FINANCIAL RESULTS | 2019

Reviewed condensed consolidated interim financial results
Investec Property Fund Limited

Investec
Property Fund Limited

KEY HIGHLIGHTS
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2019

3.1%

Distribution growth

70.93 cps

(September 2018: 68.81 cps)

89%
of space expiring in the period let or renewed at an average reversion of negative 8.7%

3.9%
SA portfolio vacancy – well below industry average (March 2019: 2.4%)

Four non-core South African properties sold for **R207 million** and capital recycled into European platforms

Balance sheet composition

South Africa
81.4%
(March 2019: 84.8%)

United Kingdom
3.4%
(March 2019: 1.1%)

Europe
11.2%
(March 2019: 8.0%)

Australia
4.0%
(March 2019: 6.1%)

20.1%
total return in EUR from Pan-European logistics portfolio in the current period

R1 billion
of capital deployed offshore with limited impact on gearing – result of ongoing efficient recycling of capital

27.4%
total return from Investec Australia Property Fund in the current period

37.3%
gearing
(March 2019: 35.9%)

1.5%
increase in net asset value

- **Interim distribution of 70.93 cents per share: 3.1% growth**
- **SA growth subdued, distribution growth underpinned by performance of offshore investments – benefit of a diversified balance sheet**
- **Significant recycling of capital during the period on a shareholder return enhancing basis**

South Africa

Challenging local macro-environment reflected in an increase in bad debts and business failures:

- Like-for-like **net property income ("NPI") growth of 1.3%**
- Strong leasing activity underpinned by quality real estate fundamentals
  - **Let or renewed 89% of space expiring** in the period at an average negative reversion of 8.7%
  - Marginal increase in **vacancy to 3.9%** (March 2019: 2.4%).
- Edcon rebate and increased bad debts impacted base NPI growth by negative 2.2%

Offshore

- Europe – **continued outperformance** due to strong letting activity, further supporting investment rationale
  - **100% of space expiring in the period and 80% of opening vacancy was let at an average reversion of positive 8.2%**
  - Closing **vacancy of 1.2% (March 2019: 5.1%)**
- UK – stable performance. Increased holding cements the platform
  - 40% of opening vacancy was let and there were no expiries in the period
- Australia – significant support received from Australian capital markets post listing – **18% increase in IAPF share price**

Capital allocation and recycling

- Increased exposure to Pan-European logistics and light industrial portfolios – €31.5 million (R515 million) deployed during the period
- 45 million units in Investec Australia Property Fund sold in May 2019 for A$57.5 million (R584 million) to support the listing on the ASX
- Further investment into the UK Fund – £25 million (R465 million)
- Sale of stake in Ingenuity at 29% above purchase price (R124 million received post period end)
- R207 million received from the sale of four non-core properties at approximately book value

Balance sheet management

- Balance sheet strength further enhanced
- All in **cost of funding decreased to 7.1%** (March 2019: 7.9%)
- Marginal increase in gearing to 37.3% (March 2019: 35.9%) resulting from offshore activity
- Interest rate **hedging increased to 94%** (March 2019: 84%) and **average swap expiry increased to 3.7 years** (March 2019: 3.4 years)

Guidance for the full year ***remains unchanged at 3–5%***

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Notes	Reviewed Six months ended 30 September 2019	Reviewed Six months ended 30 September 2018	Audited Year ended 31 March 2019
Revenue, excluding straight-line rental revenue adjustment		886 492	892 917	1 812 380
Straight-line rental revenue adjustment		(11 690)	23 626	31 944
Revenue		**874 802**	**916 543**	**1 844 324**
Property expenses		(185 186)	(172 256)	(340 461)
Net property income		**689 616**	**744 287**	**1 503 863**
Other operating expenses		(50 239)	(46 050)	(95 619)
Operating profit		**639 377**	**698 237**	**1 408 244**
Fair value adjustments and foreign exchange gains/(losses)	2	244 407	372 175	406 657
Expected credit losses		–	–	(30 000)
Profit/(loss) on disposal of investment property		1 794	(4 999)	(19 896)
Income from other investments[1]		78 893	56 799	116 854
Finance costs		(306 756)	(309 884)	(618 710)
Finance income[4]		30 982	9 552	18 579
Finance income from associate[4]		11 833	14 587	30 058
Equity accounted earnings from associate		(2 314)	–	–
Income from investments in joint venture		3 239	–	–
Finance income from loans to associates at fair value through profit or loss		90 888	61 747	129 354
Profit before taxation		**792 343**	**898 214**	**1 441 140**
Taxation	6	(51 631)	(7 169)	(15 176)
Total comprehensive income attributable to equity holders		**740 712**	**891 045**	**1 425 964**
Distribution reconciliation				
Total comprehensive income attributable to equity holders		740 712	891 045	1 425 964
Adjusted for: Straight-line rental revenue adjustment		11 690	(23 626)	(31 944)
Fair value adjustments and foreign exchange gains/(losses)		(244 407)	(372 175)	(406 657)
(Profit)/loss on disposal of investment property		(1 794)	4 999	19 896
Izandla mezzanine interest not received		(1 317)	(6 005)	(10 464)
Investment dividend accrual (net of withholding tax ("WHT"))[1]		(35 442)	1 937	2 330
Notional cost of funding Ingenuity acquisition[2]		4 372	4 372	8 794
Expected credit losses		–	–	30 000
Deferred taxation and capital gains taxation ("CGT")		46 115	4 514	8 380
Antecedent dividend[3]		–	1 554	1 553
Equity accounted earnings from associate		2 314	–	–
Less: Final dividend paid		–	–	(541 237)
Interim dividend		**522 243**	**506 615**	**506 615**
Number of shares				
Shares in issue		736 290 993	736 290 993	736 290 993
Weighted average number of shares in issue		736 290 993	734 270 981	735 275 468
Interim/total dividend per share (cents)		**70.93**	**68.81**	**142.32**
Final dividend per share (cents)		**–**	**–**	**73.51**
Interim dividend per share (cents)		**70.93**	**68.81**	**68.81**
Basic and diluted earnings per share (cents)[5]		100.60	121.35	193.94
Headline earnings per share (cents)[5]	1	100.40	129.07	199.84

1. *The Fund considers the expected future IAPF dividend and the UK Fund dividend, relating to the earnings from the current period, to be part of the distributable earnings for the current period. Accordingly an adjustment is made to match the anticipated income of the distribution to the period to which the distribution relates.*
2. *The Fund's investment into Ingenuity was made on a total return basis. From a distribution perspective, the Fund's policy in relation to total return is to add back the funding cost of the investment, net of dividends received. Subsequent to period end the investment in Ingenuity has been sold.*
3. *The prior year antecedent dividend arose from the share issue of 4 890 556 shares at R16.60 in June 2018.*
4. *Finance income is calculated using the effective interest rate method.*
5. *Year-on-year decrease due to the negative fair value movements on the swap book.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Notes	Reviewed 30 September 2019	Audited 31 March 2019	Reviewed 30 September 2018
ASSETS				
Non-current assets		**21 078 941**	**20 374 809**	**20 383 392**
Investment property	3	16 243 375	16 212 471	16 527 208
Straight-line rental revenue adjustment		481 207	488 049	501 748
Derivative financial instruments	4	15 569	55 074	106 533
Other investments	4	866 911	1 627 463	1 590 178
Equity accounted investment in and loans to associate	5	207 747	212 197	227 209
Investments in joint venture	4	735 435	–	–
Loans to associates at fair value through profit or loss ("FVTPL")	4	2 528 697	1 779 555	1 430 516
Current assets		**586 450**	**711 498**	**467 199**
Trade and other receivables		402 371	286 414	285 138
Cash and cash equivalents[1]		164 240	382 940	180 295
Current portion of derivative financial instruments	4	19 839	42 144	1 766
Non-current assets held-for-sale	7	**678 023**	**583 660**	**604 461**
Total assets		**22 343 414**	**21 669 967**	**21 455 052**
EQUITY AND LIABILITIES				
Shareholders' interest		**13 330 546**	**13 131 073**	**13 102 770**
Stated capital		10 264 843	10 264 843	10 267 710
Retained earnings		3 065 703	2 866 230	2 835 060
Non-current liabilities		**7 417 529**	**7 083 551**	**5 896 814**
Long-term borrowings	8	7 181 899	6 841 296	5 725 980
Derivative financial instruments	4	175 853	225 724	158 169
Deferred taxation	6	59 777	16 531	12 665
Current liabilities		**1 595 339**	**1 455 343**	**2 455 468**
Trade and other payables		408 674	346 053	391 169
Current portion of long-term borrowings	8	1 098 563	1 103 872	2 044 504
Current portion of derivative financial instruments	4	88 102	5 418	19 795
Total equity and liabilities		**22 343 414**	**21 669 967**	**21 455 052**
Shares in issue		736 290 993	736 290 993	736 290 993
Net asset value per share (cents)		**1 810**	**1 783**	**1 780**

[1] *The cash balance includes restricted cash relating to tenant deposits of R66.4 million as well as revenue received in advance of R34.3 million.*

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed Six months ended 31 September 2019	Reviewed Six months ended 30 September 2018	Audited Year ended 31 March 2019
Cash generated from operations	671 478	604 561	1 249 131
Finance income received	30 973	9 552	18 579
Finance costs paid	(315 691)	(309 792)	(627 952)
Income from other investments (net of WHT)	73 378	54 145	110 058
Finance income from associates	72 856	31 606	110 181
Dividends paid to shareholders	(541 239)	(513 172)	(1 019 788)
Net cash outflow from operating activities	**(8 245)**	**(123 100)**	**(159 791)**
Capital expenditure and acquisitions of investment property	(216 867)	(88 839)	(182 031)
Proceeds on disposal of investment property	207 472	21 225	500 478
Investment in UK Fund	(506 982)	(11 744)	(11 471)
Investment in Izandla	–	(71 303)	(115 637)
Loans to PEL platform	(347 757)	(1 105 059)	(1 380 803)
Loans to PELI platfrom	(167 219)	–	–
Proceeds on disposal of investment in IAPF (net of CGT)	512 034	–	–
Net cash outflow from investing activities	**(519 319)**	**(1 255 720)**	**(1 189 464)**
Shares issued, net of costs	–	81 128	81 128
Term loans raised and revolving credit facilities utilised	751 424	150 496	–
Term loans repaid	(700 000)	–	(2 324 740)
Commercial paper issued and repaid (net)	–	201 000	178 000
HQLA debt raised	250 000	–	2 815 000
Corporate bonds repaid	(250 000)	(50 000)	(365 000)
Foreign debt raised	257 440	669 153	840 469
Net cash inflow from financing activities	**308 864**	**1 051 777**	**1 224 857**
Net decrease in cash and cash equivalents	(218 700)	(327 043)	(124 398)
Cash and cash equivalents at the beginning of the period	382 940	507 338	507 338
Cash and cash equivalents at the end of the period	**164 240**	**180 295**	**382 940**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Retained earnings	Total equity
Balance at 31 March 2018	**10 186 582**	**2 457 187**	**12 643 769**
Total comprehensive income attributable to equity holders	–	891 045	891 045
Shares issued net of costs	81 128	–	81 128
Dividends declared and paid	–	(513 172)	(513 172)
Balance at 30 September 2018	**10 267 710**	**2 835 060**	**13 102 770**
Total comprehensive income attributable to equity holders	–	534 918	534 918
Dividends declared and paid	–	(506 615)	(506 615)
Transfer between reserves[1]	(2 867)	2 867	–
Balance at 31 March 2019	**10 264 843**	**2 866 230**	**13 131 073**
Total comprehensive income attributable to equity holders	–	740 712	740 712
Dividends declared and paid	–	(541 239)	(541 239)
Balance at 30 September 2019	**10 264 843**	**3 065 703**	**13 330 546**

[1] *Results from antecedent dividends in relation to shares issued in June 2018.*

SEGMENTAL ANALYSIS

The Fund determines and presents operating segments based on the information that is provided internally to the Executive Management Committee ("Exco"), the group's operating decision-making forum. The group is comprised of seven segments, namely Retail, Office, Industrial, Australia, UK, Europe and the South African investment portfolio. A segment's operating results are reviewed regularly by Exco to make decisions about resources to be allocated to the segment and assess its performance.

Segment	Brief description of segment
South Africa – Retail	The retail portfolio consists of 31 properties, comprising shopping centres as well as retail warehouses, motor dealerships and high street properties.
South Africa – Office	The office portfolio consists of 31 properties which includes P, A and B grade office space (of which P and A grade comprise 89% of the office portfolio).
South Africa – Industrial	The industrial portfolio consists of 37 properties which includes warehousing, standard units, high-grade industrial, high-tech industrial and manufacturing.
South Africa – Investment portfolio	The local investment portfolio consists of a 35% share of an empowerment vehicle, Izandla, valued at R0.3 billion and a 9.2% share in Ingenuity valued at R0.1 billion which the Fund has sold back to Ingenuity for 29% above original purchase price, post period end.
Australia	A 9.9% investment into IAPF which is inward listed on the JSE and listed on the ASX and valued at R0.9 billion.
UK	A 32.5% investment into the unlisted UK Fund valued at R0.7 billion.
Europe	A 42.9% investment into a PEL portfolio with the Fund's share valued at R2.3 billion. This portfolio consists of 45 properties located in six countries across Europe.
	A 25% investment into a PELI portfolio with the Fund's share valued at R0.2 billion. This portfolio consists of 26 properties located in three countries across Europe.

Profit or loss and assets and liabilities disclosure

	1H20								
	South African property portfolio				Investment portfolio				
	Office	Industrial	Retail	Total/ Fund Level	South African investment portfolio	Australia	UK	Europe	Total
September 2019									
Material profit or loss disclosures									
Revenue, excluding straight-line rental revenue adjustment	326 848	188 868	370 776	886 492					886 492
Straight-line rental revenue adjustment	(4 745)	91	(7 036)	(11 690)					(11 690)
Revenue	322 103	188 959	363 740	**874 802**					**874 802**
Property expenses	(68 251)	(36 187)	(80 748)	(185 186)					(185 186)
Net property income	253 852	152 772	282 992	**689 616**					**689 616**
Other operating expenses				(50 239)					(50 239)
Operating profit				**639 377**					**639 377**
Fair value adjustments on derivative instruments				(80 058)	–	(7 630)	(692)	(6 243)	(94 623)
Fair value adjustments on investment property				(315)					(315)
Fair value adjustments on investments				–	(13 893)	183 782	(5 583)	191 172	355 478
Foreign exchange gains/(losses)				–	–	–	8 249	(24 382)	(16 133)
Profit/(loss) on disposal of investment property				1 794					1 794
Income from other investments				–	–	70 482	8 411	–	78 893
Finance costs				(306 756)					(306 756)
Finance income				30 982					30 982
Finance income from associate					11 833	–	–	–	11 833
Equity accounted earnings from associate				–	(2 314)	–	–	–	(2 314)
Income from investments in joint venture				–	–	–	3 239	–	3 239
Finance income from loans to associates at fair value through profit or loss					4 755	–	–	86 133	90 888
Profit before taxation									**792 343**
September 2019									
ASSETS									
Non-current assets									**21 063 372**
Investment property	6 085 116	3 491 377	6 666 882	16 243 375					16 243 375
Straight-line rental revenue adjustment				481 207					481 207
Other investments				–	–	866 911	–	–	866 911
Equity accounted investment in and loans to associate				–	207 747	–	–	–	207 747
Investments in joint venture				–	–	–	735 435	–	735 435
Loans to associates at fair value through profit or loss				–	94 569	–	–	2 434 128	2 528 697
Current assets									**566 611**
Trade and other receivables				402 371					402 371
Cash and cash equivalents				164 240					164 240
Non-current assets held for sale	13 000	138 979	406 801	**558 780**	119 243	–	–	–	**678 023**
Total assets									**22 308 006**
LIABILITIES									
Non-current liabilities									**7 470 223**
Long-term borrowings				7 181 899					7 181 899
Net derivative financial instruments				125 134	–	80 454	9 548	13 411	228 547
Deferred taxation				59 777					59 777
Current liabilities									**1 507 237**
Trade and other payables				408 674					408 674
Current portion of long-term borrowings				1 098 563					1 098 563
Total liabilities									**8 977 460**

	2019								
	South African property portfolio				Investment portfolio				
	Office	Industrial	Retail	Total/ Fund Level	South African investment portfolio	Australia	UK	Europe	Total
September 2018									
	345 828	203 427	343 662	892 917					892 917
	4 565	11 569	7 492	23 626					23 626
	350 393	214 996	351 154	**916 543**					**916 543**
	(73 349)	(34 612)	(64 295)	(172 256)					(172 256)
	277 044	180 384	286 859	**744 287**					**744 287**
				(46 050)					(46 050)
				698 237					**698 237**
				116 817	–	(81 801)	(11 779)	(12 780)	10 457
				(51 695)					(51 695)
				–	1 150	200 294	19 004	235 519	455 967
				–	–	–	–	(42 554)	(42 554)
				(4 999)	–	–	–	–	(4 999)
				–	–	50 706	6 093	–	56 799
				(309 884)					(309 884)
				9 552					9 552
				–	14 587	–	–	–	14 587
				–	–	–	–	–	–
				–	–	–	–	–	–
				–	–	–	–	61 747	61 747
									898 214
March 2019									
									20 319 735
	6 031 857	3 482 404	6 698 210	16 212 471					16 212 471
				488 049					488 049
					133 048	1 271 867	222 548	–	1 627 463
				–	212 197	–	–	–	212 197
				–	–	–	–	–	–
				–	93 798	–	–	1 685 757	1 779 555
									669 354
				286 414					286 414
				382 940					382 940
	13 000	175 050	395 610	**583 660**					**583 660**
									21 572 749
									6 991 751
				6 841 296					6 841 296
				45 076	–	72 824	8 856	7 168	133 924
				16 531					16 531
									1 449 925
				346 053					346 053
				1 103 872					1 103 872
–									**8 441 676**

R'000	**Reviewed Six months ended 30 September 2019**	Reviewed Six months ended 30 September 2018	Audited Year ended 31 March 2019
1. Headline earnings			
1.1 Reconciliation of basic earnings to headline earnings			
Total comprehensive income attributable to equity holders	740 712	891 045	1 425 964
Adjusted for: Fair value adjustment on investment property	315	51 695	15 490
Fair value adjustment on investment property in associate	–	–	7 996
(Profit)/loss on disposal of investment property	(1 794)	4 999	19 896
Headline earnings attributable to shareholders	739 233	947 739	1 469 346
Headline and diluted headline earnings per share	**100.40**	**129.07**	**199.84**
2. Fair value adjustments			
Fair value adjustments on derivative instruments	(94 623)	10 457	(53 727)
Fair value adjustments on investment property	(315)	(51 695)	(15 490)
Fair value adjustment on investments	169 889	220 448	256 071
Fair value adjustments on loans to associates at fair value*	191 172	235 519	259 292
Fair value adjustments on investments in joint venture*	2 666	–	–
Foreign exchange translation losses on items not at fair value	(24 382)	(42 554)	(39 489)
	244 407	**372 175**	**406 657**

** The value of these loans/investments are linked to the value of the properties in the underlying PEL, PELI platforms and UK Fund. Therefore, the movement in the value of the loan is driven by the change in values of the properties. Furthermore, this balance includes foreign exchange gains.*

3. Fair value of investment property

The Fund's policy is to assess the valuation of investment properties at each reporting period. At interim reporting periods a directors' valuation is carried out and properties are revalued if there are significant changes in value. During the six months ended 30 September 2019, the assessment resulted in a net downward revaluation of R0.3 million (September 2018: net downward revaluation of R51.7 million). The directors' valuation method is the income capitalisation method which is a generally accepted methodology used in the industry.

4. Financial instruments

Financial instruments held at fair value by the Fund include the investment in IAPF, Ingenuity, the loans relating to the PEL and PELI platforms, the UK Fund, the Izandla convertible loan, derivatives and certain long-term borrowings.

- The valuations of IAPF and Ingenuity are based on the closing share price times the number of shares held at the reporting date, which is a level 1 valuation.
- The PEL and PELI profit participating loans ("PPL") receivable and payable are valued based on the value of the underlying investment properties. There are significant unobservable inputs used to determine the fair value of these loans, making them level 3 valuations.
- The UK Fund investment is valued based on the value of the underlying investment properties. There are significant unobservable inputs used to determine the fair value of this investment, making them level 3 valuations.
- The Izandla convertible loan is based on the present value of future cash flows plus the value of the option to convert, making it a level 3 valuation.
- Derivative financial instruments hedge interest rate and foreign exchange risk. Interest rate hedging instruments are valued by discounting future cash flows using the market rate indicated on the interest rate curve at the dates when the cash flows will take place. Foreign exchange hedging instruments are valued by making reference to market prices for similar instruments and discounting for the effect of the time value of money. Derivatives are considered to be level 2 valuations.

Refer to note 4.5 for detail on the fair value hierarchy.

Cash and cash equivalents, trade and other receivables, trade and other payables and variable rate loans are carried at amortised cost and the carrying value is a reasonable approximation of fair value.

R'000	**Reviewed Six months ended 30 September 2019**	Audited Year ended 31 March 2019	Reviewed Six months ended 30 September 2018
4.1 Listed investments			
Investment in IAPF[1]	866 911	1 271 867	1 251 838
Holding (%)	9.9	20.9	20.9
Investment in Ingenuity[2]	–	133 048	115 792
Holding (%)	n/a	9.2	9.2
Total fair value	**866 911**	**1 404 915**	**1 367 630**

[1] IAPF is classified as an investment at fair value through profit or loss, subsequent to the loss of significant influence at the time of the decrease in shareholding.
[2] Ingenuity is classified as a non-current asset held for sale. Refer to note 7 for details as at 30 September 2019.

R'000	**Reviewed Six months ended 30 September 2019**	Audited Year ended 31 March 2019	Reviewed Six months ended 30 September 2018
4.2 Unlisted investments			
UK Fund	–	222 548	222 548
Holding (%)	n/a	10.0	10.0
Investment in New Edcon Holdco	–	–	–
Holding (%)	<1.0	–	–

IPFO made an initial investment into the UK Fund in June 2017, acquiring a 10% stake. The investment was classified as a financial asset measured at fair value through profit or loss.

On 19 August 2019, IPFO purchased additional shares in the UK Fund, giving IPFO an additional 22.5% shareholding. This resulted in IPFO owning a 32.5% equity stake in the UK Fund.

As a result of the change in shareholding, the accounting treatment of the investment was reassessed and it was concluded that IPFO has joint control over the UK Fund. The investment was therefore reclassified as an investment in joint venture. Refer to note 4.4 for additional investment details as at 30 September 2019.

The Fund holds less than 1% of New Edcon Holdco as a result of the rental rebate given to Edcon. The Fund has not attributed any economic value to this investment at 30 September 2019. The Fund will continue to assess this valuation at each reporting period.

R'000	**Reviewed Six months ended 30 September 2019**	Audited Year ended 31 March 2019	Reviewed Six months ended 30 September 2018
4.3 Loans to associates at fair value through profit or loss			
Pan-European logistics investment			
IPFO invested into AREG Hexagon L.P. which has advanced PPLs to Hexagon. The return and repayment of PPLs owed by the Hexagon entities comprises 42.9% of the net rental income earned on leasing the investment properties held by the underlying property companies. The Hexagon entities have an obligation to deliver all returns to AREG L.P. via the PPLs and therefore the equity of this associate is valued at nil.			
Finance income accrual	65 443	36 110	38 660
Loans to Hexagon	2 192 878	1 649 647	1 340 464
	2 258 321	**1 685 757**	**1 379 124**
Pan-European light industrial investment			
IPFO invested into AREG ELI L.P. which has advanced PPLs to ELI Holdco. The return and repayment of PPLs owed by the ELI Holdco entity comprises 25% of the net rental income earned on leasing the investment properties held by the underlying property companies. The ELI Holdco entity has an obligation to deliver all returns to AREG ELI L.P. via the PPLs and therefore the equity of this associate is valued at nil.			
Finance income accrual	1 907	–	–
Loans to ELI Holdco	173 900	–	–
	175 807	**–**	**–**
Izandla			
The convertible shareholder loan was provided to part fund the Sasol development, with the option of conversion to equity upon completion of the development			
The carrying amount of the Izandla convertible loan is the fair value.			
Convertible shareholder loan	**94 569**	**93 798**	**51 392**
Total	**2 528 697**	**1 779 555**	**1 430 516**
4.4 Investments in joint venture			
UK Fund investment			
The UK Fund has a contractual obligation to deliver all available profits to IPFO. The investment and shareholder loan are carried at fair value through profit or loss.			
Finance income accrual	3 239	–	–
Investment in UK Fund	690 018	–	–
Shareholder loan	42 178	–	–
	735 435	**–**	**–**

R'000	Carried at fair value	Level 1	Level 2	Level 3	Carried at amortised cost
4.5 Fair value hierarchy					
at 30 September 2019					
Assets					
Other investments	866 911	866 911	–	–	–
Equity accounted investment in and loans to associate	–	–	–	–	177 133
Investments in joint venture	735 435	–	–	735 435	–
Loans to associates at fair value through profit or loss	2 528 697	–	–	2 528 697	–
Non-current assets held for sale	119 243	119 243	–	–	–
Other investments					
Derivative financial instruments	35 408	–	35 408	–	–
Trade and other receivables[1]	–	–	–	–	239 976
Cash and cash equivalents	–	–	–	–	164 240
Total financial assets	**4 285 694**	**986 154**	**35 408**	**3 264 132**	**581 349**
Derivative financial instruments	263 955	–	263 955	–	–
Long-term borrowings (including current)	107 532	–	–	107 532	8 172 930
Trade and other payables[2]	–	–	–	–	369 515
Total financial liabilities	**371 487**	**–**	**263 955**	**107 532**	**8 542 445**
at 31 March 2019					
Assets					
Investment in IAPF	1 271 867	1 271 867	–	–	–
Investment in Ingenuity	133 048	133 048	–	–	–
Investment in UK Fund	222 548	–	–	222 548	–
Equity accounted investment in and loans to associate	–	–	–	–	178 955
Loans to equity accounted associates at FVTPL	1 779 555	–	–	1 779 555	–
Other investments					
Derivative financial instruments	97 218	–	97 218	–	–
Trade and other receivables[1]	–	–	–	–	155 795
Cash and cash equivalents	–	–	–	–	382 940
Total financial assets	**3 504 236**	**1 404 915**	**97 218**	**2 002 103**	**717 690**
Derivative financial instruments	231 142	–	231 142	–	–
Long-term borrowings (including current)	77 320	–	–	77 320	7 867 848
Trade and other payables[2]	–	–	–	–	300 258
Total financial liabilities	**308 462**	**–**	**231 142**	**77 320**	**8 168 106**

[1] *Trade and other receivables exclude prepayments which are non-financial instruments.*
[2] *Trade and other payables exclude revenue received in advance and value added tax as these are non-financial instruments.*

R'000	UK Fund investment	Izandla convertible loan	Hexagon loans	ELI Holdco loans	Long-term borrowings
4.6 Level 3 valuations					
at 30 September 2019					
The level 3 valuations are reconciled as follows:					
Balance at 1 April 2019	222 548	93 798	1 685 757	–	(77 320)
Acquisition	464 804	–	347 757	167 219	(19 231)
Shareholder loan advanced	42 178	–	–	–	–
Movement in accrual for distributions	3 239	771	29 333	1 907	–
Fair value and forex gain/(loss)	2 666[1]	–[2]	195 474[3]	6 681[4]	(10 981)[5]
Balance at the end of the period	**735 435**	**94 569**	**2 258 321**	**175 807**	**(107 532)**

[1] *During the current year the movement only relates to forex and fair value movements on swap instruments, as the underlying property valuations remained consistent with March 2019.*
[2] *The fair value of the conversion option of the loan is linked to the value of Izandla. If this changed by 5%, the value of the loan would move by R0.1 million.*
[3] *The fair value gain on the Hexagon loans arose from the revaluation of the underlying properties in the PEL portfolio. A directors' valuation of the portfolio was carried out at 30 September 2019. The net fair value gain on the loan receivable and the loan payable is R143.9 million. If the fair value of the underlying properties was 5% higher or lower, the fair value of the Hexagon loans would be R166.1 million higher/lower than the reported closing balance.*
[4] *During the current year movement only relates to forex, as the underlying properties were acquired in the current period and the fair value is consistent with the acquisition value.*
[5] *Long-term borrowings includes other Euro Funding of €5.6 million. The value of the loan is linked to the performance of the underlying properties in the Pan-European portfolios. If the fair value of underlying properties changed by 5%, the value of the loan would move by R12.0 million.*

R'000	UK Fund investment	Izandla convertible loan	Hexagon loans	Long-term borrowings
at 31 March 2019				
The level 3 valuations are reconciled as follows:				
Balance at the beginning of the period	191 800	–	–	–
Acquisition	11 471	93 798	1 416 914	(67 769)
Fair value and forex gain	19 277	–	268 843	(9 551)
Balance at the end of the period	**222 548**	**93 798**	**1 685 757**	**(77 320)**

Valuation techniques used to derive level 3 fair value
The significant unobservable inputs used to derive the fair value measurements are those relating to the valuation of underlying investment properties. The table below includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Expected rental value ("ERV")	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Equivalent yield	The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by the ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.
Significant unobservable inputs	**Relationship between unobservable inputs and fair value measurement**
Expected rental value ("ERV")	Increases in ERV would increase estimated fair value.
Equivalent yield	Increases/decrease in the equivalent yield would result in decreases/increases in the estimated fair value.
Long-term vacancy rate	Increases/decreases in the long-term vacancy rate would result in decreases/increases in the estimated fair value.

The fair value of the underlying property portfolio has been determined using the income capitalisation method.

R'000	Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2019	Reviewed Six months ended 30 September 2018
5. Equity accounted investment in and loans to associate			
Izandla			
Equity	30 614	33 242	31 349
Loans	177 133	178 955	195 860
Senior mezzanine	98 908	117 658	117 658
Junior mezzanine	78 225	91 297	78 202
Expected credit losses	–	(30 000)	–
	207 747	**212 197**	**227 209**

R'000	Reviewed Six months ended 30 September 2019	Reviewed Six months ended 30 September 2018	Audited Year ended 31 March 2019
6. Taxation			
6.1 Deferred taxation			
Balance at the beginning of the period	16 531	8 151	8 151
Gain on fair value of investments	43 246	4 514	8 380
Balance at the end of the period	**59 777**	**12 665**	**16 531**

The Fund would be subject to CGT on disposals of any investment that is not classified as a REIT or where the Fund holds less than 20% of such an investment. Such investments do not meet the definition of a "property company" as defined under S25BB of the Income Tax Act and therefore deferred tax has been raised on such investments. At period end the Fund has raised deferred tax on IAPF and Ingenuity as neither of these are REITs, nor does the Fund own more than 20%. Prior to the sale of IAPF units in May 2019 the Fund held 20.9% of IAPF and therefore previously did not raise deferred tax.

R'000	Reviewed Six months ended 30 September 2019	Reviewed Six months ended 30 September 2018	Audited Year ended 31 March 2019
6.2 Withholding taxation			
Withholding tax on IAPF dividend	**5 516**	**2 655**	**6 796**
6.3 Capital gains taxation			
Sale of IAPF units	**2 869**	–	–
Total taxation charge	**51 631**	**7 169**	**15 176**

R'000	**Reviewed Six months ended 30 September 2019**	Audited Year ended 31 March 2019	Reviewed Six months ended 30 September 2018
7. Non-current assets held-for-sale			
Investment property			
Office	13 000	13 000	38 000
Industrial	138 979	175 050	559 552
Retail	406 801	395 610	6 909
Balance at the end of the period	**558 780**	**583 660**	**604 461**
The Fund intends to sell 11 buildings with settlement taking place within 12 months of the reporting date for a consideration of R558.8 million and has presented those assets as non-current assets held for sale.			
Listed investment			
Investment in Ingenuity	119 243	–	–
Holding (%)	9.20		
As at 30 September 2019 the investment is measured at fair value through profit or loss. The sale was finalised and cash was received post period end.			
Total non-current assets held for sale	**678 023**	**583 660**	**604 461**
8. Long-term borrowings			
The balance at the end of the period comprises:			
Long-term borrowings	7 181 899	6 841 296	5 780 804
Long-term borrowings	7 136 591	6 788 205	5 725 980
Interest accrual on borrowings[1]	45 308	53 091	54 824
Short-term borrowings[2]	1 098 563	1 103 872	2 044 504
Total borrowings	**8 280 462**	**7 945 168**	**7 825 308**

[1] *Included in trade and other payables in FY18 and subsequently moved to borrowings in FY19.*
[2] *Short-term borrowings are de-risked by the availability of undrawn revolving credit facilities and short-term headroom facilities of approximately R1.2 billion.*

R'000	**Reviewed Six months ended 30 September 2019**	Reviewed Six months ended 30 September 2018	Audited Year ended 31 March 2019
9. Related parties			
The table below shows the transactions and balances (not disclosed elsewhere) that the Fund has with related parties:			
Investec Property Proprietary Limited			
Asset management fees	(41 874)	(38 184)	(75 533)
Letting commissions	(10 784)	(10 633)	(21 705)
Transaction fees	(3 901)	–	(5 415)
UK Fund			
Investment in UK Fund[1]	464 804	11 744	11 471
Shareholder loan advanced	42 178	–	–
Distribution income	11 651	–	11 643
Izandla Property Fund			
Movement in equity investment	(2 628)	13 102	14 995
Movement in loans receivable (including convertible loan)	(1 051)	58 264	113 765
Finance income from associate	11 833	14 587	30 058
Finance income from loans to associates at FVTPL	4 755	–	4 669
Expected credit losses	–	–	(30 000)
Hexagon			
Loans to Hexagon entities	2 258 321	1 379 124	1 685 757
Finance income from loans to associates at FVTPL	84 226	61 747	124 685
ELI Holdco			
Loans to ELI Holdco entity	175 807	–	–
Finance income from loans to associates at FVTPL	1 907	–	–
Investec Bank Limited Group			
Cash and cash equivalents	106 793	124 178	192 714
Borrowings	(362 155)	(441 482)	(362 281)
Fair value of derivative instruments	(189 563)	(80 170)	(119 949)
Nominal value of swap derivatives	(5 434 626)	(4 521 750)	(5 340 255)
Nominal value of FECs	396 295	1 449 119	465 260
Rentals received	35 483	32 855	66 462
Interest received[2]	5 330	4 419	9 261
Sponsor fees paid	(235)	(193)	(193)
Corporate advisory and structuring fees paid	(2 053)	(1 455)	(3 138)
Interest paid on related party borrowings	(20 403)	(23 479)	(48 562)
Net interest received on cross currency swaps	20 721	13 337	31 323
Interest (paid)/received on interest rate swaps	(8 930)	1 494	(21 494)

[1] *Direct joint venture investment in the current year (investment within Investec Group in prior year).*
[2] *Interest is earned at the overnight safex call rate of 6.3% (FY19: 6.3%).*

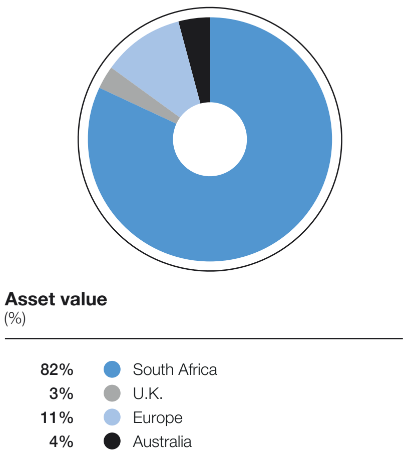
10. Subsequent events

- The Fund has raised R162 million and R300 million to re-finance three-month commercial paper at margin of 45.5 and 50.0 basis points above three-month JIBAR respectively.
- The Fund received A$7.2 million in respect of the sale of IAPF shares that was being withheld by the Australian Tax Office.
- The Fund received R124 million in respect of the sale of Ingenuity shares.
- The sale of an industrial building, classified as held-for-sale, was finalised and transfer took placed. Cash of R79.7 million was received.

INTRODUCTION

Investec Property Fund Limited is a South African Real Estate Investment Trust and comprises a portfolio of direct and indirect real estate investments. The Fund enjoys geographical diversity through its investments in South Africa, Australia, the United Kingdom and Europe. The investments are underpinned by quality real estate, sound property fundamentals, and hands-on property practitioners with market knowledge and skills in the geographies in which they invest.

Total geographical spread



FINANCIAL RESULTS

The board of directors is pleased to announce an interim dividend of 70.93 cents per share ("cps") for the six months ended 30 September 2019 (30 September 2018: 68.81 cps). This represents distribution growth of 3.1%.

The South African economy continues to be constrained and it remains challenging to deliver growth from the local portfolio in the current environment. Distribution growth was therefore largely driven by the performance of the offshore portfolio, underpinned by the Pan-European logistics platform.

The South African portfolio delivered like-for-like net property income ("NPI") growth of 1.3%, which was subdued as a result of increased bad debts, void periods and negative reversions. The rental rebate given to Edcon further impacted the NPI growth by 0.9% as well as the distribution growth by 1.1%. The underlying property metrics remain strong with a vacancy of 3.9% (March 2019: 2.4%), a weighted average lease expiry ("WALE") of 2.9 years (March 2019: 2.8 years) and in-force escalations of 7.5% (March 2019: 7.6%). 89% of the space expiring in the period was let which is further testament to the strength of the underlying real estate as well as the marketing strategies that have been implemented.

The Fund has seen a marked increase in bad debts arising from business failures and liquidations. The impact on the distribution growth for the six-month period was negative 1.8% (R9.2 million increase year-over-year). Trade receivables as a percentage of collectibles (excluding legal clients) are 2.0% (March 2019: 1.4%). This is a focus area for the Fund and management continually monitors the arrears balances and engages early with clients to ensure the best chance of collection.

The PEL platform has delivered an investment return of 12.3% in ZAR (11.9% in EUR) which continues to be ahead of the business case of 10.5%. 80% of the opening vacancy was let, as well as 100% of year-to-date expiries, resulting in the portfolio vacancy decreasing from 5.1% to 1.2%, which is testament to the quality of the portfolio and the strength of the on-the-ground asset management team. The letting was concluded at rental levels above business case and for longer terms, resulting in an increase in the WALE from 4.5 years to 4.9 years. Renewals and new lets were concluded at an average positive reversion of 8.2%.

The Fund made an initial investment of €10.0 million into the new Pan-European light industrial platform during the second quarter. The anticipated EUR return on this investment is 9.5%.

The Fund sold 45 million IAPF units in May 2019 and recycled the proceeds into the PEL and PELI platforms. The like-for-like return on the IAPF investment decreased by 6.0% due to the change in the IAPF distribution policy to a funds from operations ("FFO") policy which targets distributions of between 80% and 100% of FFO. In ZAR the decrease was 2.0% due to foreign exchange growth of 4.0%.

The Fund invested a further £25 million into the UK Fund at a 9.7% discount to net asset value ("NAV"). During the period the UK Fund acquired a retail warehousing portfolio in an urban area for £14.7 million and initial asset yield of 7.0%. The Fund believes that value on this portfolio can be unlocked through a conversion to light industrial properties on expiry of the leases.

Subsequent to period end the Fund sold its stake in Ingenuity for R1.08 per share which reflects a 29% profit to original purchase price.

This significant investment activity further progressed the Fund's strategic objectives during the period. Exposure to European logistics increased, which has been the Fund's top investment performer on a risk-adjusted basis over the last 18 months, and the Fund's influence in the UK Fund moved to a position of joint control on the back of the increased equity stake and shareholder rights. Furthermore, the capital from the Fund's exit of its minority position in Ingenuity, the sale of local assets and the sell down of IAPF was recycled into well performing offshore platforms on an earnings and NAV enhancing basis.

The NAV of the Fund increased by 1.5% since March 2019 as a result of an increase in the IAPF share price by 24% since March 2019 and the revaluation of the PEL platform by 8.2% (20.2% since initial investment). This was offset by the fair value movement of negative R94 million relating to swap instruments. The South African portfolio's valuation was flat against March 2019, reflective of the subdued local market. The local portfolio has an average yield of 9.1% (March 2019: 9.0%).

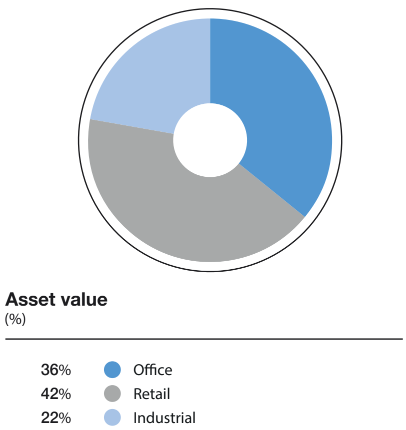
SOUTH AFRICAN PROPERTY PORTFOLIO

The South African property portfolio of R17.3 billion (March 2019: R17.3 billion) accounts for 80% of the Fund's balance sheet. There are 99 properties across the office, industrial and retail sectors. The Fund focuses on long-term value creation through investment in quality property, underpinned by strong real estate fundamentals that will ultimately withstand the cycles and deliver sustainable long-term shareholder returns.

The table below presents a snapshot of the property portfolio at 30 September 2019:

Portfolio	Total	Office	Industrial	Retail
Number of properties	**99**	31	37	31
Asset value (R billion)	**17.3**	6.3	3.8	7.2
Base NPI growth	**1.3%**	(5.2%)	4.9%	6.4%
Cost to income ratio	**20.9%**	20.9%	19.2%	21.8%
GLA	**1 191 374**	249 781	527 723	413 870
Vacancy	**3.9%**	7.0%	4.0%	1.6%
WALE (years)	**2.9**	3.1	2.8	2.9
In-force escalations	**7.5%**	8.0%	7.5%	7.3%

The graph below shows a split of the South African property portfolio by asset value:



The portfolio has delivered like-for-like NPI growth of 1.3% which is a continuation of the trends seen in FY19. Revenue has been constrained by void periods and negative reversions, while costs are rising due to bad debts and an increase in the net assessment rates expense (resulting from under-recoveries during void periods). Letting performance has been positive despite a challenging economy with 89% of year-to-date expiries let or renewed.

Total NPI has decreased year-on-year due to the sale of four assets in the period, at a blended yield of 10.8%. The assets were sold for R207 million which approximated the carrying value. The resulting proceeds were redeployed into the offshore platforms.

The cost to income ratio of the total portfolio has increased to 20.9% (March 2019: 18.8%). The key drivers of the low base portfolio NPI growth and the deterioration in the total cost to income ratio were:

- Low core rental growth due to void periods, current and prior year negative reversions, and the impact of the Edcon rental rebate. The value of the rebate for the current period equates to a 0.9% reduction in NPI growth;
- Bad debts which increased significantly in value year-on-year as a result of business failures and liquidations caused by the poor macro-economy;
- A minor increase in variable costs due to letting-related costs. The percentage of incentives to lease value remains well contained, however, a high volume of space was renewed/re-let;
- Fixed costs remained well controlled and below inflation; and
- Net utility costs remained stable; however
- Net assessment rates expense increased largely due to void periods.

If the impact of the bad debts and the Edcon rebate were stripped out of the ratios, the base NPI growth would be 3.6% and the cost to income ratio would be 19.3%. These ratios are more in line with historic trends, showing that the South African portfolio fundamentally continues to perform well but is negatively impacted by the challenging macro-economic environment.

The continual engagement with clients and focused asset management has resulted in the renewal or leasing of 89% of the 203 490m^2 expiring in the period, at an average reversion of negative 8.7%. Of the 269 652m^2 expiring in the full year, 84% has already been let at an average reversion of negative 12.1%. In addition, 12% (4 334m^2) of opening vacancy was let.

The year-to-date average negative reversion was largely driven by letting in the office sector, which is indicative of current market conditions and as a result of new lets concluded in properties which were purchased at above market rentals (for which top slice price adjustments were made on acquisition). The Fund's strategy is to fill space at realistic rental levels on shorter lease periods rather than have void periods which are more costly. Letting commission and tenant installation incentives have increased slightly compared to the prior year. Incentive levels are still well below industry norms at 5.4% of the value of the letting.

The WALE of the portfolio has increased to 2.9 years (March 2019: 2.8 years) and the vacancy has increased marginally to 3.9% (March 2019: 2.4%).

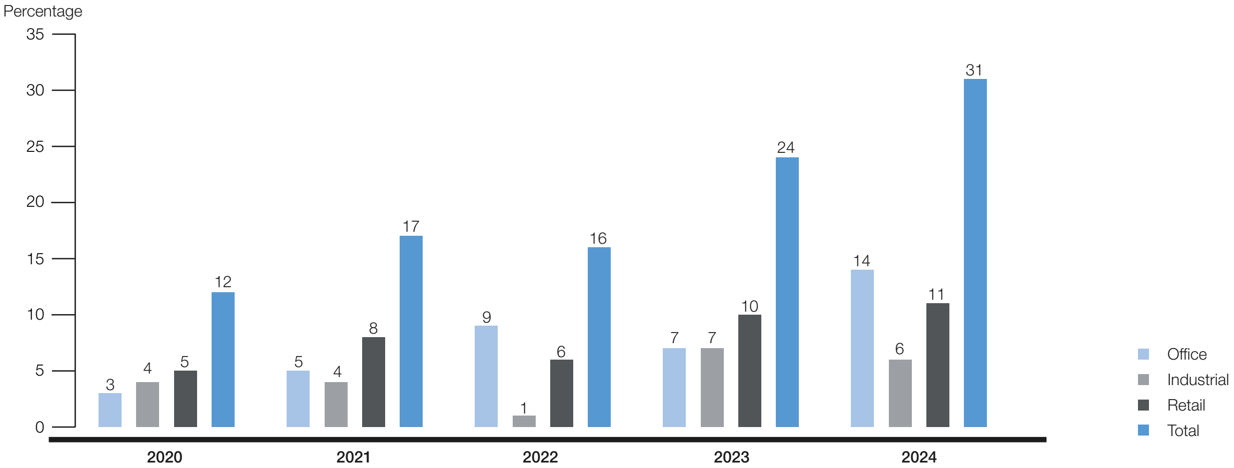
The table below reflects the letting activity for the year to date:

	Expiries and cancellations GLA	Renewals and new lets GLA	Percentage let renewed %	Gross expiry rental R/m^2	Gross new rental R/m^2	Rental reversion %	Average escalation %	WALE Years	Incentive lease value %	Retention %
Office	17 646	14 186	80.3%	242	210	(12.9%)	7.7%	4.2	8.5%	58.6%[2]
Industrial	156 412	138 330	88.4%	63	60	(4.8%)	6.9%	2.4	5.9%	33.2%[3]
Retail	29 432	29 228	99.3%	201	178	(11.7%)[1]	6.5%	5.7	1.3%	94.1%
Subtotal	**203 490**	**181 744**	**89.3%**	**100**	**91**	**(8.7%)**	**6.9%**	**3.1**	**5.4%**	**44.2%**
Opening vacancy	35 950	4 334								
Total letting	**239 440**	**186 078**								

1. Reversions at Design Quarter, Balfour Mall and motor dealerships. Reversions, excluding aforementioned shows positive letting of 3.6%.
2. Drop in retention due to vacating of two clients with a total GLA of c.1 600m^2. Both spaces were subsequently re-let to new clients. Retention expected to increase to c.75% at year-end.
3. Low retention due to the vacating of three spaces with a total GLA of c.64 000m^2. All three spaces have been filled by new clients.

The majority of opening vacancy remains unlet. This largely relates to the Sandton and Rosebank nodes in the office sector and is symptomatic of the over-supply in the market.

Lease expiry profile by revenue



Sectoral performance

Office

The trends of oversupply and subdued demand in this sector remain a challenge. Demand for office space has not picked up since the Fund reported its 2019 results and the impact of client arrears is increasing. Despite this, the office sector has achieved very strong letting in the current six-month period due to the quality of the portfolio and active asset management.

As anticipated, like-for-like NPI has reduced year-on-year by 5.2% largely as a result of void periods and negative reversions. The cost to income ratio has reduced to 20.9% (March 2019: 21.4%) due to improved utilities and rates recoveries. The saving on utility costs has been partly offset by an increase in bad debts. This largely relates to two clients. Fixed costs are tightly controlled at increases below inflation. Variable costs have remained stable. The level of incentives offered has increased on a R/m^2 basis, but the amount of GLA to lease has decreased year-over-year.

The sector has let 80% of the 17 646m^2 expiring in the period at an average reversion of negative 12.9% and a WALE of 4.2 years, bringing the overall WALE of the portfolio to 3.1 years (March 2019: 2.8 years). Contractual escalations for the portfolio are at 8.0% (March 2019: 8.0%). The sector has let or renewed 96% of the 28 616m^2 expiring for the full year at an average reversion of negative 14.1%. Full year letting includes renewals of c.10 000m^2 expiring between October 2019 and February 2020 that have already been concluded.

Vacancies have remained flat but are expected to decrease by March 2020.

Industrial

The industrial sector is showing its resilience in the challenging market, with excellent letting being achieved in the period. However, the client base continues to be under pressure which is evident in the increase in bad debts and arrears.

The sector has achieved like-for-like NPI growth of 4.9%. Core rental growth of 7.8% was attained due to a reduction in vacancies year-on-year and shorter void periods, although the total cost to income ratio has deteriorated to 19.2% (March 2019: 15.1%). Bad debts are the main reason for the increase in costs, and to a lesser extent an increase in net utility and rates costs (as utilities and rates are not fully recovered during void periods). The bad debts are largely isolated to three clients, one of which is on a payment plan. Fixed cost growth has been controlled in line with inflation and variable costs are stable.

The sector has let or renewed 88% of the 156 412m^2 expiring during the period at an average reversion of negative 4.8% and a WALE of 2.4 years, bringing the overall WALE of the portfolio to 2.8 years (March 2019: 2.9 years). The short WALE of the letting concluded is due to one lease concluded on 28 504m^2 where the Fund has cancellation optionality. Further short-term extensions were made in two buildings (17 969m^2) at a significant market premium. Contractual escalations for the portfolio are at 7.5%. The sector has let or renewed 84% of the 181 659m^2 expiring for the full year at an average reversion of negative 5.2%.

Vacancies have increased to 4.0% (March 2019: 1.2%) largely due to vacancies in two buildings in KwaZulu-Natal with a total GLA of 14 600m^2. This is anticipated to reduce slightly by year-end to c.3.5%.

Retail

The retail sector has delivered similar base NPI growth to FY19 and continues to produce strong results despite the trend of subdued consumer spending.

The sector has achieved like-for-like NPI growth of 6.4%, however, the total cost to income ratio has increased to 21.8% (March 2019: 18.5%). The increase in the ratio is driven by an increase in net utilities and net rates costs, as well as rising bad debts. Fixed costs are tightly controlled with only 1.6% growth year-on-year. Variable costs associated with letting have increased marginally, however, off a low base.

The sector has let or renewed 99% of the 29 432m² expiring during the period at an average reversion of negative 11.7% and a WALE of 5.7 years, maintaining the overall WALE of the portfolio at 2.9 years (March 2019: 2.9 years). The negative reversion was due to reversions at Design Quarter, Balfour Mall and motor dealerships. Contractual escalations for the portfolio are at 7.3% (March 2019: 7.3%). The sector has let or renewed 79% of the 55 469m² expiring for the full year at an average reversion of negative 13.3%. The majority of letting deals in the sector are renewals, resulting in a high retention ratio of 94.1%. Vacancies remain low at 1.6% (March 2019: 1.0%).

Shopping centre turnover growth is currently at 4.2%. Excluding Design Quarter (planned refurbishment) and Balfour Mall (severely impacted by the Rea Vaya road works), year-on-year turnover growth is closer to 5.3%. Trading density growth is currently 4% and the average cost of occupation for clients is below 7%, which is well below the sector average and therefore enhances the ability of clients to trade successfully.

LOCAL INVESTMENTS

Izandla (Unlisted)

The Fund has not made any further investment into the empowerment vehicle during the current period. The shareholder loan granted to Izandla in FY19 to support the development of the Sasol facility, is likely to be refinanced by external funds before the end of the financial year.

Ingenuity (Listed)

On 17 April 2019 the Fund announced that Ingenuity would repurchase all the Ingenuity shares held by IPF at R1.08 per share, which is a 29% increase on the Fund's weighted average purchase price. On 22 October 2019 Ingenuity issued a finalisation notice to announce that shareholders had voted in favour of the scheme and the delisting of Ingenuity. The proceeds from the transaction were received on 4 November 2019 and will be redeployed into the offshore platforms.

The disposal is part of IPF's focused strategy to recycle capital into assets where the net proceeds can be used to generate superior total returns.

OFFSHORE INVESTMENTS

Investec Australia Property Fund (Dual listed)

IAPF listed on the ASX on 28 May 2019 raising approximately A$100 million of new equity. The offer was oversubscribed such that the Fund disposed of 45 million IAPF units to institutional investors at a price of A$1.32 per unit. The proceeds were redeployed into the PEL, PELI and UK platforms.

Following the sell down of 45 million units, IPF held 9.9% in IAPF (from 20.9%). The IAPF share price on 30 September 2019 was R15.72, which reflects an 18% uplift since the ASX listing and a 24% uplift from the beginning of the financial year. Subsequent to period end the IPF shareholding was diluted to 9.0% following a placement of A$84 million shares in which the Fund could not participate as a related party.

55% of the value of the investment is hedged by way of cross-currency swaps ("CCS") with an average rate of 4.24% and an average tenor of 2.4 years. 100% of the estimated earnings from IAPF are hedged over the next five years at an average rate of R13.13.

As expected, the distribution received post the ASX listing reduced by 10% on a like-for-like basis in order to align with ASX listed REITs' best practice in Australia (using an FFO policy), however, on a Rand basis this was offset by growth in the forward exchange contract ("FEC") rate of 4%.

The total return from IAPF for the period was 27.4% (33.2% over the last 12 months).

UK Fund (Unlisted)

During August 2019 the Fund acquired an additional 22.5% interest in the UK Fund for £25 million (on an ex-dividend basis), increasing its shareholding to 32.5% and the total value of the investment in the UK Fund to £37.2 million.

Underpinned by sound property fundamentals and a quality client base, the UK Fund's property portfolio has a WALE of 9.9 years and a vacancy of 3.8%. 40% of opening vacancy was let and there have been no expiries in the current period. In addition to the core income properties, the portfolio includes core-plus properties in the industrial sector that provide potential future upside through rental growth and active asset management initiatives.

Like-for-like ZAR returns for the period on the original 10% investment have decreased by 10.6% due to the dilutionary effect of a development property acquired in April 2018. This is expected to normalise again during FY21.

During the period the UK Fund acquired a big box retail portfolio in an urban area for £14.7 million with an initial yield of 7.0%. The Fund believes that value on this portfolio can be unlocked by undertaking a conversion to light industrial over time.

The UK Fund is expected to generate a post-tax income return of c.5% in GBP. The increased investment therefore presents an attractive enhancement to its initial investment. The UK Fund will continue to build its portfolio on a similar basis, targeting annualised total returns of approximately 10% (in GBP) through the acquisition and management of both core and core-plus properties.

63% of the value of the investment is hedged by way of either GBP loans and/or CCS at an average rate of 2.43%. 100% of the anticipated income streams over the next five years are hedged at an average rate of R21.99.

Pan-European logistics platform (Unlisted)

The Fund invested a further €21.5 million into the PEL platform during 1H20 to part fund its 42.9% interest in €150 million of acquisitions. Of the €150 million committed to the platform, €106 million has been deployed to date.

The portfolio comprises assets to the value of c.€670 million. Strong letting has been concluded at positive average reversions across the portfolio, which currently reflects a low vacancy of 1.2% (2.9% including development vacancy).

100% of year-to-date expiries have been let, as well as 80% of opening vacancies. Renewals and new lets were concluded at an average reversion of positive 8.2%.

The investment returns continue to be in excess of the investment case of 10.5%. The current investment yield is 11.9% in EUR (12.3% in ZAR), with capital uplift since the initial investment of 20.2% in EUR (8.2% in the current period). Total return for the six months is 20.1% (in EUR) and since inception is 43.7% (in EUR). The outperformance is due to renewals being concluded above expected rental value assumptions on 100% of year to date expiries and 80% of opening vacancy with lower incentives and shorter void periods. The positive performance has contributed significantly to the Fund's performance for the period, which supports the belief that this investment platform offers shareholders very strong risk adjusted returns based on current opportunities and market conditions.

60% of the value of the investment is hedged by way of either Euro denominated debt and/or Euro CCSs at an average rate of 1.87%. 100% of the anticipated income streams are hedged over the next five years at an average rate of R18.96.

Pan-European light industrial platform (Unlisted)

The initial 25% interest in an unlisted portfolio of 26 light industrial properties located across France, Germany and the Netherlands has been acquired at a cost of €10.0 million.

The proceeds were deployed during August. There is a further pipeline of c.€50 million of assets that is expected to complete during Q4 of the financial year. The PELI investment is expected to generate a Euro-denominated return of 9.5% with the maiden distribution to be received in December 2019.

60% of the value of the investment is hedged through Euro CCSs and/or Euro denominated debt with an average rate of 1.87%. 100% of the anticipated income streams over the next five years are hedged at an average rate of R18.96.

BALANCE SHEET AND RISK MANAGEMENT

Balance sheet and risk management remains a critical area of focus for the Fund.

	September 2019	March 2019
Average all-in cost of funding	**7.1%**	7.9%
Average debt margin – ZAR	**1.67%**	1.67%
Average all-in fixed rate – AUD	**4.24%**	4.61%
Average all-in fixed rate – GBP	**2.43%**	2.36%
Average al-in fixed rate – EUR[1]	**1.27%**	1.99%
Average swap rate (ZAR)	**7.49%**	7.57%
Debt maturity (years)	**3.6**	3.5
Swap maturity (years)	**3.7**	3.4
Hedge percentage[2]	**94.0%**	84.0%
Gearing %[3]	**37.3%**	35.9%
Encumbrance ratio[4]	**32.6%**	26.9%
% debt secured[5]	**27.3%**	33.7%
% CCS of AUD investment[6]	**54.9%**	50.0%
% CCS of GBP investment	**63.1%**	41.0%
% Foreign debt and CCS of EUR investment	**58.8%**	53.0%
Sources of funding:		
DMTN	**32%**	45%
HQLA	**24%**	28%
Bank (ZAR)	**27%**	8%
Bank (Foreign)	**11%**	13%
Commercial Paper	**6%**	6%

1. *Euro debt is a blend of a Euro facility fixed with a interest rate swap and two short-term CCSs.*
2. *Hedged percentage includes all interest rate swaps and cross currency swaps over total debt.*
3. *Gearing shown net of cash.*
4. *Secured assets as a percentage of total investments.*
5. *Secured debt as a percentage of total debt facilities.*
6. *The IAPF investment was more than 50% hedged in the short-term while the Fund awaited a refund from the Australian Tax Office relating to the sale of IAPF units. Post period-end the cash was received and the CCS nominal value was reduced.*

The Fund's gearing ratio increased marginally to 37.3% (March 2019: 35.9%) as a result of offshore investment activity. The Fund's targeted gearing percentage is c.35% and will be achieved through active capital recycling, where necessary.

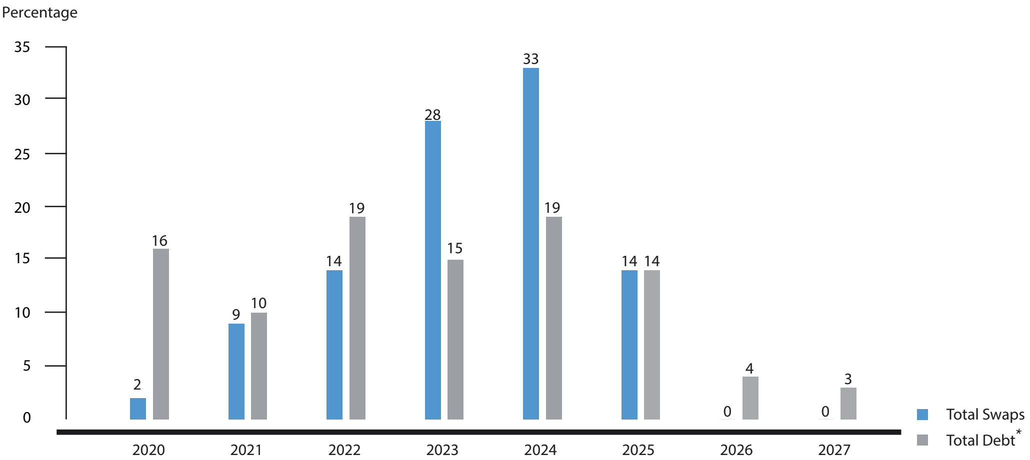
The weighted average cost of funding has reduced to 7.1% due to the lower cost of funding related to deployment into Europe and the UK (March 2019: 7.9%). The SA cost of funding remains flat at 9.1% (March 2019: 9.1%)

The Fund has an active treasury management function and has taken advantage of a flatter swap curve in the current year. R2.4 billon of interest rate swaps were restructured to either marginally reduce or to retain the Fund's average swap rate. R1.1 billion new swaps were entered into, increasing the hedged percentage to 94% (March 2019: 84%). The weighted average cost of the ZAR swap book has reduced to 7.5% (March 2019: 7.6%) with the weighted average swap expiry increasing to 3.7 years (March 2019: 3.4 years).

The Fund repaid R700 million of term debt with an average margin of 1.93% above three-month JIBAR. The Fund also repaid a maturing bond of R250 million with a margin of 1.70% above three-month JIBAR and replaced it with an HQLA facility of R250 million with a margin of 1.75% above three-month JIBAR and tenor of seven years. The Fund raised R500 million of new debt during the period at an average margin of 1.78% above three-month JIBAR and an average tenor of 5.5 years. 50% of the new debt is secured. The Fund also drew down €15 million from its Euro debt facility to fund European acquisitions. The balance was funded through existing ZAR facilities. The Fund has rolled its R452 million commercial paper for a further three months at a margin of c.50 basis points above three-month JIBAR, demonstrating appetite for IPF paper in the market.

The Fund has limited refinance risk, with only R400 million of corporate bonds expiring in the next 12 months. In addition, R1.2 billion of committed facilities (R0.6 billion undrawn), covers this potential refinance risk. Additional uncommitted facilities (R0.6 billion) provide flexibility to respond quickly as and when opportunities arise.

Debt and swap expiry profile



** Based on utilised debt facilities*

CAPITAL ALLOCATION

The Fund has a disciplined approach to capital allocation and asset recycling across platforms and individual assets.

During the period the Fund raised R1.2 billion from the disposal of local property, the sale of IAPF units and new debt issuances. Of the R600 million assets held for sale at year end, R207 million were sold and transferred during the period. Three buildings were moved into the held-for-sale balance resulting in a period end total of R588.8 million. Post period end R150 million has been sold and will transfer during the second half of the year.

The resultant proceeds were deployed as follows:

- R348 million further deployment into the PEL platform yielding 12.3% in ZAR.
- R167 million initial investment into the PELI platform with a projected yield of 9.5%.
- R507 million invested into the UK Fund with cash on cash returns of 7.5%.
- R109 million project spend on the completion of the Fleurdal Mall and the refurbishment of Benoni Multipark, the Firs and Clover head office. The blended yield of the return generating projects of R89 million is 9.3%. The remaining R20 million was defensive spend.
- R21 million relating to sustainability, the bulk of which was for the rollout of Solar PV projects generating returns in excess of 12%.
- R35 million on maintenance capex in order to preserve the value of the existing portfolio.
- Post period end the Fund received proceeds of R124 million for the sale of its stake in Ingenuity.
- Including the Ingenuity disposal, the Fund received proceeds of R843 million and R519 million from the sale of investments and new local and foreign debt respectively, at a blended yield of 7.0%. These funds were re-deployed into investments generating a blended return of 8.3%.

FINANCIAL ASSISTANCE

At the annual general meeting of the Fund held on 5 August 2019, shareholders approved and passed a special resolution in terms of Section 45 of the Companies Act No 71 of 2008, as amended ("the Act"), authorising the Fund to provide financial assistance to among others, related or inter-related companies of the Fund.

Shareholders are hereby notified that in terms of S45(5)(b) of the Companies Act No 71 of 2008, as amended, the board of directors of the Company authorised the issue of guarantees and suretyships to third parties for finance and other facilities granted by those third parties to wholly-owned subsidiaries of the Company during the period 1 April 2019 to 30 September 2019.

The board has confirmed that, after considering the reasonable foreseeable financial circumstances of the Company, it is satisfied that immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test, as contemplated in terms of Section 4 of the Act, and that the terms under which such financial assistance was given were fair and reasonable to the Company.

SHAREHOLDING

The following table shows the shareholders with a holding in excess of 5% of the Fund's total shares in issue at 30 September 2019.

Rank	Beneficial shareholder	**Shareholding at 30 September 2019 (%)**	Shareholding at 31 March 2019 (%)	Change (%)
1.	Investec Group*	**26.57**	26.57	–
2.	Coronation Fund Managers	**10.82**	10.27	0.55
3.	Investec Asset Management	**7.48**	7.60	(0.12)
4.	Government Employees Pension Fund	**6.47**	6.39	0.08

* Includes Investec Limited and Investec Bank Limited.

PROSPECTS AND GUIDANCE

The dividend guidance for the financial year ending 31 March 2020, provided in the financial results 2019 announcement published on SENS on 14 May 2019, remains unchanged at 3%–5%. In providing this guidance, the Fund has assumed no material change to the operating environment and that no further material client failures take place. The growth on the South African portfolio is likely to remain in the low single digits. The upper end of the guidance range remains dependent on timely deployment into the European platforms.

The information on which this guidance is based has not been reviewed or reported on by the Fund's auditor.

On behalf of the board of Investec Property Fund Limited

Sam Hacker
Non-executive Chairman

Andrew Wooler and Darryl Mayers
Joint Chief executive officers

12 November 2019

BASIS OF ACCOUNTING

The reviewed condensed consolidated interim financial information for the period ended 30 September 2019 has been prepared in compliance with International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by The Financial Reporting Standards Council, the Companies Act, (71 of 2008, as amended) of South Africa and the JSE Listings Requirements.

The accounting policies applied in the preparation of the results for the period ended 30 September 2019 are consistent with those adopted in the financial statements for the year ended 31 March 2019, other than the adoption of those standards that became effective in the current period, (including IFRS 16 Leases, which had no material impact on the financial results). These reviewed condensed consolidated financial statements have been prepared under the supervision of Jenna Sprenger CA(SA).

REVIEW CONCLUSION

Ernst & Young Inc., the Fund's independent auditor, has reviewed the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, consolidated segmental information and notes to the condensed consolidated interim financial results, as set out on pages 2 to 15 of the reviewed condensed consolidated interim financial results, and have expressed an unmodified review conclusion. A copy of their review conclusion is available for inspection at the Company's registered office.

INTERIM DIVIDEND

Notice is hereby given of the declaration of interim dividend number 18 ("Cash dividend") of 70.92906 cents per share for the period 1 April 2019 to 30 September 2019.

Other information:

- The dividend has been declared from income reserves.
- A dividend withholding tax of 20% will be applicable on the dividend portion to all shareholders who are not exempt.
- The issued share capital at the declaration date is 736 290 993 ordinary shares of no par value.

In accordance with Investec Property Fund's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividends on the shares will be deemed to be dividends for South African tax purposes in terms of section 25BB of the Income Tax Act.

Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are, however, exempt from dividend withholding tax ("Dividend Tax") in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the CSDP or broker, as the case may be, in respect of uncertificated shares, or the Fund, in respect of certificated shares, a declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is exempt from dividends tax in terms of section 64F and a written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the exemption change or if the beneficial owner ceases to be the beneficial owner.

If resident shareholders have not submitted the abovementioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable in South Africa as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 22 February 2017, any dividend received by a non-resident from a REIT will be subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 56.74325 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Fund, in respect of certificated Shares:

- A declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform, the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the reduced rate change or if the beneficial owner ceases to be the beneficial owner.

If applicable, non-resident Shareholders are advised to contact the CSDP, broker or the Fund, as the case may be, to arrange for the abovementioned documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend, if such documents have not already been submitted.

Other information:

- As at the date of this circular, the ordinary issued share capital of Investec Property Fund Limited is 736 290 993 ordinary Shares of no par value before any election to reinvest the cash dividend.
- Income Tax Reference Number of Investec Property Fund Limited: 9332/719/16/1.
- Shareholders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

SUMMARY OF SALIENT DATES RELATING TO THE CASH DIVIDEND

Declaration of dividend	Wednesday, 13 November 2019
Last day to trade in order to receive distribution (cum-dividend)	Tuesday, 10 December 2019
Shares trade ex-dividend	Wednesday, 11 December 2019
Record date for shareholders to receive dividend	Friday, 13 December 2019
Dividend payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday 11 December 2019 and Friday 13 December 2019, both days inclusive.

Investec Bank Limited

Company Secretary

12 November 2019

INVESTMENT GLOSSARY

AREG Hexagon L.P.	AREG Hexagon Co-Invest Vehicle II, L.P.
AREG ELI L.P.	AREG ELI Co-Invest Vehicle, L.P.
Edcon	Edcon Holdings Limited
ELI Holdco or Pan-European light industrial platform	ELI Investment S.a.r.l
Hexagon or Pan-European logistics platform	Hexagon Holdco S.a.r.l and Hexagon Holdco S.a.r.l 2
IAPF	Investec Australia Property Fund
IPFO	Investec Property Fund Offshore Investments Proprietary Limited
IPF or The Fund	Investec Property Fund Limited and its subsidiaries
Ingenuity	Ingenuity Property Investments Limited
Izandla or Izandla Property Fund	Izandla Property Fund Proprietary Limited
New Edcon HoldCo	K2019216440 – Company registered in South Africa, holding 100% of the shares of Edcon Holdings Limited
PEL platform	Pan-European logistics platform
PELI platform	Pan-European light industrial platform
UK Fund	Nestor Investment Holdings Limited

Directors

S Hackner (*Chairman*)#
S Leon (*Deputy Chairman*)#
A Wooler *(Joint Chief executive officer)*
D Mayers *(Joint Chief executive officer)*
J Sprenger *(Chief financial officer)*
N Riley#
L Giuricich#
S Mahomed#*
C Mashaba#*
M Ngoasheng#*
K Shuenyane#*
P Hourquebie#*

Non-executive
* *Independent*

Investec Property Fund Limited

(Incorporated in the Republic of South Africa)
(Registration number 2008/011366/06)
Share code: IPF   ISIN: ZAE000180915
(Income tax reference number 9332/719/16/1)

Registered office

C/o Company Secretarial, Investec Limited
100 Grayston Drive, Sandown, Sandton, 2196

Transfer secretary

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196

Sponsor

Investec Bank Limited
100 Grayston Drive, Sandown, Sandton, 2196