Financial results

2017

Reviewed preliminary
condensed consolidated

Investec Australia Property Fund

Out of the Ordinary®

Investec
Australia Property Fund

Highlights

Full year distribution growth

6.2%

9.74 cpu
pre WHT

6.0x

Growth since listing with
PORTFOLIO NOW
AUD779mn

9.1%

Growth in
NET ASSET VALUE
PER UNIT

4.6 years

Long WALE
underpinned by contractual
escalations

Valuable platform comprising 24 properties supported by strong underlying property fundamentals and an established track record of delivering on strategic objectives

AUD264mn*
Quality enhancing acquisitions concluded during the year

3.71%**
All in funding rate reduced by 12 bps year on year

3.2%
Base net property income growth

32%
Gearing providing AUD85mn of acquisition capacity

99%**
Hedged for 7.7 years

Balance sheet well positioned for growth

* *Includes transaction costs.*
** *Includes AUD50.0mn of forward starting swaps to commence in October 2017.*

Key performance indicators

	31 March 2017	31 March 2016
Financial KPIs		
Distribution per unit pre WHT	9.74	9.17
Distribution per unit post WHT	9.24	8.92
Cost to income ratio	3.6%	1.6%
Gearing	32%**	29%
Funding costs	3.71%*	3.83%
Weighted average debt expiry	3.7 years	4.1 years
Weighted average swap expiry	7.7 years*	9.2 years
Hedged position	99%*	86%
Operational KPIs		
Number of properties	24	19
Property portfolio	AUD779mn	AUD494mn
Gross lettable area	230 864m^2	169 535m^2
Weighted average lease expiry (by revenue)	4.6 years	6.1 years
Weighted average escalations	3.4%	3.3%
Occupancy rate (by revenue)	94.6%	100%
Units in issue	435 587 842	312 541 376

** Includes AUD50.0mn of forward starting swaps to commence in October 2017.*
*** Gearing post the distribution in June 2017 will be approximately 33.5%.*

Consolidated statement of comprehensive income

AUD'000	Note	Reviewed year ended 31 March 2017	Audited year ended 31 March 2016
Revenue, excluding straight-line rental revenue adjustment		51 705	37 663
Straight-line rental revenue adjustment		2 793	1 630
Revenue		**54 498**	**39 293**
Property expenses		(8 408)	(5 185)
Net property income		**46 090**	**34 108**
Fair value adjustments – investment property	2	11 419	20 488
Other operating expenses		(4 319)	(4 663)
Operating profit		**53 190**	**49 933**
Finance costs		(4 874)	(6 908)
Finance income		106	79
Profit on sale of investment property		–	116
Other income		320	264
Total comprehensive income attributable to equity holders		**48 742**	**43 484**
Units in issue at the end of the period		**435 588**	**312 541**
Weighted average number of units in issue for the period		**323 342**	**254 437**
Basic and diluted earnings per unit (cents)		15.07	17.09

Condensed consolidated statement of financial position

AUD'000	Notes	Reviewed 31 March 2017	Audited 31 March 2016
Assets			
Non-current assets		**780 626**	**493 850**
Investment property		779 350	493 850
Financial assets held at fair value	6	1 276	–
Current assets		**5 906**	**3 073**
Cash and cash equivalents		4 116	1 108
Trade and other receivables		1 790	1 965
Total assets		**786 532**	**496 923**
Equity and liabilities			
Unitholders' interest		**505 668**	**332 487**
Contributed equity		466 879	310 136
Retained earnings		38 789	22 351
Total unitholders' interest		**505 668**	**332 487**
Non-current liabilities		**255 876**	**143 098**
Long-term borrowings		248 005	141 671
Trade and other payables		7 871	477
Financial liabilities held at fair value	6	–	950
Current liabilities		**24 988**	**21 338**
Trade and other payables		3 532	6 870
Distributions payable		21 456	14 468
Total equity and liabilities		**786 532**	**496 923**
Units in issue		435 588	312 541
Net asset value per unit (cents)		116.09	106.38

Consolidated statement of cash flows

AUD'000	Reviewed year ended 31 March 2017	Audited year ended 31 March 2016
Cash flows from operating activities		
Rental income received	51 529	38 367
Property expenses	(6 834)	(5 524)
Fund expenses	(4 319)	(3 603)
Security deposits received	–	20
Cash generated from operations	**40 376**	**29 260**
Finance income received	106	344
Finance costs paid	(6 589)	(4 975)
Distribution paid to unitholders	(29 977)	(19 100)
Net cash inflow from operating activities	**3 916**	**5 529**
Cash flows from investing activities		
Investment property acquired	(268 453)	(133 139)
Proceeds on sale of investment property	–	3 696
Net cash outflow used in investing activities	**(268 453)**	**(129 443)**
Cash flows from financing activities		
Borrowings raised	112 143	129 476
Payment of loans	(6 000)	(66 557)
Proceeds from issue of units	162 580	64 466
Payment of termination of hedging	–	(3 925)
Payment of transaction costs related to the issue of units	(1 178)	(799)
Net cash inflow from financing activities	**267 545**	**122 661**
Net increase/(decrease) in cash and cash equivalents	3 008	(1 253)
Cash and cash equivalents at the beginning of the year	1 108	2 361
Cash and cash equivalents at the end of the year	**4 116**	**1 108**

Condensed consolidated statement of changes in equity

AUD'000	Contributed equity	Retained earnings	Total unitholder's interest
Balance at 1 April 2015	246 496	2 208	248 704
Total comprehensive income attributable to equity holders	–	43 484	43 484
Issue of ordinary units	65 960	–	65 960
Distributions paid/payable to ordinary unitholders	(2 320)	(23 341)	(25 661)
Balance at 31 March 2016	**310 136**	**22 351**	**332 487**
Total comprehensive income attributable to equity holders	–	48 742	48 742
Issue of ordinary units	152 082	–	152 082
Distributions paid/payable to ordinary unitholders	4 660	(32 304)	(27 644)
Balance at 31 March 2017	**466 879**	**38 789**	**505 668**

Condensed segmental information

For the year ended 31 March 2017 AUD'000	Office	Industrial	Total
Statement of comprehensive income extract			
Revenue from external customers, excluding straight-line rental revenue adjustment	36 979	14 726	51 705
Straight-line rental revenue adjustment	1 866	927	2 793
Property expenses	(6 690)	(1 718)	(8 408)
Net property income	**32 156**	**13 934**	**46 090**
Transaction costs, capital expenditure and straight-line rental revenue adjustment	(22 792)	(2 034)	(24 826)
Investment property revaluation	30 645	5 600	36 245
Total segment results	**40 009**	**17 500**	**57 509**
Statement of financial position extracts			
Investment property balance 1 April 2016	336 250	157 600	493 850
Acquisitions	244 243	20 097	264 340
Capital expenditure	6 939	9	6 948
Straight-line rental revenue receivable	1 866	927	2 794
Fair value adjustments	7 853	3 566	11 419
Investment property at 31 March 2017	**597 151**	**182 199**	**779 350**

For the year ended 31 March 2016 AUD'000	Office	Industrial	Total
Statement of comprehensive income extract			
Revenue from external customers, excluding straight-line rental revenue adjustment	25 235	12 428	37 663
Straight-line rental revenue adjustment	745	885	1 630
Property expenses	(3 647)	(1 538)	(5 185)
Net property income	**22 333**	**11 775**	**34 108**
Transaction costs, capital expenditure and straight-line rental revenue adjustment	(10 073)	(4 668)	(14 742)
Investment property revaluation	32 500	2 730	35 230
Total segment results	**44 760**	**9 836**	**54 596**
Statement of financial position extracts			
Investment property balance 1 April 2015	247 000	95 130	342 130
Acquisitions	60 039	67 081	127 120
Disposals	–	(3 580)	(3 580)
Capital expenditure	6 039	7	6 046
Straight-line rental revenue receivable	745	885	1 630
Fair value adjustments	22 427	1 923	20 504
Investment property at 31 March 2016	**336 250**	**157 600**	**493 850**

Notes to the reviewed preliminary condensed consolidated financial results

AUD'000	Note	Reviewed year ended 31 March 2017	Audited year ended 31 March 2016
1. Distribution reconciliation			
Total comprehensive income attributable to equity holders		48 742	43 484
Less: Straight-line rental revenue adjustment		(2 793)	(1 630)
Less: Fair value adjustments – investment property		(11 419)	(20 488)
Add back: Fair value adjustments – derivatives		(2 226)	1 975
Antecedent distribution		4 660	2 320
Total distributable earnings		**36 964**	**25 661**
***Less:* Interim distribution paid**		**(15 509)**	**(11 193)**
Final distribution pre-withholding tax		**21 455**	**14 468**
Withholding tax (payable)/receivable to/from the Australian Taxation Office		**(1 386)**	**52**
Final distribution post-withholding tax		**20 069**	**14 520**
Number of units			
Units in issue at the end of the year		435 588	312 541
Weighted average number of units in issue for the year		323 342	254 437
Cents			
Final distribution per unit (pre-withholding tax)		4.93	4.63
Interim distribution per unit (pre-withholding tax)		4.81	4.54
Total distribution per unit (pre-withholding tax)	a	**9.74**	**9.17**
Final distribution per unit (post-withholding tax)		4.60	4.65
Interim distribution per unit (post-withholding tax)		4.64	4.27
Total distribution per unit (post-withholding tax)	a	**9.24**	**8.92**
Basic and diluted earnings per unit		**15.07**	**17.09**
Basic and diluted headline earnings per unit for the year		**11.54**	**8.99**

a) The full year distribution includes the antecedent distribution associated with the DRIP relating to the H1 distribution and subsequent rights offer which was completed in February 2017. This amounts to AUD4.6mn. As the antecedent distribution is not subject to withholding tax in Australia, the effective rate of withholding tax on the distribution has been reduced for the year. The normalised distribution per unit post-withholding tax for the year would have been approximately 9.10 cents per unit without the benefit of this tax treatment.

2. Fair value adjustment of investment property

The Fund's policy is to value investment properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least every 24 months by an independent external valuer (in compliance with the Fund's debt facility). Where directors' valuations are performed, the valuation methods include using the discounted cash flow model and the capitalisation model.

Revaluations were performed at year-end with reference to independent external valuations and director valuations. Independent external valuations were obtained at the time of acquisition for all of the Fund's acquisitions during the year. In aggregate, revaluations contributed AUD36.2mn to the value of the portfolio which was offset by the write-off of transaction costs associated with acquisitions made during the year.

2. Fair value adjustment of investment property (continued)

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 cash flow 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.

For the year ended 31 March 2017	**Measured at fair value**			**Total gain or (loss) in the period in the profit or loss**
AUD’000	**Level 1**	**Level 2**	**Level 3**	
Investment property				
Office	**–**	**–**	**597 151**	**7 853**
Industrial	**–**	**–**	**182 199**	**3 566**
Total non-financial assets measured at fair value	**–**	**–**	**779 350**	**11 419**

For the year ended 31 March 2016	**Measured at fair value**			**Total gain or (loss) in the period in the profit or loss**
AUD’000	**Level 1**	**Level 2**	**Level 3**	
Investment property				
Office	–	–	336 250	22 427
Industrial	–	–	157 600	(1 923)
Total non-financial assets measured at fair value	**–**	**–**	**493 850**	**20 504**

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.

AUD’000	**Reviewed year ended 31 March 2017**	**Audited year ended 31 March 2016**
Gross investment property fair value adjustment	14 212	22 118
Less: Straight-line rental revenue adjustment	(2 793)	(1 630)
Total fair value adjustment – investment property	**11 419**	**20 488**
Fair value adjustment on interest rate swap	2 226	(1 975)
Net fair value adjustments	**13 645**	**18 513**

3. Headline earnings reconciliation

	Reviewed year ended 31 March 2017 AUD'000	Audited year ended 31 March 2016 AUD'000
Profit and total comprehensive income for the year	48 742	43 484
Less: Fair value adjustments – investment property	(11 419)	(20 488)
Less: Profit on sale of investment property	–	(116)
Basic and diluted headline earnings	**37 323**	**22 880**
Basic and diluted headline earnings per unit (cents)	**11.54**	**8.99**

4. Working capital management

The Fund utilises its monthly cash flows to pay down its debt facility and manage finance costs. The current undrawn facility limit is AUD24.7mn and the Fund has the ability to draw on this unconditionally. The Fund will utilise undrawn capacity under the debt facility together with cash available at the time the distribution is payable in order to pay the final distribution in June 2017.

The Fund has utilised available debt in conjunction with the equity raised to fund the acquisitions during the year.

The increase in revenue year on year is the result of contractual escalations, and leasing and acquisition activity.

5. Related party transactions

The Fund entered into the following related party transactions during the year with the Investec Group and its subsidiaries:

Transactions with related parties	31 March 2017 AUD'000	31 March 2016 AUD'000
Payments to Investec Group and its subsidiaries:		
Investec Property Management Proprietary Limited		
Asset management fee	3 690	2 720
Property management fee*	1 087	662
Investec Bank Limited		
Sponsor fee	25	10
Capital raising fees and listing costs	287	540
Investec Property Fund Limited		
Capital raising fees	731	241
Investec Bank Plc		
Interest on swaps	863	15
Receipts from Investec Group and its subsidiaries:		
Investec Australia Limited		
Payments to the Fund under income support arrangements	–	408

* *Investec Property Management Proprietary Limited ("**IPMPL**") has been contracted to perform property management services. IPMPL has sub-contracted certain of these services to third-party property managers who receive a fee from IPMPL to perform these services.*

6. Financial instruments

Financial instruments held at fair value consist of interest rate swaps, which are classified as level 2. These are valued using valuation models which use market observable inputs such as quoted interest rates. No other financial instruments are carried at fair value.

The fair value of long term borrowings approximates the carrying value.

Commentary

Introduction

Investec Australia Property Fund ("**Fund**") is the first inward-listed Australian REIT on the JSE Limited ("**JSE**"). The Fund has built a valuable platform comprising 24 properties with a total gross lettable area of 230 864m^2 and a portfolio value of AUD779.4mn.

The Fund aims to maximise income and capital returns to unitholders by investing in quality office, industrial and retail properties in Australia, giving unitholders exposure to the Australian real estate market. The Fund is now of a scale and quality that would be very difficult to replicate given the continued flow of offshore capital into Australia and the current levels of direct asset pricing.

Since listing in October 2013, the Fund has grown the property portfolio by over six times, despite the competitive nature of the Australian market where there is significant domestic and offshore capital chasing a limited number of opportunities. In addition, the Fund has delivered consistent distribution and net asset value growth, achieving a total return since listing of 74.6% in ZAR.

The Fund's adjusted strategy outlined in the 2016 full year results to acquire properties with manageable risk, such as vacancy and/or capital expenditure requirements, has allowed the Fund to extract additional value for unitholders through enhancing yield and achieving capital uplift. Management believes the case for investing in IAPF remains attractive for South African investors given the Fund's current equity yield of 7.5% which is underpinned by Australia's favourable macroeconomic conditions, property yield spread over historically low funding costs locked in and income returns in a hard currency.

The Fund has had the benefit of utilising its gearing capacity to complete accretive acquisitions and is now entering into a more normalised growth environment for the developed market in which it operates. The Fund's future growth will be supported by contracted rental escalations, maintaining an appropriate level of gearing and seeking to enhance yield through active asset management.

Market commentary

Despite global economic and political vulnerabilities, Australia continues to show resilience by delivering its 26th year of consecutive economic growth. New South Wales and Victoria remain the best performing economies in Australia. Both New South Wales and Victoria exceeded national GDP growth of 2.4% with growth of 3.5% and 3.3% respectively, supported by year-on-year population growth above the national average of 1.5%. New South Wales and Victoria now represent 58% of the Fund's portfolio by revenue.

Inflation has been running below the RBA's preferred band of 2 to 3%. Bond yields spiked in late 2016, with the 10-year government bond yield rising about 100bps between August 2016 and December 2016 to 2.8% off the back of stronger commodity prices and forecast higher inflation. However, bond yields have subsequently tracked down to 2.6%, albeit with the bond/property yield spread remaining relatively wide in historic terms. While the latest inflation data indicates consumer price growth trending up, the RBA has forecast it to remain in a 1.5 to 2.5% band through 2017 to 2018. This should result in interest rates and bond yields remaining 'lower for longer' and continuing strong demand for Australian real estate from both local and offshore capital.

The Australian property sector remains a beneficiary of the portfolio tilt towards real assets within the Asia Pacific region. In recent times there has been a particular bias towards office assets in New South Wales and Victoria, with Brisbane also showing signs of recovery given its relative value to those other markets. Offshore investors accounted for 42% of total office transactions in 2016, cementing Australia's reputation as one of the most transparent real estate markets in the world. Furthermore, cross-border investors have retained a degree of risk aversion in their investment activities and the volatility of returns in Australia is lower – through the cycle – than other mature office markets. According to CBRE's global outlook for 2017, the highest growth in office rents globally over the next three years is expected to be Melbourne, with an average of 8% per annum, closely followed by Sydney with an average of 7.5% per annum. It is also expected that Brisbane will start to see rental growth following eight successive quarters of net positive absorption, while the Perth office market remains challenging.

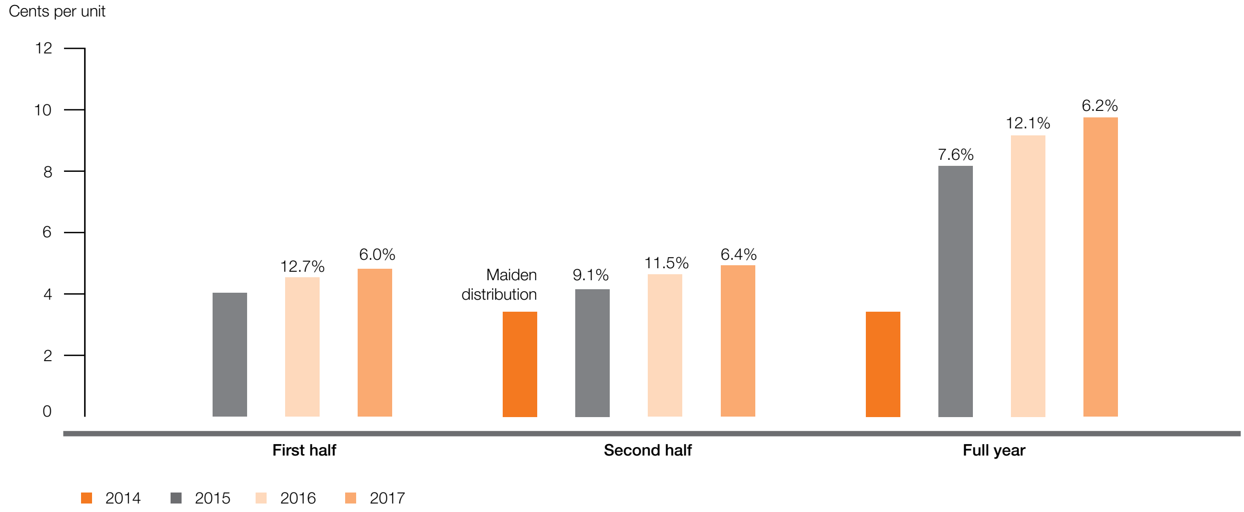
Financial results

Commentary

(continued)

The board of directors of Investec Property Limited ("**IPL**"), the Responsible Entity of the Fund is pleased to announce a final distribution of 4.93 cents per unit ("**cpu**") pre-withholding tax ("**WHT**") and 4.60 cpu post WHT (2016: 4.63 cpu pre WHT and 4.65 cpu post WHT). This brings the total distribution for the year to 9.74 cpu pre WHT and 9.24 cpu post WHT (2016: 9.17 cpu pre WHT and 8.92 cpu post WHT) and represents growth for the full year of 6.2% pre WHT which is in line with guidance given to the market.

Distribution growth



The Fund's performance is driven by the successful implementation of the strategy outlined at listing and subsequently adjusted to take account of market considerations, namely:

- achieving strong underlying net property income growth of 3.2% from the base portfolio and valuation uplift of 7.0% across the whole portfolio (see the section below entitled "Properties");
- engaging in active property management to deliver yield-enhancing returns and unlock value uplift (see section below entitled "Leasing activity"); and
- efficiently managing the balance sheet and interest rates (see the section below entitled "Capital and risk management").

Properties

Strategy

The Fund is committed to providing unitholders with sustainable income coupled with valuation uplift. The Fund has successfully built a quality portfolio with a proven ability to execute yield-enhancing acquisitions and deliver strong returns supported by a stable underlying base portfolio.

The Fund's acquisitions during the year are a continuation of the strategy to acquire properties with manageable risk, such as vacancy and/or capital expenditure requirements. The Fund is actively engaged in campaigns at 324 Queen Street in Brisbane and 20 Rodborough Road in Sydney to lease up acquired vacancy and is also exploring opportunities at both those properties and 2 Richardson Place in Sydney to achieve early lease extensions for certain sitting tenants. In addition, the Fund is well advanced in achieving a favourable planning outcome at 113 Wicks Road in Sydney which will result in a rezoning from commercial to mixed use. The Fund is also currently undertaking scheduled capital works at both 324 Queen Street in Brisbane and 20 Rodborough Road in Sydney to improve the appeal of those properties to prospective tenants.

The Fund has also made a conscious decision to increase its exposure to the office sector, particularly in the Sydney suburban office markets, where rents are significantly cheaper than in the Sydney CBD, North Sydney and Parramatta. Increasingly these markets are becoming much better served by public transport as the New South Wales state government continues to make significant investment into key infrastructure. The ability for tenants to be able to connect their workers to cost effective work space is increasingly becoming a major factor in leasing decisions.

Acquisitions

The Fund is committed to acquiring quality properties with strong underlying property fundamentals whilst also identifying opportunities to enhance yield and add value through active asset management. During the year the Fund acquired the following properties at an average yield of 7.2%:

Property name	Geography	Effective date	Sector	Value (AUD'000)	GLA (m^2)	Yield (%)	WALE (years)
113 Wicks Road, Macquarie Park	Sydney, NSW	1/7/2016	Office	23 255	6 253	7.0	4.2
324 Queen Street, Brisbane (50% share)	Brisbane, QLD	1/12/2016	Office	66 000	19 864	7.2	3.2
2 Richardson Place, North Ryde	Sydney, NSW	7/03/2017	Office	85 000	15 205	7.0	4.1
20 Rodborough Road, Frenchs Forest	Sydney, NSW	7/03/2017	Office	56 000	12 677	7.0	2.6
24 Rodborough Road, Frenchs Forest	Sydney, NSW	7/03/2017	Industrial	19 000	7 198	9.4	7.1
Total				**249 255**	**61 197**		

** Excludes transaction costs.*

Valuation

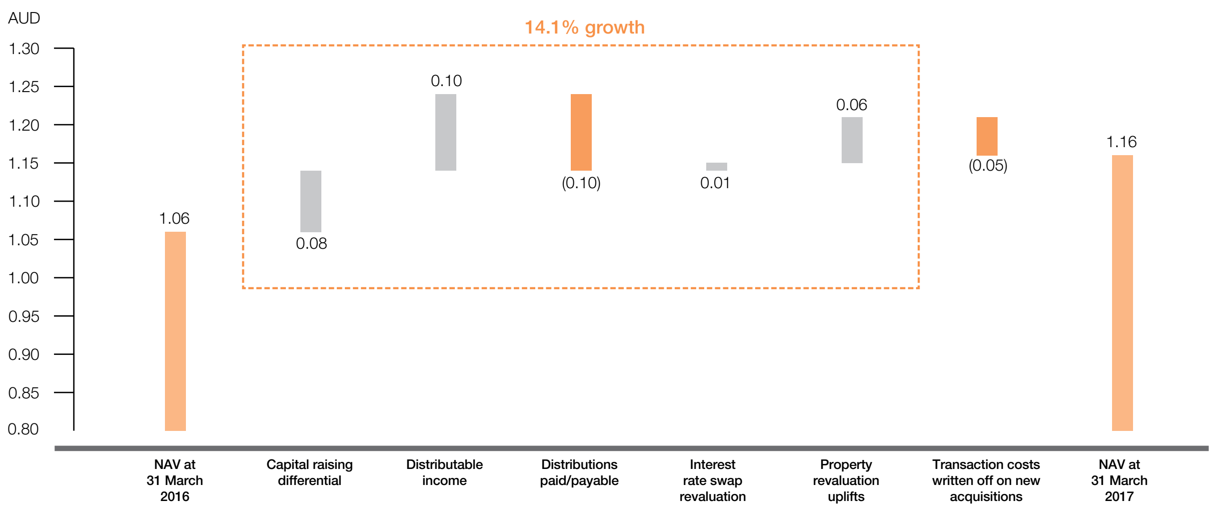
The Fund's policy is to value properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least every 24 months by an independent external valuer (in compliance with the Fund's debt facility). At other times where directors' valuations are performed, the valuation methods include using the discounted cash flow model and capitalisation model.

For the period ended 31 March 2017, the Fund obtained external valuations for 10 properties. For all other properties, advice letters were obtained from independent external valuers to support directors' valuations. In aggregate, revaluations contributed AUD36.2mn to the value of the portfolio, which represents an increase of 7.0%. Valuations typically lag transaction activity by approximately six months and given pricing achieved for recent asset sales, there would appear to be capacity for additional value uplift at certain of the Fund's Properties.

A fair value adjustment has been recorded in respect of the properties acquired during the year. This represents the write-off of capital expenditure and transaction costs associated with acquisitions, which primarily comprises stamp duty.

Net asset value growth was also supported by the revaluation of properties, contributing 14.1% year-on-year pre-transaction costs. The net asset value growth post-transaction costs (comprising largely of stamp duty of approximately 5.5% of transaction value) is diluted to 9.1% for the year due to the extent of the Fund's acquisition activity.

Net asset value bridge

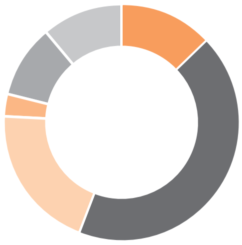


Geographic spread

Commentary

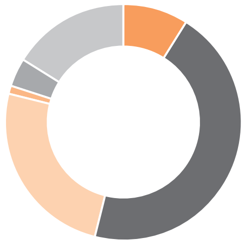
(continued)

During the year, four of the Fund's five acquisitions were in New South Wales thereby increasing the Fund's exposure to Australia's best performing economy. New South Wales now represents 44% of the portfolio by revenue (2016: 31%).



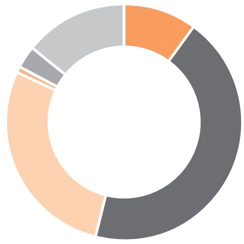
GLA

ACT	13%
NSW	43%
QLD	20%
SA	3%
WA	10%
VIC	11%



Asset value

ACT	9%
NSW	45%
QLD	25%
SA	1%
WA	4%
VIC	16%



Revenue

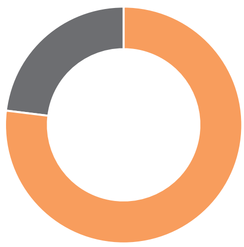
ACT	10%
NSW	44%
QLD	28%
SA	1%
WA	3%
VIC	14%

Sectoral spread

Four of the Fund's five acquisitions during the year were office buildings, resulting in the Fund's exposure to the office sector increasing to 76% of the portfolio by revenue (2016: 68%). The lack of new supply in the office sector has resulted in accelerated rental growth. This trend is set to continue into the future until supply comes online in 2021.

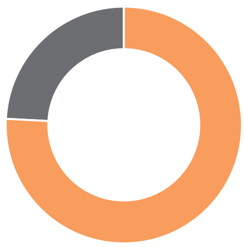
GLA

Office	50%
Industrial	50%



Asset value

Office	77%
Industrial	23%



Revenue

Office	76%
Industrial	24%

Leasing activity

At 31 March 2017, the property portfolio is 94.6% occupied by revenue (2016: 100%). The vacancy comprises 2.0% attributable to acquired vacancy at 324 Queen Street in Brisbane, 0.1% attributable to the expiry of rental guarantees at 266 King Street in Newcastle, 2.5% attributable to an existing tenant at 35-49 Elizabeth Street in Melbourne being placed in liquidation and 0.8% attributable to an existing tenant at 21-23 Solent Circuit in Sydney signing a new lease over a reduced area.

During the year, the Fund completed the following leasing transactions:

Replacement leases/renewals

	GLA	Weighted average new rental	Weighted average reversion	Weighted average WALE	Weighted average escalation	Weighted average incentive
Office	1 645	$599	(2.0%)	6.0	3.00%	19.4%
Industrial	7 079	$114	2.0%	5.0	4.00%	0.0%

Letting of acquired vacancy

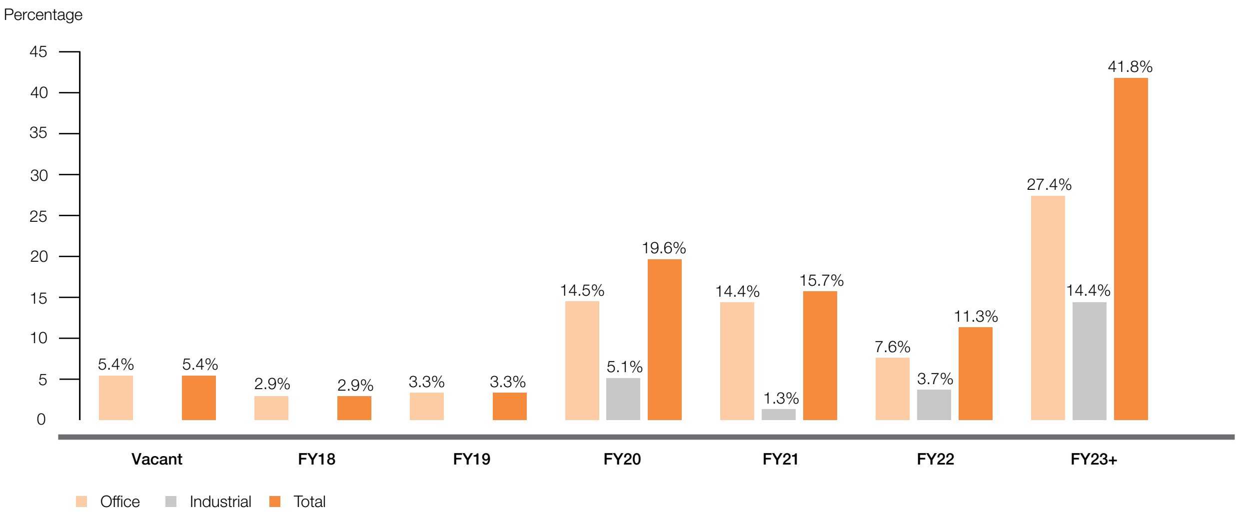
Office	3 484	$368	0.6%	5.1	3.27%	29.3%
Total	12 208		1.1%	5.2	3.66%	11.0%

Notes

1. *Replacement leases relate to the replacement of vendor leases at 757 Ann Street, Fortitude Valley QLD.*
2. *Renewals relate to the exercise of an option by the tenant at 57 Sawmill Circuit, Hume ACT.*
3. *Letting of acquired vacancy relates to new leases at 266 King Street, Newcastle NSW.*

The Fund's lease expiry profile at year-end is strong with a weighted average lease expiry of 4.6 years by revenue (2016: 6.1 years) with 42% of leases expiring after five years (2016: 56%). The lease expiry profile reflects the quality and sustainability of the Fund's net property income. The majority of the Fund's near term expiry is concentrated in New South Wales which is showing strong rental growth and should allow the Fund to achieve positive face rental reversions.

Expiry profile by revenue



Capital and risk management

During the 12 months to 31 March 2017, the Fund deployed all of the AUD92.1mn remaining capacity from the February 2016 rights offer and will be looking to deploy the additional capacity created by the February 2017 rights offer into quality and value enhancing acquisitions. The Fund's established track record of deploying the capacity created from rights offers and DRIPs within a 12-month period whilst maintaining distribution growth demonstrates the ability to build a portfolio of quality assets with strong underlying property fundamentals and continues to be an attractive investment case.

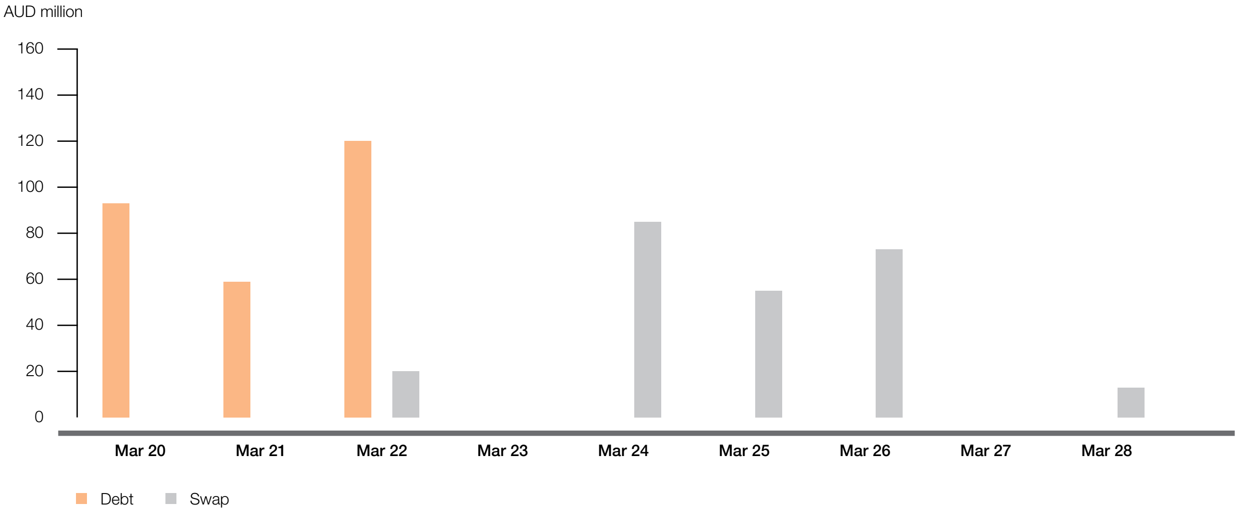
The Fund's balance sheet remains well positioned for growth with gearing currently at 32%. At the Fund's target gearing ratio of up to 40% this gives the Fund up to AUD85.0mn in debt capacity to continue to aggressively pursue attractive acquisition opportunities.

Commentary

(continued)

The Fund's current all in cost of funding is 3.71% hedged to 99%* (2016: 3.83% hedged to 86%) resulting in a spread between the Fund's funding costs and headline property yield of approximately of 400 basis points. The Fund continually reviews its fixed borrowing costs and has taken advantage of falling interest rates in Australia by locking in lower, longer dated forward rates during the year. The Fund now has a debt and swap maturity profile of 3.7 years (2016: 4.1 years) and 7.7 years (2016: 9.2 years) respectively.

Debt and swap maturity profile by financial year



**Includes AUD50.0mn of forward starting swaps to commence in October 2017.*

Australian REIT structure

The Fund allows for the tax efficient flow-through of net income to unitholders. 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. The Fund is governed and operated by IPL and managed by IPMPL.

Unit capital

The following units were issued during the year:

	Number of units	AUD'mn
Opening units in issue	312 541 376	310.1
DRIP in relation to Mar 16 distribution	9 818 121	11.8
DRIP in relation to Sep 16 distribution	5 223 526	6.8
Rights offer in Feb 17	108 004 819	138.2
Closing units in issue	**435 587 842**	**466.9**

Unitholders

Investec Property Fund Limited and Investec Bank Limited are the only unitholders holding in excess of 5% of the Fund's total issued units, holding 22.99% and 16.57% respectively.

Number of units in issue	435 587 842
Number of unitholders	4 757

Changes to the board

There have been no changes to the board of IPL during the period.

Prospects

The FY 2017 results reflect the successful execution of the Fund's strategy to date. The Fund is well positioned to continue to deliver long-term sustainable income and capital growth through the acquisition and efficient management of quality properties and conservative capital and risk management.

The board of IPL is therefore pleased to communicate expected distribution growth in FY2018 of between 3% and 4% pre-withholding tax.

This guidance assumes partial deployment at the lower end and full deployment at the upper end of gearing capacity during FY2018 into assets factoring in current market considerations. The Fund currently has AUD85mn of capacity up to 40% gearing to deploy into new acquisitions.

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

On behalf of the board of Investec Property Limited as responsible entity for Investec Australia Property Fund.

Richard Longes
Chairman

Graeme Katz
Chief Executive Officer

17 May 2017

Commentary

(continued)

Basis of accounting

The reviewed preliminary condensed consolidated financial results for the year ended 31 March 2017 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("**IFRS**"), the presentation and disclosure requirements of IAS 34: Interim Financial Reporting as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council

The accounting policies applied in the preparation of the reviewed preliminary condensed consolidated financial results for the year ended 31 March 2017 are in terms of IFRS and are consistent with those adopted in the audited financial statements for the period ended 31 March 2016.

Review conclusion

These reviewed preliminary condensed consolidated financial results for the year ended 31 March 2017 have been reviewed by KPMG, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at IPL's registered office together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in these financial results. Unitholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the accompanying financial information from IPL's registered office.

Final distribution

Notice is hereby given of a final distribution declaration number 7 of:

- 4.92579 AUD cents per unit pre WHT; and
- 4.59638 AUD cents per unit post WHT,

for the six months ended 31 March 2017. Withholding tax of 0.32941 Australian cents per unit will be withheld from the distribution paid to non-Australian unitholders. This is regarded as a foreign distribution for South African unitholders.

The salient dates relating to the distribution are as follows:

	2017
Last day to trade in order to participate in the distribution	Friday, 26 May
Last day to trade ("**LDT**") *cum* distribution	Tuesday, 6 June
Units to trade ex-distribution	Wednesday, 7 June
Record date	Friday, 9 June
Cheques posted to certificated unitholders and accounts credited by CSDP or broker to dematerialised unitholders	Monday, 12 June

Units may not be dematerialised or rematerialised between commencement of trade on Tuesday, 6 June 2017 and close of trade on Friday, 9 June 2017.

Total distribution rate: 4.92579 cents per unit

	Cents per unit
Fund payment	2.19443
Interest income	0.01391
Tax deferred	2.71745
	4.92579

This distribution includes a "Fund Payment" amount of 2.19443 cents per unit, pursuant to Subdivision 12-H of Schedule 1 of the Taxation Administration Act 1953 and relates to the year ending 31 March 2017.

The Fund declares that it is a managed investment trust for the purposes of 12-H of Schedule 1 of the Taxation Administration Act 1953, in respect of the income year ended 31 March 2017. The proportion of the payment in respect of the year ending 31 March 2017 which is attributable to a fund payment from a clean building managed investment trust is nil cents per unit.

The above information has been included in the notice solely to assist other entities with Australian withholding tax obligations that may arise in respect of any amounts distributed to non-Australian residents.

Tax implications

The Fund and its 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 unitholders in South Africa. However, the effect of this tax on the Fund's distribution for the period from 1 October 2016 to 31 March 2017 has been reduced to 6.13532%, equivalent to 0.32941 Australian cents per unit, through certain deductions such as depreciation. Thus, withholding tax of 0.32941 Australian cents per unit will be withheld from the distribution accruing to unitholders and will be paid to the Australian Taxation Office.

The distribution is not subject to dividend withholding tax in South Africa. The distribution, net of withholding tax, received by South African institutional and individual unitholders will constitute income and will be subject to income tax in South Africa at the unitholder's marginal tax rate. Tax paying unitholders will be able to claim a rebate against the withholding tax paid in Australia. Non-tax paying unitholders will not be entitled to claim a rebate.

A worked example illustrating the impact for individual and institutional unitholders will be announced as part of the finalisation information on SENS on the finalisation date.

The above summary of the tax treatment of the foreign distribution does not constitute legal or tax advice and is based on taxation law and practice at the date of this circular. Unitholders should take their own tax advice as to the consequences of their investment in the Fund and are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

By order of the board

Investec Property Limited
Company Secretary

17 May 2017

Company Information

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)
Kristie Lenton (Executive)
Samuel Leon (Non-executive)

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

Company Secretary of the Responsible Entity

Paul Lam-Po-Tang (BCom, LLB)

Registered office and 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

Established on 12 December 2012 in Sydney, Australia. Registered as a Managed Investment Scheme with ASIC under the Corporations Act 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 Proprietary 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
Rosebank Towers,
15 Biermann Avenue,
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)
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)

Custodian

Perpetual Corporate Trust Limited
(ACN 000 341 533)
Level 12, 123 Pitt Street
Sydney
New South Wales
2000
Australia

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