Annual Report 2020

Integrated annual report and consolidated financial statements

Investec Australia Property Fund

Investec
Australia Property Fund

Contents

2 Richardson Place

01 | Overview

Investec
Australia Property Fund

FY20 highlights

Funds from operations

9.78cpu

annualised

Distributions

8.88cpu

annualised

Portfolio value[1]

AUD **1 085** million

NAV per unit

AUD **1.32**

Portfolio occupancy[1]

99.0%

weighted by gross property income

Portfolio WALE[1]

4.5 years

weighted by gross property income

Gearing[1]

22.2%

Funding cost[2]

3.05%

- Successful listing on the ASX
- S&P/ASX 300 index inclusion
- Oversubscribed AUD84 million institutional placement
- Completed AUD81 million of acquisitions
- Sold 757 Ann Street, 11% above book value
- Restructure of debt and hedge book resulting in a lower funding cost and increased average weighted debt and hedge expiries

1 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.
2 Includes the impact of debt restructuring, which occurred post the reporting date on 3 April 2020.

449 Punt Road

Introduction from the chairperson and the CEO

IAP has built a quality portfolio of 30 office and industrial properties valued at AUD1 085 million[3] and is now dual listed on the ASX and the JSE.

As we enter a period of uncertainty caused by the COVID-19 pandemic, the Fund is well positioned to manage the challenges in the coming year given its defensive property portfolio and strong balance sheet position.

	2020[3,4]	2019
Properties (#)	30	28
Area (m²)	333 889	290 281
Occupancy (%)[5]	99.0	99.4
WALE (years)[5]	4.5	4.7
WARR (%)[5]	3.3	3.3
WADE (years)[4]	7.4	3.6
WASE (years)[4]	8.3	7.2
Hedged position (%)[4]	95.8	77.5

Richard Longes
Independent non-executive chairperson

Graeme Katz
CEO

Year in review

The past financial year was a significant one for IAP, having completed a dual listing on the ASX and the JSE and delivering a strong financial result.

The Fund's portfolio now comprises 30 quality properties across the office and industrial sectors in Australia and New Zealand with sound underlying operational performance.

The balance sheet has been further strengthened during the financial year. Gearing has been reduced to 22.2%[3] and the Fund has AUD66.9 million[4] of undrawn debt facilities available. The Fund's all-in funding cost reduced significantly during the financial year and the weighted average debt and hedge expiries have increased largely as a result of the Fund securing AUD150 million of 10 year fixed term debt at the end of 2019.

Whilst no one could have predicted the current health and economic situation, we believe the activities of the past year have positioned IAP to withstand the challenges posed by the COVID-19 pandemic and to take advantage of future acquisition opportunities.

Market commentary

The Australian property market performed strongly over the past year, with capital values continuing to appreciate across most asset classes. This was particularly prevalent in the industrial and office markets, where lower vacancies and face rental growth drove strong demand for quality investment grade assets.

The first quarter of 2020 has been impacted by the outbreak of the COVID-19 pandemic, with governments across the globe enforcing restrictions to limit its spread. Despite the Australian government's decision to limit gatherings, restrict business operations and inject economic stimulus there is still considerable economic uncertainty and fears of a recession.

For the property sector, this has resulted in concerns surrounding security of rental income and uncertainty around leasing assumptions and property valuations. Whilst the impact of the COVID-19 pandemic is still being quantified, a slowdown of investment activity is anticipated in the coming months as restrictions remain in place and participants analyse the impact on their portfolios and the broader market.

Financial result

We are pleased to announce that IAP is delivering a final distribution of 4.30 cpu for the six months ended 31 March 2020. This brings the total distribution for FY20 to 8.88cpu (annualised). This result is in line with the guidance provided to the market at the time of the ASX listing and reaffirmed at the interim results.

NAV has increased from AUD1.30 per unit at 31 March 2019 to AUD1.32 per unit at 31 March 2020. NAV has decreased since last reported at the half year ended 30 September 2019 due to the impact the COVID-19 pandemic has had on the fair market value of the Fund's investment properties. As a result of the COVID-19 pandemic, determining fair market value for the Fund's investment properties at 31 March 2020 involves uncertainties around the underlying assumptions given the constantly changing nature of the situation and the time between the reporting date and the date of the annual report. A detailed description of the year end valuation process is set out on page 16 of the annual report and note 9 to the consolidated financial statements.

Portfolio performance

During the year the Fund completed the acquisition of three industrial properties from Charter Hall Prime Industrial Fund for a combined value of AUD81 million. The properties are located in Perth, Adelaide and Darwin with strong underlying tenant covenants, long lease terms and were acquired on an attractive initial yield of 7.3%.

The Fund also contracted to sell 757 Ann Street, Fortitude Valley QLD for AUD94 million, 11% above the most recent valuation of AUD85 million. Completion of the sale occurred post the reporting date on 1 April 2020. The Fund will consider selling properties where value creation has been maximised, to protect against downside risk or to improve the overall quality of the Fund's portfolio.

A key focus for the Fund is ensuring strong relationships with tenants, and where possible, agreeing lease extensions with tenants in advance of the contractual expiry dates. This focus resulted in 64 335m² of space being contracted since 31 March 2019, notwithstanding that only 19 082m² of space was either vacant or expiring during the period. As a result of the leasing activity during the period, only 2 540m² of space remains vacant at the date of the annual report, the portfolio WALE is 4.5 years[5] and 33.7%[5] of leases expire after five years.

3 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.
4 Includes the impact of the debt restructuring, which occurred post the reporting date on 3 April 2020.
5 Weighted by gross property income.

Introduction from the chairperson and the CEO
(continued)

Now, more than ever, maintaining strong relationships with tenants is critical as many feel the full economic impact of the COVID-19 pandemic. We are actively engaging with all of the Fund's tenants on a regular basis to assess how the Fund might support those tenants suffering significant financial distress.

ASX listing

IAP listed on the ASX in May 2019 and is now dual primary listed on both the ASX and the JSE. This was the culmination of a strategic initiative first advised to the market in late 2017. The Fund now has direct access to both the Australian and South African capital markets. Access to a more diversified pool of capital is expected to provide the Fund with greater flexibility to grow its portfolio going forward.

The ASX listing was the catalyst for important changes to the Fund's governance arrangements. Specifically, management fees reduced from 60 bps per annum to 55 bps per annum on enterprise value, manager entrenchment was removed, the Fund's distribution policy was changed to align it with other ASX-listed REITs, a further independent non-executive director was added to the Board and the holding of the Investec Group in IAP reduced.

In conjunction with the ASX listing, the Fund raised AUD161 million through the issue of 76.9 million new units and the sale of 45.0 million units owned by Investec Property Fund Limited, one of IAP's largest unitholders. The raising received strong support from both domestic and offshore investors and was multiple times oversubscribed.

Since listing on the ASX in May 2019, the free float[6] on the ASX has steadily increased with the current split being 43% on the ASX and 57% on the JSE. The Fund was also included in the S&P/ASX 300 index in September 2019.

Equity raising

In addition to the equity raising undertaken at the time of the ASX listing, the Fund completed an institutional placement in September 2019, raising approximately AUD84 million at an issue price of AUD1.52 per unit. The proceeds from the placement were used to fund the acquisition of three industrial properties from Charter Hall Prime Industrial Fund.

The Fund will consider seeking unitholder approval at the next annual general meeting scheduled for later this calendar year to refresh its placement capacity. This capacity will provide the Fund with flexibility to raise capital (if required) to take advantage of future growth opportunities.

Debt restructure

In December 2019 the Fund successfully secured an AUD150 million fixed rate debt facility with a tenor of 10 years from a large US financial institution. In conjunction with the establishment of this facility, the Fund also restructured its interest rate swap book.

As a result of this activity, and combined with receipt of the proceeds from the sale of 757 Ann Street and further debt restructuring which occurred post the reporting date on 3 April 2020, Gearing has reduced from 37.4% at 31 March 2019 to 22.2% at the date of the annual report. The Fund's WADE has increased from 3.6 years at 31 March 2019 to 7.4 years at the date of the annual report. The Fund's WASE has increased from 7.2 years at 31 March 2019 to 8.3 years at the date of the annual report and 95.8% of the Fund's interest rate exposure is now hedged, up from 77.5% at 31 March 2019.

The Fund's all-in funding cost has reduced significantly from 3.75% at 31 March 2019 to 3.05% at the date of the annual report. The Fund also has AUD66.9 million of undrawn debt facilities available at the date of the annual report. Further details of the Fund's balance sheet management are set out on page 21 of the annual report.

Sustainability, community and governance

The Fund is committed to driving improvements in the way its properties are managed and occupied in an effort to improve the overall sustainability of the portfolio. A number of initiatives were either concluded or commenced during the year in this respect, and it was pleasing to see the average NABERS energy rating increase from 4.1 stars at 31 March 2019 to 4.3 stars at 31 March 2020 and the average NABERS water rating increase from 3.6 stars at 31 March 2019 to 3.9 stars at 31 March 2020.

The Fund also acknowledges its responsibility to the communities within which is operates. In this regard the Fund has continued its association with the Dean Gifford Stair Climb in Wellington and continues to support Cystic Fibrosis Australia through the provision of rent free accommodation at 2 Richardson Place in Sydney.

The Board and the senior management team are committed to upholding the requirements of disclosure and transparency prescribed by applicable rules, guidelines, regulations and statutes, including the JSE Listings Requirements and the King IV Code in South Africa and the ASX Listing Rules and the ASX Guidelines in Australia. The Board has adopted a board charter which formally recognises the codes of corporate practice and conduct under which the Board operates. The Board is satisfied that it has fulfilled its responsibilities under the board charter for the reporting period.

Changes to the Board

During the financial year Georgina Lynch was appointed to the Board as an independent non-executive director.

Georgina has over 25 years' experience in the financial services and property industries. She gained early experience as a solicitor at Freehills and Mallesons Stephen Jacques and has held senior roles at AMP Capital Investors, Galileo Funds Management and Stockland. More recently, Georgina has taken on a number of directorships, including as independent non-executive chairperson of Cbus Property, independent non-executive director of ASX-listed Viva Energy REIT and independent non-executive director of ASX-listed Tassal Group Limited.

Georgina brings significant global experience in corporate transactions, capital raisings, initial public offerings, funds management, corporate strategy and acquisitions and divestments to the Board. Her skills complement those of other directors and her appointment strengthens the independence of the Board.

Georgina's appointment was effective from 1 July 2019 and she was subsequently appointed to the Audit and Risk Committee on 20 February 2020.

Guidance

While the Board is comfortable with the Fund's current balance sheet position and portfolio composition, given the uncertainty surrounding both the local and global economy as a result of the COVID-19 pandemic, the Board will not be providing forward looking guidance at this time. The Board will continue to monitor the impact of the COVID-19 pandemic on the Fund and will update the market as necessary.

6 Free float excludes the principal stakes in IAP held by Investec Bank Limited and Investec Property Fund Limited.

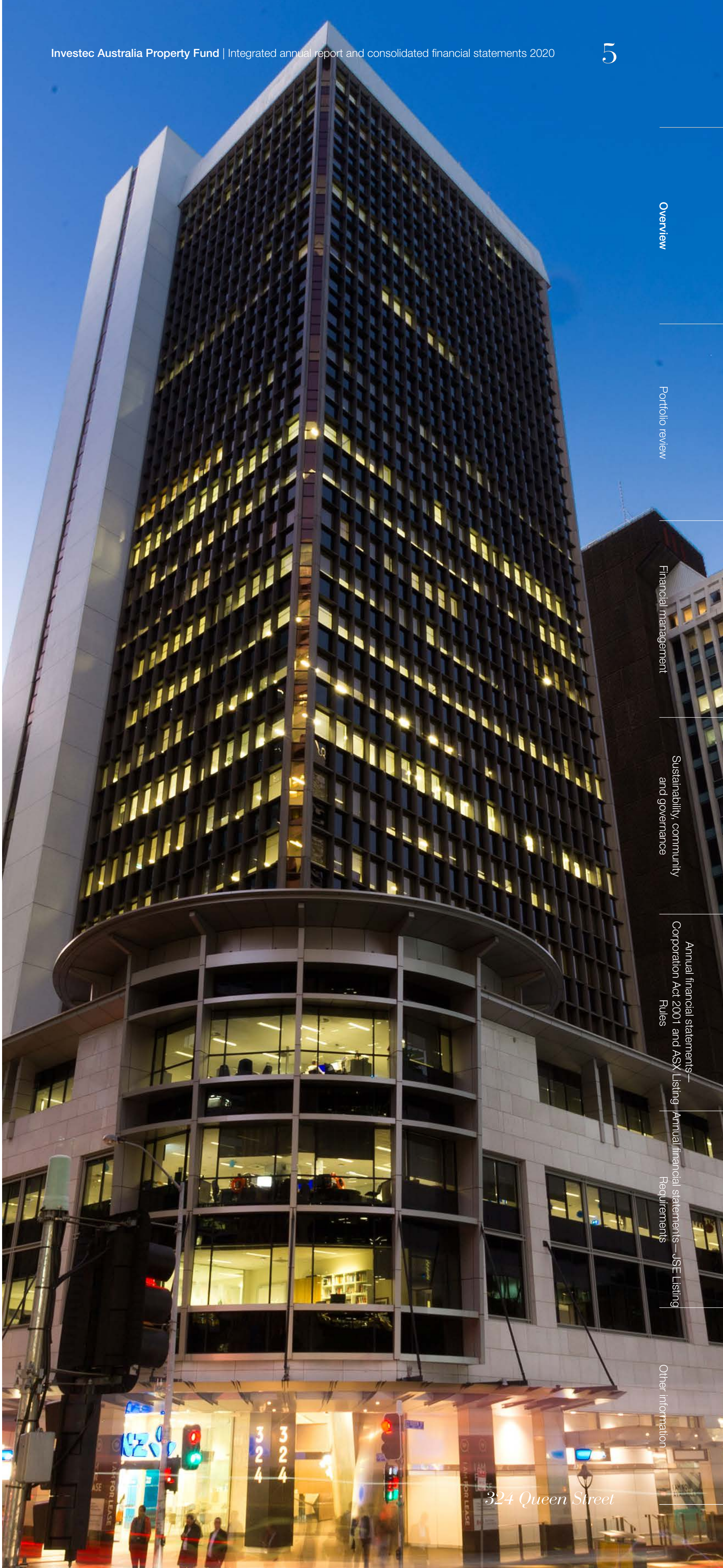
Acknowledgements

We would like to thank the senior management team who have been instrumental in the Fund's successes over the past year. We would also like to extend our appreciation to the Board for their commitment, support and contribution to the Fund, particularly in relation to the ASX listing process.

The year ahead will no doubt be a challenging one for everyone. The Board and senior management are committed to ensuring everything possible is done to prudently navigate the Fund through the current health and economic difficulties.

Richard Longes
Independent non-executive chairperson

Graeme Katz
CEO



324 Queen Street

Directors of the responsible entity

Richard Longes (75)

Appointed: 28 May 2005

Independent non-executive chairperson

Bachelor of Arts; Bachelor of Laws; Master of Business Administration

Current directorships of listed companies: nil

Sally Herman (63)

Appointed: 24 July 2013

Lead independent non-executive director and chairperson of the audit and risk committee

Bachelor of Arts; Graduate of the Australian Institute of Company Directors

Current directorships of listed companies: Premier Investments Limited; Breville Group Limited; Suncorp Limited; Evans Dixon Limited

Hugh Martin (72)

Appointed: 30 September 2014

Independent non-executive director and member of the audit and risk committee

Bachelor of Business (Finance and Accounting); Certified Public Accountant; Member of the Australian Institute of Company Directors

Current directorships of listed companies: nil

Georgina Lynch (51)

Appointed: 1 July 2019

Independent non-executive director and member of the audit and risk committee

Bachelor of Arts; Bachelor of Laws

Current directorships of listed companies: Viva Energy REIT; Tassal Group Limited

Stephen Koseff (68)

Appointed: 7 July 2014

Non-executive director

Bachelor of Commerce (with honours); Master's Degree in Business Administration; Chartered Accountant

Current directorships of listed companies: BidCorp Limited

Sam Leon (70)

Appointed: 24 July 2013

Non-executive director

Bachelor of Laws

Current directorships of listed companies: Investec Property Fund Limited

Graeme Katz (56)

Appointed: 31 March 2009

Executive director

Bachelor of Social Science (Economics)

Current directorships of listed companies: nil

47 Sawmill Circuit

02 | Portfolio review

Investec
Australia Property Fund

Strategy

The Fund's strategy is to invest in office, industrial and retail properties in major metropolitan cities or established commercial precincts in Australia and New Zealand.

The objectives of the Fund are to:

- deliver income and capital returns to unitholders over time
- grow and diversify its asset base
- maintain a strong corporate governance framework

The Fund's investment philosophy focuses on making investment decisions based on sound underlying property fundamentals, enhancing the quality of the portfolio and identifying opportunities to unlock additional value through active asset management. The Fund adheres to this philosophy by utilising the skills of an experienced and well-connected management team with a presence in the Fund's key geographies of Sydney, Melbourne and Brisbane, and through a commitment to sound balance sheet management.

01

Focused property fundamentals

- Sustainable revenue stream
- Long-term focus
- Location and quality of buildings
- Strong tenants
- Defensive portfolio

02

Acquisition strategy

- Purchasing quality assets
- Right asset at the right price
- Focus on properties that deliver affordable occupancy solutions for tenants
- Focus on properties located near critical infrastructure

03

Active asset management

- Active hands-on asset management
- Track record of letting activity
- High level of service to tenant base
- Early engagement with tenants to improve portfolio WALE
- Capital expenditure projects focused on achieving capital value uplift or income-generating improvements

04

Balance sheet

- Conservative but opportunistic balance sheet management
- Hedging strategy in place to mitigate downside risk
- Manage funding costs

05

Management team

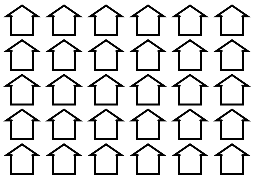
- Specialists in local market
- Leverage off the Investec Group network
- Strong relationships with key stakeholders
- Passionate and driven
- Extensive industry experience

The Fund has focused on identifying acquisitions that are located in precincts supported by significant existing or planned infrastructure that provide affordable occupancy costs for tenants and where management can utilise its asset management skills to enhance yield and/or add value. The management team has demonstrated an ability to adjust strategy and shift focus to take advantage of prevailing market conditions.

Portfolio overview

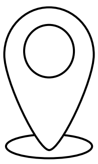
The Fund's portfolio has grown 8.4 times since listing on the JSE in October 2013 and now comprises 30 properties with an area of 333 889m² valued at AUD1 085 million[7].

	Total	Office[7]	Industrial
Properties (#)	30	12	18
Valuation (AUDm)	1 085	763	322
Area (m²)	333 889	135 574	198 315
Occupancy (%)[8]	99.0	98.6	100.0
WALE (years)[8]	4.5	3.8	6.1
Leases expiring after 5 years (%)[8]	33.7	20.7	64.5
WARR (%)[8]	3.3	3.4	3.2
WACR (%)[9]	6.57	6.46	6.83



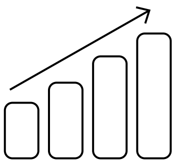
30

properties



333 889m²

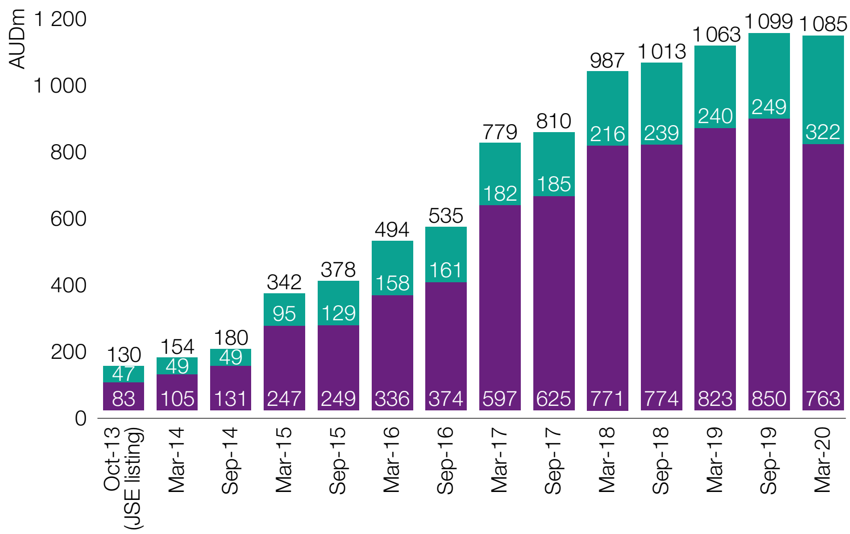
area



AUD1 085m

valuation

The Fund has taken a measured, disciplined and value-based approach to portfolio growth, and has a proven track record of completing acquisitions. The portfolio has grown in value by 8.4 times since the Fund listed on the JSE, demonstrating the management team's ability to identify and secure acquisitions and to add value through active asset management.



	Oct-13 (JSE listing)	Mar-14	Sep-14	Mar-15	Sep-15	Mar-16	Sep-16	Mar-17	Sep-17	Mar-18	Sep-18	Mar-19	Sep-19	Mar-20
■ Office	2	3	4	6	6	7	8	11	12	12	12	13	13	12
■ Industrial	6	6	6	10	12	12	12	13	13	14	15	15	18	18
Total # of properties	8	9	10	16	18	19	20	24	25	26	27	28	31	30

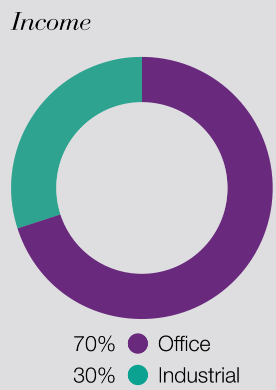
7 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.
8 Weighted by gross property income.
9 Weighted by property valuation.

Portfolio overview
(continued)

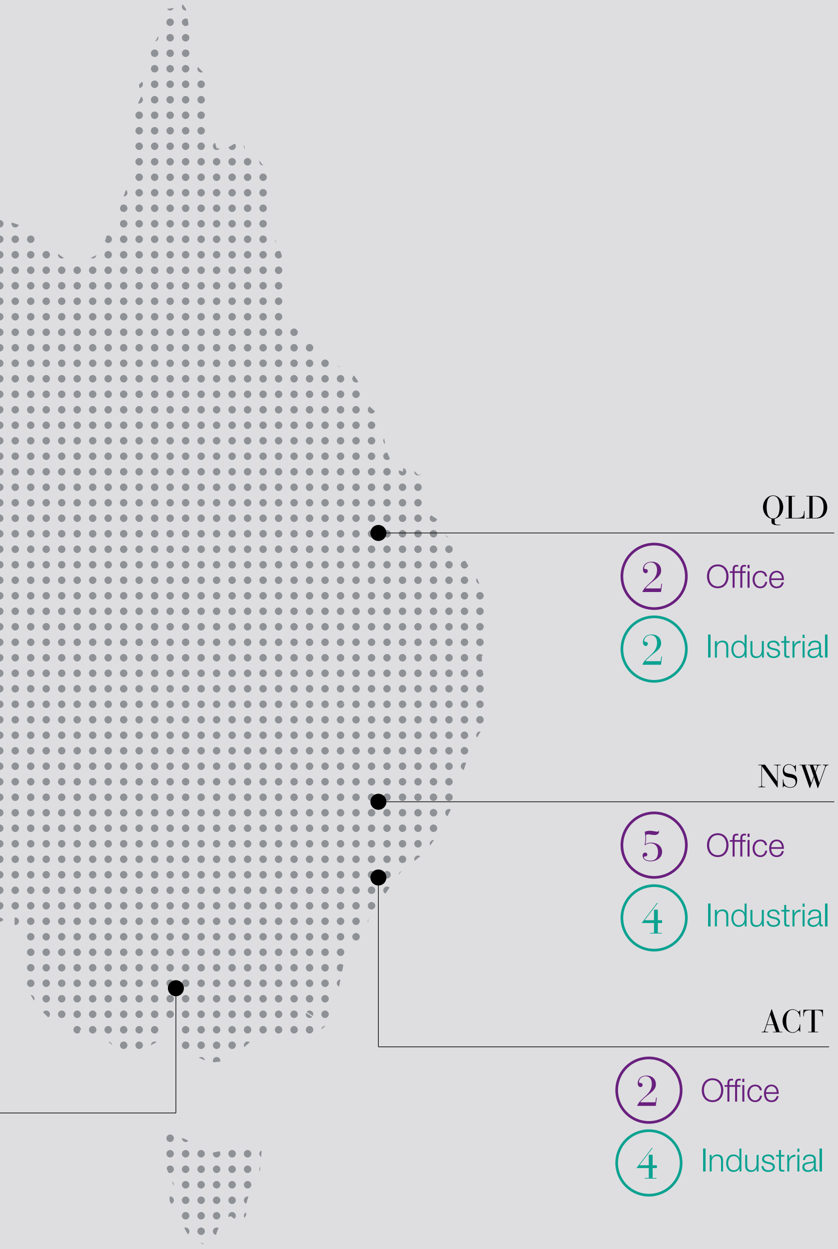
The portfolio comprises 30 properties sectorially and geographically diversified and currently valued at AUD1 085 million[10]. The Fund has focused on constructing a portfolio with the following characteristics:

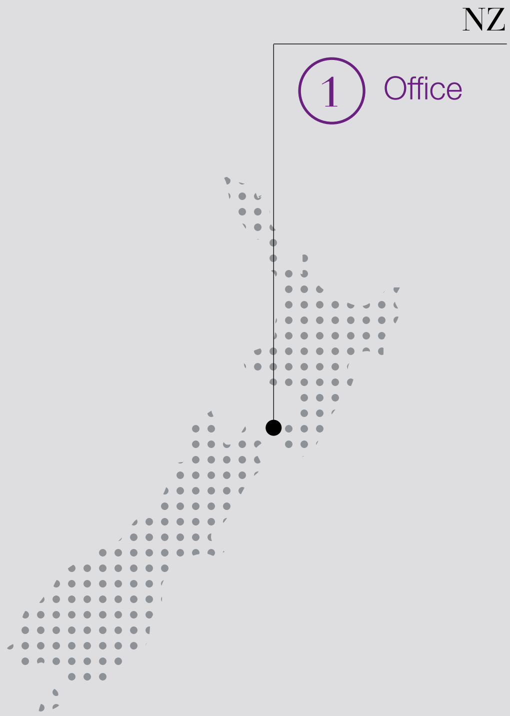
- strategically located industrial properties that typically provide longer term sustainable income
- suburban office properties located in close proximity to key infrastructure such as main arterial roads and railway stations with affordable occupancy costs for tenants
- CBD office properties in select markets with the opportunity to enhance income and/or capital value through active asset management

Sectoral spread[10]



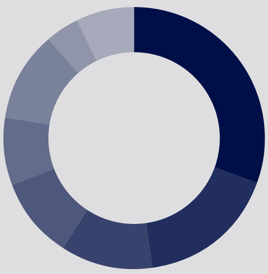
10 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.





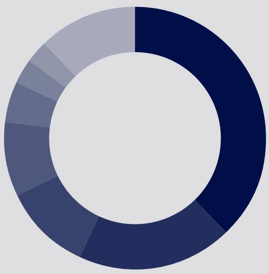
Geographic spread[11]

Area



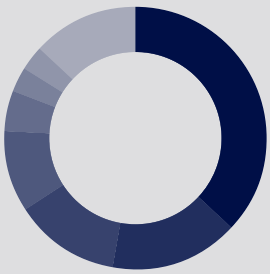
30%	NSW
17%	VIC
11%	QLD
11%	ACT
8%	WA
11%	SA
4%	NT
8%	NZ

Valuation



38%	NSW
19%	VIC
11%	QLD
9%	ACT
5%	WA
3%	SA
3%	NT
12%	NZ

Income



37%	NSW
16%	VIC
13%	QLD
10%	ACT
5%	WA
3%	SA
3%	NT
13%	NZ

11 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

Acquisitions and disposals

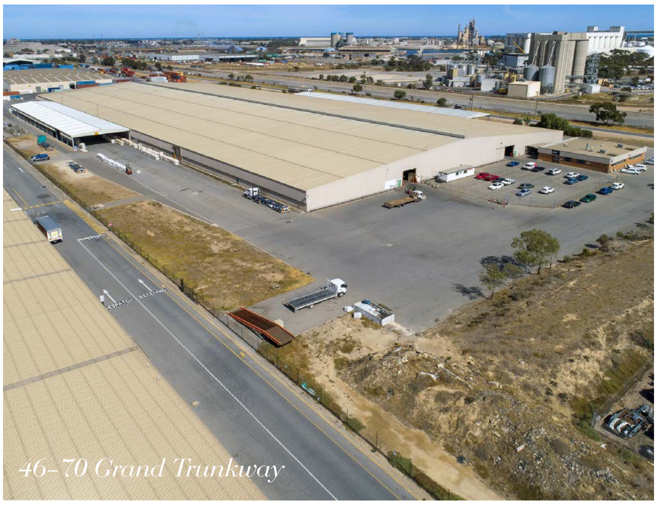
Acquisitions

During the year the Fund completed the acquisition of three industrial properties for a combined value of AUD81 million. The properties are located in Perth, Adelaide and Darwin with strong underlying tenant covenants, long lease terms and were acquired on an attractive initial yield of 7.3%.

	103 Welshpool Road Welshpool WA	46–70 Grand Trunkway Gillman SA	16 Dawson Street East Arm NT	Total/weighted average
Purchase price (AUDm)	26.5	25.5	29.0	81.0
Ownership interest (%)	100	100	100	100
Initial yield (%)[12]	6.6	6.8	8.4	7.3
Occupancy (%)[13]	100	100	100	100
WALE at acquisition (years)[13]	8.7	8.3	7.9	8.2
Annual rent reviews (%)	3.25	Greater of 3.00 or CPI	3.00	3.07[13]
Lease type	Triple net	Net	Net	
Tenant	Milne Feeds	Australian Wool Handlers	Northline	

The Fund continues to seek out value and focus its efforts on properties in established office or industrial precincts supported by key infrastructure and where the management team can optimise returns through active asset management.


16 Dawson Street


46–70 Grand Trunkway


103 Welshpool Road

12 Pre transaction costs.
13 Weighted by gross property income.

Disposals

The Fund contracted to sell the property at 757 Ann Street, Fortitude Valley QLD for AUD94 million, 11% above the most recent valuation of AUD85 million. Completion of the sale occurred post the reporting date on 1 April 2020.

The Fund will consider selling properties where value creation has been maximised, to protect against downside risk or to improve the overall quality of the Fund's portfolio.

757 Ann Street

Leasing activity

At the date of the annual report, the portfolio is 99.0%[14] occupied with a WALE of 4.5 years[14].

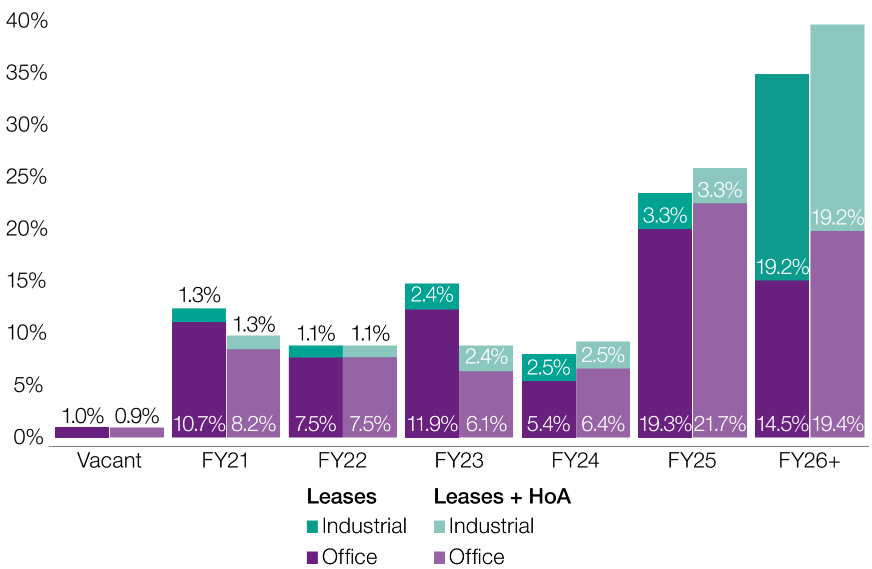
Since 31 March 2019, 64 335m² of space has been contracted by way of signed leases or signed heads of agreement, notwithstanding that only 19 082m² of space was either vacant at 31 March 2019 or expiring during the financial year. At the date of the annual report only 2 540m² of space remains vacant. The management team is committed to managing upcoming vacancy and is actively engaged with all of the Fund's tenants on a regular basis in this regard.

Since 31 March 2019 the Fund has completed the following leasing transactions:

Signed leases	Count (#)	Area (m²)	WALE (years)[14]	WARR (%)[14]
Office				
Renewal	10	14 609	3.7 years	3.24%
New tenant	9	4 769	5.6 years	3.33%
Total office	**19**	**19 378**	**4.1 years**	**3.26%**
Industrial				
Renewal	2	14 190	2.3 years	2.04%
New tenant	2	14 499	2.5 years	1.34%
Total industrial	**4**	**28 689**	**2.4 years**	**1.71%**
Total signed leases	**23**	**48 067**	**3.6 years**	**2.79%**

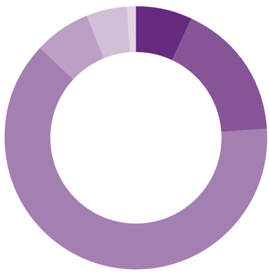
Lease expiry profile[14]

Signed HoAs	Count (#)	Area (m²)	WALE (years)[14]	WARR (%)[14]
Office				
Renewal	4	13 062	6.2 years	3.35%
New tenant	2	3 206	10.0 years	3.00%
Total office	**6**	**16 268**	**6.9 years**	**3.28%**
Industrial				
Renewal	0	0	0.0 years	0.00%
New tenant	0	0	0.0 years	0.00%
Total industrial	**0**	**0**	**0.0 years**	**0.00%**
Total signed HoAs	**6**	**16 268**	**6.9 years**	**3.28%**
Total	**29**	**64 335**	**4.8 years**	**2.96%**



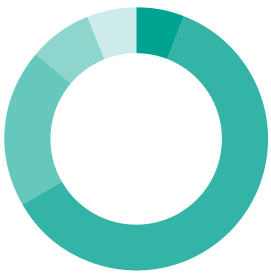
Review type[14,15]

Office



- 7% Fixed 2.5–2.99%
- 17% Fixed 3.0–3.49%
- 63% Fixed 3.5–3.99%
- 7% Fixed 4.0% +
- 5% Market review
- 1% CPI

Industrial



- 5% Fixed 2.5–2.99%
- 62% Fixed 3.0–3.49%
- 20% Fixed 3.5–3.99%
- 8% Fixed 4.0% +
- 0% Market review
- 5% CPI

Key expiries[14]

		%
FY21	State Government of Victoria	2.9
	Ernst & Young	1.3
FY22	Government Property NSW	1.8
	Allied Pickfords	1.1
FY23	Commonwealth of Australia	3.1
	Toll	1.3
FY24	Probe	2.2
	Coil Steels	1.8
FY25	Carsales.com	4.5
	Commonwealth of Australia	3.4

14 Weighted by gross property income.
15 Excludes current vacancy and leases expiring in FY21.

Tenant base

Composition

The Fund has maintained a diversified tenant base across both industries and tenant types, with no single tenant (excluding government tenants) accounting for more than 4.5% of the Fund's income. The Fund's limited exposure to tenants in the retail and consumer discretionary sectors, combined with a high proportion of the Fund's tenants being government, listed or multinationals, means that the Fund is well positioned to adequately manage the impacts of the COVID-19 pandemic.

Top 10 tenants[16,17]	
Commonwealth of Australia	8.9%
Carsales.com	4.5%
Ricoh	3.9%
Honeywell	3.3%
Vulcan Steel	3.0%
State Government of Victoria	2.9%
CTI Freight Systems	2.8%
Northline	2.7%
Pharmaxis	2.6%
Milne Agrigroup	2.5%
	37.1%

Industry type[16,17]	Total	Office	Industrial
Government	20.5%	29.3%	0.0%
Technology	17.2%	24.5%	0.0%
Industrials	16.4%	2.9%	48.0%
Financials/professionals	11.6%	16.6%	0.0%
Healthcare	11.0%	12.1%	8.5%
Consumer staples	6.7%	1.9%	17.8%
Materials	6.5%	0.2%	20.9%
Real estate	4.1%	5.9%	0.0%
Consumer discretionary	3.2%	2.6%	4.6%
Retail	1.2%	1.8%	0.0%
Communication services	0.7%	1.0%	0.0%
Energy	0.6%	0.9%	0.0%
Other	0.3%	0.3%	0.2%
	100%	**100%**	**100%**

Tenant type[16,17]	Total	Office	Industrial
Foreign listed	23.2%	26.4%	15.6%
Australian corporate	22.6%	16.5%	36.8%
Australian listed	15.2%	11.7%	23.3%
Federal government	9.1%	13.0%	0.0%
Multinational	8.8%	5.2%	17.2%
SME	8.2%	8.7%	7.1%
State government	6.0%	8.6%	0.0%
Foreign government	5.4%	7.7%	0.0%
Not for profit	1.5%	2.1%	0.0%
	100.0%	**100.0%**	**100.0%**

Impact of the COVID-19 pandemic

In early 2020 the Fund implemented a detailed tenant engagement program to gain an understanding of the impact on the tenant base of recent events such as the Australian bushfires and the early stages of the COVID-19 pandemic.

In mid-March 2020, as the seriousness of the COVID-19 pandemic was becoming more evident, the program was re-instated. All tenants in the portfolio have been communicated with on more than one occasion in an attempt to understand the potential impacts of the COVID-19 pandemic on their business and how this might influence their ability to meet their lease obligations and impact their future leasing decisions. The information obtained from tenants has been used in determining forecast cash flows for each of the properties and in determining the fair value assessment.

The Fund continues to communicate with all tenants, particularly as it becomes evident that some tenants may require rental support as their businesses are impacted by the COVID-19 pandemic. In assessing requests for rental support, the Fund will consider the code of conduct for commercial tenancies released by the National Cabinet on 7 April 2020, acknowledging that not all of the tenants that have requested rental support are captured by the code and that each State and Territory is likely to implement the code in slightly different ways. Where possible, the Fund will attempt to agree a commercially sensible position by addressing each individual tenant's specific circumstances on a case-by-case basis.

16 Weighted by gross property income.
17 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

Valuations

During the year 17 properties were externally valued with all other properties subject to directors' valuations. Determining fair value for the Fund's properties at 31 March 2020 involves uncertainties around the underlying assumptions given the constantly changing situation associated with the COVID-19 pandemic.

Basis for valuation

In line with the valuation policy, the Fund aims to externally value approximately 25% of its portfolio at each reporting date. Notwithstanding this, the Fund externally valued all properties in its portfolio at 31 March 2018 and again at 30 September 2018 in contemplation of the ASX listing. During this financial year the Fund externally valued 17 properties, six at the half year and a further 11 at 31 March 2020. Any properties not externally valued at a reporting date are subject to directors' valuations.

In anticipation of reporting at 31 March 2020, the Fund had largely completed the fair value assessment of the portfolio by mid-March 2020, and draft valuations had been presented to the Audit and Risk Committee for consideration. However, given the significant uncertainty associated with the COVID-19 pandemic, the Audit and Risk Committee determined that it was appropriate for all valuations to be reassessed. This process was conducted having regard to the following factors:

- the Australian and New Zealand governments have implemented various health and economic measures which may impact the Fund's properties, tenants and cash flows
- market evidence on valuation changes has been difficult to obtain primarily due to the lack of relevant transaction activity in light of the COVID-19 pandemic
- external valuers are generally waiting until there is transactional evidence to support market movements, particularly in relation to capitalisation rates
- the fair value assessment of the Fund's portfolio as at the reporting date is a best estimate of the impacts of the COVID-19 pandemic using information available at the time of preparation of the consolidated financial statements about conditions existing at the reporting date and includes forward looking assumptions
- in the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of the Fund's portfolio

External valuations

In respect of the 11 properties externally valued, between the date of issuing draft valuation reports in mid-March 2020 and determining the fair value assessment for inclusion in the 31 March 2020 consolidated financial statements, the independent valuers adjusted a number of assumptions, including lower probabilities of tenant retention, longer lease up periods, lower market rental growth rates and softening capitalisation and discount rates where appropriate[18]. The fair value as assessed by the independent valuers in respect of those properties that were externally valued are reflected in the table on page 17 of the annual report.

Directors' valuations

Directors' valuations were undertaken for 19 properties at 31 March 2020. In assessing fair value, the directors' valuations adopted the same adjustment process as used for the properties that have been externally valued. This included changes in assumptions that have been applied to specific properties based on the outcome of a risk assessment of each property, as well as consideration of cash flows and market indicators. The risk assessment incorporated the following factors:

- tenant covenant strength
- WALE
- possibility of rental reversion
- possibility of rental support being provided

Each factor above was considered along with other property specific factors to determine an overall risk rating for each property. This was then used to inform the valuation approach to be adopted and the level of adjustments to assumptions originally applied in mid-March 2020 to reassess fair value[18]. The fair value as assessed by the directors in respect of those properties that were subject to directors' valuations are reflected in the table on page 17 of the annual report.

18 See note 9 to the consolidated financial statements for further details on the valuation approach.

Valuation summary

The table below details the fair value movements of the Fund's properties from 31 March 2019 to 31 March 2020, including the valuations adopted at the interim reporting date on 30 September 2019.

Property[19]		FY20		HY20		FY19	Movement HY20–FY20	Movement FY19–FY20
Industrial								
47 Sawmill Circuit, Hume ACT	D	11 100 000	D	11 400 000	D	11 400 000	(2.6%)	(2.6%)
57 Sawmill Circuit, Hume ACT	D	9 500 000	D	10 350 000	D	10 350 000	(8.2%)	(8.2%)
24 Sawmill Circuit, Hume ACT	D	9 050 000	D	9 900 000	D	9 900 000	(8.6%)	(8.6%)
44 Sawmill Circuit, Hume ACT	D	10 400 000	D	11 300 000	D	11 300 000	(8.0%)	(8.0%)
2–8 Mirage Road, Direk SA	D	8 750 000	D	9 250 000	D	9 250 000	(5.4%)	(5.4%)
30–48 Kellar Street, Berrinba QLD	E	8 400 000	D	8 650 000	D	8 350 000	(2.9%)	0.6%
165 Newton Road, Wetherill Park NSW	D	25 250 000	E	25 500 000	D	23 450 000	(1.0%)	7.7%
24 Spit Island Close, Newcastle NSW	E	10 600 000	D	10 000 000	D	10 000 000	6.0%	6.0%
67 Calarco Drive, Derrimut VIC	E	10 150 000	D	9 900 000	D	9 700 000	2.5%	4.6%
66 Glendenning Road, Glendenning NSW	D	29 400 000	E	29 300 000	D	25 900 000	0.3%	13.5%
85 Radius Drive, Larapinta QLD	E	17 500 000	D	18 000 000	D	18 000 000	(2.8%)	(2.8%)
54 Miguel Road, Bibra Lake WA	D	30 100 000	E	31 000 000	D	29 500 000	(2.9%)	2.0%
24 Rodborough Road, Frenchs Forest NSW	E	22 250 000	D	21 600 000	D	21 000 000	3.0%	6.0%
6–8 and 11 Siddons Way, Hallam VIC	E	20 000 000	D	22 000 000	D	22 350 000	(9.1%)	(10.5%)
36–42 Hydrive Close, Dandenong South VIC	D	20 150 000	E	20 500 000	D	19 450 000	(1.7%)	3.6%
Acquisitions during period								
103 Welshpool Road, Welshpool WA	D	25 900 000	E	26 500 000[20]		–	(2.3%)	n/a
46–70 Grand Trunkway, Gillman SA	D	25 200 000	E	25 500 000[20]		–	(1.2%)	n/a
16 Dawson Street, East Arm NT	D	28 100 000	E	29 000 000[20]		–	(3.1%)	n/a
Total industrial		**321 800 000**		**329 650 000**		**239 900 000**	**(2.38%)**	**1.13%**
Office								
449 Punt Road, Cremorne VIC	D	58 800 000	D	59 000 000	E	57 000 000	(0.3%)	3.2%
35–49 Elizabeth Street, Richmond VIC	D	93 000 000	D	97 200 000	E	93 000 000	(4.3%)	0.0%
2404 Logan Road, Eight Mile Plains QLD	D	18 150 000	D	19 800 000	D	20 000 000	(8.3%)	(9.3%)
186 Reed Street, Greenway ACT	D	25 650 000	D	28 200 000	D	28 200 000	(9.0%)	(9.0%)
21–23 Solent Circuit, Baulkham Hills NSW	D	61 500 000	E	62 500 000	D	59 000 000	(1.6%)	4.2%
266 King Street, Newcastle NSW	E	77 000 000	D	77 000 000	D	75 000 000	0.0%	2.7%
113 Wicks Road, Macquarie Park NSW	E	29 000 000	D	27 650 000	D	26 500 000	4.9%	9.4%
324 Queen Street, Brisbane QLD	E	76 750 000	D	79 250 000	D	75 500 000	(3.2%)	1.7%
20 Rodborough Road, Frenchs Forest NSW	E	62 500 000	D	62 800 000	D	61 000 000	(0.5%)	2.5%
2 Richardson Place, North Ryde NSW	D	97 150 000	E	102 000 000	D	90 000 000	(4.8%)	7.9%
100 Willis Street, Wellington NZ	E	134 507 578	D	120 355 000	D	122 917 320	11.8%	9.4%
24 Wormald Street, Symonston ACT	D	29 150 000	D	29 750 000	D	29 750 000	(2.0%)	(2.0%)
Total office		**763 157 578**		**765 505 000**		**737 867 320**	**(0.31%)**	**3.43%**
Total		**1 084 957 578**		**1 095 155 000**		**977 767 320**	**(0.93%)**	**2.86%**

E External valuation D Directors' valuation

19 Excludes 757 Ann Street, which settled post the reporting date on 1 April 2020.
20 External valuation obtained at the time of acquisition of the property in October 2019.

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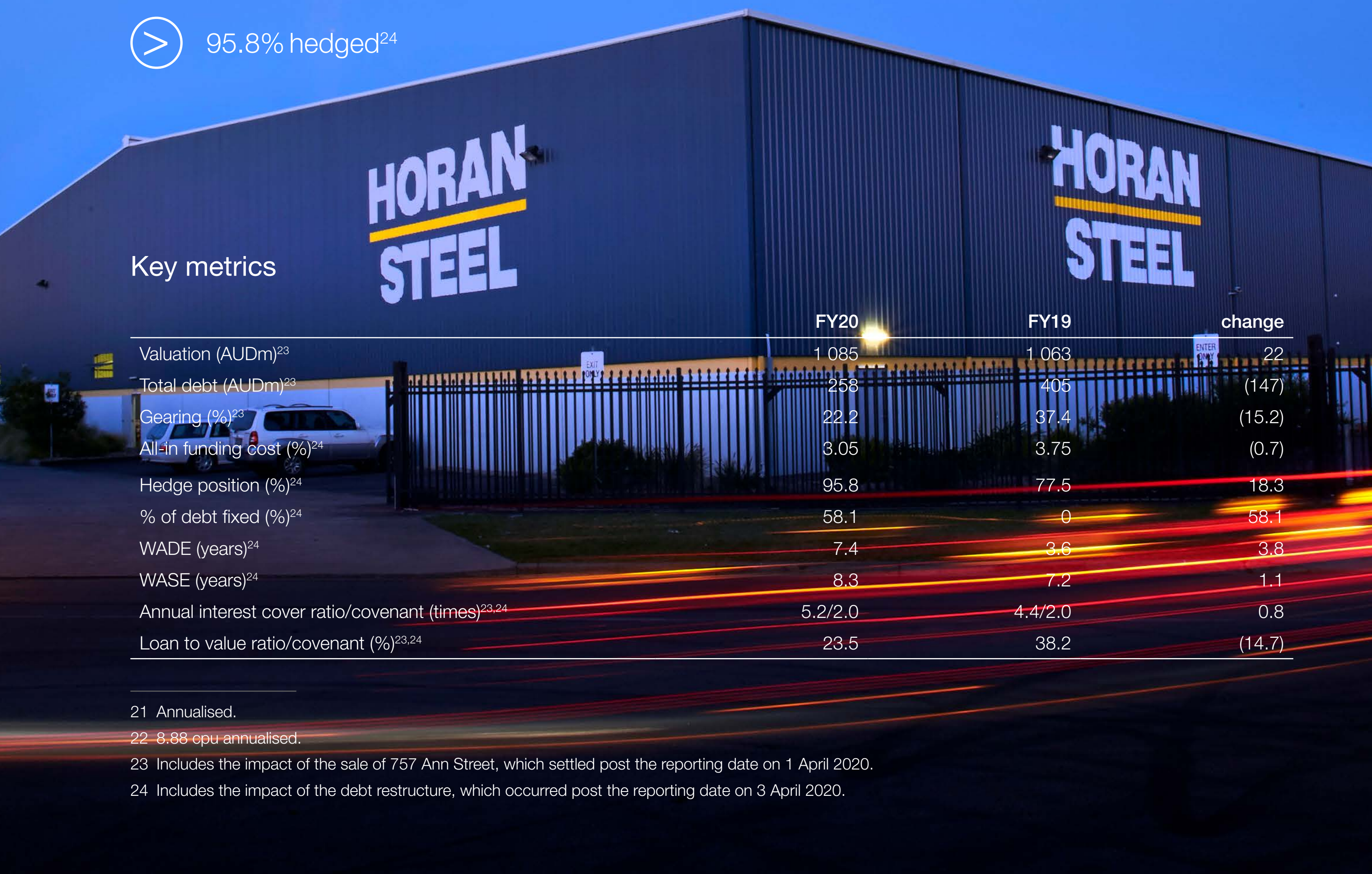
20 Rodborough Road

03 | Financial management

Investec
Australia Property Fund

FY20 highlights

- FFO of 9.78 cpu[21]
- AFFO of 9.17 cpu[21]
- Distributions of 7.50 cpu for ASX unitholders[22]
- Distributions of 9.09 cpu for JSE unitholders
- Gearing of 22.2%[23], 15.2% decrease on prior year
- NAV per unit of AUD1.32, 1.5% increase on prior year
- All-in funding cost reduced by 70bps[24]
- Secured AUD150 million 10 year fixed rate debt facility
- WADE of 7.4 years[24]
- WASE 8.3 years[24]
- 95.8% hedged[24]



Key metrics

	FY20	FY19	change
Valuation (AUDm)[23]	1 085	1 063	22
Total debt (AUDm)[23]	258	405	(147)
Gearing (%)[23]	22.2	37.4	(15.2)
All-in funding cost (%)[24]	3.05	3.75	(0.7)
Hedge position (%)[24]	95.8	77.5	18.3
% of debt fixed (%)[24]	58.1	0	58.1
WADE (years)[24]	7.4	3.6	3.8
WASE (years)[24]	8.3	7.2	1.1
Annual interest cover ratio/covenant (times)[23,24]	5.2/2.0	4.4/2.0	0.8
Loan to value ratio/covenant (%)[23,24]	23.5	38.2	(14.7)

21 Annualised.
22 8.88 cpu annualised.
23 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.
24 Includes the impact of the debt restructure, which occurred post the reporting date on 3 April 2020.

Balance sheet management

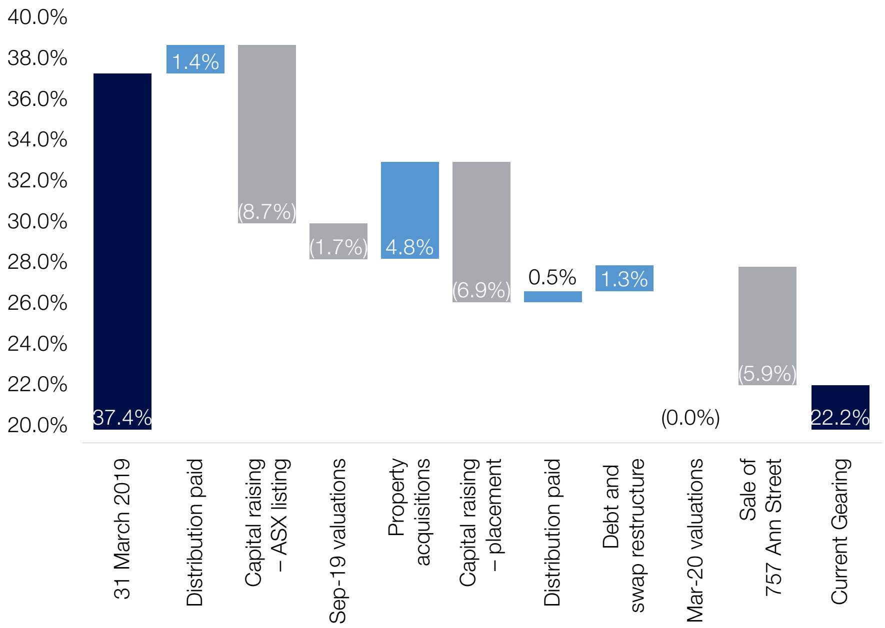
Gearing reduced by 15.2% from 37.4% at 31 March 2019 to 22.2% at the date of the annual report. This has been achieved through debt repayments from the proceeds of the capital raisings conducted as part of the ASX listing and placement in September 2019, as well as from the sale of 757 Ann Street. The debt and hedge books were restructured to extend the weighted expiries and reduce the Fund's all-in funding cost. The Fund also secured AUD150 million of 10 year fixed rate debt at an all-in cost of 3.40%, adding another participant to the syndicate. The Fund's all-in funding cost is 3.05% (2019: 3.75%) and the WADE is 7.4 years (2019: 3.6 years).

NAV per unit AUD1.32 (prior year AUD1.30) ↑ 1.5%

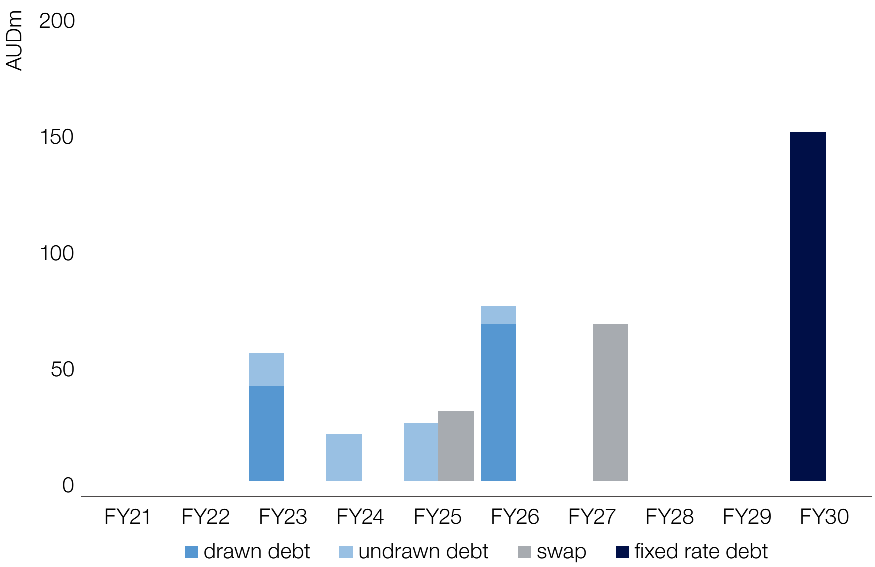
Gearing[25] 22.2% (prior year 37.4%) ↓ 15.2%

Funding cost[26] 3.05% (prior year 3.75%) ↓ 70bps

Gearing



Debt and swap expiry profile



25 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

26 Includes the impact of the debt restructure, which occurred post the reporting date on 3 April 2020.

Overview
Portfolio review
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Other information

Funds from operations

The Responsible Entity targets distributions of between 80% and 100% of the Fund's FFO each year, and will report distributions as a percentage of FFO and AFFO.

A reconciliation of the statutory profit to FFO and AFFO is set out below for the year ended 31 March 2020. A comparison to the year ended 31 March 2019 is not included due to the Fund operating under a different distribution policy prior to listing on the ASX in May 2019.

The previous distribution policy was to distribute all of the Fund's distributable income, which comprised the higher of statutory net profit under AAS (subject to certain adjustments), and taxable income. Under AAS, statutory net profit includes certain non-cash items which are adjusted to determine distributable income, being straightline rental revenue and fair value adjustments (including adjustments on investment property, interest rate swaps and foreign currency). Distributions, as well as items such as tenant incentives and maintenance capital expenditure, were funded from a combination of the Fund's free cash flows and debt.

AUD'000	FY20
Total comprehensive income attributable to unitholders	58 956
Adjusted for:	
Fair value adjustments	(5 524)
Straightline rental revenue adjustment	(4 407)
Amortisation of incentives	1 531
Other one-off items[27]	5 339
FFO	**55 895**
Maintenance capital expenditure	(2 138)
Leasing fees and cash incentives	(1 345)
AFFO	**52 412**
Weighted average units	571 380
Units in issue	611 298

	FY20
Basic and diluted earnings per unit (cents)	10.32
FFO (cpu)	9.78
AFFO (cpu)	9.17

As a result of the Fund listing on the ASX part way through a distribution period, a special distribution was paid to unitholders for the period 1 April 2019 to 27 May 2019 (as disclosed in the PDS). The special distribution paid for the period 1 April 2019 to 27 May 2019 was 1.59 cpu for a total of AUD7.6 million, as outlined in the Fund's annual report for the year ended 31 March 2019 and the PDS. This distribution was paid under the Fund's previous distribution policy.

The interim distribution paid to unitholders was for the period 28 May 2019 to 30 September 2019, as outlined in the distribution declaration released on 31 October 2019. The final distribution to be paid to unitholders is for the period 1 October 2019 to 31 March 2020.

Details of the interim and final distributions (which exclude the period 1 April 2019 to 27 May 2019) are as follows:

	28 May 2019 to 31 March 2020
FFO (AUD'000)	48 052
AFFO (AUD'000)	44 771
Distributions declared/paid (AUD'000)	45 829
Distributions declared/paid (cpu)	7.50
Distributions as a percentage of FFO (%)	89.2
Distributions as a percentage of AFFO (%)	95.7

Unitholders who held units on the JSE prior to the ASX listing in May 2019 and continue to hold their units on the JSE will have received three distributions attributable to the financial year 1 April 2019 to 31 March 2020. Details of these distributions are as follows:

	pre-WHT	post-WHT
Special distribution for the period 1 April 2019 to 27 May 2019 (cpu)[28]	1.59	1.46
Interim distribution for the period 28 May 2019 to 30 September 2019 (cpu)[29]	3.20	2.91
Final distribution for the period 1 October 2019 to 31 March 2020 (cpu)[29]	4.30	4.20

Details about distribution components under the AMIT regime (only relevant for the full year distribution) including "Fund Payment" amounts (only relevant for foreign holders) and AMIT cost base adjustments are included in the distribution announcements and will also be made available on the Fund's website at www.iapf.com.au on or before the relevant distribution date.

27 Transaction costs in relation to the ASX listing process included within other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

28 Paid under the Fund's previous distribution policy.

29 Paid under the Fund's current distribution policy, which became effective on 28 May 2019.

44 Sawmill Circuit

04 | Sustainability, community and governance

Investec
Australia Property Fund

Sustainability

Objectives

Our key sustainability objectives are to:

- provide **efficient buildings** that reduce operating costs
- meet and exceed recognised **sustainability standards**
- undertake **capital projects** that contribute to more efficient operations
- **engage tenants** to reduce energy, water and waste in ways that enhance profitability and reduce our environmental footprint

Average NABERS energy rating

4.3 stars

Average NABERS water rating

3.9 stars

Efficient buildings

Building efficiency is measured by reference to NABERS. NABERS measures the energy efficiency, water usage, waste management and indoor air quality of a building or tenancy and its impact on the environment.

Eight of the 12 office buildings in the Fund's portfolio have been assessed for a NABERS energy and water rating. The average NABERS energy rating across the portfolio is 4.3 stars (up from 4.1 stars in 2019) and the average NABERS water rating across the portfolio is 3.9 stars (up from 3.6 stars in 2019). The Fund's challenge is to identify energy and water saving opportunities that will ultimately benefit tenants by lowering their operating costs and which will improve the overall sustainability of the portfolio.

Property	Energy rating	Water rating
35–49 Elizabeth Street, Richmond VIC	4.0	4.5
449 Punt Road, Cremorne VIC	4.0	4.5
21–23 Solent Circuit, Baulkham Hills NSW	4.5	2.0
2 Richardson Place, North Ryde NSW	5.0	4.0
20 Rodborough Road, Frenchs Forest NSW	3.5	3.5
113 Wicks Road, Macquarie Park NSW	n/a	n/a
266 King Street, Newcastle NSW	4.5	4.5
324 Queen Street, Brisbane QLD	3.5	3.5
2404 Logan Road, Eight Mile Plains QLD	n/a	n/a
186 Reed Street, Greenway ACT	5.5	4.5
24 Wormald Street, Symonston ACT	n/a	n/a
100 Willis Street, Wellington NZ	n/a	n/a

Sustainability standards

Platform

The Fund has partnered with Knight Frank's sustainability team to deliver a robust environmental strategy platform for the coming year. As part of this approach the Fund is progressing the following initiatives:

- undertaking further building audits to identify additional environmental improvement opportunities
- a NABERS optimisation strategy is being developed to ensure that the NABERS ratings for each building are optimised – where opportunities exist to improve the ratings, they will be investigated further with a view to implementation
- identifying a suitable online platform for data management that will enable real time monitoring of utility consumption, greenhouse gas emissions and waste
- capturing data that will provide building analytics to allow for continuous sustainability improvement programs
- implementing a fault detection system to identify critical issues as and when they occur
- implementing a consistent waste management program to reduce landfill waste and increase waste recycling

GRESB

The Fund will be embarking on a GRESB analysis for the coming year with a view to obtaining a GRESB rating. GRESB assesses and benchmarks the environmental, social and governance performance of real assets and provides standardised and validated data.

Earth Hour

The Fund participated in Earth Hour, a WWF global initiative raising awareness about climate change and reducing energy use. Earth Hour took place on Saturday, 28 March 2020 and is now the world's largest community-driven campaign for the planet. Working with tenants, the Fund switched off all non-essential lighting in its buildings during Earth Hour and encouraged those tenants working from home during the COVID-19 pandemic to also observe Earth Hour in any way they could.

Capital projects

During the period the Fund undertook a number of capital projects designed to meet its key environmental objectives.

At **2 Richardson Place** in Sydney:

- as a result of energy audits conducted during the period, key areas were identified where energy savings could be targeted
- a number of sustainable facility management practices were implemented resulting in a 5% saving in energy consumption
- Skycool paint was applied to the roof of the building reducing the absorption of heat into the building and increasing the overall interior comfort for occupants

At **20 Rodborough Road** in Sydney:

- as a result of energy audits conducted during the period, key areas were identified where energy savings could be targeted
- a number of sustainable facility management practices were implemented resulting in a 12% saving in energy consumption
- the NABERS energy rating increased from 2.5 stars to 3.5 stars

At **66 Glendenning Road** in Sydney:

- lighting in the office and warehouse was changed to energy efficient LEDs resulting in an overall lighting energy reduction of 80%

At **35–49 Elizabeth Street** in Melbourne:

- an additional 520m^2 of lettable area is currently being designed to cater for the increased space requirement of an existing tenant with sustainable modelling being undertaken to ensure the carbon footprint of the building is reduced based on a per square metre ratio
- the building management system was upgraded which produced key data and fault detection to assist in identifying excess mechanical usage
- additional metering technology was introduced to record usage and isolate areas not zoned for NABERS calculations

At **100 Willis Street** in Wellington:

- a colour coded recycling system was implemented which raised awareness as to the amount of waste generated by tenants and improved the level of recycling

Engage tenants

Each year the Fund conducts a tenant satisfaction survey. The aim of the survey is to gain valuable feedback and insights from tenants as to the operation of the Fund's buildings. Part of this is the identification of opportunities, both for the Fund and for tenants, to improve the efficiency of the Fund's buildings and to ultimately reduce energy, water and waste in ways that enhance tenant profitability and reduce the environmental footprint.

100 Willis Street

Community

The Fund aims to create a meaningful social and economic impact to help sustain the communities it is part of.

Cystic Fibrosis Australia

The Fund has committed to support Cystic Fibrosis Australia by providing rent free accommodation at 2 Richardson Place in Sydney for their national head office. From this space Cystic Fibrosis Australia delivers a range of programs and services to individuals and families living with cystic fibrosis in Australia.

The Fund proudly hosted the Cystic Fibrosis Australia Rugby for Research Lunch, where former Wallabies Nathan Charles and Rob Horne were interviewed by the voice of rugby, Gordon Bray. The trio shared their inspiring stories as well as giving insights for the 2019 Rugby World Cup, women's rugby and the challenges faced by the rugby community. This was an interactive Q&A panel event live streamed across Australia where AUD35 000 was raised for cystic fibrosis research.

Dean Gifford Stair Climb

Once again, the Fund's building at 100 Willis Street in Wellington hosted the Dean Gifford Stair Climb charity event, a timed race up 621 stairs in either teams or singles. The event is held in memory of Senior Constable Dean Gifford, a Wellington-based police officer, and raised funds for the Child Cancer Foundation. This year there were around 150 participants including members of the Armed Offenders Squad, the National Dive Squad, the Wellington Fire Service, the Wellington Free Ambulance, Land Search and Rescue and Wellington's Police Support Unit.

The event raised NZD21 000 for the Child Cancer Foundation. The Fund matched this amount, bringing the final amount raised to NZD42 000.

Corporate social investment

Within the wider Investec Group in Australia, the Corporate Social Investment committee focuses on a small number of ongoing philanthropic sponsorship and volunteering initiatives through partnerships with local entrepreneurial organisations. The committee's work focuses on education, entrepreneurships and environmental activities which include internal and external initiatives working to improve the local communities' experience of their environment by minimising our impact on the environment as an organisation.

Governance

The Responsible Entity recognises the importance of strong corporate governance and is committed to a high standard of compliance. This is achieved through the Responsible Entity determining appropriate governance arrangements for the Fund, having adequate arrangements in place to manage conflicts and continually monitoring those arrangements. A copy of the corporate governance statement is available on the Fund's website at www.iapf.com.au.

The Responsible Entity and the Fund (as applicable to the Fund as a Managed Investment Scheme which is externally managed) comply with the ASX Guidelines as they apply to Managed Investment Schemes. The ASX Guidelines encompass matters such as board composition, committees and compliance procedures and are designed to maximise corporate performance and accountability in the interests of investors and the broader economy. The Fund's compliance with the ASX Guidelines is set out in the corporate governance statement.

The Responsible Entity and the Fund comply with the JSE Listings Requirements, which among other things require compliance with the King IV Code principles. The King IV Code principles outline the corporate governance guidelines that apply to all JSE-listed entities. The Board is committed to the continued application and monitoring of the King IV Code principles and have applied these principles to the management of the Fund to the extent applicable. The Fund's compliance with the King IV Code principles is set out in the corporate governance statement.

The key elements of the Fund's governance framework are set out below.

Board

Composition

The Board currently consists of seven directors which meets the requirements under both the JSE Listings Requirements and the constitutional documents of the Responsible Entity. There is one executive director and six non-executive directors, of whom four are considered independent. Richard Longes is the independent non-executive chairperson and Sally Herman is the lead independent director. The majority of the Board comprises non-executive directors and the majority of non-executive directors are considered independent for the purposes of the ASX Guidelines and the King IV Code. In addition, as at least half of the Board comprises external directors, the Responsible Entity is not required to establish a compliance committee for the purposes of section 601JA of the Corporations Act.

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, such that no one individual or block of individuals can dominate the Board's decision making.

The positions of chairperson and CEO are separately held with a clear division of duties. The Board has appointed Graeme Katz as CEO and has established a framework for delegation of authority and ensures that the CEO's performance is evaluated against specified criteria.

Directors are currently appointed by the shareholder of the Responsible Entity, which is a member of the Investec Group. Appointments to the Board occur by way of Board 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 resign or are removed from office.

The Board is proposing to establish a nomination committee in the coming year to assist the Board in the discharge of its responsibilities relating to the appointment, resignation and removal of directors.

Further information is contained in the Board charter available on the Fund's website at www.iapf.com.au.

Roles and responsibilities

The Board charter establishes a framework for the role, composition and meeting procedures of the Board. The Board charter reflects the applicable rules and guidelines in both Australia and South Africa, and sets out the roles and responsibilities of the Board, which responsibilities are delegated to committees of the Board or to senior management, as well as the membership and the operation of the Board. A copy of the Board charter is available on the Fund's website at www.iapf.com.au.

Functionality

The information needs of the Board are reviewed annually and directors have unrestricted access to all information, records and documents to enable them to discharge their responsibilities sufficiently. Efficient and timely methods of informing and briefing directors 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 Fund. In this context, the Board is 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. To the extent necessary, new directors will receive development and education to inform them of their duties, responsibilities, powers and potential liabilities.

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 certain committees to assist in the discharge of its responsibilities (see below). External advisors, executive directors and senior management who are not members of specific committees attend committee meetings by invitation, if deemed appropriate by the relevant committees.

Governance

(continued)

Meetings

The table below sets out the attendance at Board meetings during the year.

Directors		Eligible to attend	Attended
Richard Longes	Chairperson and independent non-executive director	4	4
Sally Herman	Lead independent non-executive director	4	4
Hugh Martin	Independent non-executive director	4	4
Georgina Lynch[30]	Independent non-executive director	3	3
Stephen Koseff	Non-executive director	4	4
Sam Leon	Non-executive director	4	4
Graeme Katz	Executive director	4	4

Evaluation

The Board and individual directors have their overall performance reviewed annually 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 is undertaken by the chairperson and, if so determined by the Board, an independent service provider.

The annual performance review has been carried out. The main focus of the Board continues to be on how to drive strategy with consideration of the macro economic environment. The chairperson was satisfied with the outcome of the review process. The performance review of the chairperson was carried out by the lead independent director. Further information is contained in the Board charter available on the Fund's website at www.iapf.com.au.

Terms of employment

The directors have been appointed by way of an engagement letter. Termination of their engagement will therefore be subject to the relevant notice period as determined by the terms of the engagement letter and any applicable law from time-to-time. The directors are appointed for indefinite periods subject to applicable law and the provisions of constitutional documents of the Responsible Entity. Directors hold office until they are removed or resign.

In respect of directors that are only directors of the Responsible Entity and not employed elsewhere within the Investec Group, they 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 the Investec Group as their remuneration is determined by the remuneration committee of the Investec Group and not by the directors.

Remuneration

Given that the Fund has no employees, the Responsible Entity has not established a remuneration committee. The Responsible Entity has received an ASX waiver from the requirement to establish a remuneration committee.

The remuneration of independent, non-Investec Group associated, non-executive directors (comprising Sally Herman, Hugh Martin and Georgina Lynch) is determined by a disinterested quorum of directors. Remuneration is limited to the director's fees and reimbursement of reasonable expenses incurred for the purposes of attending Board meetings.

The directors who are employees or directors of Investec Group entities are not remunerated by the Fund for their services as directors of the Responsible Entity. Remuneration is determined by the relevant employing entity within the Investec Group.

Company secretary

The Board is satisfied, having considered relevant qualifications and experience, that the appointed company secretary, Paul Lam-Po-Tang, is a suitably qualified, competent and experienced company secretary and is appropriately empowered to fulfill his duties to assist the Board.

The company secretary together with the Sponsor, 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 on matters of ethics and good corporate governance and will assist with the appointment of directors. The company secretary ensures that the Fund complies with all applicable laws, the ASX Listing Rules and, together with the assistance of the Sponsor, the JSE Listings Requirements. In addition, the company secretary is subject 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 the company secretary from office.

Further information is contained in the Board charter available on the Fund's website at www.iapf.com.au.

Code of conduct

The Responsible Entity is committed to acting honestly and with integrity in all its dealings. The code of conduct sets out the values, commitments, ethical standards, and policies of the Responsible Entity and outlines the standards of conduct expected of its business and people, taking into account the Responsible Entity's legal and other obligations to its stakeholders. The Board has endorsed the code of conduct. The Board and the senior management team believe that the Responsible Entity's commitment to the code of conduct will assist in maintaining confidence of the Responsible Entity's key stakeholders in the Responsible Entity's integrity. A copy of the code of conduct is available on the Fund's website at www.iapf.com.au.

30 Appointed on 1 July 2019.

Board committees

The Board may, from time to time, establish committees to assist in the discharge of its responsibilities.

Audit and Risk Committee

The Board has formally established an Audit and Risk Committee. The Audit and Risk Committee is comprised of three independent non-executive directors, being Sally Herman, Hugh Martin and Georgina Lynch. Sally Herman is the chairperson of the Audit and Risk Committee. The Audit and Risk Committee will comply with the Corporations Act, the ASX Guidelines, the ASX Listing Rules, the JSE Listings Requirements and the King IV Code (each as applicable) in relation to its composition and operation.

The Audit and Risk Committee charter establishes the duties and responsibilities of the Audit and Risk Committee to assist the Board in carrying out its accounting, auditing, financial reporting and compliance responsibilities, including appointing and liaising with an external auditor and overseeing the external audit process. The Audit and Risk Committee also assists the Board in overseeing social and ethical matters, including organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.

A copy of the Audit and Risk Committee charter is available on the Fund's website at www.iapf.com.au.

The Audit and Risk Committee is satisfied, having considered relevant qualifications and experience, that the appointed CFO, Kristie Lenton, is suitably qualified, competent and experienced to manage the financial functions of the Fund.

The Audit and Risk Committee's key areas of focus for this year were:

- continued commitment to the code of conduct
- audit quality and auditor independence
- workplace health and safety
- implementation of new and updated obligations of the compliance plan

The key areas of focus for the coming year are:

- continued commitment to the code of conduct
- audit quality and auditor independence
- workplace health and safety
- managing the impacts of the COVID-19 pandemic on the Fund's financial position and reporting obligations

The table below sets out the attendance at Audit and Risk Committee meetings during the year.

Directors		Eligible to attend	Attended
Sally Herman	Independent non-executive chairperson	5	5
Hugh Martin	Independent non-executive director	5	5
Richard Longes[31]	Independent non-executive director	4	4
Georgina Lynch[32]	Independent non-executive director	1	1

Investment Committee

The Responsible Entity has established an Investment Committee to consider and approve investments for the Fund. Under the investment policy adopted by the Board, the Investment Committee comprises all members of the Board and has the express delegated authority of the Board to consider and approve all investments for the Fund other than related party transactions which must be considered and approved in accordance with the related party policy described below.

When making investment decisions, the Investment Committee takes into account the strategy and objectives set out in the investment policy, including to invest in high quality commercial real estate assets in Australia and New Zealand, to grow and diversify the Fund's asset base and to offer unitholders sustainable income and capital growth. A copy of the investment policy is available on the Fund's website at www.iapf.com.au.

Disclosure Committee

The Board has established a Disclosure Committee comprising members of the senior management team to assist in meeting the Responsible Entity's and the Fund's obligations under the JSE Listings Requirements and the ASX Listing Rules.

The Disclosure Committee is responsible for:

- making decisions on what information should be disclosed to the market
- ensuring disclosure is made in a timely and efficient manner

A copy of the disclosure policy is available on the Fund's website at ww.iapf.com.au.

31 Resigned on 20 February 2020.

32 Appointed on 20 February 2020.

Governance
(continued)

Corporate governance policies

Disclosure policy

Continuous disclosure

The Responsible Entity is required to comply with the continuous disclosure requirements of the JSE Listings Requirements, the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the JSE Listings Requirements and the ASX Listing Rules, the Responsible Entity will be required to disclose any information concerning the Fund which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the units.

The Responsible Entity is committed to observing the disclosure obligations under the JSE Listings Requirements, the ASX Listing Rules and the Corporations Act. Information will be communicated to unitholders through the lodgement of all relevant financial and other information with the ASX and the JSE and continuous disclosure announcements will also be made available on the Fund's website at www.iapf.com.au.

A copy of the disclosure policy is available on the Fund's website at ww.iapf.com.au.

Communications

The Responsible Entity aims to ensure that unitholders are kept informed of all major developments affecting the state of affairs of the Fund. In addition to its continuous disclosure obligations, the Responsible Entity is committed to regularly communicating information to unitholders through a range of forums and publications. In accordance with the disclosure policy, if the Responsible Entity wishes to release information on the ASX it will ensure that such information is also released on the JSE and vice versa.

All announcements made to the market, including half year and annual financial results, will be posted on the Fund's website at www.iapf.com.au as soon practical after they have been released by the Responsible Entity on the ASX and the JSE. The full text of all notices of meetings and explanatory material, annual reports and copies of all investor presentations made to analysts and media briefings will be posted on the Fund's website at www.iapf.com.au. The Fund's website also contains a facility for unitholders to direct queries to the Responsible Entity.

Diversity policy

The Responsible Entity is committed to a workplace culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills of directors.

The Board has adopted a diversity policy, under which the Board's composition will be reviewed annually to ensure alignment to the strategic needs of the business and the environment in which it operates, as well as all aspects of diversity, including its gender balance. A copy of the diversity policy is available at on the Fund's website at www.iapf.com.au.

Related party policy

The Board has adopted a related party policy which outlines how the Responsible Entity will approach transactions with related parties. Under the related party policy, any related party transaction the Responsible Entity enters into must be approved by the independent, non-Investec Group associated and non-executive directors. If it is determined that it is in the best interests of unitholders to enter into the related party transaction, the Responsible Entity will consider whether to obtain the approval of unitholders, in which case the Responsible Entity will follow the steps and processes set out in the related party policy. The Responsible Entity may also require or decide to obtain expert or professional advice in some circumstances. A copy of the related party policy is available on the Fund's website at www.iapf.com.au.

Conflicts of interest policy

The Board has adopted a conflicts of interest policy which aims to:

- identify any actual, perceived or potential conflicts of interest
- outline policies and procedures to assess and evaluate conflicts of interest
- establish processes and procedures to monitor and manage conflicts of interest

All transactions in which the Responsible Entity may have, or may be perceived to have, a conflict of interest will be conducted in accordance with the conflicts of interest policy. A copy of the conflicts of interest policy is available on the Fund's website at www.iapf.com.au.

Personal account dealing and trading policy

The Board has adopted a personal account dealing and trading policy to regulate dealings in securities of the Fund. The personal account dealing and trading policy explains the types of conduct which are prohibited under insider trading laws in Australia and South Africa, and establishes procedures for the buying and selling of securities which are intended to prevent individuals from entering into transactions that could be perceived to amount to market abuse, involve the misuse of inside or confidential information, or breach applicable laws and regulatory requirements. A copy of the personal account dealing and trading policy is available on the Fund's website at www.iapf.com.au.

Whistleblower policy

As a matter of good corporate governance, and to enhance and create an ethical culture that will facilitate openness and disclosure of information relating to criminal or other irregular conduct at the workplace, the Responsible Entity has adopted a whistleblower policy. Under the whistleblower policy, eligible whistleblowers are able to disclose information about possible fraudulent, unethical, criminal, corrupt or other improper behaviour or workplace misconduct in total confidentiality and anonymity, without fear of retribution or prejudice. A copy of the whistleblower policy is available on the Fund's website at www.iapf.com.au.

Gifts, entertainment and anti-bribery policy

To ensure that the highest ethical standards of honesty and integrity are being met, the Responsible Entity has adopted a gifts, entertainment and anti-bribery policy. The gifts, entertainment and anti-bribery policy sets out the Responsible Entity's minimum standards on giving or receiving gifts, benefits and entertainment and the Responsible Entity's stance on anti-bribery. It seeks to ensure that gifts, benefits and entertainment of a value or frequency that would give rise to an actual or perceived conflict of interest are not received or offered, and to provide sufficient training in anti-bribery procedures. A copy of the gifts, entertainment and anti-bribery policy is available on the Fund's website at www.iapf.com.au.

King IV Code

The Responsible Entity is committed to the continued application and monitoring of the principles prescribed by the King IV Code and recognises it sets the tone for the management of the Fund through transparent and ethical leadership. The principles are applied to the extent applicable, whilst acknowledging the unique nature of the Fund in a South African context. The Board will continue to analyse the Fund's practices to further support and apply the various principles and outcomes in terms of the King IV Code. The directors of the Responsible Entity confirm that for the reporting period the Fund has been in compliance with the Corporations Act, the ASX Listing Rules, the JSE Listings Requirements, the ASX Guidelines and the Fund's constitution.

The principles of the King IV Code are set out below together with an explanation of the application of these principles to the Fund.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

PRINCIPLE 1: The governing body should lead ethically and effectively.

PRINCIPLE 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

PRINCIPLE 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board is committed to cultivating a strong ethical culture. This is applied through the code of conduct and the wider Investec Group codes of ethics and conduct, which guide and hold management and the directors responsible for their conduct.

The Board charter also sets the tone for the Board in terms of ethical leadership with the following key objectives noted:

- approve the strategy of the Responsible Entity and the Fund
- act as a focal point for, and custodian of, corporate governance
- provide effective and ethical leadership
- ensure the Responsible Entity and the Fund are responsible corporate citizens
- be responsible for the high-level review of risk, including that of information and technology
- ensure that the Responsible Entity and the Fund comply with all the applicable laws and adhere to non-binding rules and standards

The Board has a standing agenda item at Board meetings at least bi-annually to address ethics, social impact and good corporate citizenship in the conduct of its business. These matters form part of the Audit and Risk Committee charter.

STRATEGY, PERFORMANCE AND REPORTING

PRINCIPLE 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

PRINCIPLE 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

The Board and senior management set the strategy of the Fund which is continually reviewed and challenged throughout the year.

The Board ensures that there are robust processes in place to make sure that meaningful and timely reporting is provided to investors, enabling informed assessment and investment decisions based on accurate and transparent information provided.

The Fund's annual report goes through a thorough review process by the Board and the Audit and Risk Committee before being published.

GOVERNING STRUCTURES AND DELEGATION

PRINCIPLE 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

PRINCIPLE 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

PRINCIPLE 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

PRINCIPLE 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

PRINCIPLE 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board's commitment to good corporate governance is applied through the corporate governance statement, the Board charter and the code of conduct which adhere to the principles set out in the King IV Code, the ASX Guidelines, the JSE Listings Requirements, the ASX Listing Rules and the Corporations Act.

The composition of both the Board and the Audit and Risk Committee reflect a wide range of expertise and knowledge. The composition of both the Board and the Audit and Risk Committee is discussed in more detail earlier in this report. Both the Board and the Audit and Risk Committee are committed to adherence of their responsibilities as set out in their respective charters.

The performance of the Board, the Audit and Risk Committee and the company secretary are reviewed annually to ensure continued effectiveness and, in the case of the company secretary, that they continue to have an at arm's length relationship with the Board.

Governance
(continued)

GOVERNANCE FUNCTIONAL AREAS

PRINCIPLE 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

PRINCIPLE 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

PRINCIPLE 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

PRINCIPLE 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

PRINCIPLE 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Board is responsible for the overall governance of risk. This is delegated to the Audit and Risk Committee and senior management who have in place mitigation processes and controls and a comprehensive risk register which is reviewed quarterly. The Audit and Risk Committee reports quarterly to the Board on the risk status of the Fund.

The management of information and technology is outsourced to the Manager and utilises the wider Investec Group IT framework and policies.

The IT focus during the year and for the year coming is:

- IT risk and cyber security
- remote working capabilities
- business continuity

There were no material or repeated regulatory penalties, sanctions or fines for contravention of, or non-compliance with, statutory obligations imposed on the Responsible Entity or the Fund.

The Fund has no employees. Accordingly, matters of remuneration in respect of directors of the Responsible Entity and senior management are managed by the remuneration committee of the Investec Group or the relevant employing entity within the Investec Group. The remuneration of the independent, non-associated, non-executive directors is determined by a disinterested quorum of directors.

Representation from external audit, senior management and compliance at the Audit and Risk Committee enables an effective internal control environment to support the integrity of information used for internal decision-making and support the integrity of external reports. A combined assurance framework includes both coverage of significant risks and reporting of any issues raised relating to these risks.

STAKEHOLDER RELATIONS

PRINCIPLE 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time

The Board is committed to providing meaningful and transparent communication to stakeholders. Areas of focus in the coming year will be:

- active tenant engagement
- managing the impacts of the COVID-19 pandemic on the Fund's tenants, cash flows and implications for unitholders
- ongoing community engagement and support
- continued social and ethical engagement in the communities we are a part of

Risk management

Philosophy and approach

The Board 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.

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 senior management's process of setting risk tolerance levels, formulating and implementing the risk management plan and reports on the plan adopted by senior management to the Board.

The risk management objectives are to:

- 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 exposure across risk classes
- coordinate risk management activities across the business
- give the Board reasonable assurance that the risks the business is exposed to are identified and, to the best extent possible, managed and controlled
- establish appropriate risk committees, as mandated by the Board

The risks set out in the table below, which may result in reduction of earnings and/or loss of value should they materialise, are of primary importance:

Risk	Impact	Mitigation
STRATEGIC		
• Reputational • Fund tax status	• Investor uncertainty • Customer uncertainty	• Management meetings • Quarterly Audit and Risk Committee and Board reporting • Budgeting and forecasting process • Crisis management control
GOVERNANCE		
• Fund governance • Investment • Negative tax implications to investors	• Financial loss • Reputational damage • Investor detriment • Potential regulatory sanctions	• Board comprising independent, external directors • Board sign-off of investments • External audit and biannual review • External tax review on biannual distributions • Related party disclosure • JSE disclosure requirements • Sponsor oversight
OPERATIONAL		
• Legal and regulatory • Technology • People • Outsourcing • Fraud • Conduct • Workplace health and safety	• Breach of regulation • ASIC sanctions/ undertaking • Potential loss of licence • Financial loss • Reputational damage • Inefficient business processing • Internal and external fraud • Workplace health and safety	• Quarterly Audit and Risk Committee and Board reporting • External audit and biannual review • Investec Group internal audit reviews • Investec Group systems and IT support • SLAs for external technology providers • BCP/disaster recovery testing • Controls in place for payments and role segregation • Employee training • Policies and procedures
MARKET/INVESTMENT		
• Investment governance – product selection/ oversight • Adverse market conditions • Counterparty risk (failure) • Investment governance – valuation and pricing • Funding risk	• Reduction in income • Reduction in portfolio value • Breach of covenants • Loss of investors	• Lease documentation (contractual requirements) • Due diligence on tenant financials • Security under the leases (bank guarantees) • Arrears reporting • Biannual fair value assessment of portfolio against industry benchmarks • Requirement for external valuations every 24 months
LIQUIDITY		
• Liquidity management – Responsible Entity level • Liquidity management – Fund level	• Failure to meet constitutional requirements • Unable to pay debts when they fall due • Default on loans • Potential default under leases • Inability to pay distributions	• Monthly cash flow forecasting • Covenant reporting • Adherence of Board mandated gearing levels

Governance
(continued)

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 Investec Group internal audit reports to the Audit and Risk Committee and the CFO. Investec Group internal audit conducts a formal risk assessment periodically to formulate a comprehensive risk-based audit plan.

The assessment and programme are approved by the Investec Group audit and risk committee. Investec Group 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.

The Investec Group internal audit conducted a review of the Fund in May 2019 and concluded that there were no material findings. The next review was scheduled for May 2020, however due to the COVID-19 pandemic has been postponed.

External audit

KPMG are the external 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 and Risk Committee.

Compliance

Compliance risk is managed through internal policies and procedures, which include legal, regulatory and operational requirements relevant to the Fund. In addition to monitoring compliance with the provisions prescribed by the respective regulatory authorities, the Fund has a compliance plan which outlines its obligations as a registered Managed Investment Scheme established in accordance with the requirements of the Corporations Act. This plan is audited annually. The Investec Group's compliance function is engaged to provide independent oversight of the Responsible Entity's and the Manager's adherence to their regulatory obligations.

The key areas of focus for the year were:

- conduct and culture
- cyber security and resilience
- training and competency

The key areas of focus for the next year are:

- conduct risk
- managing compliance risk brought about by the arrangements necessitated by the COVID-19 pandemic
- training and competency

Business rescue

The Board will consider business rescue proceedings or other turnaround 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.

30–48 Kellar Street

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

Investec
Australia Property Fund

Directors' report

The directors of Investec Property Limited (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Investec Australia Property Fund (**IAP or the Fund**), present their report together with the consolidated financial statements of the Fund for the year ended 31 March 2020.

The Fund is an Australian-domiciled real estate investment trust (**REIT**) which is registered as a managed investment scheme in Australia under the Corporations Act 2001 (Cth) (**Corporations Act**) and is subject to regulatory oversight by the Australian Securities and Investments Commission (**ASIC**). The manager of the Fund is Investec Property Management Pty Limited (ABN 63 161 587 391), which is a wholly-owned subsidiary of Investec Bank plc.

The Fund was listed on the exchange operated by JSE Limited (**JSE**) on 23 October 2013. The Fund was listed on the exchange operated by ASX Limited (**ASX**) on 28 May 2019 and following this the Fund is dual primary listed on the ASX and JSE. The unit code on both the JSE and the ASX is IAP and the ISIN is AU0000046005. Units in the Fund are quoted on both the JSE and the ASX and can be moved between the South African sub-register and the Australian sub-register. Unitholders can elect where their units are traded by holding their units on either the South African sub-register or the Australian sub-register.

Directors of the Responsible Entity

The following persons were directors of the Responsible Entity during the year from 1 April 2019 up to the date of the annual report, unless otherwise stated:

Richard Longes	Independent non-executive chairperson
Sally Herman	Lead independent non-executive director and chairperson of the audit and risk committee of the board of the Responsible Entity (**Audit and Risk Committee**)
Hugh Martin	Independent non-executive director
Georgina Lynch	Independent non-executive director (appointed 1 July 2019)
Stephen Koseff	Non-executive director
Sam Leon	Non-executive director
Graeme Katz	Executive director

Directors of the Manager

The following persons were directors of Investec Property Management Pty Limited (**Manager**) during the year from 1 April 2019 up to the date of the annual report:

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

Company secretary

The company secretary of the Responsible Entity during the year from 1 April 2019 up to the date of the annual report was Paul Lam-Po-Tang.

Principal activities

The principal activity of the Fund is to invest in real estate assets.

Fund objectives and investment philosophy

The Fund's strategy is to invest in office, industrial and retail properties in major metropolitan cities or established commercial precincts in Australia and New Zealand.

The objectives of the Fund are to:

- deliver income and capital returns to unitholders over time
- grow and diversify its asset base
- maintain a strong corporate governance framework

The Fund's investment philosophy focuses on making investment decisions based on sound underlying property fundamentals, enhancing the quality of the portfolio and identifying opportunities to unlock additional value through active asset management. The Fund adheres to this philosophy by utilising the skills of an experienced and well-connected management team with a presence in the Fund's key geographies of Sydney, Melbourne and Brisbane, and through a commitment to sound balance sheet management.

Review of operations

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

Financial result

The following table summarises the statutory profit for the year ended 31 March 2020 and provides a comparison to the year ended 31 March 2019.

AUD'000	31 March 2020	31 March 2019
Revenue, excluding straightline rental revenue adjustment	96 696	88 539
Straightline rental revenue adjustment	4 407	930
Property expenses	(21 341)	(18 226)
Net property income	**79 762**	**71 243**
Other operating expenses[33]	(13 653)	(6 951)
Net finance costs	(12 684)	(14 542)
Other income	7	165
Fair value adjustments	5 524	3 184
Total comprehensive income attributable to unitholders	**58 956**	**53 099**

As at 31 March 2020, the Fund's net assets per unit attributable to unitholders was AUD1.32 (31 March 2019: AUD1.30).

Funds from operations

The Responsible Entity targets distributions of between 80% and 100% of the Fund's funds from operations (**FFO**) each year, and will report distributions as a percentage of FFO and adjusted FFO (**AFFO**)

FFO is calculated in accordance with the Property Council of Australia's "Voluntary Best Practice Guidelines for Disclosing FFO and AFFO" published in December 2017 (**Property Council Guidelines**), determined by adjusting statutory net profit (under Australian Accounting Standards (**AAS**)) for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gain/loss on sale of investment properties, straightline rental revenue adjustments, non-FFO tax expenses/benefits and other unrealised and one-off items.

AFFO is calculated in accordance with the Property Council Guidelines, being FFO adjusted for maintenance capital expenditure, cash and cash equivalent incentives (including rent free incentives) given to tenants during the period and other one-off items which have not been adjusted in determining FFO.

A reconciliation of the statutory profit to FFO and AFFO is set out below for the year ended 31 March 2020. A comparison to the year ended 31 March 2019 is not included due to the Fund operating under a different distribution policy prior to listing on the ASX in May 2019.

The previous distribution policy was to distribute all of the Fund's distributable income, which comprised the higher of statutory net profit under AAS (subject to certain adjustments), and taxable income. Under AAS, statutory net profit includes certain non-cash items which are adjusted to determine distributable income, being straightline rental revenue and fair value adjustments (including adjustments on investment property, interest rate swaps and foreign currency). Distributions, as well as items such as tenant incentives and maintenance capital expenditure, were funded from a combination of the Fund's free cash flows and debt.

AUD'000	FY20
Total comprehensive income attributable to unitholders	58 956
Adjusted for:	
Fair value adjustments	(5 524)
Straightline rental revenue adjustment	(4 407)
Amortisation of incentives	1 531
Other one-off items[34]	5 339
FFO	**55 895**
Maintenance capital expenditure	(2 138)
Leasing fees and cash incentives	(1 345)
AFFO	**52 412**
Weighted average units	571 380
Units in issue at reporting date	611 298

33 Other operating expenses includes AUD5.3 million of transaction costs in relation to the ASX listing process included within the consolidated statement of profit or loss and other comprehensive income.

34 Transaction costs in relation to the ASX listing process included within other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Directors’ report

(continued)

	FY20
Basic and diluted earnings per unit (cents)	10.32
FFO (cpu)	9.78
AFFO (cpu)	9.17

As a result of the Fund listing on the ASX part way through a distribution period, a special distribution was paid to unitholders for the period 1 April 2019 to 27 May 2019 (as disclosed in the product disclosure statement issued in May 2019 as part of the ASX listing (**PDS**)). The special distribution paid for the period 1 April 2019 to 27 May 2019 was 1.59 cpu for a total of AUD7.6 million, as outlined in the annual report for the year ended 31 March 2019 and the PDS. This distribution was paid under the Fund’s previous distribution policy.

The interim distribution paid to unitholders was for the period 28 May 2019 to 30 September 2019, as outlined in the distribution declaration released on 31 October 2019. The final distribution to be paid to unitholders is for the period 1 October 2019 to 31 March 2020.

Details of the interim and final distributions (which exclude the period 1 April 2019 to 27 May 2019) are as follows:

	28 May 2019 to 31 March 2020
FFO (AUD’000)	48 052
AFFO (AUD’000)	44 771
Distributions declared/paid (AUD’000)	45 829
Distributions declared/paid (cpu)	7.50
Distributions as a percentage of FFO (%)	89.2
Distributions as a percentage of AFFO (%)	95.7

Unitholders who held units on the JSE prior to the ASX listing in May 2019 and continue to hold their units on the JSE will have received three distributions attributable to the financial year 1 April 2019 to 31 March 2020. Details of these distributions are as follows:

	Distribution paid
Special distribution for the period 1 April 2019 to 27 May 2019 (cpu)[35]	1.59
Interim distribution for the period 28 May 2019 to 30 September 2019 (cpu)[36]	3.20
Final distribution for the period 1 October 2019 to 31 March 2020 (cpu)[36]	4.30

Details about distribution components under the attribution managed investment trust or AMIT regime (only relevant for the full year distribution) including “Fund Payment” amounts (only relevant for foreign holders) and AMIT cost base adjustments are included in the distribution announcements and will also be made available on the Fund’s website at www.iapf.com.au on or before the relevant distribution date.

Interests of the Responsible Entity

The Responsible Entity has delegated the management of the Fund to the Manager. The Responsible Entity was not paid any fees during the year. The following fees were paid to the Manager during the year:

AUD	2020	2019
Asset management fee	6 572 831	5 761 459
Property management fee[37]	1 551 363	1 305 528

The Investec group (comprising Investec Limited and Investec plc, being the head entities of the dual listed companies structure, and each of their subsidiaries (**Investec Group**)) unitholding in the Fund at reporting date is as follows:

	2020	2019
Investec Bank Limited	56 128 379	72 172 172

35 Paid under the Fund’s previous distribution policy.

36 Paid under the Fund’s current distribution policy, which became effective on 28 May 2019.

37 The Manager has been contracted to perform property management services. The Manager has sub-contracted certain of these services to third party property managers who received a fee from the Manager.

Property portfolio

A detailed review of the property portfolio is included from page 7 of the annual report. Note 9 to the consolidated financial statements describes the basis for determining fair value of the Fund's properties.

Outlook and guidance

While the board of the Responsible Entity (**Board**) is comfortable with the Fund's balance sheet position and portfolio composition, given the current uncertainty surrounding both the local and global economy as a result of the COVID-19 pandemic, the Board will not be providing forward looking guidance at this time. The Board will continue to monitor the impact of the COVID-19 pandemic on the Fund and will update the market as necessary.

Subsequent events to reporting date

During the year the Fund contracted to sell 757 Ann Street, Fortitude Valley QLD for AUD94 million which was classified as investment property held for sale as at 31 March 2020. The sale settled post the reporting date on 1 April 2020, which is the point the Fund is considered to have lost control of the asset. Proceeds from the sale were used to repay a portion of the Fund's debt.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the continued lack of market transactions which are ordinarily a strong source of evidence for valuations of investment properties. Actual economic events and conditions in future may be materially different from those estimated by the Fund at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Fund's portfolio and a future price achieved if a property is sold. At the date of the annual report, an estimate of the future effects of the COVID-19 pandemic on the Fund's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure on page 48 and property valuations in note 9 to the consolidated financial statements.

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

Significant changes in state of affairs

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

Directors' interest in units

The directors' interest in units is set out in note 16 to the consolidated financial statements.

Directors' remuneration

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

Directors of the Responsible Entity who are employees or directors of Investec Group entities are not remunerated by the Fund for their services as directors of the Responsible Entity. The remuneration of independent, non-Investec Group associated and non-executive directors is limited to the director's fees and reimbursement of reasonable expenses incurred for purposes of attending Board meetings.

Accordingly, directors' remuneration for the year to 31 March 2020 was as follows:

For the period to 31 March 2020 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[38]	–	165	–	–	–	165
Sally Herman[39]	–	120	–	–	–	120
Hugh Martin[39]	–	100	–	–	–	100
Georgina Lynch (appointed 1 July 2019[39]	–	75	–	–	–	75
Stephen Koseff[40]	–	20	–	–	–	20
Sam Leon[38]	–	60	–	–	–	60
Graeme Katz[41]	155	–	–	–	–	155
Total	**155**	**540**	**–**	**–**	**–**	**695**

38 Richard Longes' and Sam Leon's directors' fees are paid by the Investec Group. Their fees are not a cost to the Fund.

39 Sally Herman, Hugh Martin and Georgina Lynch are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is paid by the Fund. Ms. Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

40 Stephen Koseff receives fees for his services to the Investec Group and is not separately remunerated for his services as a director of the Responsible Entity. 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 Mr Koseff is not remunerated out of the Fund.

41 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and a director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

Directors' report

(continued)

Directors' remuneration for the year to 31 March 2019 was as follows:

For the period to 31 March 2019 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[42]	–	37	–	–	–	37
Sally Herman[43]	–	56	–	–	–	56
Hugh Martin[43]	–	45	–	–	–	45
Stephen Koseff[44]	–	13	–	–	–	13
Sam Leon[45]	–	19	–	–	–	19
Graeme Katz[45]	155	–	–	–	–	155
Total	**155**	**170**	**–**	**–**	**–**	**325**

Contracts with directors

The Fund does not have any contracts with directors of the Responsible Entity.

Corporate governance

The Fund's corporate governance framework is set out on page 27 of the annual report.

Audit and risk committee

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

Auditors

KPMG have been appointed by the Responsible Entity as auditors of the Fund.

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 17 to the consolidated financial statements.

Major unitholders

The Fund's major unitholders are set out on page 128 of the annual report.

Management and administration

The Fund is managed by the Manager which is a member of the Investec Group. The Manager provides fund management services and property management services to the Fund under the terms of a management agreement. The Manager has in turn outsourced certain of the property management services to property management companies, namely Knight Frank Australia Pty Ltd, MaxiServ Pty Limited, Norwest Commercial and Industrial Real Estate Pty Limited, Kiwi Property and Abacus Property Group.

Indemnification

Under the Fund's constitution the Responsible Entity, 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 fights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

42 Apportionment of directors' fees paid by the Investec Group that are attributable to the Fund. Richard Longes is not separately remunerated for his services as a director of the Responsible Entity as he is remunerated by the Investec Group for his services as a director of other entities within the Investec Group. An estimate of attributable fees has been provided based on market related non-executive director and chairperson fees and proportion of time allocated to the Fund. Mr Longes is not remunerated out of the Fund.

43 Sally Herman and Hugh Martin are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is apportioned between all funds managed by the Responsible Entity based on gross asset value. Ms. Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

44 Stephen Koseff and Sam Leon receive fees for their services to the Investec Group and are not separately remunerated for their services as directors of the Responsible Entity. 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.

45 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

Provision of non-audit services by auditor

The Fund may decide to employ the auditor, KPMG, on assignments in addition to their statutory audit duties. Details of the amounts paid to the auditor, which includes the amounts paid for non-audit services and other assurance services, are set out in note 5 to the consolidated financial statements.

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

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

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.

Environmental regulation

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

Rounding off

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 43 of the annual report.

Additional financial report

As a result of the Fund being dual primary listed on both the JSE and ASX, the Fund's financial report for the year ended 31 March 2020 are required to be audited by auditors in both Australia and South Africa to meet the regulatory requirements in both jurisdictions. Due to the varying reporting requirements in Australia and South Africa, two sets of consolidated financial statements have been prepared, where the differences in the two are largely presentation driven. Both copies of the consolidated financial statements are included in the annual report.

Signed in accordance with a resolution of the directors of the Responsible Entity.

Richard Longes
Independent non-executive chairperson

6 May 2020

Graeme Katz
CEO

6 May 2020

Directors' declaration

1 In the opinion of the directors of Investec Property Limited, the responsible entity of Investec Australia Property Fund:

(a) the consolidated financial statements and notes that are set out on pages 44 to 73 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Investec Australia Property Fund and its subsidiaries' financial position as at 31 March 2020 and of its performance, for the financial period ended on that date; and

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

(b) there are reasonable grounds to believe that Investec Australia Property Fund and its subsidiaries will be able to pay their debts as and when they become due and payable.

2. The directors draw attention to note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Investec Property Limited:

Dated at Sydney this 6th day of May 2020.

Richard Longes
Independent non-executive chairperson

Auditor's independence declaration

KPMG

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

To the Directors of Investec Property Limited, the Responsible Entity of Investec Australia Property Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Investec Australia Property Fund for the financial year ended 31 March 2020 there have been:

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

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

6 May 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2020

AUD'000	Notes	2020	2019
Revenue, excluding straightline rental revenue adjustment		96 696	88 539
Straightline rental revenue adjustment		4 407	930
Revenue	3	**101 103**	**89 469**
Property expenses	4	(21 341)	(18 226)
Net property income		**79 762**	**71 243**
Other operating expenses	5	(13 653)	(6 951)
Operating profit excluding fair value adjustments		**66 109**	**64 292**
Fair value adjustments	6	5 524	3 184
Finance costs	7	(12 774)	(14 636)
Finance income		90	94
Other income		7	165
Total comprehensive income attributable to unitholders		**58 956**	**53 099**
Basic and diluted earnings per unit (cents)		10.32	11.09

The notes on pages 48 to 73 are an integral part of the consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2020

AUD'000	Notes	2020	2019
ASSETS			
Non-current assets		**1 084 958**	**1 069 211**
Investment property	9	1 084 958	1 062 767
Financial instruments held at fair value		–	6 444
Current assets		**115 594**	**14 200**
Cash and cash equivalents	11	17 128	7 792
Receivables and other assets	10	4 466	6 408
Property held for sale	9	94 000	–
Total assets		**1 200 552**	**1 083 411**
EQUITY AND LIABILITIES			
Equity		**808 161**	**621 477**
Contributed equity	12	696 402	515 203
Retained earnings		111 759	106 274
Non-current liabilities		**353 669**	**401 614**
Long-term borrowings	13	345 487	375 163
Trade and other payables	14	4 845	5 265
Financial instruments held at fair value		3 337	21 186
Current liabilities		**38 722**	**60 320**
Borrowings	13	–	28 635
Trade and other payables	14	12 417	6 898
Distributions payable	8	26 305	24 787
Total equity and liabilities		**1 200 552**	**1 083 411**
Number of units in issue ('000)		611 298	478 802
Net asset value per unit (AUD)[46]		1.32	1.30

The notes on pages 48 to 73 are an integral part of the consolidated financial statements.

46 Net asset value per unit is calculated by dividing net asset by the number of units in issue.

Consolidated statement of changes in equity

For the year ended 31 March 2020

AUD'000	Contributed equity	Retained earnings	Total unitholder's interest
Balance at 1 April 2018	**515 203**	**102 160**	**617 363**
Total comprehensive income attributable to unitholders	–	53 099	53 099
Issue of ordinary units	–	–	–
Distributions paid/payable to ordinary unitholders	–	(48 985)	(48 985)
Balance at 31 March 2019	**515 203**	**106 274**	**621 477**
Total comprehensive income attributable to unitholders	–	58 956	58 956
Issue of ordinary units	181 199	–	181 199
Distributions paid/payable to ordinary unitholders	–	(53 471)	(53 471)
Balance at 31 March 2020	**696 402**	**111 759**	**808 161**

The adjustment made to retained earnings on the impact of applying IFRS 16 Leases is nil.

The notes on pages 48 to 73 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2020

AUD'000	Notes	2020	2019
Cash flows from operating activities			
Rental income received		107 027	87 349
Property expenses		(26 849)	(17 241)
Fund expenses		(14 514)	(9 836)
Security deposits received		–	763
Cash generated from operations		**65 664**	**61 035**
Finance income received		90	95
Finance costs paid		(12 023)	(15 064)
Distribution paid to unitholders		(51 672)	(48 186)
Net cash from/(used in) operating activities	15	**2 059**	**(2 120)**
Cash flows from/(used in) investing activities			
Investment property acquired		(81 000)	(54 394)
Acquisition costs and capital expenditure		(10 547)	(4 706)
Net cash outflow used in investing activities		**(91 547)**	**(59 100)**
Cash flows from financing activities			
Borrowings raised	13	62 701	78 294
Repayment of loans	13	(120 800)	(16 500)
Proceeds from issue of units	12	184 116	–
Payment related to capital raising	12	(2 917)	–
Payment of termination of hedging	19	(24 276)	–
Net cash inflow from financing activities		**98 824**	**61 794**
Net increase in cash and cash equivalents		9 336	574
Cash and cash equivalents at beginning of the period		7 792	7 218
Cash and cash equivalents at end of the period	11	**17 128**	**7 792**

The notes on pages 48 to 73 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

Corporate information

The financial report of the Fund for the year ended 31 March 2020 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 6 May 2020.

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

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

The registered office of the Responsible Entity is located at:

Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Reporting entity

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

The consolidated financial statements of the Fund as at and for the year ended 31 March 2020 comprise the Fund and its subsidiaries (**Group**).

Working capital management

The Fund utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Fund will draw this cash back from the debt facility in order to pay the final distribution in June 2020. This results in the most efficient use of the Fund's cash flows.

Going concern

The Fund has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of issuing the consolidated financial statements.

The impact of the COVID-19 pandemic has resulted in a portion of the Fund's tenants experiencing challenging and uncertain times. Whilst the situation is evolving, the Responsible Entity remains confident that the Fund will be able to continue as a going concern which assumes the Fund will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the consolidated financial statements. In reaching this position, the following factors have been considered:

- the Fund has cash of AUD17 million as at 31 March 2020 and has adequate levels of liquidity through AUD66.9 million[47] of available debt lines to be drawn if required
- the Fund's tenant exposure where the potential credit risk is more severe including hospitality and accommodation, tourism, education and retail is approximately 3.3% of the total tenant revenue base
- the Fund has prepared for several scenarios assuming the COVID-19 pandemic continues for three, six and 12 months, stress testing operating cash flows and in all cases the Responsible Entity expects the Fund to remain solvent
- the Fund's WADE is 7.4 years[47], with the earliest tranche maturing in March 2023[47]
- the Fund's debt is fixed or hedged to a level of 95.8%[47]
- the Fund's gearing sits at 22.2%[47] with a covenant level of 55%
- the Fund's interest cover ratio at 31 March 2020 was 5.2x with a covenant level of 2.0x
- stress testing of the covenants results in adequate levels of headroom from both a gearing and interest cover ratio perspective. While debt compliance may come under pressure, the Fund does not expect any potential covenant breaches for a period of 12 months from the date of the consolidated financial statements.

The outcome of all of the above leads the Responsible Entity to determine that the Fund's financial position is strong, and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the consolidated financial statements.

The consolidated financial statements have therefore been prepared on a going concern basis.

47 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020 and the debt restructure, which occurred post the reporting date on 3 April 2020.

1. Accounting policies and basis of preparation

1.1 Basis of preparation

1.1.1 Statement of compliance

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

1.1.2 Basis of measurement

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

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

1.1.3 Functional and presentation currency

The consolidated financial statements are presented in AUD, which is IAP's functional currency.

IAP is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that ASIC Class Order, all financial information presented in AUD 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.

Due to the COVID-19 pandemic, estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year relates to the valuation of investment properties. Refer to note 9 to the consolidated financial statements for information on best estimates used in the valuation of investment properties.

1.2 Basis of consolidation

1.2.1 Controlled entities

The 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.

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

1.2.2 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 comprise those assets that are directly attributable to the segment on a reasonable basis.

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

1.4 Revenue recognition

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

Rental income

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

Recoverable outgoings

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

1.5 Lease incentives and commissions

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

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

1.6 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.

Notes to the consolidated financial statements

(continued)

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.

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.

1.9 Financial instruments

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

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

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

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

1.9.1 Trade and other receivables

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

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

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

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

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

Debts that are known to be uncollectable are written off when identified. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments are considered indicators that the trade receivable is impaired.

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 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 Group 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 method. Borrowings are classified as non-current unless they are repayable within 12 months.

1.10 Investment property

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

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

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

Should any properties no longer meet the 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 rate method. The directors believe that their valuations accurately represent the fair value. Note 9 to the consolidated financial statements describes the basis for determining fair value of the Fund's properties.

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

1.11 Lease 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 lease agreements in the capacity as lessor of the investment properties. All agreements are operating leases.

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

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

1.12 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 by 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 distributable income (as defined in the Fund's constitution), 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 an Attribution Managed Investment Trust for Australian tax purposes. As an Attribution Managed Investment Trust, the Fund 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.

As the Fund is an Attribution Managed Investment Trust, the Responsible Entity will be required to withhold tax in Australia at 10% on Australian sourced interest income and 15% on other Australian sourced income to investors in South Africa.

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

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 in IAP.

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 IAP. All units rank equally with regard to IAP's residual assets.

1.15 New accounting standards adopted by the Group

The Group applied the following accounting standards amendments that became mandatory for the first time during the reporting period:

IFRS 16 Leases

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

IFRS16 introduces a single on-balance sheet lease accounting model for lessees and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payment.

IFRS 16 substantially carries forward the lessor accounting requirement in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Fund has applied the modified retrospective approach to implement the new accounting standard of IFRS 16, and has selected to "grandfather" its previous assessment of existing contracts.
The Fund operations involve leasing of investment properties. All rental agreements are operating leases. The impact to IAP upon adoption of IFRS 16 is nil for both current year and the comparative period.

1.16 Accounting standards applicable to the Group not yet effective

AASB 2018-6 amends AASB 3 Business Combinations to clarify the definition of a business.

This amendment applies prospectively to future acquisitions. It is not possible to determine if the amendment will have a material impact given the uncertainty in respect of such acquisition.

AASB 2018-7 amends AASB 101 Presentation of Financial Statements to clarify the definition of material as applied across all reporting standards.

The intention of the amendment is to reduce and declutter financial reports and focus the user's attention on the key material items. the Group would look to review the disclosure in respect of non-material items.

Notes to the consolidated financial statements

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2. Segment information

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

1. The Fund's investment properties are made up of office and industrial assets. This is the first segment basis determined to be relevant to report and is consistent with the sectoral spread disclosure on page 10 of the annual report.
2. The Fund's investment properties are geographically spread over the states of Australia and New Zealand. These disclosures are consistent with the geographical spread disclosure on page 11 of the annual report.

For the year ended 31 March 2020 AUD'000	Office	Industrial	Total
Statement of profit or loss and other comprehensive income			
Revenue from external customers, excluding straightline rental revenue adjustment	72 146	24 550	96 696
Straightline rental revenue adjustment	3 569	838	4 407
Revenue	**75 715**	**25 388**	**101 103**
Property expenses	(18 185)	(3 156)	(21 341)
Net property income	**57 530**	**22 232**	**79 762**
Fair value adjustments – investment property	24 298	(4 104)	20 194
Fair value adjustments – foreign currency revaluation	1 340	–	1 340
Total segment results	**83 168**	**18 128**	**101 296**
Other operating expenses			(13 653)
Fair value adjustment on interest rate swaps			(15 760)
Fair value adjustment on foreign currency			(250)
Finance costs			(12 774)
Finance income			90
Other income			7
Profit for the year			**58 956**
Statement of financial position extracts at 31 March 2020			
Investment property balance 1 April 2019	822 867	239 900	1 062 767
Acquisitions	–	81 000	81 000
Transfer to property held for sale	(94 000)	–	(94 000)
Foreign currency revaluation on property	1 340	–	1 340
Acquisition costs and capital expenditure	5 084	4 166	9 250
Straightline rental revenue receivable	3 569	838	4 407
Fair value adjustments	24 298	(4 104)	20 194
Investment property at 31 March 2020	**763 158**	**321 800**	**1 084 958**
Other assets not managed on a segmental basis			115 594
Total assets as at 31 March 2020			**1 200 552**

For the year ended 31 March 2020 AUD'000	VIC	QLD	SA	WA	NSW	ACT	NT	NZ	Total
Statement of profit or loss and other comprehensive income									
Revenue from external customers, excluding straightline rental revenue adjustment	15 154	18 559	2 009	3 704	34 032	9 276	1 184	12 778	96 696
Straightline rental revenue adjustment	(667)	409	(60)	375	2 289	78	267	1 716	4 407
Revenue	**14 487**	**18 968**	**1 949**	**4 079**	**36 321**	**9 354**	**1 451**	**14 494**	**101 103**
Property expenses	(2 927)	(4 121)	(186)	(692)	(7 765)	(1 305)	(99)	(4 246)	(21 341)
Net property income	**11 560**	**14 847**	**1 763**	**3 387**	**28 556**	**8 049**	**1 352**	**10 248**	**79 762**
Fair value adjustments – investment property	(1 704)	7 554	(1 185)	(2 045)	19 478	(6 369)	(2 973)	7 438	20 194
Fair value adjustments – foreign currency revaluation	–	–	–	–	–	–	–	1 340	1 340
Total segment results	**9 856**	**22 401**	**578**	**1 342**	**48 034**	**1 680**	**(1 621)**	**19 026**	**101 296**
Other operating expenses									(13 653)
Fair value adjustment on interest rate swaps									(15 760)
Fair value adjustment on foreign currency									(250)
Finance costs									(12 774)
Finance income									90
Other income									7
Profit for the year									**58 956**
Statement of financial position extracts at 31 March 2020									
Investment property balance 1 April 2019	201 500	206 850	9 251	29 500	391 851	100 898	–	122 917	1 062 767
Acquisitions	–	–	25 500	26 500	–	–	29 000	–	81 000
Transfer to property held for sale	–	(94 000)	–	–	–	–	–	–	(94 000)
Acquisition costs and capital expenditure	2 972	(13)	295	1 819	1 033	241	1 806	1 097	9 250
Foreign currency revaluation on property	–	–	–	–	–	–	–	1 340	1 340
Straightline rental revenue receivable	(667)	409	(60)	375	2 289	78	267	1 716	4 407
Fair value adjustments	(1 704)	7 554	(1 035)	(2 195)	19 478	(6 369)	(2 973)	7 438	20 194
Investment property at 31 March 2020	**202 101**	**120 800**	**33 951**	**55 999**	**414 651**	**94 848**	**28 100**	**134 508**	**1 084 958**
Other assets not managed on a segmental basis									115 594
Total assets as at 31 March 2020									**1 200 552**

Notes to the consolidated financial statements

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For the year ended 31 March 2019 AUD'000	Office	Industrial	Total
Statement of profit or loss and other comprehensive income			
Revenue from external customers, excluding straight–line rental revenue adjustment	67 680	20 859	88 539
Straight–line rental revenue adjustment	295	635	930
Revenue	**67 975**	**21 494**	**89 469**
Property expenses	(15 698)	(2 528)	(18 226)
Net property income	**52 277**	**18 966**	**71 243**
Fair value adjustments – investment property	12 315	2 854	15 169
Fair value adjustments – foreign currency revaluation	162	–	162
Total segment results	**64 754**	**21 820**	**86 574**
Other operating expenses			(6 951)
Fair value adjustment on interest rate swaps			(13 714)
Fair value adjustment on foreign currency			1 567
Finance costs			(14 636)
Finance income			94
Other income			165
Profit for the year			**53 099**
Statement of financial position extracts at 31 March 2019			
Investment property balance 1 April 2018	770 922	215 774	986 696
Acquisitions	29 750	19 450	49 200
Foreign currency revaluation on property	2 515	–	2 515
Acquisition costs and capital expenditure	7 004	1 186	8 190
Straight–line rental revenue receivable	375	635	1 010
Fair value adjustments	12 301	2 855	15 156
Investment property at 31 March 2019	**822 867**	**239 900**	**1 062 767**
Other assets not managed on a segmental basis			20 644
Total assets as at 31 March 2019			**1 083 411**

For the year ended 31 March 2019 AUD'000	VIC	QLD	SA	WA	NSW	ACT	NZ	Total
Statement of profit or loss and other comprehensive income								
Revenue from external customers, excluding straightline rental revenue adjustment	14 306	17 952	1 034	2 566	33 807	7 094	11 780	88 539
Straightline rental revenue adjustment	21	307	(26)	221	704	(47)	(250)	930
Revenue	**14 327**	**18 259**	**1 008**	**2 787**	**34 511**	**7 047**	**11 530**	**89 469**
Property expenses	(2 491)	(3 649)	(70)	(335)	(6 916)	(1 061)	(3 704)	(18 226)
Net property income	**11 836**	**14 610**	**938**	**2 452**	**27 595**	**5 986**	**7 826**	**71 243**
Fair value adjustments – investment property	12 766	2 485	(134)	262	(1 127)	52	866	15 169
Fair value adjustments – foreign currency revaluation	–	–	–	–	–	–	162	162
Total segment results	**24 602**	**17 095**	**804**	**2 714**	**26 468**	**6 200**	**8 691**	**86 574**
Other operating expenses								(6 951)
Fair value adjustment on interest rate swaps								(13 714)
Fair value adjustment on foreign currency								1 567
Finance costs								(14 636)
Finance income								94
Other income								165
Profit for the year								**53 099**
Statement of financial position extracts at 31 March 2019								
Investment property balance 1 April 2018	167 700	203 150	9 401	29 000	388 351	69 623	119 471	986 696
Acquisitions	19 450	–	–	–	–	29 750	–	49 200
Acquisition costs and capital expenditure	1 554	908	10	17	3 922	1 520	326	8 257
Foreign currency revaluation property	–	–	–	–	–	–	2 515	2 515
Straightline rental revenue receivable	21	307	(26)	221	704	(47)	(250)	930
Fair value adjustments	12 775	2 485	(134)	262	(1 126)	52	855	15 169
Investment property at 31 March 2019	**201 500**	**206 850**	**9 251**	**29 500**	**391 851**	**100 898**	**122 917**	**1 062 767**
Other assets not managed on a segmental basis								20 644
Total assets as at 31 March 2019								**1 083 411**

Notes to the consolidated financial statements
(continued)

3. Revenue

AUD'000	2020	2019
Contracted rental income	83 907	77 474
Recoverable outgoings	12 789	11 065
Revenue, excluding straightline rental revenue adjustment	96 696	88 539
Straightline rental revenue adjustment	4 407	930
	101 103	**89 469**

4. Property expenses

AUD'000	2020	2019
Statutory expenses	(6 196)	(5 876)
Electricity	(2 059)	(1 694)
Insurance	(1 918)	(1 142)
Cleaning	(1 406)	(1 264)
Building management	(2 282)	(2 277)
Repairs and maintenance	(1 365)	(1 019)
Amortisation of incentives	(1 054)	(957)
Tenant rechargeable expenditure	(905)	(724)
Air-conditioning	(790)	(814)
Fire protection	(404)	(432)
Lift and escalators	(531)	(444)
Emergency generators	(479)	(513)
Gardening/landscaping	(227)	(168)
Consultancy fees	(318)	(216)
Leasing fees	(477)	(330)
Legal and marketing expenses	(158)	(160)
Non recoverable property expenses	(583)	(168)
Other property expenses	(189)	(28)
	(21 341)	**(18 226)**

5. Other operating expenses

AUD'000	2020	2019
Asset management fee	(6 573)	(5 761)
Auditor's remuneration[48]	(354)	(331)
Audit fee	(233)	(203)
Tax compliance fees	(121)	(128)
Directors' fees	(295)	(101)
Legal and consulting fees	(356)	(244)
ASX listing expenses	(5 339)	–
Other fund expenses	(736)	(514)
	(13 653)	**(6 951)**

48 All audit and tax services were provided by KPMG.

6. Fair value adjustments

AUD'000	2020	2019
Fair value adjustments – investment property	20 194	15 178
Fair value adjustments – interest rate swaps	(3 337)	(13 714)
Losses on termination and restructure of hedges	(12 423)	–
Fair value adjustments – foreign currency revaluation	1 090	1 720
Total fair value adjustment	**5 524**	**3 184**

7. Finance costs

AUD'000	2020	2019
Interest paid on borrowings	(12 774)	(14 636)
Total finance costs	**(12 774)**	**(14 636)**

Refer to note 13 to the consolidated financial statements for details on borrowings.

8. Distribution per unit

Period for distribution	Total distribution AUD'000	Units in issue '000	Distribution per unit cents
1 April 2019 – 27 May 2019	7 631	478 802	1.59
28 May 2019 – 30 September 2019	19 535	611 298	3.20
Half year to 31 March 2020	26 305	611 298	4.30
Total distribution for FY20	**53 471**		**9.09**
Half year to 30 September 2018	24 198	478 802	5.05
Half year to 31 March 2019	24 787	478 802	5.18
Total distribution for FY19	**48 985**		**10.23**

The interim distribution paid to unitholders for the period 28 May 2019 to 30 September 2019 includes those unitholders who participated in the placement which settled on 2 October 2019.

9. Investment property

AUD'000	2020	2019
Cost	956 051	941 582
Accumulated fair value adjustment	115 549	110 516
Investment properties	1 071 600	1 052 098
Straightline rental revenue receivable	13 358	10 669
Carrying value	**1 084 958**	**1 062 767**
Movement in investment properties		
Balance at beginning of year	1 062 767	986 696
Acquisitions	81 000	49 200
Property held for sale	(94 000)	–
Foreign currency revaluation on property	1 340	2 515
Acquisition costs and capital expenditure	9 250	8 190
Fair value adjustment on revaluation of investment properties (refer to note 6)	20 194	15 156
Straightline rental revenue adjustment	4 407	1 010
Carrying value at end of the year	**1 084 958**	**1 062 767**

Notes to the consolidated financial statements

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Property to the value of AUD1 085.0 million (31 March 2019: AUD1 062.8 million) is held as security under the syndicated facility agreement drawn down to a value of AUD347.3 million (31 March 2019: AUD405.4 million).

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to AUD20.2 million (31 March 2019: AUD15.2 million) and are presented in profit and loss in the line item 'fair value adjustment'.

Property	Latest external valuation		Consolidated carrying value	Consolidated carrying value
AUD'000	Date	Valuation	2020	2019
Industrial				
47 Sawmill Circuit, Hume ACT	30-Sep-18	11 400	11 100	11 400
57 Sawmill Circuit, Hume ACT	30-Sep-18	10 350	9 500	10 350
24 Sawmill Circuit, Hume ACT	30-Sep-18	9 900	9 050	9 900
44 Sawmill Circuit, Hume ACT	30-Sep-18	11 300	10 400	11 300
2–8 Mirage Road, Direk SA	30-Sep-18	9 250	8 750	9 250
30–48 Kellar Street, Berrinba QLD	31-Mar-20	8 400	8 400	8 350
165 Newton Road, Wetherill Park NSW	30-Sep-19	25 500	25 250	23 450
24 Spit Island Close, Newcastle NSW	31-Mar-20	10 600	10 600	10 000
67 Calarco Drive, Derrimut VIC	31-Mar-20	10 150	10 150	9 700
66 Glendenning Road, Glendenning NSW	30-Sep-19	29 300	29 400	25 900
85 Radius Drive, Larapinta QLD	31-Mar-20	17 500	17 500	18 000
54 Miguel Road, Bibra Lake WA	30-Sep-19	31 000	30 100	29 500
24 Rodborough Road, Frenchs Forest NSW	31-Mar-20	22 250	22 250	21 000
6–8 and 11 Siddons Way, Hallam VIC	31-Mar-20	20 000	20 000	22 350
36–42 Hydrive Close, Dandenong South VIC	30-Sep-19	20 500	20 150	19 450
103 Welshpool Road, Welshpool WA	10-Oct-19	26 500	25 900	–
70 Grand Trunkway, Gillman SA	10-Oct-19	25 500	25 200	–
16 Dawson Street, East Arm NT	10-Oct-19	29 000	28 100	–
Office				
449 Punt Road, Cremorne VIC	31-Mar-19	57 000	58 800	57 000
35–49 Elizabeth Street, Richmond VIC	31-Mar-19	93 000	93 000	93 000
2404 Logan Road, Eight Mile Plains QLD	30-Sep-18	20 000	18 150	20 000
186 Reed Street, Greenway ACT	30-Sep-18	28 200	25 650	28 200
757 Ann Street, Fortitude Valley QLD	31-Mar-20	94 000	–	85 000
21–23 Solent Circuit, Baulkham Hills NSW	30-Sep-19	62 500	61 500	59 000
266 King Street, Newcastle NSW	31-Mar-20	77 000	77 000	75 000
113 Wicks Road, Macquarie Park NSW	31-Mar-20	29 000	29 000	26 500
324 Queen Street, Brisbane QLD	31-Mar-20	76 750	76 750	75 500
20 Rodborough Road, Frenchs Forest NSW	31-Mar-20	62 500	62 500	61 000
2 Richardson Place, Frenchs Forest NSW	30-Sep-19	102 000	97 150	90 000
100 Willis Street, Wellington NZ[49]	31-Mar-20	134 508	134 508	122 917
24 Wormald Street, Symonston ACT	08-Feb-19	29 750	29 150	29 750
Total			**1 084 958**	**1 062 767**
Property held for sale				
757 Ann Street, Fortitude Valley QLD	31-Mar-20	94 000	94 000	–
			94 000	**–**

49 Converted at spot rate of 1.02968 at 31 March 2020.

A. Valuation basis

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

As a result of the COVID-19 pandemic assessing fair value as at the reporting date involves uncertainties around the underlying assumptions given the constantly changing nature of the situation and the time between the reporting date and the date of the annual report. The COVID-19 pandemic is still at an early stage, and the length of time it will take the measures implemented by the Australian and New Zealand Governments to manage the effects of the COVID-19 pandemic on the broader economies and property markets, is still unknown.

As such, the valuation process for the Fund's results for the year ended 31 March 2020 has been adjusted compared to the process that would typically be followed and adopted in more normalised market conditions.

The Fund had largely completed the fair valuation assessment of the portfolio in mid-March 2020, in anticipation for 31 March 2020 reporting requirements, and draft valuations were presented to the Audit and Risk Committee for consideration. However, given the significant events and change in market conditions between the date these valuations were originally obtained and the reporting date, the Audit and Risk Committee determined that it was appropriate for all external valuations to be reassessed by the relevant independent valuers. Further, the Audit and Risk Committee determined that the information obtained from this process also inform the basis of reassessing each of the directors' valuations. This process was conducted having regard to the most recent understanding at balance date of Government restrictions, financial support packages and their associated anticipated timeframe, and the impact these may have on the Fund's properties.

To date, market evidence is difficult to obtain to support any material movement in property yields across the sectors in which the Fund has exposure. This is largely due to the early stage of the COVID-19 pandemic in Australia and New Zealand and the limited recent transaction activity.

While the current economic climate and the impacts of the COVID-19 pandemic in the medium to long term are still uncertain, the assessment undertaken to determine the fair value of the Fund's portfolio is based on the measures and process discussed below. This included an assessment of each individual tenant's specific situation and overlaying market factors in light of limited transaction activity as at the date of the annual report.

A risk assessment of each property in the portfolio was undertaken incorporating the following factors:

- tenant covenant (higher tenant covenant strength would indicate lower risk)
- weighted average lease expiry (WALE) (higher WALE would indicate lower risk)
- rent reversion to market (higher rent reversion would indicate higher risk)
- whether any of the tenant's had applied for rental support (expected or actual rental relief request would indicate higher risk)

Each factor above was considered along with other property specific factors as relevant to determine an overall risk rating for each property as low, medium or high. This was then used to inform the valuation approach to be adopted and the level of adjustments to assumptions originally applied in mid-March 2020 to reassess fair value.

The reassessed fair values were determined based on a mix of discounted cash flow (**DCF**) and midpoint (between DCF and capitalisation rate) approaches. Where the DCF approach was adopted, the value was sense checked to the capitlisation rate approach to ensure adopted value was reasonable. In determining whether the DCF or midpoint approach was adopted, the Fund applied the following approach:

- midpoint approach was adopted for properties where the risk assessment resulted in a low impact outcome
- DCF approach was adopted for properties where the risk assessment resulted in a medium to high impact outcome

Under the capitalisation rate 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 property's life including an exit or terminal value. This involves the projection of a series of cash flows and to this, a market-derived discount rate is applied to establish the present value of the income stream.

In determining the specific assumptions to be adjusted, the Fund undertook the following process for each property:

1. Tenant engagement program and cashflow indicators

The Fund has implemented a detailed tenant engagement program. The program commenced in early 2020 to gain an understanding of the impact on the tenant base of recent events such as the Australian bushfires and the early stages of the COVID-19 pandemic. At that stage there were no material risks to valuations identified.

In mid-March 2020, as the uncertainty from the COVID-19 pandemic was becoming more evident, the program was re-instated. All tenants within the portfolio were communicated with a number of times in an attempt to understand the potential impacts of the COVID-19 pandemic on their business and how this might influence their ability to meet their lease obligations and their future leasing decisions. The information obtained from tenants has been used in determining forecast cash flows for each of the properties and in determining the fair value assessment.

2. Market indicators

The market indicators that were taken into account included:

- location of each property
- tenant industry type and the level of impact
- other market factors

The cashflow and market indicators as well as the risk assessment factors were considered in the reassessment to determine if adjustments should be made to discount rates, capitalisation rates, market rental growth in the short to medium term, levels of incentives, probability of tenant retention, downtime periods and leasing fees.

Notes to the consolidated financial statements

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B. Fair value assessment results

External valuations

External valuations were conducted for 11 properties in the portfolio for the second half of the year. External valuations were conducted by Colliers International, Urbis, Savills and CBRE who are all registered as Certified Practising Valuers with the Australian Property Institute.

Directors' valuations

The number of properties not externally valued was 19 as at 31 March 2020, where fair value was based solely on directors' valuations. At each reporting date, the directors update their assessment of the fair value of each property in accordance with the Fund's valuation policy.

Reassessment

In respect of external valuations, between the date of issuing draft valuation reports in mid-March 2020 and determining the fair value assessment for inclusion in the consolidated financial statements, the independent valuers adjusted a number of assumptions, including lower probabilities of tenant retention, longer lease up periods, lower market rental growth and softening capitalisation and discount rates where deemed appropriate.

The reassessment of fair value for properties utilising directors' valuations have undertaken the same adjustment process that the properties which were externally valued have undergone, including the changes in assumptions that have been applied on a case-by-case basis determined by the outcome of a risk assessment of each of the properties, consideration of cash flows and market indicators.

Across both external and directors' reassessment of fair value, for 13 properties the DCF approach was adopted and for 17 properties the midpoint approach was adopted.

C. Fair value hierarchy

The fair value for all investment properties AUD1 085.0 million (2019: AUD1 062.8 million) has been undertaken under the Level 3 fair value hierarchy, where unobservable inputs have been utilised in the valuation techniques. For all investment property that are measured at fair value, the current use of the property is considered the highest and best use.

Valuation techniques used to derive Level 3 fair values

For all classes of investment property the significant unobservable inputs below are used in the DCF and midpoint methods to determine the fair value measurement of investment property at the end of the reporting period.

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

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

- weighted average capitalisation rate of 6.57%, weighted average discount rate of 7.39% and weighted average terminal yield of 6.82%
- weighted average rental growth is 2.62% based on a 10 year period, noting that in the short term the rental growth adjustments are lower than the weighted average due to the impacts of the COVID-19 pandemic

D. Sensitivity analysis

Due to the uncertainty the COVID-19 pandemic is currently having on property values, sensitivity analysis has been undertaken to further stress test the assessment of fair value undertaken for year-end reporting requirements.

The following sensitivity analysis is based on a range of potential capitalisation rate and discount rate movements on a portfolio basis compared to the capitalisation rates and discount rates adopted by the Fund at 31 March 2020, and are considered to be the key unobservable inputs that would be expected to have the most material impact on the fair values adopted if they moved.

As noted in section A. Valuation basis the base case was the fair value for each property as at reporting date, where a combination of DCF and midpoint approaches was adopted. The stress testing performed was based on the same approach adopted for each property. For properties where the DCF approach was adopted, the stress testing was based on softening discount rates by 0.25% and 0.50%. Softening the capitalisation rates for properties where the DCF approach was adopted did not have an impact on the outcome. For properties where the midpoint approach was adopted, the stress testing was based on softening both the capitalisation rate and discount rate by 0.25% and 0.50%.

The below table is the outcome of the sensitivity analysis:

	AUD'000	Capitalisation rate movement 0%	0.25%	0.50%
Discount rate movement	**0%**	1 084 958	1 073 060	1 061 868
	0.25%	1 070 032	1 058 160	1 046 968
	0.50%	1 056 384	1 044 512	1 033 320

The results of the sensitivity analysis above demonstrates that stress testing the material unobservable inputs by the ranges disclosed would result in a movement of AUD51.6 million if discount rate and cap rate was softened by 0.50%. Even at this unlikely worst case scenario, this would not result in the Fund's financial position being materially impacted to the point the Fund would reconsider its position as a going concern.

E. Uncertainty around property valuations

The COVID-19 pandemic has impacted market activity in many sectors globally. The valuation assessment undertaken for reporting purposes has attached less weight to previous market evidence for comparison purposes to inform opinions of value. The current response to the COVID-19 pandemic means that the Fund has faced an unprecedented set of circumstances on which to base a judgement. In the event that impacts are more material or prolonged than anticipated, this may have further impact to the fair value of the Fund's property portfolio, and the future price achieved if a property is sold.

F. Contractual obligations/capital commitments

As at 31 March 2020, the Fund included forecast costs associated with the aluminium cladding panel assessment and remediation for four properties in the portfolio (31 March 2019: nil) within the valuation of these properties rather than a separate provision.

AUD'000	2020	2019
266 King Street, Newcastle NSW	70	–
2 Richardson Place, North Ryde NSW	500	–
449 Punt Road, Cremorne VIC	500	–
35–49 Elizabeth Street, Richmond VIC	1 000	–
	2 070	**–**

Other capital commitments relating to the investment properties are listed below: (31 March 2019: nil):

- 35–49 Elizabeth Street, Richmond VIC – AUD2.6 million construction works to enclose balcony space to create additional lettable area as part of a lease extension agreement with an existing tenant.

G. Leasing arrangements as lessor

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

	2020	2019
Less than 1 year	84 978	85 224
Between 1 and 5 years	246 898	241 271
More than 5 years	104 484	102 763
	436 360	**429 258**

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

Notes to the consolidated financial statements
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10. Receivables and other assets

AUD'000	2020	2019
Prepaid expenses	3 391	2 384
Sundry debtors	1 075	4 024
Total receivables and other assets	**4 466**	**6 408**

11. Cash and cash equivalents

AUD'000	2020	2019
Cash held on call account	17 128	7 792
Total cash and cash equivalents	**17 128**	**7 792**

12. Contributed equity

AUD'000	2020	2019
Issued		
On establishment Dec 2012 – 22 000 000 fully paid ordinary units	22 000	22 000
On listing on JSE Oct 2013 – 112 685 000 fully paid ordinary units	112 685	112 685
On completion of renounceable rights offer Oct 2014 – 111 896 298 fully paid ordinary units	121 501	121 501
On completion of renounceable rights offer Feb 2016 – 59 566 747 fully paid ordinary units	59 964	59 964
On completion of renounceable rights offer Mar 2017 – 108 004 819 fully paid ordinary units	143 462	143 462
Distribution re-investment plan Nov 2015 – 6 393 331 fully paid ordinary units	6 815	6 815
Distribution re-investment plan Jun 2016 – 9 818 121 fully paid ordinary units	12 008	12 008
Distribution re-investment plan Dec 2016 – 5 223 526 fully paid ordinary units	7 111	7 111
Unit buy back – 6 330 842 fully paid ordinary units	(8 000)	(8 000)
On completion of unit placement offer Nov 2017 – 49 545 454 fully paid ordinary units	60 055	60 055
On listing on ASX May 2019 – 76 923 077 fully paid ordinary units	101 366	–
On completion of unit placement offer October 2019 – 55 572 553 fully paid ordinary units	82 750	–
Fund establishment costs capitalised to contributed equity	(10 128)	(7 211)
Antecedent distributions paid	(15 187)	(15 187)
In issue at year end	**696 402**	**515 203**

Refer to unitholder information on page 128 of the annual report for further details.

13. Borrowings

AUD'000	Tranche expiry date	Interest rate	2020	2019
Loans – secured – bank debt				
ANZ Facility – Tranche G	30-Jun-22	BBSY + 1.35%[50]	20 000	20 000
ANZ Facility – Tranche H	01-Dec-22	BBSY + 1.35%[50]	75 000	75 000
ANZ Facility – Tranche I	07-Mar-23	BBSY + 1.45%[50]	15 000	19 000
Westpac Facility – Tranche M	28-Sep-21	BBSY + 1.35%[50]	46 500	50 000
Westpac Facility – Tranche N	28-Mar-23	BBSY + 1.45%[50]	40 815	101 740
ANZ and Westpac Facility – Tranche O	23-Dec-19	BBSY + 1.50%[50]	–	111 039
ANZ Facility – Tranche P	30-Sep-19	BBSY + 1.10%[50]	–	28 635
The Prudential Company of America	23-Dec-29	3.40%	150 000	–
Total long-term borrowings – secured			**347 315**	**405 414**
Capitalised loan establishment costs			(1 828)	(1 616)
Total value of interest–bearing borrowings			**345 487**	**403 798**
Movement in borrowings				
Balance at beginning of year			405 414	343 620
Interest charged			12 774	14 636
Interest paid			(12 774)	(14 636)
Additional borrowing acquired			62 701	78 294
Repayments			(120 800)	(16 500)
Closing balance at the end of the year			**347 315**	**405 414**

The Fund's gearing was 28.0% at 31 March 2020 (31 March 2019: 37.4%).

At 31 March 2020 the approved facility limit of the loan facility was AUD375.0 million with AUD27.7 million undrawn.

The Fund's policy is to hedge at least 75% of interest rate risk. At 31 March 2020, 87.0% of borrowings were hedged using interest rate swaps or fixed rate debt, locking in a blended rate (including margin and line fees) of 3.03% for a weighted average 5.6 year term. The facility held with The Prudential Company of America has a make whole provision that may be triggered in certain circumstances where there has been a full or partial repayment during the term of the facility.

14. Trade and other payables

AUD'000	2020	2019
Security deposits	206	757
Income received in advance	2 221	2 389
Other payables	2 418	2 119
Trade and other payables – non current	**4 845**	**5 265**
Accrued expenses	2 698	2 228
Trade creditors	1 074	460
Income received in advance	2 667	2 040
GST payable	1 856	1 551
Other payables[51]	4 122	619
Trade and other payables – current	**12 417**	**6 898**

50 Varies based on gearing levels.

51 Other payables includes AUD2.9 million termination cost on hedges which was paid in April 2020.

Notes to the consolidated financial statements
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15. Reconciliation of cash flows from operating activities

AUD'000	2020	2019
Profit for the period	58 956	53 099
Adjusted for:		
Fair value adjustments – investment property	(20 194)	(15 178)
Fair value adjustments – derivatives	15 760	13 714
Fair value adjustments – foreign currency revaluation	(1 090)	(1 720)
Straightline rental revenue adjustment	(4 407)	(930)
Working capital movement		
Change in trade and other receivables	1 981	(1 935)
Change in trade and other payables	1 194	(984)
Change in capital expenses	1 531	–
Distributions paid	(51 672)	(48 186)
Net cash from operating activities	**2 059**	**(2 120)**

16. Related party transactions

Responsible Entity

The Responsible Entity is a member of the Investec Group.

Manager

The Manager is a member of the Investec Group. The Manager provides fund management services and property management services to the Fund.

Investec Group

The Investec Group comprises Investec Plc and Investec Limited and their subsidiary companies.

From time to time, the Fund enters into transactions or arrangements with the Investec Group. These transactions are described below and are entered into on normal commercial terms.

Transactions with related parties AUD'000	2020	2019
Payments to Investec Group and its subsidiaries:		
Manager – subsidiary		
Asset management fee	6 573	5 761
Property management fee[52]	1 551	1 306
Investec Bank Limited – parent company		
Sponsor fee	17	24
Capital raising fees and listing costs	208	63
Investec Australia Limited – subsidiary		
Interest on swaps	1 529	828
Amounts owing to related parties:		
Manager – subsidiary		
Asset management fee payable	495	547

Key management personnel (KMP)

IAP does not employ any personnel in its own right. However it is required to have an incorporated responsible entity to manage its activities. The Responsible Entity is considered the KMP of the Fund. Furthermore the Responsible Entity has sub-contracted the management of IAP to the Manager which is also considered KMP. The directors of the Responsible Entity are Richard Longes (chairperson), Sally Herman, Hugh Martin, Georgina Lynch, Stephen Koseff, Sam Leon and Graeme Katz. The directors of the Manager are Graeme Katz, Zach McHerron and Kristie Lenton.

52 The Manager has been contracted to perform property management services. The Manager has sub-contracted this to third party property managers who receive this fee from the Manager.

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 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.

Individual directors' compensation disclosures

Directors' remuneration for the year to 31 March 2020 was as follows:

For the period to 31 March 2020 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[53]	–	165	–	–	–	165
Sally Herman[54]	–	120	–	–	–	120
Hugh Martin[54]	–	100	–	–	–	100
Georgina Lynch (appointed 1 July 2019)[54]	–	75	–	–	–	75
Stephen Koseff[55]	–	20	–	–	–	20
Sam Leon[53]	–	60	–	–	–	60
Graeme Katz[56]	155	–	–	–	–	155
Total	**155**	**540**	**–**	**–**	**–**	**695**

Directors' remuneration for the year to 31 March 2019 was as follows:

For the period to 31 March 2019 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[57]	–	37	–	–	–	37
Sally Herman[58]	–	56	–	–	–	56
Hugh Martin[58]	–	45	–	–	–	45
Stephen Koseff[59]	–	13	–	–	–	13
Sam Leon[59]	–	19	–	–	–	19
Graeme Katz[60]	155	–	–	–	–	155
Total	**155**	**170**	**–**	**–**	**–**	**325**

53 Richard Longes' and Sam Leon's directors' fees are paid by the Investec Group. Their fees are not a cost to the Fund.

54 Sally Herman, Hugh Martin and Georgina Lynch are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is paid by the Fund. Ms Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

55 Stephen Koseff receives fees for his services to the Investec Group and is not separately remunerated for his services as a director of the Responsible Entity. 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 Mr Koseff is not remunerated out of the Fund.

56 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

57 Apportionment of directors' fees paid by the Investec Group that are attributable to the Fund. Richard Longes is not separately remunerated for his services as a director of the Responsible Entity as he is remunerated by the Investec Group for his services as a director of other entities within the Investec Group. An estimate of attributable fees has been provided based on market related non-executive director and chairperson fees and proportion of time allocated to the Fund. Mr Longes is not remunerated out of the Fund.

58 Sally Herman and Hugh Martin are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is apportioned between all funds managed by the Responsible Entity based on gross asset value. Ms. Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

59 Stephen Koseff and Sam Leon receive fees for their services to the Investec Group and are not separately remunerated for their services as directors of the Responsible Entity. 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.

60 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

Notes to the consolidated financial statements

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Movements in securities

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

	Held at 31-Mar-2019	Purchases	Sales	Held at 31-Mar-2020
Directors				
Sam Leon	4 000 000	–	–	4 000 000
Graeme Katz	229 296	–	–	229 296
Richard Longes	–	56 819	–	56 819
Sally Herman	–	37 879	–	37 879
Georgina Lynch	–	67 493	–	67 493

The Investec Group unitholding in the Fund at the reporting date is as follows:

	2020	2019
Investec Bank Limited	56 128 379	72 172 172

17. 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 to the consolidated financial statements. All subsidiaries are 100% owned trusts and controlled by the Group with no restrictions.

IAP 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	Intertrust loan balance 2020	Intertrust loan balance 2019
Investec Australia Hold Trust No. 1	Australia	Ordinary	100%	(17 526)	(49 220)
Investec Australia Sub Trust No. 1	Australia	Ordinary	100%	3 428	3 702
Investec Australia Sub Trust No. 2	Australia	Ordinary	100%	(2 016)	(2 060)
Investec Australia Sub Trust No. 3	Australia	Ordinary	100%	(3 427)	(573)
Investec Australia Sub Trust No. 4	Australia	Ordinary	100%	18	(143)
Investec Australia Sub Trust No. 5	Australia	Ordinary	100%	(1 477)	(1 309)
Investec Australia Sub Trust No. 6	Australia	Ordinary	100%	(7 210)	(8 159)
Investec Australia Sub Trust No. 7	Australia	Ordinary	100%	96	5
Investec Australia Sub Trust No. 8	Australia	Ordinary	100%	(239)	(142)
Investec Australia Sub Trust No. 9	Australia	Ordinary	100%	(51)	(69)
Investec Australia Sub Trust No. 10	Australia	Ordinary	100%	(2 333)	(2 108)
Investec Australia Sub Trust No. 11	Australia	Ordinary	100%	(117)	344
Investec Australia Sub Trust No. 12	Australia	Ordinary	100%	159	149
Investec Australia Sub Trust No. 13	Australia	Ordinary	100%	(357)	97
Investec Australia Sub Trust No. 14	Australia	Ordinary	100%	(2 501)	(2 942)
Investec Australia Sub Trust No. 15	Australia	Ordinary	100%	(767)	(233)
Investec Australia Sub Trust No. 16	Australia	Ordinary	100%	(2 731)	(2 065)
Investec Australia Sub Trust No. 17	Australia	Ordinary	100%	522	401
Investec Australia Sub Trust No. 18	Australia	Ordinary	100%	(632)	(41)
Investec Australia Sub Trust No. 19	Australia	Ordinary	100%	(2 988)	(3 015)
Investec Australia Sub Trust No. 20	Australia	Ordinary	100%	371	413
Investec Australia Sub Trust No. 21	Australia	Ordinary	100%	215	236
Investec Australia Sub Trust No. 22	Australia	Ordinary	100%	723	–
Investec Australia Sub Trust No. 23	Australia	Ordinary	100%	5	–
Investec Australia Sub Trust No. 24	Australia	Ordinary	100%	(5 335)	–

Intertrust loan balances are eliminated on consolidation.

18. Parent entity disclosures

AUD'000	2020	2019
As at, and throughout the year ended, 31 March 2020 the parent of the Group was Investec Australia Property Fund.		
Result of parent entity		
Profit for the year	63 560	54 378
Total comprehensive income for the year	**63 560**	**54 378**
Financial position of parent entity at year end		
Current assets	880	4 415
Total assets	**851 129**	**596 459**
Current liabilities	28 502	6 205
Total liabilities	**145 771**	**77 175**
Net assets	**705 358**	**519 284**
Total equity of parent entity comprising of:		
Contributed equity	696 402	515 203
Retained earnings	8 956	4 081
Total equity	**705 358**	**519 284**

19. Financial risk and capital management

19.1 Total financial and non-financial assets and liabilities

As at 31 March 2020 AUD'000	Financial instruments measured at fair value	Non-financial instruments measured at fair value	Amortised cost	Total
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 2020				
ASSETS				
Non-current assets				
Investment property	–	1 084 958	–	1 084 958
Current assets				
Cash and cash equivalents	–	–	17 128	17 128
Receivables and other assets	–	–	4 466	4 466
Property held for sale	–	94 000	–	94 000
Total assets	**–**	**1 178 958**	**21 594**	**1 200 552**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	345 487	345 487
Financial instruments held at fair value	3 337	–	–	3 337
Trade and other payables	–	–	4 845	4 845
Current liabilities				
Trade and other payables	–	–	12 417	12 417
Distributions payable	–	–	26 305	26 305
Total liabilities	**3 337**	**–**	**389 054**	**392 391**

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As at 31 March 2019 AUD'000	Financial instruments measured at fair value	Non-financial instruments measured at fair value	Amortised cost	Total
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 2019				
ASSETS				
Non-current assets				
Investment property	–	1 062 767	–	1 062 767
Financial instruments held at fair value	6 444	–	–	6 444
Current assets				
Cash and cash equivalents	–	–	7 792	7 792
Receivables and other assets	–	–	6 408	6 408
Total assets	**6 444**	**1 062 767**	**14 200**	**1 083 411**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	375 163	375 163
Financial instruments held at fair value	21 186	–	–	21 186
Trade and other payables	–	–	5 265	5 265
Current liabilities				
Borrowings	–	–	28 635	28 635
Trade and other payables	–	–	6 898	6 898
Distributions payable	–	–	24 787	24 787
Total liabilities	**21 186**	**–**	**440 748**	**461 934**

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

19.2 Fair value hierarchy – financial instruments

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

a. **The fair value of "long term borrowings at amoritsed cost" has been estimated by market interest rate at year end**

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

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

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

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

AUD'000 Fair value and carrying amount	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
As at 31 March 2020					
Financial assets not measured at fair value					
Cash and cash equivalents	17 128	–	–	–	–
Receivables and other assets	4 466	–	–	–	–
	21 594	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	43 567	–	–	–	–
Long term borrowings	345 487	–	373 053	–	373 053
	389 054	**–**	**373 053**	**–**	**373 053**
Financial liabilities measured at fair value					
Interest rate swaps	3 337	–	3 337	–	3 337
	3 337	**–**	**3 337**	**–**	**3 337**
As at 31 March 2019					
Financial assets not measured at fair value					
Cash and cash equivalents	7 792	–	–	–	–
Receivables and other assets	6 408	–	–	–	–
	14 200	**–**	**–**	**–**	**–**
Financial assets measured at fair value					
Interest rate swaps	6 444	–	6 444	–	6 444
	6 444	**–**	**6 444**	**–**	**6 444**
Financial liabilities not measured at fair value					
Trade and other payables	36 950	–	–	–	–
Long term borrowings	403 798	–	378 989	–	378 989
	440 748	**–**	**378 989**	**–**	**378 989**
Financial liabilities measured at fair value					
Interest rate swaps	21 186	–	21 186	–	21 186
	21 186	**–**	**21 186**	**–**	**21 186**

b. **Details of changes in valuation techniques**

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

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

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

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

Notes to the consolidated financial statements

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19.3 Other financial risk management considerations

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

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

- credit risk
- liquidity risk
- market risk

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

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

The Audit and Risk Committee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in its oversight role by the Investec Group's internal audit function, 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.

19.4 Credit risk

Credit risk is the risk of financial loss to the Fund if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises from derivatives, as well as trade and other receivables. As at 31 March 2020 the receivables and other assets was largely made up of prepaid expenses.

There is no significant concentration of credit risk as exposure makes up a small component of the Fund's assets. The fund applies the lifetime ECL model to manage the credit risk of financial assets carried at amortised cost in accordance with the accounting policy describes in note 1.9.1 to the consolidated financial statements.

Exposure to credit risk

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

The Fund applies the lifetime ECL model to manage credit risk of financial assets carried at amortised cost in accordance with the accounting policy described in note 1.9.1 to the consolidated financial statements.

The Fund has been further impacted by the COVID-19 pandemic and the measures taken by Governments and the private sector to respond to the outbreak. In addition to the health and societal issues, this has begun to cause disruptions to businesses and economic activity. As a result of this, the Fund has undertaken the following activities to assess and manage the impact on tenants which form the revenue base of the Fund and tenants' credit risk:

- implemented a tenant engagement program, to assess which tenants are impacted and might not able to meet their rental obligations
- assessing tenants on a case by case basis in order to determine the level of support required
- held weekly (and ad hoc where required) meetings to update and make decision on tenant actions
- performed a tenant composition analysis where the potential credit risk is more severe including hospitality and accommodation, tourism, education and retail to assess the level of impact to the Fund's portfolio

As a result of the above the Fund has determined that no ECL has been recognised as at 31 March 2020 (31 March 2019: nil).

19.5 Market risk

a. Interest rate risk

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

At 31 March 2020, 87.0% of the Fund's interest rate exposure was hedged. Therefore, for the year ended 31 March 2020, a 1% increase/decrease in interest rates on the variable rate borrowings would have an immaterial impact on the Fund's profit, assuming all other variables remain constant.

b. Liquidity risk

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

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

As at 31 March 2020 AUD'000	Within 1 year	1–2 years	2–5 years	Over 5 years	Total	Carrying value
Long-term borrowings[61]	7 758	7 758	195 688	174 256	**385 460**	**345 487**
Trade and other payables	12 417	1 273	742	2 830	**17 262**	**17 262**
Distributions payable	26 305	–	–	–	**26 305**	**26 305**
Total liabilities	**46 480**	**9 031**	**196 430**	**177 086**	**429 027**	**389 054**

As at 31 March 2019 AUD'000	Within 1 year	1–2 years	2–5 years	Over 5 years	Total	Carrying value
Long–term borrowings[61]	42 144	12 697	398 448	–	**453 289**	**403 798**
Trade and other payables	6 898	1 740	893	2 631	**12 162**	**12 162**
Distributions payable	24 787	–	–	–	**24 787**	**24 787**
Total liabilities	**73 829**	**14 437**	**399 341**	**2 631**	**490 239**	**440 748**

Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the funding requirements of the Fund.

AUD'000	2020	2019
Value of investment property	1 084 958	1 062 767
Value of property held for sale	94 000	–
Total property value	**1 178 958**	**1 062 762**
Carrying value of interest bearing borrowing	347 315	405 414
Less: cash and cash equivalents	(17 128)	(7 792)
Net value of borrowing	**330 187**	**397 622**
Current ratio of interest bearing borrowings to value of investment property (%)	28.0	37.4

61 Cash flows in relation to long term borrowings take into account interest payments and the effect of interest rate swaps.

Notes to the consolidated financial statements

(continued)

19.6 Derivatives

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

Financial institution	AUD'000	Start date	End date	Fixed rate
31 March 2020				
Australia and New Zealand Banking Group	30 000	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	67 303	11-Dec-17	12-Dec-26	2.58%

Financial institution	AUD'000	Start date	End date	Fixed rate
31 March 2019				
Investec Bank plc	30 435	25-Jun-16	25-Feb-24	2.44%
Investec Bank plc	60 870	25-Jun-16	25-Feb-26	2.57%
Investec Bank plc	30 435	25-Jun-16	25-Feb-25	2.51%
Investec Bank plc	55 000	01-Dec-16	25-Dec-23	2.18%
Westpac Banking Corporation	20 000	01-Mar-17	01-Mar-22	2.35%
Australia and New Zealand Banking Group	25 000	20-Oct-17	20-Oct-24	2.46%
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-25	2.54%
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-27	5.68%
Westpac Banking Corporation	67 303	11-Dec-17	12-Dec-24	2.30%
Westpac Banking Corporation	55 000	14-Mar-19	25-Dec-23	2.38%
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-24	2.41%
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-25	2.53%
Westpac Banking Corporation	60 870	14-Mar-19	25-Feb-26	2.66%
Westpac Banking Corporation	20 000	14-Mar-19	01-Mar-22	2.00%
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-25	2.61%
Westpac Banking Corporation	25 000	14-Mar-19	20-Oct-24	2.49%
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-27	2.81%

During the year, the Fund secured AUD150 million of 10 year fixed rate funding at an all-in rate of 3.40%. The proceeds were used to repay some of the existing tranches with ANZ and Westpac. The Fund also restructured and terminated some of the existing interest rate swaps to maintain a hedge percentage within the policy guidelines of at least 75%. At year end, 87.0% of borrowings were hedged using interest rate swaps or fixed rate debt (31 March 2019: 77.5%). The total termination and restructure costs incurred were AUD27.2 million. Losses on termination and restructure of AUD12.4 million (31 March 2019: nil) are included within the fair value adjustments in the consolidated statement of profit or loss or other comprehensive income. Details of the restructured and terminated trades are listed below.

Statement of financial position extracts at 31 March 2020	AUD'000
Financial instrument held at fair value 31 March 2019 – net liability	14 742
Losses on termination and restructure of hedges	12 423
Payment of termination of restructure of hedges	(24 276)
Termination and restructure cost payable	(2 889)
Fair value adjustments – interest rate swaps as at 31 March 2020	3 337
Financial instruments held at fair value at 31 March 2020	**3 337**

Financial institution	AUD'000	Start date	End date	Termination date	Termination cost AUD'000
Investec Bank plc	30 435	25-Jun-16	25-Feb-24	20-Dec-19	703
Investec Bank plc	60 870	25-Jun-16	25-Feb-26	20-Dec-19	2 225
Investec Bank plc	30 435	25-Jun-16	25-Feb-25	20-Dec-19	916
Investec Bank plc	55 000	01-Dec-16	25-Dec-23	20-Dec-19	1 289
Westpac Banking Corporation	20 000	01-Mar-17	01-Mar-22	19-Dec-19	206
Australia and New Zealand Banking Group	25 000	20-Oct-17	20-Oct-24	19-Dec-19	676
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-25	19-Dec-19	422
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-27	19-Dec-19	563
Westpac Banking Corporation	55 000	14-Mar-19	25-Dec-23	19-Dec-19	815
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-24	19-Dec-19	449
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-25	19-Dec-19	417
Westpac Banking Corporation	60 870	14-Mar-19	25-Feb-26	19-Dec-19	964
Westpac Banking Corporation	20 000	14-Mar-19	01-Mar-22	19-Dec-19	272
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-25	19-Dec-19	162
Westpac Banking Corporation	25 000	14-Mar-19	20-Oct-24	19-Dec-19	352
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-27	19-Dec-19	155
Westpac Banking Corporation – restructure to 2.58%	67 303	11-Dec-17	12-Dec-24	19-Dec-19	1 837
Losses on termination and restructure of hedges					**12 423**

19.7 Capital management

Under the Fund's 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 55% 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 2020, the nominal value of borrowings less cash and cash equivalents was equal to 28.0% (31 March 2019: 37.4%) 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.

20. Subsequent events

During the year the Fund contracted to sell 757 Ann Street, Fortitude Valley QLD for AUD94 million which was classified as investment property held for sale as at 31 March 2020. The sale settled post the reporting date on 1 April 2020, which is the point the Fund is considered to have lost control of the asset. Proceeds from the sale were used to repay a portion of the Fund's debt.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the continued lack of market transactions which are ordinarily a strong source of evidence for valuations of investment properties. Actual economic events and conditions in future may be materially different from those estimated by the Fund at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Fund's portfolio and a future price achieved if a property is sold. At the date of the annual report, an estimate of the future effects of the COVID-19 pandemic on the Fund's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure on page 48 and property valuations in note 9 to the consolidated financial statements.

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

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

Independent Auditor's Report

To the Unitholders of Investec Australia Property Fund

Opinion

We have audited the ***Financial Report*** of Investec Australia Property Fund (the Fund).

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

- giving a true and fair view of the ***Group's*** financial position as at 31 March 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 March 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

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<table>
<tr><th colspan="2">Valuation of investment property ($1,085m) and Investment property held for sale ($94m)</th></tr>
<tr><td colspan="2">Refer to accounting policy note 1.10 and note 9 of the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The valuation of investment property and investment property held for sale is a key audit matter as they are significant in value (being 98% of total assets). The properties being valued at fair value increased the judgement applied by us when evaluating evidence available. This was further heightened with the existence of the COVID-19 pandemic, decreasing market transactions which are ordinarily strong sources of evidence regarding fair value, along with greater concerns of the ability of tenants to meet lease obligations.

The Group approached the heightened uncertainty risk using internal methodologies and through the use of external valuation experts. This necessitated additional audit procedures and effort to evaluate the multiple methods and the amplified approach, including assessing the Group’s risk ratings to properties using a COVID-19 lens, which included consideration of tenant covenant strength, weighted average lease expiries, rental reversion levels and whether tenant relief has been requested.

We focused on the significant forward looking assumptions the Group applied in external and internal valuation models with particular considerations to the impact of COVID-19 including:

• Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties;

• Capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset. COVID-19 has resulted in transactional evidence and other market data points being difficult to obtain; and

• Forecast cash flows including: market rental income, leasing and rental relief assumptions. These assumptions are more judgemental because the extent of the uncertainty of how COVID-19 may impact</td><td>Our procedures included:

• Understanding the Group’s process regarding the valuation of investment property, including specific considerations of the impact of COVID-19 relating to the Group’s risk rating of properties and the resulting valuation approach;

• Assessing the Group’s methodologies used in the valuations of investment property for consistency with accounting standards and Group policies;

• Assessing the scope, competence and objectivity of external experts engaged by the Group and internal valuers;

• For the total portfolio, taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates and market rental income through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the Group and historical performance of the investment properties. We assessed these sources for what reasonable expectations existed at year end date versus those issues or observations emerging since year end, and their impact to the Group’s values;

• Assessing the appropriateness of the Group’s leasing and rental relief assumptions against each property’s actual rental income, weighted average lease expiry, actual vacancy levels, the Group’s tenant credit risk assessment and expected rental relief arrangements with consideration of industry views;

• Checking a sample of actual rental income, weighted average lease expiries and vacancy levels within both internal and external valuations to tenancy schedules as per lease agreements;

• Consulted with our real estate valuation specialists to gain an understanding of</td></tr>
</table>

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

(coninued)

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on future tenant cash flows and leasing activity. We paid particular attention to knowledge and sources of information available regarding market conditions specific to year end, versus those uncertainties or market knowledge at different dates, given how the impacts of business disruption and resultant government measures from COVID-19 are changing rapidly the dynamic of markets.	prevailing market conditions, including existence of market transactions, and application of the Group's valuation methodologies; • For one property, where the valuation was based on a contractual sales price, we compared the value to the signed sales contract; and • Assessing the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standard requirements. This was considered in light of changes and uncertainties of COVID-19 that existed at balance date and up until issuance of our audit report.

Emphasis of Matter

We draw attention to Note 20 – Subsequent events in the financial report, which describes the unprecedented uncertainty of the economic environment at the date of signing the financial report due to the response to COVID-19, in particular the continued lack of market transactions which are ordinarily a strong source of evidence for valuations of investment properties. Actual economic events and conditions in future may be materially different from those estimated by the Group in their valuations, since anticipated events frequently do not occur as expected. In our judgement, this issue is fundamental to the users' understanding of the financial report, the financial position and performance of the Group. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Investec Australia Property Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Investec Property Limited (the Responsible Entity) are responsible for the Other Information.

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

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

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

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Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

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Paul Thomas

Partner

Sydney

6 May 2020

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06 | Consolidated financial statements prepared for regulatory requirements under JSE Listings Requirements

Investec
Australia Property Fund

Directors' responsibility statement

The directors of Investec Property Limited (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Investec Australia Property Fund (**IAP** or **the Fund**) are responsible for the preparation and fair presentation of the consolidated financial statements of the Fund.

The consolidated financial statements comprise the:

- consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020
- consolidated statement of financial position at 31 March 2020
- consolidated statement of changes in equity for the year ended 31 March 2020
- consolidated statement of cash flows for the year ended 31 March 2020
- notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes
- in accordance with International Financial Reporting Standards (**IFRS**), the constitution of the Fund, the JSE Listings Requirements and the requirements of the Corporations Act 2001 (Cth) (**Corporations Act**).

The directors of the Responsible Entity are also responsible for such internal controls as they determine necessary to enable the preparation of the consolidated 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 the Responsible Entity 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 external auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated financial statements of the Fund, as identified in the first paragraph, were approved under authority of the board of the Responsible Entity on 6 May 2020 and are signed on their behalf by:

Richard Longes
Independent non-executive chairperson

Dated at Sydney
6 May 2020

Graeme Katz
CEO

Dated at Sydney
6 May 2020

Report of the audit and risk committee

The audit and risk committee of the board of the Responsible Entity (**Audit and Risk Committee**) has pleasure in submitting this report to unitholders as recommended by the King IV Report on Corporate Governance for South Africa 2016 (**King IV Code**).

The Audit and Risk Committee is satisfied that it has considered and discharged its responsibilities in terms of its mandate and charter, the King IV Code and the Corporations Act.

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

The Audit and Risk Committee carried out its duties by inter alia, reviewing the following:

- financial management reports
- external audit reports
- management's risk assessment
- compliance reports

Significant matters the Audit and Risk Committee has considered this year in relation to the consolidated financial statements are:

- audit quality
- audit independence
- valuation of investment properties
- related party transactions
- borrowing classifications, derivatives and debt covenants
- going concern

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 Audit and Risk 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 Audit and Risk 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
- the Responsible Entity has complied with the JSE Listings Requirements and the principles of the King IV Code applicable to the Fund
- it considered and approved that audit fee payable to the external auditors in respect of the audit for the year ended 31 March 2020 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 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 consolidated financial statements
- with the expertise and experience of the chief financial officer and the overall adequacy and appropriateness of the finance function

The Audit and Risk Committee, having fulfilled the oversight role regarding the reporting process and the annual report, recommends for approval by the board of the Responsible Entity, the annual report and the consolidated financial statements for the year ended 31 March 2020.

Sally Herman
Chairperson

Sydney
6 May 2020

Directors' report

The directors of the Responsible Entity present their report together with the consolidated financial statements of the Fund for the year ended 31 March 2020.

The Fund is an Australian-domiciled real estate investment trust (**REIT**) which is registered as a managed investment scheme in Australia under the Corporations Act and is subject to regulatory oversight by ASIC. The manager of the Fund is Investec Property Management Pty Limited (ABN 63 161 587 391), which is a wholly-owned subsidiary of Investec Bank plc.

The Fund was listed on the exchange operated by JSE Limited (**JSE**) on 23 October 2013. The Fund was listed on the exchange operated by ASX Limited (**ASX**) on 28 May 2019 and following this the Fund is dual primary listed on the ASX and JSE. The unit code on both the JSE and the ASX is IAP and the ISIN is AU0000046005. Units in the Fund are quoted on both the JSE and the ASX and can be moved between the South African sub-register and the Australian sub-register. Unitholders can elect where their units are traded by holding their units on either the South African sub-register or the Australian sub-register.

Directors of the Responsible Entity

The following persons were directors of the Responsible Entity during the year from 1 April 2019 up to the date of the annual report, unless otherwise stated:

Richard Longes	Independent non-executive chairperson
Sally Herman	Lead independent non-executive director and chairperson of the Audit and Risk Committee
Hugh Martin	Independent non-executive director
Georgina Lynch	Independent non-executive director (appointed 1 July 2019)
Stephen Koseff	Non-executive director
Sam Leon	Non-executive director
Graeme Katz	Executive director

Directors of the Manager

The following persons were directors of Investec Property Management Pty Limited (**Manager**) during the year from 1 April 2019 up to the date of the annual report:

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

Company secretary

The company secretary of the Responsible Entity during the year from 1 April 2019 up to the date of the annual report was Paul Lam-Po-Tang.

Principal activities

The principal activity of the Fund is to invest in real estate assets.

Fund objectives and investment philosophy

The Fund's strategy is to invest in office, industrial and retail properties in major metropolitan cities or established commercial precincts in Australia and New Zealand.

The objectives of the Fund are to:

- deliver income and capital returns to unitholders over time
- grow and diversify its asset base
- maintain a strong corporate governance framework

The Fund's investment philosophy focuses on making investment decisions based on sound underlying property fundamentals, enhancing the quality of the portfolio and identifying opportunities to unlock additional value through active asset management. The Fund adheres to this philosophy by utilising the skills of an experienced and well-connected management team with a presence in the Fund's key geographies of Sydney, Melbourne and Brisbane, and through a commitment to sound balance sheet management.

Review of operations

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

Financial result

The following table summarises the statutory profit for the year ended 31 March 2020 and provides a comparison to the year ended 31 March 2019.

AUD'000	31 March 2020	31 March 2019
Revenue, excluding straightline rental revenue adjustment	96 696	88 539
Straightline rental revenue adjustment	4 407	930
Property expenses	(21 341)	(18 226)
Net property income	**79 762**	**71 243**
Other operating expenses[62]	(13 653)	(6 951)
Net finance costs	(12 684)	(14 542)
Other income	7	165
Fair value adjustments	5 524	3 184
Total comprehensive income attributable to unitholders	**58 956**	**53 099**

As at 31 March 2020, the Fund's net assets per unit attributable to unitholders was AUD1.32 (31 March 2019: AUD1.30).

Funds from operations

The Responsible Entity targets distributions of between 80% and 100% of the Fund's funds from operations (**FFO**) each year, and will report distributions as a percentage of FFO and adjusted FFO (**AFFO**)

FFO is calculated in accordance with the Property Council of Australia's "Voluntary Best Practice Guidelines for Disclosing FFO and AFFO" published in December 2017 (**Property Council Guidelines**), determined by adjusting statutory net profit (under Australian Accounting Standards (**AAS**)) for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gain/loss on sale of investment properties, straightline rental revenue adjustments, non-FFO tax expenses/benefits and other unrealised and one-off items.

AFFO is calculated in accordance with the Property Council Guidelines, being FFO adjusted for maintenance capital expenditure, cash and cash equivalent incentives (including rent free incentives) given to tenants during the period and other one-off items which have not been adjusted in determining FFO.

A reconciliation of the statutory profit to FFO and AFFO is set out below for the year ended 31 March 2020. A comparison to the year ended 31 March 2019 is not included due to the Fund operating under a different distribution policy prior to listing on the ASX in May 2019.

The previous distribution policy was to distribute all of the Fund's distributable income, which comprised the higher of statutory net profit under AAS (subject to certain adjustments), and taxable income. Under AAS, statutory net profit includes certain non-cash items which are adjusted to determine distributable income, being straightline rental revenue and fair value adjustments (including adjustments on investment property, interest rate swaps and foreign currency). Distributions, as well as items such as tenant incentives and maintenance capital expenditure, were funded from a combination of the Fund's free cash flows and debt.

AUD'000	FY20
Total comprehensive income attributable to unitholders	58 956
Adjusted for:	
Fair value adjustments	(5 524)
Straightline rental revenue adjustment	(4 407)
Amortisation of incentives	1 531
Other one-off items[63]	5 339
FFO	**55 895**
Maintenance capital expenditure	(2 138)
Leasing fees and cash incentives	(1 345)
AFFO	**52 412**
Weighted average units	571 380
Units in issue at reporting date	611 298

62 Other operating expenses includes AUD5.3 million of transaction costs in relation to the ASX listing process included within the consolidated statement of profit or loss and other comprehensive income.

63 Transaction costs in relation to the ASX listing process included within other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Directors' report

(continued)

	FY20
Basic and diluted earnings per unit (cents)	10.32
FFO (cpu)	9.78
AFFO (cpu)	9.17

The directors of the Responsible Entity are responsible for compiling FFO and AFFO on the basis of the "Applicable Criteria" specified in the JSE Listings Requirements, including JSE Guidance Letter: Presentation of pro forma financial information dated 4 March 2010, and in this section entitled funds from operations.

A copy of KPMG Inc.'s independent reporting accountant's report in respect of the non-IFRS information described above is available on the Fund's website at www.iapf.com.au.

As a result of the Fund listing on the ASX part way through a distribution period, a special distribution was paid to unitholders for the period 1 April 2019 to 27 May 2019 (as disclosed in the product disclosure statement issued in May 2019 as part of the ASX listing (**PDS**)). The special distribution paid for the period 1 April 2019 to 27 May 2019 was 1.59 cpu for a total of AUD7.6 million, as outlined in the annual report for the year ended 31 March 2019 and the PDS. This distribution was paid under the Fund's previous distribution policy.

The interim distribution paid to unitholders was for the period 28 May 2019 to 30 September 2019, as outlined in the distribution declaration released on 31 October 2019. The final distribution to be paid to unitholders is for the period 1 October 2019 to 31 March 2020.

Details of the interim and final distributions (which exclude the period 1 April 2019 to 27 May 2019) are as follows:

	28 May 2019 to 31 March 2020
FFO (AUD'000)	48 052
AFFO (AUD'000)	44 771
Distributions declared/paid (AUD'000)	45 829
Distributions declared/paid (cpu)	7.50
Distributions as a percentage of FFO (%)	89.2
Distributions as a percentage of AFFO (%)	95.7

Unitholders who held units on the JSE prior to the ASX listing in May 2019 and continue to hold their units on the JSE will have received three distributions attributable to the financial year 1 April 2019 to 31 March 2020. Details of these distributions are as follows:

	pre-WHT	post-WHT
Special distribution for the period 1 April 2019 to 27 May 2019 (cpu)[64]	1.59	1.46
Interim distribution for the period 28 May 2019 to 30 September 2019 (cpu)[65]	3.20	2.91
Final distribution for the period 1 October 2019 to 31 March 2020 (cpu)[65]	4.30	4.20

Details about distribution components under the attribution managed investment trust or AMIT regime (only relevant for the full year distribution) including "Fund Payment" amounts (only relevant for foreign holders) and AMIT cost base adjustments are included in the distribution announcements and will also be made available on the Fund's website at www.iapf.com.au on or before the relevant distribution date.

64 Paid under the Fund's previous distribution policy.

65 Paid under the Fund's current distribution policy, which became effective on 28 May 2019.

Interests of the Responsible Entity

The Responsible Entity has delegated the management of the Fund to the Manager. The Responsible Entity was not paid any fees during the year. The following fees were paid to the Manager during the year:

AUD	2020	2019
Asset management fee	6 572 831	5 761 459
Property management fee[66]	1 551 363	1 305 528

The Investec group (comprising Investec Limited and Investec plc, being the head entities of the dual listed companies structure, and each of their subsidiaries (**Investec Group**)) unitholding in the Fund at reporting date is as follows:

	2020	2019
Investec Bank Limited	56 128 379	72 172 172

Property portfolio

A detailed review of the property portfolio is included from page 7 of the annual report. Note 9 to the consolidated financial statements describes the basis for determining fair value of the Fund's properties.

Outlook and guidance

While the board of the Responsible Entity (**Board**) is comfortable with the Fund's balance sheet position and portfolio composition, given the current uncertainty surrounding both the local and global economy as a result of the COVID-19 pandemic, the Board will not be providing forward looking guidance at this time. The Board will continue to monitor the impact of the COVID-19 pandemic on the Fund and will update the market as necessary.

Subsequent events to reporting date

During the year the Fund contracted to sell 757 Ann Street, Fortitude Valley QLD for AUD94 million which was classified as investment property held for sale as at 31 March 2020. The sale settled post the reporting date on 1 April 2020, which is the point the Fund is considered to have lost control of the asset. Proceeds from the sale were used to repay a portion of the Fund's debt.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the continued lack of market transactions which are ordinarily a strong source of evidence for valuations of investment properties. Actual economic events and conditions in future may be materially different from those estimated by the Fund at reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Fund's portfolio and a future price achieved if a property is sold. At the date of the annual report, an estimate of the future effects of the COVID-19 pandemic on the Fund's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure on page 103 and property valuations in note 9 to the consolidated financial statements.

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

Significant changes in state of affairs

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

Directors' interest in units

The directors' interest in units is set out in note 16 to the consolidated financial statements.

66 The Manager has been contracted to perform property management services. The Manager has sub-contracted certain of these services to third party property managers who received a fee from the Manager.

Directors' report

(continued)

Directors' remuneration

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

Directors of the Responsible Entity who are employees or directors of Investec Group entities are not remunerated by the Fund for their services as directors of the Responsible Entity. The remuneration of independent, non-Investec Group associated and non-executive directors is limited to the director's fees and reimbursement of reasonable expenses incurred for purposes of attending Board meetings.

Accordingly, directors' remuneration for the year to 31 March 2020 was as follows:

For the period to 31 March 2020 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[67]	–	165	–	–	–	165
Sally Herman[68]	–	120	–	–	–	120
Hugh Martin[68]	–	100	–	–	–	100
Georgina Lynch (appointed 1 July 2019)[68]	–	75	–	–	–	75
Stephen Koseff[69]	–	20	–	–	–	20
Sam Leon[67]	–	60	–	–	–	60
Graeme Katz[70]	155	–	–	–	–	155
Total	**155**	**540**	**–**	**–**	**–**	**695**

Directors' remuneration for the year to 31 March 2019 was as follows:

For the period to 31 March 2019 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[71]	–	37	–	–	–	37
Sally Herman[72]	–	56	–	–	–	56
Hugh Martin[72]	–	45	–	–	–	45
Stephen Koseff[73]	–	13	–	–	–	13
Sam Leon[73]	–	19	–	–	–	19
Graeme Katz[74]	155	–	–	–	–	155
Total	**155**	**170**	**–**	**–**	**–**	**325**

67 Richard Longes' and Sam Leon's directors' fees are paid by the Investec Group. Their fees are not a cost to the Fund.

68 Sally Herman, Hugh Martin and Georgina Lynch are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is paid by the Fund. Ms Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

69 Stephen Koseff receives fees for his services to the Investec Group and is not separately remunerated for his services as a director of the Responsible Entity. 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 Mr Koseff is not remunerated out of the Fund.

70 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

71 Apportionment of directors' fees paid by the Investec Group that are attributable to the Fund. Richard Longes is not separately remunerated for his services as a director of the Responsible Entity as he is remunerated by the Investec Group for his services as a director of other entities within the Investec Group. An estimate of attributable fees has been provided based on market related non-executive director and chairperson fees and proportion of time allocated to the Fund. Mr Longes is not remunerated out of the Fund.

72 Sally Herman and Hugh Martin are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is apportioned between all funds managed by the Responsible Entity based on gross asset value. Ms. Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

73 Stephen Koseff and Sam Leon receive fees for their services to the Investec Group and are not separately remunerated for their services as directors of the Responsible Entity. 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.

74 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

Contracts with directors

The Fund does not have any contracts with directors of the Responsible Entity.

Corporate governance

The Fund's corporate governance framework is set out on page 27 of the annual report.

Audit and risk committee

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

Auditors

KPMG have been appointed by the Responsible Entity as auditors of the Fund.

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 17 to the consolidated financial statements.

Major unitholders

The Fund's major unitholders are set out on page 128 of the annual report.

Management and administration

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

Indemnification

Under the Fund's constitution the Responsible Entity, 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 fights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

Provision of non-audit services by auditor

The Fund may decide to employ the auditor, KPMG, on assignments in addition to their statutory audit duties. Details of the amounts paid to the auditor, which includes the amounts paid for non-audit services and other assurance services, are set out in note 4 to the consolidated financial statements.

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

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

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.

Environmental regulation

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

Rounding off

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

Additional financial report

As a result of the Fund being dual primary listed on both the JSE and ASX, the Fund's financial report for the year ended 31 March 2020 are required to be audited by auditors in both Australia and South Africa to meet the regulatory requirements in both jurisdictions. Due to the varying reporting requirements in Australia and South Africa, two sets of consolidated financial statements have been prepared, where the differences in the two are largely presentation driven. Both copies of the consolidated financial statements are included in the annual report.

Signed in accordance with a resolution of the directors of the Responsible Entity.

Richard Longes	**Graeme Katz**
Independent non-executive chairperson	CEO
6 May 2020	6 May 2020

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

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Independent Auditor's Report

To the Unitholders of Investec Australia Property Fund

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Investec Australia Property Fund (the Group) set out on pages 95 to 125, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, segmental analysis and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Investec Australia Property Fund as at 31 March 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property and property held for sale Refer to accounting policy note 1.10 and note 9 to the consolidated financial statements	
Key audit matter	How the matter was addressed in our audit
The valuation of investment property (AUD1 085 million) and property held for sale (AUD 94 million) is a key audit matter as investment property represents a significant asset on the consolidated statement of financial position at year end. The properties being valued at fair value increased the judgment applied by us when evaluating evidence available. This was further heightened with the existence of the COVID-19 pandemic, decreasing market transactions which are ordinarily strong sources of evidence regarding fair value, along with greater concerns of the ability of tenants to meet lease obligations. The Group approached the heightened uncertainty risk using internal methodologies and through the use of external valuation experts.	Our audit procedures included the following: • We assessed the Group's process regarding the valuation of investment property, including specific considerations of the impact of COVID-19 relating to the Group's risk rating of properties and the resulting valuation approach; • We assessed the Group's methodologies used in the valuations of investment property for consistency with accounting standards and Group policies; • We assessed the scope, competence and objectivity of external experts engaged by the Group and internal valuers;

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

(continued)

<table>
<tr><td colspan="2">Valuation of investment property and property held for sale

Refer to accounting policy note 1.10 and note 9 to the consolidated financial statements</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>This necessitated additional audit procedures and effort to evaluate the multiple methods and the amplified approach, including assessing the Group's risk ratings to properties using a COVID-19 lens, which included consideration of tenant covenant strength, weighted average lease expiries, rental reversion levels and whether tenant relief has been requested.

We focused on the significant forward looking assumptions the Group applied in external and internal valuation models with particular considerations to the impact of COVID-19 including:

• discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties;

• capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset. COVID-19 has resulted in transactional evidence and other market data points being difficult to obtain; and

• forecast cash flows including: market rental income, leasing and rental relief assumptions. These assumptions are more judgmental because the extent of the uncertainty of how COVID-19 may impact on future tenant cash flows and leasing activity.</td><td>• For the total portfolio, taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates and market rental income through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the Group and historical performance of the investment properties. We assessed these sources for what reasonable expectations existed at year end date versus those issues or observations emerging since year end and their impact to the Group's values;

• We assessed the appropriateness of the Group's leasing and rental relief assumptions against each property's actual rental income, weighted average lease expiry and actual vacancy levels, the Group's tenant credit risk assessment and expected rental relief arrangements with consideration of industry views;

• We agreed a sample of actual rental income, weighted average lease expiries and vacancy levels within both internal and external valuations to tenancy schedules as per lease agreements;</td></tr>
</table>

Valuation of investment property and property held for sale Refer to accounting policy note 1.10 and note 9 to the consolidated financial statements	
Key audit matter	How the matter was addressed in our audit
We paid particular attention to knowledge and sources of information available regarding market conditions specific to year end, versus those uncertainties or market knowledge at different dates, given how the impacts of business disruption and resultant government measures from COVID-19 are changing rapidly the dynamic of markets. Due to the significant judgement and assumptions applied by the directors, the involvement of external experts, the significance of the balance and the work effort from the audit team, the valuation of investment property was considered a key audit matter.	• Consulted with our real estate valuation specialists to gain an understanding of prevailing market conditions including existence of market transactions and application of the Group's valuation methodologies; • For one property, where the valuation was based on a contractual sales price, we compared the value to the signed sales contract; and • We assessed the disclosures in the financial statements including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standards requirements. This was considered in light of changes and uncertainties of COVID-19 that existed at year end date and up until issuance of our audit report.

Emphasis of matter

We draw attention to note 20 Subsequent events to the consolidated financial statements, which describes the unprecedented uncertainty of the economic environment at the date of signing the consolidated financial statements due to the impacts of COVID-19, in particular the continued lack of market transactions which are ordinarily a strong source of evidence for valuations of investment properties. Actual economic events and conditions in future may be materially different from those estimated by the Group in their valuations, since anticipated events frequently do not occur as expected. In our judgement, this issue is fundamental to the users' understanding of the financial report, the financial position and performance of the Group. Our opinion is not modified in respect of this matter.

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

(continued)

KPMG

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Investec Australia Property Fund Annual Report 2020 | Integrated annual report and consolidated financial Statements", which includes the Directors' responsibility statement, Report of the audit and risk committee and the Directors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

KPMG

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

(continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Investec Australia Property Fund for seven years.

KPMG Inc.
Registered Audit

Per Tracy Middlemiss
Registered Auditor
Chartered Accountant (SA)
Director
6 May 2020

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2020

AUD'000	Notes	2020	2019
Revenue excluding straightline rental revenue adjustment		96 696	88 539
Straightline rental revenue adjustment		4 407	930
Revenue	2	**101 103**	**89 469**
Property expenses	3	(21 341)	(18 226)
Net property income		**79 762**	**71 243**
Other operating expenses	4	(13 653)	(6 951)
Operating profit excluding fair value adjustments		**66 109**	**64 292**
Fair value adjustments	5	5 524	3 184
Finance costs	6	(12 774)	(14 636)
Finance income		90	94
Other income		7	165
Total comprehensive income attributable to unitholders		**58 956**	**53 099**
Basic and diluted earnings per unit (cents)	8	10.32	11.09

The notes on pages 103 to 125 are an integral part of the consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2020

AUD'000	Notes	2020	2019
ASSETS			
Non-current assets		**1 084 958**	**1 069 211**
Investment property	9	1 084 958	1 062 767
Financial instruments held at fair value		–	6 444
Current assets		**115 594**	**14 200**
Cash and cash equivalents	11	17 128	7 792
Receivables and other assets	10	4 466	6 408
Property held for sale	9	94 000	–
Total assets		**1 200 552**	**1 083 411**
EQUITY AND LIABILITIES			
Equity		**808 161**	**621 477**
Contributed equity	12	696 402	515 203
Retained earnings		111 759	106 274
Non-current liabilities		**353 669**	**401 614**
Long–term borrowings	13	345 487	375 163
Trade and other payables	14	4 845	5 265
Financial instruments held at fair value		3 337	21 186
Current liabilities		**38 722**	**60 320**
Borrowings	13	–	28 635
Trade and other payables	14	12 417	6 898
Distributions payable	7	26 305	24 787
Total equity and liabilities		**1 200 552**	**1 083 411**
Number of units in issue ('000)		611 298	478 802
Net asset value per unit (AUD)[75]		1.32	1.30

The notes on pages 103 to 125 are an integral part of the consolidated financial statements.

75 Net asset value per unit is calculated by dividing net asset by the number of units in issue.

Consolidated statement of changes in equity

For the year ended 31 March 2020

AUD'000	Contributed equity	Retained earnings	Total unitholder's interest
Balance at 1 April 2018	**515 203**	**102 160**	**617 363**
Total comprehensive income attributable to unitholders	–	53 099	53 099
Issue of ordinary units	–	–	–
Distributions paid/payable to ordinary unitholders	–	(48 985)	(48 985)
Balance at 31 March 2019	**515 203**	**106 274**	**621 477**
Total comprehensive income attributable to unitholders	–	58 956	58 956
Issue of ordinary units	181 199	–	181 199
Distributions paid/payable to ordinary unitholders	–	(53 471)	(53 471)
Balance at 31 March 2020	**696 402**	**111 759**	**808 161**

The adjustment made to retained earnings on the impact of applying IFRS 16 Leases is nil.

The notes on pages 103 to 125 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2020

AUD'000	Notes	2020	2019
Cash flows from operating activities			
Rental income received		107 027	87 349
Property expenses		(26 849)	(17 241)
Fund expenses		(14 514)	(9 836)
Security deposits received		–	763
Cash generated from operations		**65 664**	**61 035**
Finance income received		90	95
Finance costs paid		(12 023)	(15 064)
Distribution paid to unitholders		(51 672)	(48 186)
Net cash from/(used in) operating activities	15	**2 059**	**(2 120)**
Cash flows from/(used in) investing activities			
Investment property acquired		(81 000)	(54 394)
Acquisition costs and capital expenditure		(10 547)	(4 706)
Net cash outflow used in investing activities		**(91 547)**	**(59 100)**
Cash flows from financing activities			
Borrowings raised	13	62 701	78 294
Repayment of loans	13	(120 800)	(16 500)
Proceeds from issue of units	12	184 116	–
Payment related to capital raising	12	(2 917)	–
Payment of termination of hedging	19	(24 276)	–
Net cash inflow from financing activities		**98 824**	**61 794**
Net increase in cash and cash equivalents		9 336	574
Cash and cash equivalents at beginning of the period		7 792	7 218
Cash and cash equivalents at end of the period	11	**17 128**	**7 792**

The notes on pages 103 to 125 are an integral part of the consolidated financial statements.

Segmental analysis

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

1. The Fund's investment properties are made up of office and industrial assets. This is the first segment basis determined to be relevant to report and is consistent with the sectoral spread disclosure on page 10 of the annual report.
2. The Fund's investment properties are geographically spread over the states of Australia and New Zealand. These disclosures are consistent with the geographical spread disclosure on page 11 of the annual report.

For the year ended 31 March 2020 AUD'000	Office	Industrial	Total
Statement of profit or loss and other comprehensive income			
Revenue from external customers, excluding straightline rental revenue adjustment	72 146	24 550	96 696
Straightline rental revenue adjustment	3 569	838	4 407
Revenue	**75 715**	**25 388**	**101 103**
Property expenses	(18 185)	(3 156)	(21 341)
Net property income	**57 530**	**22 232**	**79 762**
Fair value adjustments – investment property	24 298	(4 104)	20 194
Fair value adjustments – foreign currency revaluation	1 340	–	1 340
Total segment results	**83 168**	**18 128**	**101 296**
Other operating expenses			(13 653)
Fair value adjustment on interest rate swaps			(15 760)
Fair value adjustment on foreign currency			(250)
Finance costs			(12 774)
Finance income			90
Other income			7
Profit for the year			**58 956**
Statement of financial position extracts at 31 March 2020			
Investment property balance 1 April 2019	822 867	239 900	1 062 767
Acquisitions	–	81 000	81 000
Transfer to property held for sale	(94 000)	–	(94 000)
Foreign currency revaluation on property	1 340	–	1 340
Acquisition costs and capital expenditure	5 084	4 166	9 250
Straight–line rental revenue receivable	3 569	838	4 407
Fair value adjustments	24 298	(4 104)	20 194
Investment property at 31 March 2020	**763 158**	**321 800**	**1 084 958**
Other assets not managed on a segmental basis			115 594
Total assets as at 31 March 2020			**1 200 552**

Segmental analysis

(continued)

For the year ended 31 March 2020 AUD'000	VIC	QLD	SA	WA	NSW	ACT	NT	NZ	Total
Statement of profit or loss and other comprehensive income									
Revenue from external customers, excluding straightline rental revenue adjustment	15 154	18 559	2 009	3 704	34 032	9 276	1 184	12 778	96 696
Straightline rental revenue adjustment	(667)	409	(60)	375	2 289	78	267	1 716	4 407
Revenue	**14 487**	**18 968**	**1 949**	**4 079**	**36 321**	**9 354**	**1 451**	**14 494**	**101 103**
Property expenses	(2 927)	(4 121)	(186)	(692)	(7 765)	(1 305)	(99)	(4 246)	(21 341)
Net property income	**11 560**	**14 847**	**1 763**	**3 387**	**28 556**	**8 049**	**1 352**	**10 248**	**79 762**
Fair value adjustments –- investment property	(1 704)	7 554	(1 185)	(2 045)	19 478	(6 369)	(2 973)	7 438	20 194
Fair value adjustments -– foreign currency revaluation	–	–	–	–	–	–	–	1 340	1 340
Total segment results	**9 856**	**22 401**	**578**	**1 342**	**48 034**	**1 680**	**(1 621)**	**19 026**	**101 296**
Other operating expenses									(13 653)
Fair value adjustment on interest rate swaps									(15 760)
Fair value adjustment on foreign currency									(250)
Finance costs									(12 774)
Finance income									90
Other income									7
Profit for the year									**58 956**
Statement of financial position extracts at 31 March 2020									
Investment property balance 1 April 2019	201 500	206 850	9 251	29 500	391 851	100 898	–	122 917	1 062 767
Acquisitions	–	–	25 500	26 500	–	–	29 000	–	81 000
Transfer to property held for sale	–	(94 000)	–	–	–	–	–	–	(94 000)
Acquisition costs and capital expenditure	2 972	(13)	295	1 819	1 033	241	1 806	1 097	9 250
Foreign currency revaluation on property	–	–	–	–	–	–	–	1 340	1 340
Straightline rental revenue receivable	(667)	409	(60)	375	2 289	78	267	1 716	4 407
Fair value adjustments	(1 704)	7 554	(1 035)	(2 195)	19 478	(6 369)	(2 973)	7 438	20 194
Investment property at 31 March 2020	**202 101**	**120 800**	**33 951**	**55 999**	**414 651**	**94 848**	**28 100**	**134 508**	**1 084 958**
Other assets not managed on a segmental basis									115 594
Total assets as at 31 March 2020									**1 200 552**

For the year ended 31 March 2019 AUD'000	Office	Industrial	Total
Statement of profit or loss and other comprehensive income			
Revenue from external customers, excluding straightline rental revenue adjustment	67 680	20 859	88 539
Straightline rental revenue adjustment	295	635	930
Revenue	**67 975**	**21 494**	**89 469**
Property expenses	(15 698)	(2 528)	(18 226)
Net property income	**52 277**	**18 966**	**71 243**
Fair value adjustments – investment property	12 315	2 854	15 169
Fair value adjustments – foreign currency revaluation	162	–	162
Total segment results	**64 754**	**21 820**	**86 574**
Other operating expenses			(6 951)
Fair value adjustment on interest rate swaps			(13 714)
Fair value adjustment on foreign currency			1 567
Finance costs			(14 636)
Finance income			94
Other income			165
Profit for the year			**53 099**
Statement of financial position extracts at 31 March 2019			
Investment property balance 1 April 2018	770 922	215 774	986 696
Acquisitions	29 750	19 450	49 200
Foreign currency revaluation on property	2 515	–	2 515
Acquisition costs and capital expenditure	7 004	1 186	8 190
Straightline rental revenue receivable	375	635	1 010
Fair value adjustments	12 301	2 855	15 156
Investment property at 31 March 2019	**822 867**	**239 900**	**1 062 767**
Other assets not managed on a segmental basis			20 644
Total assets as at 31 March 2019			**1 083 411**

Segmental analysis

(continued)

For the year ended 31 March 2019 AUD'000	VIC	QLD	SA	WA	NSW	ACT	NZ	Total
Statement of profit or loss and other comprehensive income								
Revenue from external customers, excluding straightline rental revenue adjustment	14 306	17 952	1 034	2 566	33 807	7 094	11 780	88 539
Straightline rental revenue adjustment	21	307	(26)	221	704	(47)	(250)	930
Revenue	**14 327**	**18 259**	**1 008**	**2 787**	**34 511**	**7 047**	**11 530**	**89 469**
Property expenses	(2 491)	(3 649)	(70)	(335)	(6 916)	(1 061)	(3 704)	(18 226)
Net property income	**11 836**	**14 610**	**938**	**2 452**	**27 595**	**5 986**	**7 826**	**71 243**
Fair value adjustments – investment property	12 766	2 485	(134)	262	(1 127)	52	866	15 169
Fair value adjustments – foreign currency revaluation	–	–	–	–	–	162	–	162
Total segment results	**24 602**	**17 095**	**804**	**2 714**	**26 468**	**6 200**	**8 691**	**86 574**
Other operating expenses								(6 951)
Fair value adjustment on interest rate swaps								(13 714)
Fair value adjustment on foreign currency								1 567
Finance costs								(14 636)
Finance income								94
Other income								165
Profit for the year								**53 099**
Statement of financial position extracts at 31 March 2019								
Investment property balance 1 April 2018	167 700	203 150	9 401	29 000	388 351	69 623	119 471	986 696
Acquisitions	19 450	–	–	–	–	29 750	–	49 200
Acquisition costs and capital expenditure	1 554	908	10	17	3 922	1 520	326	8 257
Foreign currency revaluation on property	–	–	–	–	–	–	2 515	2 515
Straightline rental revenue receivable	21	307	(26)	221	704	(47)	(250)	930
Fair value adjustments	12 775	2 485	(134)	262	(1 126)	52	855	15 169
Investment property at 31 March 2019	**201 500**	**206 850**	**9 251**	**29 500**	**391 851**	**100 898**	**122 917**	**1 062 767**
Other assets not managed on a segmental basis								20 644
Total assets as at 31 March 2019								**1 083 411**

The notes on pages 103 to 125 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Corporate information

The financial report of the Fund for the year ended 31 March 2020 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 6 May 2020.

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

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

The registered office of the Responsible Entity is located at:

Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Reporting entity

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

The consolidated financial statements of the Fund as at and for the year ended 31 March 2020 comprise the Fund and its subsidiaries (**Group**).

Working capital management

The Fund utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Fund will draw this cash back from the debt facility in order to pay the final distribution in June 2020. This results in the most efficient use of the Fund's cash flows.

Going concern

The Fund has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of issuing the consolidated financial statements.

The impact of the COVID-19 pandemic has resulted in a portion of the Fund's tenants experiencing challenging and uncertain times. Whilst the situation is evolving, the Responsible Entity remains confident that the Fund will be able to continue as a going concern which assumes the Fund will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the consolidated financial statements. In reaching this position, the following factors have been considered:

- the Fund has cash of AUD17 million as at 31 March 2020 and has adequate levels of liquidity through AUD66.9 million[76] of available debt lines to be drawn if required
- the Fund's tenant exposure where the potential credit risk is more severe including hospitality and accommodation, tourism, education and retail is approximately 3.3% of the total tenant revenue base
- the Fund has prepared for several scenarios assuming the COVID-19 pandemic continues for three, six and 12 months, stress testing operating cashflows and in all cases the Responsible Entity expects the Fund to remain solvent
- the Fund's WADE is 7.4 years[76], with the earliest tranche maturing in March 2023[76]
- the Fund's debt is fixed or hedged to a level of 95.8%[76]
- the Fund's gearing sits at 22.2%[76] with a covenant level of 55%
- the Fund's interest cover ratio at 31 March 2020 was 5.2x with a covenant level of 2.0x
- stress testing of the covenants results in adequate levels of headroom from both a gearing and interest cover ratio perspective. While debt compliance may come under pressure, the Fund does not expect any potential covenant breaches for a period of 12 months from the date of the consolidated financial statements.

The outcome of all of the above leads the Responsible Entity to determine that the Fund's financial position is strong, and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the consolidated financial statements.

The consolidated financial statements have therefore been prepared on a going concern basis.

76 Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020 and the debt restructure, which occurred post the reporting date on 3 April 2020.

Notes to the consolidated financial statements

(continued)

1. Accounting policies and basis of preparation

1.1 Basis of preparation

1.1.1 Statement of compliance

The annual financial statements are prepared in accordance with and compliance with International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial pronouncements as issued by Financial Reporting Standards Council.

1.1.2 Basis of measurement

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

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

1.1.3 Functional and presentation currency

The consolidated financial statements are presented in AUD, which is IAP's functional currency.

IAP is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that ASIC Class Order, all financial information presented in AUD 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.

Due to the COVID-19 pandemic, estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year relates to the valuation of investment properties. Refer to note 9 to the consolidated financial statements for information on best estimates used in the valuation of investment properties.

1.2 Basis of consolidation

1.2.1 Controlled entities

The 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.

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

1.2.2 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 comprise those assets that are directly attributable to the segment on a reasonable basis.

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

1.4 Revenue recognition

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

Rental income

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

Recoverable outgoings

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

1.5 Lease incentives and commissions

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

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

1.6 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.

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.

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 remeasurements such as investment property fair value adjustments. As required by the JSE Listings Requirements headline earnings per unit is calculated using Circular 1/2019.

1.9 Financial instruments

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

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

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

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

1.9.1 Trade and other receivables

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

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

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

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

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

Debts that are known to be uncollectable are written off when identified. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments are considered indicators that the trade receivable is impaired.

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 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 Group 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 method. Borrowings are classified as non-current unless they are repayable within 12 months.

1.10 Investment property

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

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

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

Should any properties no longer meet the 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.

Notes to the consolidated financial statements

(continued)

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 rate method. The directors believe that their valuations accurately represent the fair value. Note 9 to the consolidated financial statements describes the basis for determining fair value of the Fund's properties.

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

1.11 Lease 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 lease agreements in the capacity as lessor of the investment properties. All agreements are operating leases.

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

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

1.12 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 by 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 distributable income (as defined in the Fund's constitution), 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 an Attribution Managed Investment Trust for Australian tax purposes. As an Attribution Managed Investment Trust, the Fund 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.

As the Fund is an Attribution Managed Investment Trust, the Responsible Entity will be required to withhold tax in Australia at 10% on Australian sourced interest income and 15% on other Australian sourced income to investors in South Africa.

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

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 in IAP.

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 IAP. All units rank equally with regard to IAP's residual assets.

1.15 New accounting standards adopted by the Group

The Group applied the following accounting standards amendments that became mandatory for the first time during the reporting period:

IFRS 16 Leases

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

IFRS16 introduces a single on-balance sheet lease accounting model for lessees and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payment.

IFRS 16 substantially carries forward the lessor accounting requirement in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Fund has applied the modified retrospective approach to implement the new accounting standard of IFRS 16, and has selected to "grandfather" its previous assessment of existing contracts. The Fund operations involve leasing of investment properties. All rental agreements are operating leases. The impact to IAP upon adoption of IFRS 16 is nil for both current year and the comparative period.

1.16 Accounting standards applicable to the Group not yet effective

Amendments to IFRS 3 'Business Combinations – Definition of a Business'. IFRS 3 'Business Combinations – Definition of a Business' to clarify the definition of a business. This amendment applies prospectively to future acquisitions. It is not possible to determine if the amendment will have a material impact given the uncertainty in respect of such acquisition.

Amendments to IAS 1 and IAS 8 – Definition of Material IAS 1 and IAS 8 amended to clarify the definition of material as applied across all reporting standards. The intention of the amendment is to reduce and declutter financial reports and focus the user's attention on the key material items. the Group would look to review the disclosure in respect of non-material items

2. Revenue

AUD'000	2020	2019
Contracted rental income	83 907	77 474
Recoverable outgoings	12 789	11 065
Revenue, excluding straightline rental revenue adjustment	96 696	88 539
Straightline rental revenue adjustment	4 407	930
	101 103	**89 469**

3. Property expenses

AUD'000	2020	2019
Statutory expenses	(6 196)	(5 876)
Electricity	(2 059)	(1 694)
Insurance	(1 918)	(1 142)
Cleaning	(1 406)	(1 264)
Building management	(2 282)	(2 277)
Repairs and maintenance	(1 365)	(1 019)
Amortisation of incentives	(1 054)	(957)
Tenant rechargeable expenditure	(905)	(724)
Air-conditioning	(790)	(814)
Fire protection	(404)	(432)
Lift and escalators	(531)	(444)
Emergency generators	(479)	(513)
Gardening/landscaping	(227)	(168)
Consultancy fees	(318)	(216)
Leasing fees	(477)	(330)
Legal and marketing expenses	(158)	(160)
Non recoverable property expenses	(583)	(168)
Other property expenses	(189)	(28)
	(21 341)	**(18 226)**

4. Other operating expenses

AUD'000	2020	2019
Asset management fee	(6 573)	(5 761)
Auditor's remuneration[77]	(354)	(331)
Audit fee	(233)	(203)
Tax compliance fees	(121)	(128)
Directors' fees	(295)	(101)
Legal and consulting fees	(356)	(244)
ASX listing expenses	(5 339)	–
Other fund expenses	(736)	(514)
	(13 653)	**(6 951)**

77 All audit and tax services were provided by KPMG.

Notes to the consolidated financial statements

(continued)

5. Fair value adjustments

AUD'000	2020	2019
Fair value adjustments – investment property	20 194	15 178
Fair value adjustments – interest rate swaps	(3 337)	(13 714)
Losses on termination and restructure of hedges	(12 423)	–
Fair value adjustments – foreign currency revaluation	1 090	1 720
Total fair value adjustment	**5 524**	**3 184**

6. Finance costs

AUD'000	2020	2019
Interest paid on borrowings	(12 774)	(14 636)
Total finance costs	**(12 774)**	**(14 636)**

Refer to note 13 to the consolidated financial statements for details on borrowings.

7. Distribution per unit

Period for distribution	Total distribution AUD'000	Units in issue ('000)	Distribution per unit pre-WHT (AUD cents)	Distribution per unit post-WHT (AUD cents)
1 April 2019 – 27 May 2019	7 631	478 802	1.59	1.46
28 May 2019 – 30 September 2019	19 535	611 298	3.20	2.91
Half year to 31 March 2020	26 305	611 298	4.30	4.20
Total distribution for FY20	**53 471**		**9.09**	**8.57**
Half year to 30 September 2018	24 198	478 802	5.05	4.65
Half year to 31 March 2019	24 787	478 802	5.18	4.75
Total distribution for FY19	**48 985**		**10.23**	**9.40**

The interim distribution paid to unitholders for the period 28 May 2019 to 30 September 2019 includes those unitholders who participated in the placement which settled on 2 October 2019.

8. Earnings per unit

AUD'000	2020	2019
Reconciliation of basic earnings to headline earnings		
Profit for the period	**58 956**	**53 099**
Less: net fair value adjustment – investment property	(20 194)	(15 178)
Headline earnings attributable to unitholders	**38 762**	**37 921**
	Cents	**Cents**
Basic and diluted earnings per unit	10.32	11.09
Basic and diluted headline earnings per unit	6.78	7.92
Units in issue at the end of the year ('000)	**611 298**	**478 802**
Weighted average number of units in issue ('000)	**571 380**	**478 802**
Reconciliation of weighted average number of units in issue:		
Units at the beginning of the year ('000)	**478 802**	**478 802**
Placements ('000)	**132 496**	**–**

Headline earnings is 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 Listing requirements headline earnings per unit is calculated using Circular 1/2019.

9. Investment property

AUD'000	2020	2019
Cost	956 051	941 582
Accumulated fair value adjustment	115 549	110 516
Investment properties	1 071 600	1 052 098
Straightline rental revenue receivable	13 358	10 669
Carrying value	**1 084 958**	**1 062 767**
Movement in investment properties		
Balance at beginning of year	1 062 767	986 696
Acquisitions	81 000	49 200
Property held for sale	(94 000)	
Foreign currency revaluation on property	1 340	2 515
Acquisition costs and capital expenditure	9 250	8 190
Fair value adjustment on revaluation of investment properties (refer to note 5)	20 194	15 156
Straightline rental revenue adjustment	4 407	1 010
Carrying value at end of the year	**1 084 958**	**1 062 767**

Property to the value of AUD1 085.0 million (31 March 2019: AUD1 062.8 million) is held as security under the syndicated facility agreement drawn down to a value of AUD347.3 million (31 March 2019: AUD405.4 million).

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to AUD20.2 million (31 March 2019: AUD15.2 million) and are presented in profit and loss in the line item 'fair value adjustment'.

Notes to the consolidated financial statements
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Property	Latest external valuation		Consolidated carrying value	Consolidated carrying value
AUD'000	Date	Valuation	2020	2019
Industrial				
47 Sawmill Circuit, Hume ACT	30-Sep-18	11 400	11 100	11 400
57 Sawmill Circuit, Hume ACT	30-Sep-18	10 350	9 500	10 350
24 Sawmill Circuit, Hume ACT	30-Sep-18	9 900	9 050	9 900
44 Sawmill Circuit, Hume ACT	30-Sep-18	11 300	10 400	11 300
2–8 Mirage Road, Direk SA	30-Sep-18	9 250	8 750	9 250
30–48 Kellar Street, Berrinba QLD	31-Mar-20	8 400	8 400	8 350
165 Newton Road, Wetherill Park NSW	30-Sep-19	25 500	25 250	23 450
24 Spit Island Close, Newcastle NSW	31-Mar-20	10 600	10 600	10 000
67 Calarco Drive, Derrimut VIC	31-Mar-20	10 150	10 150	9 700
66 Glendenning Road, Glendenning NSW	30-Sep-19	29 300	29 400	25 900
85 Radius Drive, Larapinta QLD	31-Mar-20	17 500	17 500	18 000
54 Miguel Road, Bibra Lake WA	30-Sep-19	31 000	30 100	29 500
24 Rodborough Road, Frenchs Forest NSW	31-Mar-20	22 250	22 250	21 000
6–8 and 11 Siddons Way, Hallam VIC	31-Mar-20	20 000	20 000	22 350
36–42 Hydrive Close, Dandenong South VIC	30-Sep-19	20 500	20 150	19 450
103 Welshpool Road, Welshpool WA	10-Oct-19	26 500	25 900	–
70 Grand Trunkway, Gillman SA	10-Oct-19	25 500	25 200	–
16 Dawson Street, East Arm NT	10-Oct-19	29 000	28 100	–
Office				
449 Punt Road, Cremorne VIC	31-Mar-19	57 000	58 800	57 000
35–49 Elizabeth Street, Richmond VIC	31-Mar-19	93 000	93 000	93 000
2404 Logan Road, Eight Mile Plains QLD	30-Sep-18	20 000	18 150	20 000
186 Reed Street, Greenway ACT	30-Sep-18	28 200	25 650	28 200
757 Ann Street, Fortitude Valley QLD	31-Mar-20	94 000	–	85 000
21–23 Solent Circuit, Baulkham Hills NSW	30-Sep-19	62 500	61 500	59 000
266 King Street, Newcastle NSW	31-Mar-20	77 000	77 000	75 000
113 Wicks Road, Macquarie Park NSW	31-Mar-20	29 000	29 000	26 500
324 Queen Street, Brisbane QLD	31-Mar-20	76 750	76 750	75 500
20 Rodborough Road, Frenchs Forest NSW	31-Mar-20	62 500	62 500	61 000
2 Richardson Place, Frenchs Forest NSW	30-Sep-19	102 000	97 150	90 000
100 Willis Street, Wellington NZ[78]	31-Mar-20	134 508	134 508	122 917
24 Wormald Street, Symonston ACT	08-Feb-19	29 750	29 150	29 750
Total			**1 084 958**	**1 062 767**
Property held for sale				
757 Ann Street, Fortitude Valley QLD	31-Mar-20	94 000	94 000	–
			94 000	**–**

78 Converted at spot rate of 1.02968 at 31 March 2020.

A. Valuation basis

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

As a result of the COVID-19 pandemic assessing fair value as at the reporting date involves uncertainties around the underlying assumptions given the constantly changing nature of the situation and the time between the reporting date and the date of the annual report. The COVID-19 pandemic is still at an early stage, and the length of time it will take the measures implemented by the Australian and New Zealand Governments to manage the effects of the COVID-19 pandemic on the broader economies and property markets, is still unknown.

As such, the valuation process for the Fund's results for the year ended 31 March 2020 has been adjusted compared to the process that would typically be followed and adopted in more normalised market conditions.

The Fund had largely completed the fair valuation assessment of the portfolio in mid-March 2020, in anticipation for 31 March 2020 reporting requirements, and draft valuations were presented to the Audit and Risk Committee for consideration. However, given the significant events and change in market conditions between the date these valuations were originally obtained and the reporting date, the Audit and Risk Committee determined that it was appropriate for all external valuations to be reassessed by the relevant independent valuers. Further, the Audit and Risk Committee determined that the information obtained from this process also inform the basis of reassessing each of the directors' valuations. This process was conducted having regard to the most recent understanding at balance date of Government restrictions, financial support packages and their associated anticipated timeframe, and the impact these may have on the Fund's properties.

To date, market evidence is difficult to obtain to support any material movement in property yields across the sectors in which the Fund has exposure. This is largely due to the early stage of the COVID-19 pandemic in Australia and New Zealand and the limited recent transaction activity.

While the current economic climate and the impacts of the COVID-19 pandemic in the medium to long term are still uncertain, the assessment undertaken to determine the fair value of the Fund's portfolio is based on the measures and process discussed below. This included an assessment of each individual tenant's specific situation and overlaying market factors in light of limited transaction activity as at the date of the annual report.

A risk assessment of each property in the portfolio was undertaken incorporating the following factors:

- tenant covenant (higher tenant covenant strength would indicate lower risk)
- weighted average lease expiry (WALE) (higher WALE would indicate lower risk)
- rent reversion to market (higher rent reversion would indicate higher risk)
- whether any of the tenant's had applied for rental support (expected or actual rental relief request would indicate higher risk)

Each factor above was considered along with other property specific factors as relevant to determine an overall risk rating for each property as low, medium or high. This was then used to inform the valuation approach to be adopted and the level of adjustments to assumptions originally applied in mid-March 2020 to reassess fair value.

The reassessed fair values were determined based on a mix of discounted cash flow (**DCF**) and midpoint (between DCF and capitalisation rate) approaches. Where the DCF approach was adopted, the value was sense checked to the capitlisation rate approach to ensure adopted value was reasonable. In determining whether the DCF or midpoint approach was adopted, the Fund applied the following approach:

- midpoint approach was adopted for properties where the risk assessment resulted in a low impact outcome
- DCF approach was adopted for properties where the risk assessment resulted in a medium to high impact outcome

Under the capitalisation rate 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 property's life including an exit or terminal value. This involves the projection of a series of cash flows and to this, a market-derived discount rate is applied to establish the present value of the income stream.

In determining the specific assumptions to be adjusted, the Fund undertook the following process for each property:

1. Tenant engagement program and cashflow indicators

The Fund has implemented a detailed tenant engagement program. The program commenced in early 2020 to gain an understanding of the impact on the tenant base of recent events such as the Australian bushfires and the early stages of the COVID-19 pandemic. At that stage there were no material risks to valuations identified.

In mid-March 2020, as the uncertainty from the COVID-19 pandemic was becoming more evident, the program was re-instated. All tenants within the portfolio were communicated with a number of times in an attempt to understand the potential impacts of the COVID-19 pandemic on their business and how this might influence their ability to meet their lease obligations and their future leasing decisions. The information obtained from tenants has been used in determining forecast cash flows for each of the properties and in determining the fair value assessment.

2. Market indicators

The market indicators that were taken into account included:

- location of each property
- tenant industry type and the level of impact
- other market factors

The cashflow and market indicators as well as the risk assessment factors were considered in the reassessment to determine if adjustments should be made to discount rates, capitalisation rates, market rental growth in the short to medium term, levels of incentives, probability of tenant retention, downtime periods and leasing fees.

Notes to the consolidated financial statements
(continued)

B. Fair value assessment results

External valuations

External valuations were conducted for 11 properties in the portfolio for the second half of the year. External valuations were conducted by Colliers International, Urbis, Savills and CBRE who are all registered as Certified Practising Valuers with the Australian Property Institute.

Directors' valuations

The number of properties not externally valued was 19 as at 31 March 2020, where fair value was based solely on directors' valuations. At each reporting date, the directors update their assessment of the fair value of each property in accordance with the Fund's valuation policy.

Reassessment

In respect of external valuations, between the date of issuing draft valuation reports in mid-March 2020 and determining the fair value assessment for inclusion in the consolidated financial statements, the independent valuers adjusted a number of assumptions, including lower probabilities of tenant retention, longer lease up periods, lower market rental growth and softening capitalisation and discount rates where deemed appropriate.

The reassessment of fair value for properties utilising directors' valuations have undertaken the same adjustment process that the properties which were externally valued have undergone, including the changes in assumptions that have been applied on a case-by-case basis determined by the outcome of a risk assessment of each of the properties, consideration of cash flows and market indicators.

Across both external and directors' reassessment of fair value, for 13 properties the DCF approach was adopted and for 17 properties the midpoint approach was adopted.

C. Fair value hierarchy

The fair value for all investment properties AUD1 085.0 million (2019: AUD1 062.8 million) has been undertaken under the Level 3 fair value hierarchy, where unobservable inputs have been utilised in the valuation techniques. For all investment property that are measured at fair value, the current use of the property is considered the highest and best use.

Valuation techniques used to derive Level 3 fair values

For all classes of investment property the significant unobservable inputs below are used in the DCF and midpoint methods to determine the fair value measurement of investment property at the end of the reporting period.

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

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

- weighted average capitalisation rate of 6.57%, weighted average discount rate of 7.39% and weighted average terminal yield of 6.82%
- weighted average rental growth is 2.62% based on a 10 year period, noting that in the short term the rental growth adjustments are lower than the weighted average due to the impacts of the COVID-19 pandemic.

D. Sensitivity analysis

Due to the uncertainty the COVID-19 pandemic is currently having on property values, sensitivity analysis has been undertaken to further stress test the assessment of fair value undertaken for year-end reporting requirements.

The following sensitivity analysis is based on a range of potential capitalisation rate and discount rate movements on a portfolio basis compared to the capitalisation rates and discount rates adopted by the Fund at 31 March 2020, and are considered to be the key unobservable inputs that would be expected to have the most material impact on the fair values adopted if they moved.

As noted in A. Valuation basis the base case was the fair value for each property as at reporting date, where a combination of DCF and midpoint approaches was adopted. The stress testing performed was based on the same approach adopted for each property. For properties where the DCF approach was adopted, the stress testing was based on softening discount rates by 0.25% and 0.50%. Softening the capitalisation rates for properties where the DCF approach was adopted did not have an impact on the outcome. For properties where the midpoint approach was adopted, the stress testing was based on softening both the capitalisation rate and discount rate by 0.25% and 0.50%.

The below table is the outcome of the sensitivity analysis:

		Capitalisation rate movement		
	AUD'000	0%	0.25%	0.50%
Discount rate movement	**0%**	1 084 958	1 073 060	1 061 868
	0.25%	1 070 032	1 058 160	1 046 968
	0.50%	1 056 384	1 044 512	1 033 320

The results of the sensitivity analysis above demonstrates that stress testing the material unobservable inputs by the ranges disclosed would result in a movement of AUD51.6 million if discount rate and cap rate was softened by 0.50%. Even at this unlikely worst case scenario, this would not result in the Fund's financial position being materially impacted to the point the Fund would reconsider its position as a going concern.

E. Uncertainty around property valuations

The COVID-19 pandemic has impacted market activity in many sectors globally. The valuation assessment undertaken for reporting purposes has attached less weight to previous market evidence for comparison purposes to inform opinions of value. The current response to the COVID-19 pandemic means that the Fund has faced an unprecedented set of circumstances on which to base a judgement. In the event that impacts are more material or prolonged than anticipated, this may have further impact to the fair value of the Fund's property portfolio, and the future price achieved if a property is sold.

F. Contractual obligations/capital commitments

As at 31 March 2020, the Fund included forecast costs associated with the aluminium cladding panel assessment and remediation for four properties in the portfolio (31 March 2019: nil) within the valuation of these properties rather than a separate provision.

AUD'000	2020	2019
266 King Street, Newcastle NSW	70	–
2 Richardson Place, North Ryde NSW	500	–
449 Punt Road, Cremorne VIC	500	–
35–49 Elizabeth Street, Richmond VIC	1 000	–
	2 070	**–**

Other capital commitments relating to the investment properties are listed below: (31 March 2019: nil):

- 35–49 Elizabeth Street, Richmond VIC – AUD2.6 million construction works to enclose balcony space to create additional lettable area as part of a lease extension agreement with an existing tenant.

G. Leasing arrangements as lessor

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

	2020	2019
Less than 1 year	84 978	85 224
Between 1 and 5 years	246 898	241 271
More than 5 years	104 484	102 763
	436 360	**429 258**

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

Notes to the consolidated financial statements
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10. Receivables and other assets

AUD'000	2020	2019
Prepaid expenses	3 391	2 384
Sundry debtors	1 075	4 024
Total receivables and other assets	**4 466**	**6 408**

11. Cash and cash equivalents

AUD'000	2020	2019
Cash held on call account	17 128	7 792
Total cash and cash equivalents	**17 128**	**7 792**

12. Contributed equity

AUD'000	2020	2019
Issued		
On establishment Dec 2012– 22 000 000 fully paid ordinary units	22 000	22 000
On listing on JSE Oct 2013 – 112 685 000 fully paid ordinary units	112 685	112 685
On completion of renounceable rights offer Oct 2014 – 111 896 298 fully paid ordinary units	121 501	121 501
On completion of renounceable rights offer Feb 2016 – 59 566 747 fully paid ordinary units	59 964	59 964
On completion of renounceable rights offer Mar 2017 – 108 004 819 fully paid ordinary units	143 462	143 462
Distribution re-investment plan Nov 2015 – 6 393 331 fully paid ordinary units	6 815	6 815
Distribution re-investment plan Jun 2016 – 9 818 121 fully paid ordinary units	12 008	12 008
Distribution re-investment plan Dec 2016 – 5 223 526 fully paid ordinary units	7 111	7 111
Unit buy back – 6 330 842 fully paid ordinary units	(8 000)	(8 000)
On completion of unit placement offer Nov 2017 – 49 545 454 fully paid ordinary units	60 055	60 055
On listing on ASX May 2019 – 76 923 077 fully paid ordinary units	101 366	–
On completion of unit placement offer October 2019 – 55 572 553 fully paid ordinary units	82 750	–
Fund establishment costs capitalised to contributed equity	(10 128)	(7 211)
Antecedent distributions paid	(15 187)	(15 187)
In issue at year end	**696 402**	**515 203**

Refer to unitholder information on page 128 of the annual report for further details.

13. Borrowings

AUD'000	Tranche expiry date	Interest rate	2020	2019
Loans – secured – bank debt				
ANZ Facility – Tranche G	30-Jun-22	BBSY + 1.35%[79]	20 000	20 000
ANZ Facility – Tranche H	01-Dec-22	BBSY + 1.35%[79]	75 000	75 000
ANZ Facility – Tranche I	07-Mar-23	BBSY + 1.45%[79]	15 000	19 000
Westpac Facility – Tranche M	28-Sep-21	BBSY + 1.35%[79]	46 500	50 000
Westpac Facility – Tranche N	28-Mar-23	BBSY + 1.45%[79]	40 815	101 740
ANZ and Westpac Facility – Tranche O	23-Dec-19	BBSY + 1.50%[79]	–	111 039
ANZ Facility – Tranche P	30-Sep-19	BBSY + 1.10%[79]	–	28 635
The Prudential Company of America	23-Dec-29	3.40%	150 000	–
Total long-term borrowings – secured			**347 315**	**405 414**
Capitalised loan establishment costs			(1 828)	(1 616)
Total value of interest–bearing borrowings			**345 487**	**403 798**
Movement in borrowings				
Balance at beginning of year			405 414	343 620
Interest charged			12 774	14 636
Interest paid			(12 774)	(14 636)
Additional borrowing acquired			62 701	78 294
Repayments			(120 800)	(16 500)
Closing balance at the end of the year			**347 315**	**405 414**

The Fund's gearing was 28.0% at 31 March 2020 (31 March 2019: 37.4%).

At 31 March 2020 the approved facility limit of the loan facility was AUD375.0 million with AUD 27.7 million undrawn.

The Fund's policy is to hedge at least 75% of interest rate risk. At 31 March 2020, 87.0% of borrowings were hedged using interest rate swaps or fixed rate debt, locking in a blended rate (including margin and line fees) of 3.03% for a weighted average 5.6 year term. The facility held with The Prudential Company of America has a make whole provision that may be triggered in certain circumstances where there has been a full or partial repayment during the term of the facility.

14. Trade and other payables

AUD'000	2020	2019
Security deposits	206	757
Income received in advance	2 221	2 389
Other payables	2 418	2 119
Trade and other payables-non current	**4 845**	**5 265**
Accrued expenses	2 698	2 228
Trade creditors	1 074	460
Income received in advance	2 667	2 040
GST payable	1 856	1 551
Other payables[80]	4 122	619
Trade and other payables-current	**12 417**	**6 898**

79 Varies based on gearing levels.

80 Other payables includes AUD2.9 million termination cost on hedges which was paid in April 2020.

Notes to the consolidated financial statements

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15. Reconciliation of cash flows from operating activities

AUD'000	2020	2019
Profit for the period	58 956	53 099
Adjusted for:		
Fair value adjustments – investment property	(20 194)	(15 178)
Fair value adjustments – derivatives	15 760	13 714
Fair value adjustments – foreign currency revaluation	(1 090)	(1 720)
Straightline rental revenue adjustment	(4 407)	(930)
Working capital movement		
Change in trade and other receivables	1 981	(1 935)
Change in trade and other payables	1 194	(984)
Change in capital expenses	1 531	–
Distributions paid	(51 672)	(48 186)
Net cash from operating activities	**2 059**	**(2 120)**

16. Related party transactions

Responsible Entity

The Responsible Entity is a member of the Investec Group.

Manager

The Manager is a member of the Investec Group. The Manager provides fund management services and property management services to the Fund.

Investec Group

The Investec Group comprises Investec Plc and Investec Limited and their subsidiary companies.

From time to time, the Fund enters into transactions or arrangements with the Investec Group. These transactions are described below and are entered into on normal commercial terms.

Transactions with related parties AUD'000	2020	2019
Payments to Investec Group and its subsidiaries:		
Manager – subsidiary		
Asset management fee	6 573	5,761
Property management fee[81]	1,551	1,306
Investec Bank Limited – parent company		
Sponsor fee	17	24
Capital raising fees and listing costs	208	63
Investec Australia Limited – subsidiary		
Interest on swaps	1,529	828
Amounts owing to related parties:		
Manager – subsidiary		
Asset management fee payable	495	547

Key management personnel (KMP)

IAP does not employ any personnel in its own right. However it is required to have an incorporated responsible entity to manage its activities. The Responsible Entity is considered the KMP of the Fund. Furthermore the Responsible Entity has sub-contracted the management of IAP to the Manager which is also considered KMP. The directors of the Responsible Entity are Richard Longes (chairperson), Sally Herman, Hugh Martin, Georgina Lynch, Stephen Koseff, Sam Leon and Graeme Katz. The directors of the Manager are Graeme Katz, Zach McHerron and Kristie Lenton.

81 The Manager has been contracted to perform property management services. The Manager has sub-contracted this to third party property managers who receive this fee from the Manager.

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 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.

Individual directors' compensation disclosures

Directors' remuneration for the year to 31 March 2020 was as follows:

For the period to 31 March 2020 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[82]	–	165	–	–	–	165
Sally Herman[83]	–	120	–	–	–	120
Hugh Martin[83]	–	100	–	–	–	100
Georgina Lynch (appointed 1 July 2019)[83]	–	75	–	–	–	75
Stephen Koseff[84]	–	20	–	–	–	20
Sam Leon[82]	–	60	–	–	–	60
Graeme Katz[85]	155	–	–	–	–	155
Total	**155**	**540**	**–**	**–**	**–**	**695**

Directors' remuneration for the year to 31 March 2019 was as follows:

For the period to 31 March 2019 AUD'000	Salary (including emoluments paid by Investec Group)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[86]	–	37	–	–	–	37
Sally Herman[87]	–	56	–	–	–	56
Hugh Martin[87]	–	45	–	–	–	45
Stephen Koseff[88]	–	13	–	–	–	13
Sam Leon[89]	–	19	–	–	–	19
Graeme Katz[89]	155	–	–	–	–	155
Total	**155**	**170**	**–**	**–**	**–**	**325**

82 Richard Longes' and Sam Leon's directors' fees are paid by the Investec Group. Their fees are not a cost to the Fund.

83 Sally Herman, Hugh Martin and Georgina Lynch are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is paid by the Fund. Ms Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

84 Stephen Koseff receives fees for his services to the Investec Group and is not separately remunerated for his services as a director of the Responsible Entity. 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 Mr Koseff is not remunerated out of the Fund.

85 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

86 Apportionment of directors' fees paid by the Investec Group that are attributable to the Fund. Richard Longes is not separately remunerated for his services as a director of the Responsible Entity as he is remunerated by the Investec Group for his services as a director of other entities within the Investec Group. An estimate of attributable fees has been provided based on market related non-executive director and chairperson fees and proportion of time allocated to the Fund. Mr Longes is not remunerated out of the Fund.

87 Sally Herman and Hugh Martin are independent, non-Investec Group associated and non-executive directors of the Responsible Entity and their remuneration is apportioned between all funds managed by the Responsible Entity based on gross asset value. Ms. Herman is also remunerated for her role as chairperson of the Audit and Risk Committee.

88 Stephen Koseff and Sam Leon receive fees for their services to the Investec Group and are not separately remunerated for their services as directors of the Responsible Entity. 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.

89 Graeme Katz is not separately remunerated for his services as chief executive officer of the Fund and director of the Responsible Entity as he is remunerated by the Investec Group. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of the Responsible Entity but is not a cost to the Fund.

Notes to the consolidated financial statements
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Movements in securities

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

	Held at 31-Mar-2019	Purchases	Sales	Held at 31-Mar-2020
Directors				
Sam Leon	4 000 000	–	–	4 000 000
Graeme Katz	229 296	–	–	229 296
Richard Longes	–	56 819		56 819
Sally Herman	–	37 879		37 879
Georgina Lynch	–	67 493		67 493

The Investec Group unitholding in the Fund at reporting date is as follows:

	2020	2019
Investec Bank Limited	56 128 379	72 172 172

17. 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 to the consolidated financial statements. All subsidiaries are 100% owned trusts and controlled by the Group with no restrictions.

IAP 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	Intertrust loan balance 2020	Intertrust loan balance 2019
Investec Australia Hold Trust No. 1	Australia	Ordinary	100%	(17 526)	(49 220)
Investec Australia Sub Trust No. 1	Australia	Ordinary	100%	3 428	3 702
Investec Australia Sub Trust No. 2	Australia	Ordinary	100%	(2 016)	(2 060)
Investec Australia Sub Trust No. 3	Australia	Ordinary	100%	(3 427)	(573)
Investec Australia Sub Trust No. 4	Australia	Ordinary	100%	18	(143)
Investec Australia Sub Trust No. 5	Australia	Ordinary	100%	(1 477)	(1 309)
Investec Australia Sub Trust No. 6	Australia	Ordinary	100%	(7 210)	(8 159)
Investec Australia Sub Trust No. 7	Australia	Ordinary	100%	96	5
Investec Australia Sub Trust No. 8	Australia	Ordinary	100%	(239)	(142)
Investec Australia Sub Trust No. 9	Australia	Ordinary	100%	(51)	(69)
Investec Australia Sub Trust No. 10	Australia	Ordinary	100%	(2 333)	(2 108)
Investec Australia Sub Trust No. 11	Australia	Ordinary	100%	(117)	344
Investec Australia Sub Trust No. 12	Australia	Ordinary	100%	159	149
Investec Australia Sub Trust No. 13	Australia	Ordinary	100%	(357)	97
Investec Australia Sub Trust No. 14	Australia	Ordinary	100%	(2 501)	(2 942)
Investec Australia Sub Trust No. 15	Australia	Ordinary	100%	(767)	(233)
Investec Australia Sub Trust No. 16	Australia	Ordinary	100%	(2 731)	(2 065)
Investec Australia Sub Trust No. 17	Australia	Ordinary	100%	522	401
Investec Australia Sub Trust No. 18	Australia	Ordinary	100%	(632)	(41)
Investec Australia Sub Trust No. 19	Australia	Ordinary	100%	(2 988)	(3 015)
Investec Australia Sub Trust No. 20	Australia	Ordinary	100%	371	413
Investec Australia Sub Trust No. 21	Australia	Ordinary	100%	215	236
Investec Australia Sub Trust No. 22	Australia	Ordinary	100%	723	–
Investec Australia Sub Trust No. 23	Australia	Ordinary	100%	5	–
Investec Australia Sub Trust No. 24	Australia	Ordinary	100%	(5 335)	–

Intertrust loan balances are eliminated on consolidation.

18. Parent entity disclosures

AUD'000	2020	2019
As at, and throughout the year ended, 31 March 2020 the parent of the Group was Investec Australia Property Fund.		
Result of parent entity		
Profit for the year	63 560	54 378
Total comprehensive income for the year	**63 560**	**54 378**
Financial position of parent entity at year end		
Current assets	880	4 415
Total assets	**851 129**	**596 459**
Current liabilities	28 502	6 205
Total liabilities	**145 771**	**77 175**
Net assets	**705 358**	**519 284**
Total equity of parent entity comprising of:		
Contributed equity	696 402	515 203
Retained earnings	8 956	4 081
Total equity	**705 358**	**519 284**

19. Financial risk and capital management

19.1 Total financial and non-financial assets and liabilities

As at 31 March 2020 AUD'000	Financial instruments measured at fair value	Non-financial instruments measured at fair value	Amortised cost	Total
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 2020				
ASSETS				
Non-current assets				
Investment property	–	1 084 958	–	1 084 958
Current assets				
Cash and cash equivalents	–	–	17 128	17 128
Receivables and other assets	–	–	4 466	4 466
Property held for sale	–	94 000	–	94 000
Total assets	**–**	**1 178 958**	**21 594**	**1 200 552**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	345 487	345 487
Financial instruments held at fair value	3 337	–	–	3 337
Trade and other payables	–	–	4 845	4 845
Current liabilities				
Trade and other payables	–	–	12 417	12 417
Distributions payable	–	–	26 305	26 305
Total liabilities	**3 337**	**–**	**389 054**	**392 391**

Notes to the consolidated financial statements

(continued)

As at 31 March 2019 AUD'000	Financial instruments measured at fair value	Non-financial instruments measured at fair value	Amortised cost	Total
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 2019				
ASSETS				
Non-current assets				
Investment property	–	1 062 767	–	1 062 767
Financial instruments held at fair value	6 444	–	–	6 444
Current assets				
Cash and cash equivalents	–	–	7 792	7 792
Receivables and other assets	–	–	6 408	6 408
Total assets	**6 444**	**1 062 767**	**14 200**	**1 083 411**
LIABILITIES				
Non-current liabilities				
Long–term borrowings	–	–	375 163	375 163
Financial instruments held at fair value	21 186	–	–	21 186
Trade and other payables	–	–	5 265	5 265
Current liabilities				
Borrowings	–	–	28 635	28 635
Trade and other payables	–	–	6 898	6 898
Distributions payable	–	–	24 787	24 787
Total liabilities	**21 186**	**–**	**440 748**	**461 934**

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

19.2 Fair value hierarchy – financial instruments

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

a. **The fair value of "long term borrowings at amoritsed cost" has been estimated by market interest rate at year end**

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

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

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

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

AUD'000 Fair value and carrying amount	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
As at 31 March 2020					
Financial assets not measured at fair value					
Cash and cash equivalents	17 128	–	–	–	–
Receivables and other assets	4 466	–	–	–	–
	21 594	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	43 567	–	–	–	–
Long term borrowings	345 487	–	373 053	–	373 053
	389 054	**–**	**373 053**	**–**	**373 053**
Financial liabilities measured at fair value					
Interest rate swaps	3 337	–	3 337	–	3 337
	3 337	**–**	**3 337**	**–**	**3 337**
As at 31 March 2019					
Financial assets not measured at fair value					
Cash and cash equivalents	7 792	–	–	–	–
Receivables and other assets	6 408	–	–	–	–
	14 200	**–**	**–**	**–**	**–**
Financial assets measured at fair value					
Interest rate swaps	6 444	–	6 444	–	6 444
	6 444	**–**	**6 444**	**–**	**6 444**
Financial liabilities not measured at fair value					
Trade and other payables	36 950	–	–	–	–
Long term borrowings	403 798	–	378 989	–	378 989
	440 748	**–**	**378 989**	**–**	**378 989**
Financial liabilities measured at fair value					
Interest rate swaps	21 186	–	21 186	–	21 186
	21 186	**–**	**21 186**	**–**	**21 186**

b. **Details of changes in valuation techniques**

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

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

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

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

Notes to the consolidated financial statements

(continued)

19.3 Other financial risk management considerations

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

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

- credit risk
- liquidity risk
- market risk

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

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

The Audit and Risk Committee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in its oversight role by the Investec Group's internal audit function, 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.

19.4 Credit risk

Credit risk is the risk of financial loss to the Fund if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises from derivatives, as well as trade and other receivables. As at 31 March 2020 the receivables and other assets was largely made up of prepaid expenses.

There is no significant concentration of credit risk as exposure makes up a small component of the Fund's assets. The fund applies the lifetime ECL model to manage the credit risk of financial assets carried at amortised cost in accordance with the accounting policy describes in note 1.9.1 to the consolidated financial statements.

Exposure to credit risk

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

The Fund applies the lifetime ECL model to manage credit risk of financial assets carried at amortised cost in accordance with the accounting policy described in note 1.9.1 to the consolidated financial statements.

The Fund has been further impacted by the COVID-19 pandemic and the measures taken by Governments and the private sector to respond to the outbreak. In addition to the health and societal issues, this has begun to cause disruptions to businesses and economic activity. As a result of this, the Fund has undertaken the following activities to assess and manage the impact on tenants which form the revenue base of the Fund and tenants' credit risk:

- implemented a tenant engagement program, to assess which tenants are impacted and might not able to meet their rental obligations
- assessing tenants on a case by case basis in order to determine the level of support required
- held weekly (and ad hoc where required) meetings to update and make decision on tenant actions
- performed a tenant composition analysis where the potential credit risk is more severe including hospitality and accommodation, tourism, education and retail to assess the level of impact to the Fund's portfolio

As a result of the above the Fund has determined that no ECL has been recognised as at 31 March 2020 (31 March 2019: nil).

19.5 Market risk

a. Interest rate risk

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

At 31 March 2020, 87.0% of the Fund's interest rate exposure was hedged. Therefore, for the year ended 31 March 2020, a 1% increase/decrease in interest rates on the variable rate borrowings would have an immaterial impact on the Fund's profit, assuming all other variables remain constant.

b. Liquidity risk

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

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

As at 31 March 2020 AUD'000	Within 1 year	1–2 years	2–5 years	Over 5 years	Total	Carrying value
Long-term borrowings[90]	7 758	7 758	195 688	174 256	**385 460**	**345 487**
Trade and other payables	12 417	1 273	742	2 830	**17 262**	**17 262**
Distributions payable	26 305	–	–	–	**26 305**	**26 305**
Total liabilities	**46 480**	**9 031**	**196 430**	**177 086**	**429 027**	**389 054**

As at 31 March 2019 AUD'000	Within 1 year	1–2 years	2–5 years	Over 5 years	Total	Carrying value
Long-term borrowings[90]	42 144	12 697	398 448	–	**453 289**	**403 798**
Trade and other payables	6 898	1 740	893	2 631	**12 162**	**12 162**
Distributions payable	24 787	–	–	–	**24 787**	**24 787**
Total liabilities	**73 829**	**14 437**	**399 341**	**2 631**	**490 239**	**440 748**

Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the funding requirements of the Fund.

AUD'000	2020	2019
Value of investment property	1 084 958	1 062 767
Value of property held for sale	94 000	–
Total property value	**1 178 958**	**1 062 762**
Carrying value of interest bearing borrowing	347 315	405 414
Less: Cash and cash equivalents	(17 128)	(7 792)
Net value of borrowing	**330 187**	**397 622**
Current ratio of interest bearing borrowings to value of investment property (%)	28.0	37.4

90 Cash flows in relation to long term borrowings take into account interest payments and the effect of interest rate swaps.

Notes to the consolidated financial statements

(continued)

19.6 Derivatives

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

Financial institution	AUD'000	Start date	End date	Fixed rate
31 March 2020				
Australia and New Zealand Banking Group	30 000	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	67 303	11-Dec-17	12-Dec-26	2.58%

Financial institution	AUD'000	Start date	End date	Fixed rate
31 March 2019				
Investec Bank plc	30 435	25-Jun-16	25-Feb-24	2.44%
Investec Bank plc	60 870	25-Jun-16	25-Feb-26	2.57%
Investec Bank plc	30 435	25-Jun-16	25-Feb-25	2.51%
Investec Bank plc	55 000	01-Dec-16	25-Dec-23	2.18%
Westpac Banking Corporation	20 000	01-Mar-17	01-Mar-22	2.35%
Australia and New Zealand Banking Group	25 000	20-Oct-17	20-Oct-24	2.46%
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-25	2.54%
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-27	5.68%
Westpac Banking Corporation	67 303	11-Dec-17	12-Dec-24	2.30%
Westpac Banking Corporation	55 000	14-Mar-19	25-Dec-23	2.38%
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-24	2.41%
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-25	2.53%
Westpac Banking Corporation	60 870	14-Mar-19	25-Feb-26	2.66%
Westpac Banking Corporation	20 000	14-Mar-19	01-Mar-22	2.00%
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-25	2.61%
Westpac Banking Corporation	25 000	14-Mar-19	20-Oct-24	2.49%
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-27	2.81%

During the year, the Fund secured AUD150 million of 10 year fixed rate funding at an all-in rate of 3.40%. The proceeds were used to repay some of the existing tranches with ANZ and Westpac. The Fund also restructured and terminated some of the existing interest rate swaps to maintain a hedge percentage within the policy guidelines of at least 75%. At year end, 87.0% of borrowings were hedged using interest rate swaps or fixed rate debt (31 March 2019: 77.5%). The total termination and restructure costs incurred were AUD 27.2 million. Losses on termination and restructure of AUD12.4 million (31 March 2019: nil) are included within the fair value adjustments in the consolidated statement of profit or loss or other comprehensive income. Details of the restructured and terminated trades are listed below.

Statement of financial position extracts at 31 March 2020	AUD'000
Financial instrument held at fair value 31 March 2019 – net liability	14 742
Losses on termination and restructure of hedges	12 423
Payment of termination of restructure of hedges	(24 276)
Termination and restructure cost payable	(2 889)
Fair value adjustments – interest rate swaps as at 31 March 2020	3 337
Financial instruments held at fair value at 31 March 2020	**3 337**

Financial institution	AUD'000	Start date	End date	Termination date	Termination cost AUD'000
Investec Bank plc	30 435	25-Jun-16	25-Feb-24	20-Dec-19	703
Investec Bank plc	60 870	25-Jun-16	25-Feb-26	20-Dec-19	2 225
Investec Bank plc	30 435	25-Jun-16	25-Feb-25	20-Dec-19	916
Investec Bank plc	55 000	01-Dec-16	25-Dec-23	20-Dec-19	1 289
Westpac Banking Corporation	20 000	01-Mar-17	01-Mar-22	19-Dec-19	206
Australia and New Zealand Banking Group	25 000	20-Oct-17	20-Oct-24	19-Dec-19	676
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-25	19-Dec-19	422
Australia and New Zealand Banking Group	12 500	20-Oct-17	20-Oct-27	19-Dec-19	563
Westpac Banking Corporation	55 000	14-Mar-19	25-Dec-23	19-Dec-19	815
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-24	19-Dec-19	449
Westpac Banking Corporation	30 435	14-Mar-19	25-Feb-25	19-Dec-19	417
Westpac Banking Corporation	60 870	14-Mar-19	25-Feb-26	19-Dec-19	964
Westpac Banking Corporation	20 000	14-Mar-19	01-Mar-22	19-Dec-19	272
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-25	19-Dec-19	162
Westpac Banking Corporation	25 000	14-Mar-19	20-Oct-24	19-Dec-19	352
Westpac Banking Corporation	12 500	14-Mar-19	20-Oct-27	19-Dec-19	155
Westpac Banking Corporation – restructure to 2.58%	67 303	11-Dec-17	12-Dec-24	19-Dec-19	1 837
Losses on termination and restructure of hedges					**12 423**

19.7 Capital management

Under the Fund's 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 55% 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 2020, the nominal value of borrowings less cash and cash equivalents was equal to 28.0% (31 March 2019: 37.4%) 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.

20. Subsequent events

During the year the Fund contracted to sell 757 Ann Street, Fortitude Valley QLD for AUD94 million which was classified as investment property held for sale as at 31 March 2020. The sale settled post the reporting date on 1 April 2020, which is the point the Fund is considered to have lost control of the asset. Proceeds from the sale were used to repay a portion of the Fund's debt.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the continued lack of market transactions which are ordinarily a strong source of evidence for valuations of investment properties. Actual economic events and conditions in future may be materially different from those estimated by the Fund at reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Fund's portfolio and a future price achieved if a property is sold. At the date of the annual report, an estimate of the future effects of the COVID-19 pandemic on the Fund's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure on page 103 and property valuations in note 9 to the consolidated financial statements.

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

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35–49 Elizabeth Street

07 | Other information

Australia Property Fund

Unitholder information

Top 20 unitholders as at 17 April 2020

Rank	Name	Number of units held	% of issued capital
1	Investec Bank Ltd	56 128 379	9.18
2	Investec Property Fund Ltd	55 147 030	9.02
3	Sesfikile Capital (Pty) Ltd	33 540 406	5.49
4	Vanguard Investments Australia Ltd	27 840 422	4.55
5	Martin Currie Australia	23 719 884	3.88
6	STANLIB Asset Management Ltd	19 045 005	3.12
7	Investec Wealth and Investment Management Pty Ltd	18 684 733	3.06
8	APN Funds Management Limited	17 158 387	2.81
9	First Sentier Investors	15 768 679	2.58
10	AMP Capital Investors Limited	14 798 951	2.42
11	NPV Holdings (Pty) Ltd	12 911 928	2.11
12	Old Mutual Investment Group (South Africa) (Pty) Limited	12 733 518	2.08
13	Meago Asset Managers (Pty) Ltd	12 397 869	2.03
14	Momentum Asset Management (Pty) Ltd	11 330 371	1.85
15	Pendal Group Limited	10 756 161	1.76
16	Prudential Portfolio Managers (South Africa) (Pty) Ltd	10 024 029	1.64
17	Quest Asset Partners Pty Ltd	9 552 750	1.56
18	Rezco Asset Management (Pty) Ltd	9 073 478	1.48
19	Yarra Funds Management Limited	8 716 709	1.43
20	Ninety One SA Pty Ltd	8 241 721	1.35
	Total top 20 unitholders	**387 570 410**	**63.40**
	Total remaining unitholders balance	**223 727 674**	**36.60**

Spread of unitholders as at 17 April 2020

Unitholder spread	Number of unitholdings	% of total unitholders	Number of units in issue	% of issued capital
1–5 000	2 016	37.2	4 165 005	0.7
5 001–10 000	1 040	19.2	7 964 012	1.3
10 001–50 000	1 702	31.4	38 968 458	6.4
50 001–100 000	276	5.2	19 814 573	3.2
100 001 units and over	380	7.0	540 386 036	88.4
Total	**5 414**	**100**	**611 298 084**	**100**

There is currently only one class of securities, being ordinary securities, and there are no securities currently held in escrow. All of the Fund's securities are quoted on the ASX and JSE and no other stock exchanges. The Fund does not currently have any unit buy-back plans in place.

The number of unitholders holding less than a marketable parcel of 450 securities (based on the 17 April 2020 closing price of AUD1.11) is detailed below. In accordance with the ASX Listing Rules, a "marketable parcel" is "…a parcel of securities of not less than AUD500…"

Ownership less than AUD500	Number of unitholdings	Number of units in issue	Value (AUD)
ASX	47	7 217	7 975
JSE	476	42 902	46 626[91]
Total			**54 600**

91 0.0836 – conversion rate from ZAR to AUD as at 17 April 2020.

Directors' interest in units

Directors' interests in units	Balance at 17 April 2020	Balance at 31 March 2019
Executive director		
Graeme Katz	229 296	222 296
Non-executive directors		
Sam Leon	4 000 000	4 000 000
Georgina Lynch[92]	67 493	–
Richard Longes[93]	56 819	–
Sally Herman	37 879	–
Total	**4 391 487**	**4 222 296**

There has been no change in directors' interests in units since 17 April 2020 and the date of signing the annual report.

Unit statistics	31 March 2020	31 March 2019
JSE		
Closing market price (ZAR)		
Year end	11.99	12.70
High	16.50	13.50
Low	9.47	10.36
Market capitalisation (ZAR)	4 738 730 592	6 080 791 166
Daily average volume of units traded	805 003	246 981
Units registered on South African sub-register	**395 223 569**	**478 802 454**
ASX		
Closing market price (AUD)		
Year end	1.055	–
High	1.640	–
Low	0.900	–
Market capitalisation (AUD)	227 958 613	–
Daily average volume of units traded	819 037	–
Units registered on Australian sub-register	**216 074 515**	**–**

92 Through G Lynch Investments Pty Ltd.

93 Through Gemmet Pty Ltd.

Corporate information

Investec Australia Property Fund

Established on 12 December 2012 in Australia and registered on 6 February 2013 with ASIC as a Managed Investment Scheme (ARSN 162 067 736)

Registered on 23 August 2013 as a foreign collective investment scheme authorised to solicit investments in the Fund from members of the public in South Africa in terms of the Collective Investment Schemes Control Act No. 45 of 2003

ISIN: AU0000046005

Unit code

JSE: IAP
ASX: IAP

Website address

www.iapf.com.au

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

Directors of the Responsible Entity

Richard Longes# (Non-executive chairperson)
Sally Herman# (Non-executive lead independent)
Hugh Martin# (Non-executive)
Georgina Lynch# (Non-executive)*
Stephen Koseff (Non-executive)
Sam Leon (Non-executive)
Graeme Katz (Executive)

 # Independent
** Appointed 1 July 2019*

Company secretary of the Responsible Entity

Paul Lam-Po-Tang (BCom, LLB)

Registered office and postal address of the Responsible Entity

Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Local representative office
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

Manager

Investec Property Management Pty Limited
(ACN 161 587 391)

Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Directors of the Manager

Graeme Katz (Executive)
Zach McHerron (Executive)
Kristie Lenton (Executive)

Transfer secretaries

JSE

Computershare Investor Services Proprietary Limited
Rosebank Towers
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Preparer

The annual report and consolidated financial statements have been prepared under the supervision of the CFO, Kristie Lenton CA.

Glossary of terms

AAS	means Australian Accounting Standards.
AFFO	means adjusted funds from operations, calculated in line with the Property Council Guidelines, being FFO adjusted for maintenance capital expenditure, cash and cash equivalent incentives (including rent free incentives) given to tenants during the period and other one-off items which have not been adjusted in determining FFO.
AMIT	means an attribution managed investment trust as defined in section 276-10 of the Income Tax Assessment Act 1997 (Cth).
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited and, where applicable, the Australian securities exchange operated by ASX Limited.
ASX Guidelines	means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as amended from time to time.
ASX Listing Rules	means the listing rules of the ASX, and other rules of the ASX which are applicable to the Fund while the Fund is listed on the ASX, as amended from time to time.
AUD	means Australian dollars.
Audit and Risk Committee	means the audit and risk committee of the Board.
Board	means the board of directors of the Responsible Entity.
bps	means basis points.
CBD	means central business district.
CEO	means chief executive officer.
CFO	means chief financial officer.
Corporations Act	means the Corporations Act 2001 (Cth).
CPI	means the All Groups Consumer Price Index, as issued by the Australian Bureau of Statistics as a general indicator of the rate of change in prices paid for consumer goods and services.
cpu	means cents per unit.
Disclosure Committee	means the disclosure committee of the Board.
FFO	means funds from operations calculated in accordance with the Property Council Guidelines, determined by adjusting statutory net profit (under Australian Accounting Standards) for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gain/loss on sale of investment properties, straightline rental revenue adjustments, non-FFO tax expenses/benefits and other unrealised one-off items.
FY	means the financial year ending 31 March in the relevant year.
Gearing	means interest bearing liabilities (excluding debt establishment costs) less cash divided by the total value of investment properties.
HoA	means heads of agreement.
HY	means the half year ending 30 September in the relevant year.
IAP or Fund	means Investec Australia Property Fund.
Investec Group	means Investec Limited and Investec Plc, being the head entities of the dual listed companies structure comprising the Investec Group, and each of their subsidiaries.
Investment Committee	means the investment committee of the Board.
JSE	means JSE Limited and, where applicable, the exchange operated by JSE Limited in accordance with its licence under the Financial Markets Act, No. 19 of 2012 of South Africa.
JSE Listings Requirements	means the listings requirements of the JSE, as amended from time to time.
King IV Code	means the King IV Report on Corporate Governance for South Africa 2016.
m^2	means square metres.
Managed Investment Scheme	means a managed investment scheme that has been registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.

Glossary of terms
continued

Manager	means Investec Property Management Pty Limited, which has been contracted under a management agreement to provide certain asset management and property management services to the Fund, and is a member of the Investec Group.
NABERS	means national Australian built environment rating system.
NAV	means net asset value.
NZD	means New Zealand dollars.
PDS	means the product disclosure statement issued in May 2019 as part of the Fund listing on the ASX.
Property Council Guidelines	means version 2 of the Property Council of Australia's "Voluntary Best Practice Guidelines for Disclosing FFO and AFFO", published in December 2017 and available at www.propertycouncil.com.au.
REIT	means real estate investment trust.
Responsible Entity	means the responsible entity of the Fund, being Investec Property Limited.
Sponsor	means Investec Bank Limited, a member of the Investec Group.
US	means United States of America.
WACR	means the average capitalisation rate across the Fund's portfolio or group of properties, weighted by property valuation.
WADE	means the weighted average expiry of the Fund's debt facilities.
WALE	means the average lease term remaining to expiry across the Fund's portfolio or a property or group of properties, weighted by gross property income.
WARR	means the average rent review across the Fund's portfolio or a property or group of properties, weighted by gross property income.
WASE	means the weighted average expiry of the Fund's interest rate swaps.
WHT	means withholding tax.
ZAR	means South African rand.

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