulsorily convertible;
- in determining the price at which an issue of Units may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of the Units in question as determined over the 30 (thirty) business days prior to the date that the price of the issue

Notice of annual general meeting (continued)

is agreed to between the Responsible Entity and the party subscribing for the Units; and

- (iv) the Units issued for cash must be issued to persons qualifying as 'public shareholders', as defined in the JSE Listings Requirements, and not to 'related parties'. The Responsible Entity is seeking an authority to issue up to 36 987 194 (thirty six million nine hundred and eighty seven thousand one hundred and ninety four) Units for cash which represents 15% (fifteen percent) of the number of the Units issued as at the date of this notice of annual general meeting, which is in line with the 15% (fifteen percent) permitted in terms of the JSE Listings Requirements. The authority will be exercised subject to the provisions of the Act, the Constitution and the JSE Listings Requirements.

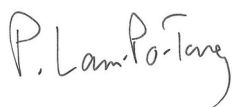
The Responsible Entity considers it beneficial to obtain the authority to enable the Fund to take advantage of any business opportunity that may arise in future.

This resolution is a special resolution for the purposes of the Act and an ordinary resolution for the purposes of the JSE Listing Requirements. To be passed, it must be approved by at least 75% of the total votes cast by unitholders voting on the resolution (including unitholders who are voting by proxy).

Recommendation

The board of the Responsible Entity has duly considered the implications of the resolutions and is satisfied that they are in the best interests of unitholders as a whole and recommends that unitholders vote in favour of the resolutions.

By order of the Board of Investec Property Limited as responsible entity of the Investec Australia Property Fund.



Paul Lam-Po-Tang
Company secretary

26 June 2015

Notes relating to voting

Voting entitlement

The Directors of the Responsible Entity have determined that for the purposes of determining voting entitlement at the Meeting, Units will be taken to be held by persons who are registered as unitholders on Thursday, 23 July 2015 at 17:00 (Sydney time) / 09:00 (Johannesburg time).

How do you exercise your right to vote?

The vote on each resolution will be decided on a show of hands or a poll as determined by the Chairman subject to any requirements of the Act, the Constitution and, to the extent that it is not inconsistent with the Act, the JSE Listing Requirements.

In a resolution of the Fund determined by a show of hands, each unitholder present in person or by proxy has one vote. If your Units are jointly held, only one of the joint unitholders is entitled to vote on a show of hands.

In a resolution of the Fund determined by poll, each unitholder present in person or by proxy has one vote for every dollar of the total interest they have. The value of a unitholder's total interest in the Fund will be calculated by reference to the last sale price of the Units on the Johannesburg Stock Exchange on Thursday, 23 July 2015.

Voting as a proxy

If a person is acting as a proxy, in a resolution of the Fund determined by a show of hands, the person is entitled to vote in the following way:

- If, on a poll, the person would have cast all votes in the same voting direction, the person is entitled to one vote only.
- If, on a poll, the person would have cast votes in different directions, the person is entitled to one vote in each direction.

Jointly held Units

If your Units are jointly held, only one of the joint unitholders is entitled to vote. If more than one unitholder votes in respect of jointly held Units, only the vote of the unitholder whose name appears first in the register will be counted.

Attorney

Where a unitholder appoints an attorney to act on his or her behalf at the Meeting, such appointment must be made by a duly executed power of attorney. The power of attorney must be received by the Responsible at its registered office by 17:00 (Sydney time) on Sunday, 2 August 2015 or by Computershare Investor Services Pty Limited by 09:00 (Johannesburg time) on Sunday, 2 August 2015, being 48 hours before the Meeting.

If you plan to attend the Meeting, we ask that you arrive 15 minutes prior to the time designated for the Meeting so that we may check the value of your Units against the register of unitholders and note your attendance.

Corporations

Where a corporation that is a unitholder appoints a person to act as its representative, the appointment must comply with section 253B (for the meeting of the Fund) of the Act. The appointment must be received by the Responsible Entity by 17:00 (Sydney time) on Sunday, 2 August 2015 or by Computershare Investor Services Pty Limited by 09:00 (Johannesburg time) on Sunday, 2 August 2015, being 48 hours before the Meeting. Alternatively, the representative must bring to the Meeting satisfactory evidence of his or her appointment, including any authority under which it was signed.

Voting by proxy

If you cannot or do not wish to attend the Meeting, you may appoint a proxy to attend and vote for you. The proxy does not need to be a unitholder. If you appoint two or more proxies, you must specify the proportion or number of votes that each proxy is entitled to exercise. If you do not, each will be entitled to vote half your votes. Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.

A Proxy Form must be signed by the unitholder or their attorney or, in the case of a corporation, executed in under its common seal, by any two (2) directors or a director and secretary, or if it is a company that has a sole director who is also the sole secretary (or has no secretary), by that director, or signed by an authorised officer or attorney. If the Proxy Form is signed by an attorney or by an authorised officer of a corporation, the original or a notarised copy of the power of attorney or other authority (document of appointment) must accompany the Proxy Form unless it has previously been provided to the Responsible Entity.

Where a unitholder appoints a body corporate as proxy, that body corporate will need to ensure that:

- it appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 253B of the Act; and
- the instrument appointing the corporate representative is received by the Responsible Entity at its registered office by 17:00 (Sydney time) on Sunday, 2 August 2015 or by Computershare Investor Services Pty Limited by 09:00 (Johannesburg time) on Sunday, 2 August 2015, being 48 hours before the Meeting.

Notes relating to voting (continued)

(1) A body corporate may appoint an individual as a representative to exercise all or any of its powers at a meeting of a registered scheme's members. The appointment may be a standing one.

(2) The appointment must set out what the representative is appointed to do and may set out restrictions on the representative's powers. If the appointment is to be by reference to a position held, the appointment must identify the position.

(3) A body corporate may appoint more than one (1) representative but only one (1) representative may exercise the body's powers at any one time.

(4) Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution.

Proxy Forms along with any document of appointment should be completed and returned by no later than 17:00 (Sydney time) on Sunday, 2 August 2015 or 09:00 (Johannesburg time) on Sunday, 2 August 2015, being 48 hours before the Meeting.

To ensure that all unitholders can exercise their right to vote on the resolutions, a Proxy Form is enclosed together with a reply paid envelope. You can lodge the Proxy Form by sending it in the reply paid envelope or otherwise posting, delivering to:

Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
South Africa

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the Proxy Form. If, in respect of any of the items of business, you do not direct your proxy how to vote, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions. If you mark the abstain box for a particular item you are directing your proxy not to vote on your behalf and your Units will not be counted in computing the required majority on a poll. Please refer to the Proxy Form for further instructions.

The Chairman of the Meeting is deemed to be appointed where a signed Proxy Form is returned which does not contain the name of a proxy. In addition, if you direct your proxy how to vote and your nominated proxy does not attend, or attends but does not vote, on a poll on a resolution, the Chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions.

If the Chairman of the Meeting is your proxy, you can direct the Chairman of the Meeting to vote for or against, or to abstain from voting on a resolution by marking the appropriate box opposite the relevant item on the Proxy Form.

The Chairman intends to vote available undirected proxies in favour of all resolutions.

If you have any questions or would like a copy of the Constitution, please contact Investor Relations by email (investorrelations@investec.com)

Proxy form

Investec Australia Property Fund

ARSN 162 067 736



I/We (full name in BLOCK LETTERS)

of (full address)

being a unitholder/unitholders of Investec Australia Property Fund ARSN 162 067 736 (the Fund) and entitled to attend and vote, appoint

(full name in BLOCK LETTERS)

of (full address)

(or, in his/her absence, or if no person is named, the chair of the meeting) as my/our proxy to vote for me/us on my/our behalf at the general meeting of the Fund to be held on Tuesday, 4 August 2015 and at any adjournment of the meeting and to demand a poll.

If two (2) proxies are appointed, the proportion or number of votes this proxy is appointed to represent is:

Proportion of votes % or Number of votes (see note 2 overleaf).

If you wish to instruct your proxy how to vote, please tick or otherwise mark the appropriate box opposite each item. Unless instructed to the contrary, proxies in favour of the chair will be used in support of the specific matters set out in the notice of meeting.

		For	Against	Abstain
1.	On-market re-purchase or buy-back of Units			
2.	Issue of units for cash			

PLEASE SIGN

Individual or Member 1

Member 2

Member 3

Sign here ►

Individual/Sole Director and
Sole Company secretary
(delete whichever does not apply)

Director

Company secretary/Director
(delete whichever does not apply)

Date

Please read the notes that follow.

Notes to the proxy form

1. Any instrument appointing a proxy in which the name of the appointee is not filled is regarded as given in favour of the chair.
2. A unitholder entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of the unitholder. An additional proxy form will be supplied by the Fund on request. Where two (2) proxies are appointed, both forms should be completed with the nominated proportion or number of votes each proxy may exercise. Otherwise each proxy may exercise half of the votes.
3. A proxy need not be a unitholder of the Fund.
4. Proxy forms must be signed by a unitholder or the unitholder's attorney or, if the unitholder is a corporation, must be under its common seal, or if it does not have one, by two (2) directors or by a director and a secretary, or if it is a company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer. If the proxy form is signed by a person who is not the registered holder of units in the Fund, then the relevant authority must be enclosed with the proxy form unless it has previously been provided to the Fund.
5. The proxy form and authority (if any) under which it is signed must be deposited at:

Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
South Africa,

no less than 48 hours before the time for holding the meeting. Unless this is done the proxy will not be treated as valid.

Corporate information

Investec Australia Property Fund

Registered in Australia in terms of ASIC (ARSN 162 067 736)

Registered in terms of the Collective Investment Schemes Control Act

No. 45 of 2003

Share code: IAP

ISIN: AU60INL00018

Internet address

www.investecaustraliapropertyfund.com

Directors of the Responsible Entity

Richard Longes[#] (*Non-executive chairman*)

Stephen Koseff (*Non-executive*)

Graeme Katz (*Executive*)

Samuel Leon (*Non-executive*)

Sally Herman[#] (*Non-executive*)

Hugh Martin[#] (*Non-executive*)

[#] *Independent*

Directors of the Manager

Graeme Katz (*Executive*)

Zach McHerron (*Executive*)

Matthew Liston (*Executive*)

Jason Sandler (*Executive*)

Samuel Leon (*Non-executive*)

Company Secretary of the Responsible Entity

Paul Lam-Po-Tang (BCom, LLB)

Registered office, postal address of the Responsible Entity and date of establishment of the Fund

Australia:

Level 23, Chifley Tower

2 Chifley Square

Sydney

New South Wales

2000

Australia

Local representative office:

2nd Floor

100 Grayston Drive

Sandown

Sandton

2196

Fund established on 12 December 2012 in Sydney, Australia. Registered as a Managed Investment Scheme with ASIC under the Corporations Act 2001 (Cth) on 6 February 2013. On 23 August 2013 the Registrar of Collective Investment Schemes authorised

the Fund to solicit investments in the Fund from members of the public in the Republic of South Africa in terms of Section 65 of the Collective Investment Schemes Control Act, 45 of 2002, as amended.

Responsible Entity

Investec Property Limited

(ACN 071 514 246 AFSL 290 909)

Level 23, Chifley Tower

2 Chifley Square

Sydney

New South Wales

2000

Australia

Manager

Investec Property Management Pty Limited

(ACN 161 587 391)

Level 23, Chifley Tower

2 Chifley Square

Sydney

New South Wales

2000

Australia

Transfer secretaries

Computershare Investor Services

Proprietary Limited

70 Marshall Street

Johannesburg

2001

(PO Box 61051, Marshalltown, 2107)

South Africa

Phone: +27 11 370 5159

Sponsor

The Corporate Finance division of

Investec Bank Limited

2nd Floor

100 Grayston Drive

Sandown

Sandton

2196

(PO Box 785700, Sandton, 2146)

South Africa

Custodian

Perpetual Corporate Trust Limited

(ACN 000 341 533)

Level 12, 123 Pitt Street

Sydney

New South Wales

2000

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For queries regarding information in this document

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Preparer

This integrated annual report and financial statements have been prepared under the supervision of the chief financial officer Jason Sandler CA.

