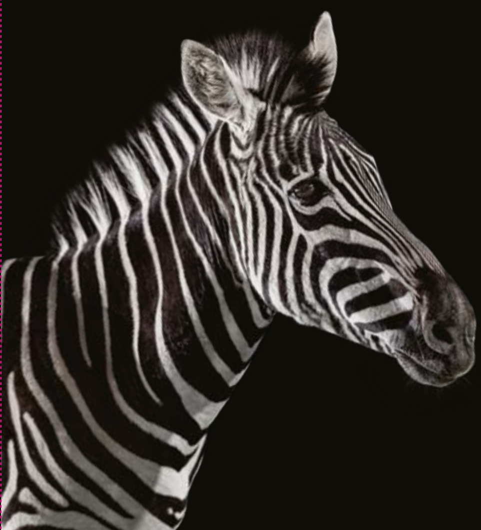
FINANCIAL RESULTS | 2020

Reviewed interim condensed consolidated financial results
Investec Property Fund Limited



Investec
Property Fund Limited

KEY HIGHLIGHTS

Refer to glossary on page 45.

- De-gearing flightpath now complete
- Balance sheet strengthened and liquidity preserved
- Portfolio further simplified post IAP exit
- SA portfolio materially affected by local lockdown
- European logistics platform performing in line with expectations, despite COVID-19
- Significant letting activity de-risks future income streams
- H2 FY20 dividend paid and further top-up dividend declared
- Improved performance expected from SA in H2 FY21
- Uncertainty around second wave of European lockdowns

South Africa

- (24.4%) decline in base NPI – impacted by COVID
- 67% of expiring space re-let at negative 18.5% reversion
- 2.9% downward fair value adjustment (total 5% since March 2020)
- R87m COVID relief granted (4.9% of revenue)

PEL

- PEL refinance completed
- 2.7% base NPI growth
- 14.8% like-for-like distributable earnings growth
- Limited rental concessions granted
- 47% of opening vacancy let
- 73% of space expiring re-let at 14.1% reversion
- Portfolio value maintained

UK Fund

- (7.3%) decline in base NPI
- (35.5%) decline in distributable earnings per share
- 3.9% downward fair value adjustment
- Dividends retained in UK business

Group

(33.9)% distributable earnings decline	(5.1)% decline in NAV per share to R17.27	39.8% normalised gearing[1]
46.87cps distributable earnings per share	2.3x Group interest cover ratio (covenant: 2.0x); Increasing to 3.0x in normalised state	R1.4bn Unutilised cash and/or facilities; covers short-term maturities

Balance sheet composition*

51% South Africa	42% Europe	7% United Kingdom

* *On a look-through basis*

Portfolio performance

South Africa

R15.7bn	1,111,190 m^2	12.7%	3.4 years	90%
Property valuation	Total GLA	Vacancy	WALE	Average rental collection
(Mar-20: R16.9bn)	(Mar-20: 1,158,219m^2)	(Mar-20: 3.5%)	(Mar-20: 2.7 years)	

PEL

€987m	1,131,730 m^2	4.4%	4.2 years	98%
Property valuation	Total GLA	Vacancy	WALE	Average rental collection
(Mar-20: €987m)	(Mar-20: 1,131,730m^2)	(Mar-20: 5.0%)	(Mar-20: 4.7 years)	

UK Fund

£267m	113,409 m^2	16.8%	7.5 years	88%
Property valuation	Total GLA	Vacancy	WALE	Average rental collection
(Mar-20: £301.3m)	(Mar-20: 119,604m^2)	(Mar-20: 8.8%)	(Mar-20: 9.4 years)	

[1] *Gearing post PEL refinancing and top-up dividend. Reported normalised gearing at 30 September 2020 was 43.8%.*

Half year distributable earnings of 46.87 cents per share – 33.9% decrease, in line with guidance and primarily driven by the impact of COVID-19

DISTRIBUTION RECONCILIATION FOR THE PERIOD ENDED 30 SEPTEMBER 2020

R'000	Notes	**Reviewed Six months ended 30 September 2020**	Reclassified Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2020
(Loss)/profit after taxation		(397 912)	740 712	1 705 970
Adjusted for:				
Straight-line rental revenue adjustment		40 901	11 690	12 764
Fair value adjustments and foreign exchange losses/(gains)		627 119	(244 407)	(609 544)
Loss/(profit) on disposal of investment property		3 136	(1 794)	1 883
Izandla interest not received		(1 423)	(1 317)	(5 425)
Investment dividend accrual (net of withholding tax ('WHT'))[1]		(16 228)	(35 442)	(27 757)
Notional cost of funding Ingenuity acquisition		–	4 372	5 195
Deferred taxation and capital gains taxation ('CGT')		19 555	46 115	1 159
Antecedent dividend		–	–	38 980
Equity accounted earnings from associates and joint ventures[2]		102 080	2 314	8 462
Available H1 Interim distributable earnings[3]		**377 228**	**522 243**	**522 243**
Available H2 Interim distributable earnings[4]		**–**	**–**	**609 444**
Number of shares				
Shares in issue		804 918 444	736 290 993	804 918 444
Weighted average number of shares in issue		804 918 444	736 290 993	744 916 301
Cents				
Available Interim/total distributable earnings per share		46.87	70.92	146.64
Available H2 distributable earnings per share (cents)[4]		–	–	75.72
Available Interim distributable earnings per share (cents)[3,5]		46.87	70.92	70.92

1 *The Fund considers the dividend declared in current period relating to prior year earnings as part of prior year distributable earnings and the cum dividend portion of the IAP sales price to be part of the distributable earnings for the current period. Accordingly an adjustment is made to match the distributable income to the period to which the distribution relates.*

2 *The Fund equity accounts for its investments in the UK Fund and Izandla and only distributes earnings declared as a dividend. There has been no declaration of dividends in both entities during the first half of the year. The add back to distribution represents mainly the fair value write down taken at an asset level within the entities.*

3 *The decision to declare the September 2020 interim dividend has been deferred due to uncertainties arising from second wave of European lockdowns.*

4 *R314.4m of the FY 2020 H2 distributable earnings was declared in September 2020 and paid in October 2020. The Fund has declared (in November 2020) a top-up dividend which will be paid in December 2020. No income tax is payable for the FY2020 dividend.*

5 *Decrease to comparable period driven largely by the impact of COVID-19.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Notes	**Reviewed Six months ended 30 September 2020**	Reclassified Reviewed Six months ended 30 September 2019	Reclassified Audited Year ended 31 March 2020
Revenue, excluding straight line rental revenue adjustment[1]		779 400	886 492	1 786 185
Straight-line rental revenue adjustment		(40 901)	(11 690)	(12 764)
Revenue		**738 499**	**874 802**	**1 773 421**
Property expenses		(188 807)	(173 068)	(324 899)
Expected credit losses[2]		(40 827)	(12 118)	(21 598)
Net property income		**508 865**	**689 616**	**1 426 924**
Other operating expenses		(53 359)	(50 239)	(108 559)
Operating profit		**455 506**	**639 377**	**1 318 365**
Fair value adjustments and foreign exchange (losses)/gains	2	(627 119)	244 407	609 544
(Loss)/profit on disposal of investment property		(3 136)	1 794	(1 883)
Income from investments	4	215 982	173 020	334 907
Finance costs		(367 450)	(284 927)	(588 311)
Finance income[3]	5	50 570	20 986	50 022
Equity accounted earnings from associates and joint ventures	7	(102 080)	(2 314)	(8 462)
(Loss)/profit before taxation		**(377 727)**	**792 343**	**1 714 183**
Taxation	8	(20 185)	(51 631)	(8 213)
(Loss)/Profit after taxation		**(397 912)**	**740 712**	**1 705 970**
Other comprehensive income		**(31 476)**	**–**	**3 026**
Foreign currency translation (losses)/gains[4]		**(31 476)**	**–**	**3 026**
Total comprehensive income attributable to equity holders		**(429 388)**	**740 712**	**1 708 996**
Basic and diluted earnings per share[5]		(49.44)	100.60	229.42

1 *Revenue decrease impacted largely by COVID-19. See financial performance section on page 28 of the commentary for further detail.*
2 *Relating to expected credit losses on lease receivables included in net property income. Increase in current period includes COVID-19 defaults and deferrals provided.*
3 *Includes finance income from loans receivable from associates and joint ventures (excluding loans at fair value through profit or loss) and is calculated using the effective interest rate method.*
4 *Items that may be subsequently reclassified to profit or loss. Includes foreign currency translation movements on the UK and Belgium Investments.*
5 *Year-on-year decrease due to the downward fair value adjustment of the South African and UK portfolios and the mark to market on interest rate and cross currency swaps.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Notes	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reclassified Reviewed Six months ended 30 September 2019
ASSETS				
Non-current assets		**23 125 772**	**25 571 864**	**21 078 941**
Investment property	3	14 802 067	16 570 461	16 243 375
Straight-line rental revenue adjustment		414 260	431 552	481 207
Derivative financial instruments	6.4	138 382	170 387	15 569
Other Investments	6.1	–	661 213	866 911
Equity accounted investment in associate and joint ventures	7	1 043 932	1 173 600	30 614
Loans to associates and joint ventures	6.2	6 727 131	6 564 651	3 441 265
Current assets		**3 967 664**	**4 273 257**	**586 450**
Trade and other receivables		426 578	402 030	402 371
Cash and cash equivalents[1]		375 888	643 072	164 240
Current portion of derivative financial instruments	6.4	47 281	45 123	19 839
Current portion of loans to associates and joint ventures	6.2	3 117 917	3 183 032	–
Non-current assets and assets in disposal group held for sale	9	**1 954 818**	**1 304 900**	**678 023**
Total assets		**29 048 254**	**31 150 021**	**22 343 414**
EQUITY AND LIABILITIES				
Shareholders' interest		**13 901 013**	**14 645 023**	**13 330 546**
Stated capital		11 133 011	11 133 280	10 264 843
Retained earnings		2 796 452	3 508 717	3 065 703
Foreign currency translation reserve		(28 450)	3 026	–
Non-current liabilities		**9 012 023**	**9 718 267**	**7 417 529**
Long-term borrowings	6.3	8 013 315	9 013 707	7 181 899
Derivative financial instruments	6.4	998 708	695 903	175 853
Deferred taxation	8	–	8 657	59 777
Current liabilities		**6 135 218**	**6 786 731**	**1 595 339**
Trade and other payables[2]		693 155	562 470	408 674
Tax payable	8.3	28 212	–	–
Current portion of long-term borrowings[3]	6.3	5 170 694	5 856 108	1 098 563
Current portion of derivative financial instruments	6.4	219 810	368 153	88 102
Liabilities in disposal group held for sale	9	23 347	–	–
Total equity and liabilities		**29 048 254**	**31 150 021**	**22 343 414**
Shares in issue		804 918 444	804 918 444	736 290 993
Net asset value per share (cents)		**1 727**	**1 819**	**1 810**

1 *The cash balance includes cash relating to tenant deposits of R67.2 million (March 2020: R72.1 million) and excludes cash from Belgium assets in disposal group held for sale.*
2 *Includes H2 FY20 dividend that had been declared at 30 September 2020 and was paid in October 2020.*
3 *Current liabilities includes the Nedbank bridge facility repaid on conclusion of refinancing of the PEL platform post year end.*

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	**Reviewed Six months ended 30 September 2020**	Reclassified Reviewed Six months ended 30 September 2019	Reclassified Audited Year ended 31 March 2020
Cash generated from operations	307 261	671 478	1 431 921
Finance income received	21 312	82 000	50 022
Finance costs paid	(394 436)	(293 862)	(577 840)
Income from investments (net of tax)	171 109	73 378	127 481
Capital gains tax paid	–	–	(9 033)
Dividends paid to shareholders	–	(541 239)	(1 063 483)
Net cash inflow/(outflow) from operating activities	**105 246**	**(8 245)**	**(40 932)**
Acquisitions of investment property and capital expenditure	(72 364)	(216 867)	(1 459 517)
Proceeds on disposal of investment property	824 289	207 472	284 989
Proceeds from disposal of property company equity instruments[1]	742 168	512 034	705 269
Acquisition of associates and joint ventures	–	–	(764 355)
Loans to associates and joint ventures	(20 631)	(1 021 958)	(4 893 187)
Net cash inflow/(outflow) from investing activities	**1 473 462**	**(519 319)**	**(6 126 801)**
Shares issued, net of costs	–	–	868 437
Proceeds from borrowings[2]	1 115 115	1 258 864	8 532 437
Derivatives settled[3]	(126 012)	–	(59 997)
Repayment of borrowings	(2 780 775)	(950 000)	(2 913 052)
Net cash (outflow)/inflow from financing activities	**(1 791 672)**	**308 864**	**6 427 825**
Net (decrease)/increase in cash and cash equivalents	(212 964)	(218 700)	260 092
Cash and cash equivalents at the beginning of the year	643 072	382 940	382 940
Movement in foreign exchange	(154)	–	40
Cash and cash equivalents at the end of the period[4]	**429 954**	**164 240**	**643 072**

1 *Proceeds from sale of IAP.*
2 *Includes proceeds from the sale of an effective 10% of the Fund's holding in the PEL platform.*
3 *Forward exchange contracts settled on the sale of IAP.*
4 *Includes cash in the Belgium bank account. Belgium bank account is included in non-current assets and disposal groups held for sale.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Retained earnings	Foreign currency translation reserve	Total equity
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**
Total comprehensive income attributable to equity holders	–	965 258	3 026	968 284
Shares issued net of costs	868 437	–	–	868 437
Dividends declared and paid	–	(522 244)	–	(522 244)
Balance at 31 March 2020	**11 133 280**	**3 508 717**	**3 026**	**14 645 023**
Total comprehensive income attributable to equity holders	–	(397 912)	(31 476)	(429 388)
Shares issued costs[1]	(269)	–	–	(269)
Dividends declared	–	(314 353)	–	(314 353)
Balance at 30 September 2020	**11 133 011**	**2 796 452**	**(28 450)**	**13 901 013**

1 *Relates to costs that came through on equity raise in prior year.*

SEGMENTAL ANALYSIS

The group 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, U.K., Europe, and the South African investment portfolio. An operating segment's operating results are reviewed regularly by Exco to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment	Brief description of segment
SA Retail	The retail portfolio consists of 27 properties, comprising shopping centres as well as retail warehouses, motor dealerships and high street properties.
SA Office	The office portfolio consists of 30 properties which includes P, A and B grade office space.
SA Industrial	The industrial portfolio consists of 35 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.
UK	A 38.0% investment into the UK Fund valued at R1 billion.
Europe	An effective 65% investment into the PEL portfolio valued at R5.4 billion. The 75% stake is valued at R6.2 billion. And a 100% investment into Belgium valued at R1.4 billion. This portfolio consists of 47 properties located in seven jurisdictions across Europe. A 25% investment into a PELI portfolio valued at R0.3 billion. This portfolio consists of 25 properties located in 3 jurisdictions across Europe.

SEGMENTAL ANALYSIS

	30 September 2020								
Profit or loss and assets and liabilities disclosure	**South African property portfolio**					**Investment portfolio**			
September 2020 R'000	**Office**	**Industrial**	**Retail**	**Total/Fund level**	**South African investment portfolio**	**Australia**	**UK**	**Europe**	**Total**
Material profit or loss disclosures									
Revenue, excluding straight line rental revenue adjustment	291 054	164 550	284 989	740 593	–	–	–	38 807	779 400
Straight-line rental revenue adjustment	(22 436)	(6 748)	(11 717)	(40 901)					(40 901)
Revenue	268 618	157 802	273 272	**699 692**					**738 499**
Property expenses	(83 241)	(32 057)	(75 106)	(190 404)				1 597	(188 807)
Expected credit losses	(4 160)	(3 397)	(33 270)	(40 827)					(40 827)
Net property income	181 217	122 348	164 896	**468 461**					**508 865**
Other operating expenses				(53 359)					(53 359)
Operating profit				**415 102**					**455 506**
Fair value adjustments on derivative instruments				(311 101)	–	–	2 663	(1 882)	(310 320)
Fair value adjustments on investment property				(410 581)					(410 581)
Fair value adjustments on investments				–	–	80 956	–	(2 882)	78 074
Foreign exchange gains/ (losses)				–	–	–	–	15 708	15 708
(Loss)/profit on disposal of investment property				(3 136)					(3 136)
Income from investments				–	5 956	28 504	–	181 522	215 982
Finance costs				(367 450)					(367 450)
Finance income				50 570					50 570
Equity accounted earnings from associate				–	(9 974)	–	(92 106)	–	(102 080)
Loss before taxation				**(626 596)**					**(377 727)**

30 September 2019								
South African property portfolio				**Investment portfolio**				
Office	Industrial	Retail	**Total**	South African investment portfolio	Australia	UK	Europe	**Total**
326 848	188 868	370 776	886 492					886 492
(4 745)	91	(7 036)	(11 690)					(11 690)
322 103	188 959	363 740	**874 802**					**874 802**
(66 963)	(32 411)	(73 694)	(173 068)					(173 068)
(1 288)	(3 776)	(7 054)	(12 188)					(12 188)
253 852	152 772	282 992	**689 616**					**689 616**
			(50 239)					(50 239)
			639 377					**639 377**
			(80 058)	–	(7 630)	(692)	(6 243)	(94 623)
			(315)					(315)
				(13 893)	183 782	(5 583)	191 172	355 478
			–	–	–	8 249	(24 382)	(16 133)
			1 794					1 794
				4 755	70 482	11 650	86 133	173 020
			(284 927)					(284 927)
			20 986					20 986
				(2 314)	–	–	–	(2 314)
			296 857					**792 343**

SEGMENTAL ANALYSIS

(continued)

Profit or loss and assets and liabilities disclosure	30 September 2020								
	South African property portfolio					Investment portfolio			
September 2020 R'000	**Office**	**Industrial**	**Retail**	**Total/Fund level**	**South African investment portfolio**	**Australia**	**UK**	**Europe**	**Total**
ASSETS									
Non-current assets				**15 216 327**					**22 987 390**
Investment property	5 891 650	3 276 680	5 633 738	14 802 067					14 802 067
Straight-line rental revenue adjustment				414 260					414 260
Other investments				–					–
Equity accounted investment in associates and joint ventures				–	15 310	–	1 028 622	–	1 043 932
Loans to associates and joint ventures				–	277 262	–	–	6 449 869	6 727 131
Current assets				**802 466**					**3 920 383**
Trade and other receivables				426 578					426 578
Cash and cash equivalents				375 888					375 888
Current portion of loans to associate and joint ventures				–	–	–	–	3 117 917	3 117 917
Non current assets and assets in disposal group held for sale	6 003	55 000	432 600	**493 603**				1 461 215	**1 954 818**
Total assets				**16 512 396**					**28 862 591**
LIABILITIES									
Non-current liabilities				**8 594 572**					**9 046 171**
Long-term borrowings				8 013 315					8 013 315
Net derivative financial instruments				581 257	–	16 093	115 635	319 871	1 032 856
Deferred taxation				–					–
Current liabilities				**5 892 061**					**5 915 408**
Trade and other payables				693 155					693 155
Tax payable				28 212					28 212
Current portion of long-term borrowings				5 170 694					5 170 694
Liabilities in disposal group held for sale					–	–	–	23 347	23 347
Total liabilities				**14 486 633**					**14 961 579**

SEGMENTAL ANALYSIS

(continued)

31 March 2020								
South African property portfolio				**Investment portfolio**				
Office	Industrial	Retail	**Total**	South African investment portfolio	Australia	UK	Europe	**Total**
			15 617 629					**25 401 477**
5 997 538	3 365 527	5 823 012	15 186 077	–	–	–	1 384 384	16 570 461
			431 552					431 552
				–	661 213	–	–	661 213
				25 284	–	1 148 316	–	1 173 600
				273 072	–	–	6 291 579	6 564 651
			1 020 002					**4 228 134**
			391 864	–	–	–	10 166	402 030
			628 138	–	–	–	14 934	643 072
				–	–	–	3 183 032	3 183 032
6 000	55 000	1 243 900	**1 304 900**					**1 304 900**
			17 942 531					**30 934 511**
			9 253 670					**9 870 909**
			9 013 707					9 013 707
			231 306	–	65 144	142 169	409 927	848 546
			8 657					8 657
			6 394 115					**6 418 578**
			538 007	–	–	–	24 463	562 470
			5 856 108					5 856 108
			15 647 785					**16 289 488**

1. Reconciliation of basic earnings to headline earnings

R'000	**Reviewed Six months ended 30 September 2020**	Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2020
Basic and diluted (loss)/profit attributable to ordinary equity holders of the parent	(397 912)	740 712	1 708 996
Adjusted for: Fair value adjustment on investment property	410 581	315	404 550
Fair value adjustment on investment property in associate[1]	93 215	–	6 709
(Profit)/loss on disposal of investment property	3 136	(1 794)	1 883
Headline earnings attributable to shareholders	109 020	739 233	2 122 138
Headline and diluted headline earnings per share[2]	**13.54**	**100.40**	**284.88**

[1] *Includes fair value adjustment relating to the UK investment and Izandla.*
[2] *Year-on-year decrease due to decrease in net property income resulting from the impact of COVID-19 concessions and bad debts, increased negative mark-to-market on derivatives, and increased equity accounted losses of associates resulting from downward valuation of investment property and negative mark to market on derivatives of associate and joint venture.*

2. Fair value adjustments and foreign exchange adjustments

R'000	**Reviewed Six months ended 30 September 2020**	Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2020
Fair value adjustments on derivative instruments[1]	(310 320)	(94 623)	(774 621)
Fair value adjustments on investment property[2]	(410 581)	(315)	(404 550)
Fair value adjustment on investments	80 956	169 889	(38 433)
Fair value adjustments on loans to associates at fair value	368	191 172	60 945
Fair value adjustments and transaction costs on loans to joint ventures and long term borrowings at fair value	(21 410)	2 666	2 179 188
Foreign exchange translation gains/(losses) on items not at fair value[3]	33 868	(24 382)	(412 985)
	(627 119)	**244 407**	**609 544**

[1] *MTM on derivatives increase primarily driven by South African Reserve Bank interest rate cuts during the period.*
[2] *Downward revaluation of investment property reflective of the challenging SA economic climate.*
[3] *The foreign exchange movements relate mostly to foreign currency borrowings.*

3. Fair value of investment property

The Fund's policy is to assess the valuation of investment properties at each reporting period. During the six months ended 30 September 2020, the assessment resulted in a net downward revaluation of R410.6 million (September 2019: net downward revaluation of R0.3m). The directors' valuation method is the income capitalisation method which is a generally accepted methodology used in the industry. During the half year period, the Fund externally valued 15% of the Fund's investment properties as part of the process of assessing the extent of the impact of COVID-19 on the valuation of properties. For the half-year valuation, rental income was down on average 4%-5%. Capitalisation rates loosened by an average of 10 basis points. The overall investment property portfolio is written down by 2.9% since March 2020 and 5% since September 2019 half year.

4. Income from investments

R'000	**Reviewed Six months ended 30 September 2020**	Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2020
Income from IAP[1]	28 504	70 482	90 128
Income from Izandla (interest on loan at fair value through profit or loss)	5 956	4 755	9 536
Income from UK Fund[2]	–	8 411	32 527
Income from European platforms[3]	181 522	89 372	202 716
Total	**215 982**	**173 020**	**334 907**

1 *The IAP investment was disposed of in June 2020. A distribution amounting to R11.6m of the cum-dividend price was included in distributable earnings.*
2 *Income from the UK Fund is included under equity accounted earnings in the current period.*
3 *Increase in current year due to increased share of investment from c. 43% to c. 75% from 24 February 2020.*

5. Finance income

R'000	**Reviewed Six months ended 30 September 2020**	Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2020
Interest income on loans to associates and joint ventures[1]	43 025	11 833	24 775
Interest from bank[2]	7 545	9 153	25 247
Total interest	**50 570**	**20 986**	**50 022**

1 *Increase driven by interest on bridge loan provided to the PEL platform.*
2 *Interest relating to cross currency swaps has been reclassified to finance costs as this reflects a more appropriate presentation of interest on cross currency swaps. Comparatives have been reclassified. See note 11 for further detail.*

6. Financial instruments

Financial instruments consists of:

- Derivative financial instruments to hedge interest rate and foreign exchange risk at fair value through profit or loss.
- Investment in unlisted equity (Edcon) at fair value through profit or loss.
- The PEL and PELI profit participating loans ("PPL") receivable and payable and the convertible loan to Izandla measured at fair value through profit or loss.
- Loans to associates and joint ventures at amortised cost.
- Long term borrowings at amortised cost.
- Cash and cash equivalents, trade and other receivables, trade and other payables and variable rate loans are at amortised cost.

Refer to note 6.5 for detail on the fair value disclosures of financial instruments.

6.1 Other investments

6.1.1 Listed investments

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
Investment in IAP[1]	–	661 213	866 911
% holding	0.0%	9.0%	9.9%
Total Fair Value	**–**	**661 213**	**866 911**

1. *The investment in IAP was disposed of in the current financial period.*

6.1 Other investments continued

6.1.2 Unlisted investments

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
Investment in New Edcon Holdco[1]	–	–	–

[1] *The Fund holds <1% of New Edcon Holdco to which Rnil was paid. The Fund has not attributed any economic value to this investment at 30 September 2020. The assessment is made resulting from Edcon being placed under business rescue as from April 2020.*

6.2 Loans to associates and joint ventures

Loans to associates and joint ventures at fair value through profit or loss

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
6.2.1 Pan-European logistics investment			
Finance income	196 055	160 410	65 443
Loans to PEL at fair value[1]	5 983 518	5 981 644	2 192 878
	6 179 573	**6 142 054**	**2 258 321**

[1] *IPFO (wholly owned subsidiary of the Fund) has an investment into Pan-European logistics (PEL). IPF has joint control over the PEL portfolio and accounts for the investment as a joint venture (prior period – associate). IPF is entitled to 75% of the net rental income earned on leasing the investment property held by the underlying property companies held by PEL. The PEL entities have an obligation to deliver all returns to IPF and its joint venture partner via profit participating loans (PPL's). Therefore the investment is carried as a financial asset at fair value through profit or loss. The equity component of this joint venture is valued at nil.*

During the current period, the Fund disposed of an effective 10% of the 75% cashflows relating to the PEL platform to Pan-European Logistics Property Holdings Limited. Due to the legal nature and structuring of the PPL's advanced by IPF to the PEL platform and PPL's assumed through the sale of its 10% share, the Fund recognises the gross 75% right to receive cashflows as a financial asset and the PPL's to Pan-European Logistics Property Holdings Limited as a financial liability (see note 6.5 for disclosures relating to the financial asset and liability).

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
6.2.2 Pan-European light industrial investment			
Finance income	18 497	11 046	1 907
Loans to PELI Holdco	251 799	233 048	173 900
	270 296	**244 094**	**175 807**

IPFO invested into PELI which has advanced loans to PELI Holdco at fair value. The return and repayment of PPL's owed by the PELI Holdco entity comprises 25% of the net rental income earned on leasing the investment property held by the underlying property companies. The PELI Holdco entity has an obligation to deliver all returns to its investors via the PPL's. Therefore the investment is carried as a financial asset fair value through profit or loss. The equity of this associate is valued at nil.

	R'000	Reviewed Six months ended 30 September 2020	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
6.2.3	**Izandla**			
	Convertible shareholder loan	**97 808**	**94 569**	**94 569**

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 Fund converted the loan into a three year long term mezzanine loan on 13 November 2020 at a rate of prime plus 350 basis points.

Loans to associates and joint ventures at amortised cost

	R'000	Reviewed Six months ended 30 September 2020	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
6.2.4	**Pan-European logistics investment**			
	Bridge loan to PEL	3 082 148	3 082 391	–
	Interest accrual	35 769	6 072	–
	Total	**3 117 917**	**3 088 463**	**–**

The bridge of €158m loan was advanced to the PEL platform. The term of the loan is five years and interest is charged at Euribor (floored at 0) plus a margin of 1.9%. This loan was provided in anticipation of the refinancing to be provided by a third party lender and majority was repaid post period end when PEL refinancing was concluded. The carrying amount of this loan approximates its fair value.

	R'000	Reviewed Six months ended 30 September 2020	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
6.2.5	**Izandla Mezzanine loans**			
	Senior mezzanine	98 908	98 908	98 908
	Junior mezzanine	80 546	79 595	78 225
	Total carrying amount	**179 454**	**178 503**	**177 133**

The mezzanine loans were provided to part fund the acquisition of the Izandla properties. The loans are provided for a period of five years and interest is charged at prime plus 350bp for the senior mezzanine loans and prime plus 550bp for the junior mezzanine loan. Only interest serviced in cash is included in distribution. The cash return for the half year period was c.9%. The carrying amounts of these loans approximates their fair values.

	Reviewed Six months ended 30 September 2020	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
Total loans to associates and joint ventures	**9 845 048**	**9 747 683**	**3 441 265**

6.3 Borrowings

R'000	Reviewed Six months ended 30 September 2020	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
Long term borrowings	8 013 315	9 013 707	7 181 899
Long term borrowings[1]	8 025 700	8 989 340	7 136 591
Interest accrual on borrowings	26 548	58 417	45 308
Capitalised fees	(38 933)	(34 050)	–
Short term borrowings[2]	5 170 694	5 856 108	1 098 563
Total borrowings[3]	**13 184 009**	**14 869 815**	**8 280 462**

1 *Includes PPL liabilities acquired by minority investors amounting to R892m.*

2 *Short term borrowings are de-risked by the availability of guarantees, cash and unused facilities of R1.4bn (March 2020 R1.5bn undrawn facilities). Short term borrowings includes the Nedbank bridge facility repaid on conclusion of refinancing of the PEL platform.*

3 *Decrease in borrowings are attributable to repayment of loans from proceeds of the sale of 10% of PEL and the sale of seven SA Investment properties.*

6.4 Derivatives

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
	(1 032 855)	**(848 546)**	**(228 547)**

Derivatives financial instruments hedge interest rate and foreign exchange risk. The movement in derivatives is as a result of the lower ZAR swap rates.

6.5 Fair value hierarchy

R'000	Carried at fair value	Level 1	Level 2	Level 3	Carried at amortised cost
Fair value hierarchy at 30 September 2020					
Assets					
Loans to associates and joint ventures	6 547 677	–	–	6 547 677	3 297 371
Derivative financial instruments	185 663	–	185 663	–	–
Trade and other receivables[1]	–	–	–	–	235 114
Cash and cash equivalents	–	–	–	–	375 888
Total financial assets	**6 796 007**	**–**	**185 663**	**6 610 344**	**3 845 706**
Liabilities					
Derivative financial instruments	1 218 518	–	1 218 518	–	–
Long-term borrowings (including current)	891 662	–	–	891 662	12 292 347
Trade and other payables[2]	–	–	–	–	662 998
Total financial liabilities	**2 110 180**	**–**	**1 218 518**	**891 662**	**12 955 345**

R'000	Carried at fair value	Level 1	Level 2	Level 3	Carried at amortised cost
Fair value hierarchy at 31 March 2020					
Assets					
Derivative financial instruments	215 510	–	215 510	–	–
Other investments	661 213	661 213	–	–	–
Loans to associates and joint ventures	6 480 717	–	–	6 480 717	3 266 966
Trade and other receivables[1]	–	–	–	–	209 355
Cash and cash equivalents	–	–	–	–	643 072
Total financial assets	**7 357 440**	**661 213**	**215 510**	**6 480 717**	**4 119 393**
Liabilities					
Derivative financial instruments	1 064 056	–	1 064 056	–	–
Long-term borrowings (including current)	82 016	–	–	82 016	14 787 799
Trade and other payables[2]	–	–	–	–	503 530
Total financial liabilities	**1 146 072**	**–**	**1 064 056**	**82 016**	**15 291 329**

[1] *Trade and other receivables exclude prepayments and value added tax 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.*

6.5 Fair value hierarchy continued

Level 2 valuations

at 30 September 2020

Interest rate derivative 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 derivative financial instruments are valued by making reference to market prices for similar instruments and discounting for the effect of the time value of money.

Level 3 valuations

at 30 September 2020

The level 3 valuations are reconciled as follows: R'000	**Izandla convertible loan[1]**	**Pan-European logistics investment[2]**	**Pan-European light industrial investment[3]**	**Long-term borrowings[4]**
Balance at the beginning of the period	94 569	6 142 054	244 094	(82 016)
Acquisition/(issuance)	–	–	18 385	(783 342)
Net interest accrued	3 239	35 645	7 451	(2 654)
Fair value and forex gain/(loss)	–	1 874	366	(23 650)
Balance at the end of the period	**97 808**	**6 179 573**	**270 296**	**(891 662)**

1 *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 R5 million.*

2 *During the current period, the Fund disposed of an effective 10% of the 75% stake in the PEL platform to Pan-European Logistics Property Holdings Limited. Due to the legal nature and structuring of the PPLs advanced by IPF to the PEL platform and PPLs assumed through the sale of its 10% share, the Fund recognises the gross 75% right to receive cashflows as a financial asset. The fair value gain on the Hexagon loans arose from the revaluation of the underlying properties in the PEL portfolio. An external bank and management valuation of the portfolio was carried out at 30 September 2020. If the fair value of the underlying properties was 5% higher or lower, the fair value of the PEL loans would be R675.9m higher/lower than the reported closing balance. Refer below for relationship with each unobservable input.*

3 *The underlying properties were acquired during the 2020 financial period. An external bank valuation of the portfolio was carried out at 30 September 2020. If the fair value of the underlying properties was 5% higher or lower, the fair value of the loans would be R31.5 million higher/lower than the reported closing balance. Refer below for relationship with each unobservable input.*

4 *During the current period, the Fund disposed of an effective 10% of the 75% stake in the PEL platform to Pan-European Logistics Property Holdings Limited. Due to the legal nature and structuring of the PPLs advanced by IPF to the PEL platform and PPLs assumed through the sale of its 10% share, the Fund recognises the the PPL to Pan-European Logistics Property Holdings Limited as a financial liability. The long-term borrowings also includes other PPL liabilities advanced to minority investors (mainly Pan-European Logistics Property Holdings Limited). The value of the loan is linked to the performance of the underlying properties in the Pan-European portfolio (PEL and PELI). If the fair value of underlying properties changed by 5%, the value of the loan would move by R99.9m.*

Level 3 valuations

at 31 March 2020

The level 3 valuations are reconciled as follows: R'000	**UK Fund investment**	**Izandla convertible loan**	**Pan-European logistics investment**	**Pan-European light industrial investment**	**Long-term borrowings**
Balance at the beginning of the period	222 548	93 798	1 685 757	–	(77 320)
Acquisition	763 532	–	2 161 185	168 508	(76 704)
Net interest accrued	22 843	771	124 300	11 046	–
Fair value and forex gain	139 393	–	2 170 812	64 540	(124 406)
(Transfer to joint venture)/settlement	(1 148 316)	–	–	–	196 413
Balance at the end of the period	**–**	**94 569**	**6 142 054**	**244 094**	**(82 016)**

6.5 Fair value hierarchy continued

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 definitions and relationship between the unobservable inputs and fair value measurement:

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')	An increases or decrease in ERV is directly correlated to an increase or decrease the estimated fair value. The South African property valuation at half year indicates an average decrease in rental of between 4%-5%. A 5% (March 2020: 5%) increase or decrease in the ERV would result in a 5% increase or decrease in the estimated fair value.
Equivalent Yield	PEL: Increases/decrease in the equivalent yield would result in decreases/increases in the estimated fair value. The range of equivalent yields within the Europe portfolios were between 4.3% and 7.5%. (March 2020: 4.3%-7.1%) Should the respective yield applied per property increase or decrease by 25 basis points (March 2020: 25 basis points) basis points, the fair value would decrease by c. 5% and increase by c. 5% respectively (March 2020: 5%). PELI: Increases/decrease in the equivalent yield would result in decreases/increases in the estimated fair value. The range of equivalent yields within the Europe portfolios were between 5.9% – 9.1%. March 2020: 5.9%-9.1%) Should the respective yield applied per property increased or decreased by 25 basis points (March 2020: 25 basis points), the fair value would increase by c. 4% and decrease by c. 4% (March 2020: 4%). SA portfolio: Increases/decrease in the equivalent yield would result in decreases/increases in the estimated fair value. The range of equivalent yields within the South African portfolios were between 7.8% and 12.7%. (March 2020: 6.7%-12.5%). Should the respective yield applied per property increased or decreased by 25 basis points (March 2020: 25 basis points), the fair value would decrease by c. 3% and decrease by c. 3% (March 2020: 3%).
Long-term vacancy rate	Increases/decreases in the long-term vacancy rate would result in decreases/increases in the estimated fair value. PEL vacancy remains low at 4.4% (March 2020: 5%), PELI at 7.2% (March 2020: 9.6%) and the SA portfolio is currently at 12.7% (March 2020: 3.5%). Given the high tenancy rates of the Fund's property portfolio the long-term vacancy rate may not always be applicable.

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

7. Equity accounted investment in associates and joint ventures

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
Izandla			
Equity accounted investment (35%)	**15 310**	**25 284**	**30 614**
Opening balance	25 284	33 242	33 254
Increase in investment	–	830	–
Equity accounted earnings[1]	(9 974)	(8 462)	(2 314)
Dividend received	–	(326)	(326)
UK investment			
Equity accounted investment (38%)	**1 028 622**	**1 148 316**	**–**
Opening balance	1 148 316	–	–
Transfer of fair value from profit participating loan (deemed cost)	–	1 148 316	–
Increase in investment	2 246	–	–
Equity accounted earnings[1]	(92 106)	–	–
Foreign exchange losses	(29 834)	–	–
Total equity accounted investment in associates and joint ventures	**1 043 932**	**1 173 600**	**30 614**

[1] *Includes write down of investment property and negative mark-to-market on derivatives in the first half of the year.*

8. Taxation

8.1 Deferred taxation

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
Balance at the beginning of the period	8 657	16 531	16 531
(Loss)/gain on fair value of investments	–	(1 710)	43 246
Sale of investments	(8 657)	(6 164)	–
Balance at the end of the period	**–**	**8 657**	**59 777**

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. During the September 2020 financial period, the Fund disposed of its investment in IAP.

8.2 Withholding taxation

Withholding tax on IAP dividend	**630**	**7 054**	**5 516**

8.3 Capital gains taxation

Sale of IAP shares	28 212	2 869	2 869
Sale of Ingenuity shares	–	6 164	–
Total capital gains taxation	**28 212**	**9 033**	**2 869**
Total taxation charge	**20 185**	**8 213**	**51 631**

9. Non-current assets and disposal group held for sale

R'000	**Reviewed Six months ended 30 September 2020**	Audited Year ended 31 March 2020	Reviewed Six months ended 30 September 2019
SA investment properties			
Office	6 003	6 000	13 000
Industrial	55 000	55 000	138 979
Retail	432 600	1 243 900	406 801
Balance at the end of the year	**493 603**	**1 304 900**	**558 780**
The Fund intends to sell eight buildings with settlement taking place within 12 months of the reporting date for a consideration of R493m (March 2020: R1.3bn) and has presented those assets as non-current assets held for sale.			
Investments			
Investment in Belgium			
% holding	**100%**		
As at 30 September 2020 the Fund reached an agreement to transfer the Belgium properties into the PEL platform at the Fund's acquisition cost of c. €71m. The transfer became effective simultaneously with the refinancing concluded on 31 October 2020.			
The major classes of assets and liabilities of the Belgium investment classified as held for sale as at 30 September are as follows:			
Assets:			
Investment property	1 388 952		
Cash and cash equivalents	54 066		
Trade and other receivables	18 197		
Assets held for sale	**1 461 215**		
Liabilities:			
Trade and other payables	**(23 347)**		
Total non-current assets and assets in disposal group held for sale	**1 931 471**	**1 304 900**	**558 780**
Results for the year			
Net property income	40 404		
Expenses	(27 554)		
Profit for the year	**12 850**		

10. Related parties

R'000	**Reviewed Six months ended 30 September 2020**	Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2020
The table below shows the transactions and balances (not disclosed elsewhere) that the Fund has with related parties:			
Investec Property (Proprietary) Limited[1]			
Asset management fees[1]	(67 567)	(41 874)	(83 722)
Letting commissions	(14 500)	(10 784)	(18 134)
Transaction fees	–	(3 901)	(55 838)

10. Related parties continued

R'000	**Reviewed Six months ended 30 September 2020**	Reviewed Six months ended 30 September 2019	Audited Year ended 31 March 2020
UK Fund			
Increase in investment	–	464 804	(763 532)
Shareholder loan advanced	–	42 178	–
Distribution income	–	11 651	32 527
Movement in equity investment[2]	(92 106)	–	–
Izandla Property Fund[3]			
Movement in equity investment	(9 974)	(2 628)	830
Movement in loans receivable (including convertible loan)	4 190	(1 051)	319
Finance income from associates	10 387	11 833	24 775
Finance income from loans to associates at fair value through profit or loss	5 956	4 755	9 536
Izandla dividend received	–	–	326
Pan-European logistics investment[4]			
Profit participating loans to Hexagon entities	5 983 518	2 258 321	5 981 644
Bridge loan to Hexagon entities	3 117 917	–	3 082 391
Finance income from joint venture	176 163	84 226	201 900
Pan-European light industrial investment[5]			
Profit participating loans to PELI Holdco entity	251 799	175 807	233 048
Finance income from associate	7 451	1 907	11 046
Investec Bank Limited Group[6]			
Cash and cash equivalents[7]	132 371	106 793	572 706
Borrowings	(281 232)	(362 155)	(552 733)
Fair value of derivative instruments[7]	(779 458)	(189 563)	(596 019)
Nominal value of swap derivatives	(5 506 072)	(5 434 626)	(6 394 029)
Nominal value of FECs	284 064	396 295	349 658
Rentals received	29 953	35 483	71 995
Interest received[8]	6 440	5 330	11 637
Sponsor fees paid	(225)	(235)	(210)
Corporate advisory and structuring fees paid	(946)	(2 053)	(40 659)
Interest paid on related party borrowings	(23 070)	(20 403)	(44 203)
Net interest received/(paid) on cross currency swaps	29 727	20 721	51 951
Interest paid on interest rate swaps[9]	(53 065)	(8 930)	(22 385)

1 *Fellow subsidiary and key management entity. The asset management fee increase in comparison to prior period relates to fees charged by UREP (a subsidiary of Investec Property Propriety Limited) for the management of the PEL platform.*
2 *Equity accounted loss in current period resulting from write-down of investment property and negative mark to market on derivatives in associate.*
3 *Related party as associate of IPF. The finance income relates to mezzanine loans provided to Izandla. Interest not received of R4m (including interest on convertible shareholder loan) has been capitalised to the loans.*
4 *Related party as joint venture of IPF.*
5 *PELI is an associate of IPF.*
6 *Fellow subsidiary of IPF.*
7 *Included in carrying values as per the statement of financial position.*
8 *Interest is earned at the daily negotiated call rate of 3.25% (FY20: 5.05%).*
9 *Increase in interest paid due to a 300 basis point cut in 3-month JIBAR.*

11. Voluntary reclassification

The increased investment activity this year, resulted in a greater focus on offshore fund investments and changes in composition of associates, joint ventures and subsidiaries of the Fund. Management considered it appropriate to review the structure of the financial statements presentation and disclosure and believes that the resulting presentation and classification changes will result in better communication of financial information to the users. The following reclassifications of the financial statements have been made in the current financial statements.

Reclassification of statement of financial position

Loans to associates and joint ventures are now presented separately from investments in associates and joint ventures.

Reclassification of statement of comprehensive income

Expected credit losses have been disaggregated from operating expenses.

Finance income and finance income from associates have been consolidated into one line item.

Net finance income/costs on cross currency swaps have been reclassified from finance income to finance costs.

Income from other investments and net finance income from associates and joint ventures at fair value through profit or loss have been consolidated into income from investments.

Representation of statement of cash flows

Operating activities: Finance income and finance income from associates have been consolidated into a single line item.

Investing activities: The descriptions have been represented to indicate nature of transaction and not the counterparty to the transaction

Financing activities: All borrowings have been aggregated into proceeds and repayment of borrowings.

30 September 2020 **Consolidated statement of financial position** **R'000**	Previously reported Reviewed Six months ended 30 September 2019	Adjustments	Reclassified Reviewed Six months ended 30 September 2019
Equity accounted investment in associate and joint ventures[1]	207 747	(177 133)	30 614
Loans to associates and joint ventures[2]	2 528 697	912 568	3 441 265
Investment in joint venture[3]	735 435	(735 435)	–
Total	**3 471 879**	**–**	**3 471 879**

[1] Previously equity accounted investment in and loans to associate and joint venture
[2] Previously loans to associates and joint venture at fair value through profit or loss
[3] Included in loans to associates and joint ventures

30 September 2020 **Consolidated statement of comprehensive income** **R'000**	Previously reported Reviewed Six months ended 30 September 2019	Adjustments	Reclassified Reviewed Six months ended 30 September 2019
Property expenses	(185 186)	12 118	(173 068)
Expected credit losses[3]	–	(12 118)	(12 118)
Income from investments[4]	78 893	94 127	173 020
Income from investment in joint ventures[5]	3 239	(3 239)	–
Finance income from associates and joint venture at FVTPL[5]	90 888	(90 888)	–
Finance income[7]	30 982	(9 996)	20 986
Finance income from associate[6]	11 833	(11 833)	–
Finance costs[7]	(306 756)	21 829	(284 927)
Total	**(276 107)**	**–**	**(276 107)**

31 March 2020 Consolidated statement of comprehensive income **R'000**	Previously reported Audited Year ended 31 March 2020	Adjustments	Reclassified Audited Year ended 31 March 2020
Finance income[7]	106 150	(56 128)	50 022
Finance costs[7]	(644 438)	56 128	(588 310)
	(538 288)	**–**	**(538 288)**

[3] *Previously included as part of property expenses*
[4] *Previously income from other investments*
[5] *Consolidated into income from investments*
[6] *Consolidated into finance income*
[7] *Net finance income/costs reclassified from finance income to finance costs*

30 September 2020 Consolidated statement of cash flows **R'000**	Previously reported Reviewed Six months ended 30 September 2019	Adjustments	Reclassified Reviewed Six months ended 30 September 2019
Finance income received	30 973	51 027	82 000
Finance income from associates[7]	72 856	(72 856)	–
Finance costs[7]	(315 691)	21 829	(293 862)
Operating activities total	**(211 863)**	**–**	**(211 863)**

Financing activities	Previously reported Reviewed Six months ended 30 September 2019	Adjustments	Reclassified Reviewed Six months ended 30 September 2019
Term loans raised and revolving credit facilities utilised[9]	751 424	507 440	1 258 864
Term loans repaid[10]	(700 000)	(250 000)	(950 000)
Commercial paper issued and repaid (net)[9]	–	–	–
HQLA debt raised[9]	250 000	(250 000)	–
Corporate bonds repaid[10]	(250 000)	250 000	–
Foreign debt raised[9]	257 440	(257 440)	–
Financing activities total	**308 864**	**–**	**308 864**

11. Voluntary reclassification continued

31 March 2020 **Consolidated statement of cash flows** **R'000**	Previously reported Audited Year ended 31 March 2020	Adjustments	Reclassified Audited Year ended 31 March 2020
Finance income[7]	106 150	(56 128)	50 022
Finance costs[7]	(633 968)	56 128	(577 840)
Operating activities total	**(527 818)**	**–**	**(527 818)**

[7] *Net finance income/costs reclassified from finance income to finance costs*
[8] *Consolidated into finance income*
[98] *Consolidated into proceeds from borrowings*
[10] *Consolidated into repayment from borrowings*

12. Subsequent events

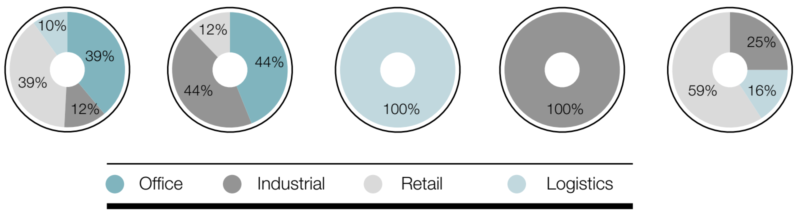
- The Belgium investment, which was held for sale at half year, has subsequently been transferred into the PEL platform.
- The Fund has declared a top up dividend of 29.82 cents per share on 18 November 2020. In accordance with IPF's status as a REIT, the dividend declared meets the requirements of a qualifying distribution. The Fund has declared all FY20 taxable income and recognised no tax liability.
- Debt refinancing within the PEL platform was completed on 31 October 2020 with all conditions met by 12 November 2020 and funds flowing on 17 November 2020. This resulted in the repayment of €90m of IPF Bridge loans included in note 6.2.4, a further €50m is expected by end November 2020.
- The Nedbank Bridge loan amounting to €90m was repaid on 17 November from the proceeds of the debt refinancing within the PEL platform.
- On 13 November, the Fund converted the Izandla convertible shareholder loan into a three-year long-term mezzanine loan.

PROFILE

IPF is a South African Real Estate Investment Trust and comprises a R27.2 billion investment portfolio of direct and indirect real estate investments in South Africa, the UK and Europe.

In South Africa, the Fund directly owns a sizeable portfolio of 92 properties in the retail, industrial and office sectors valued at R15.7 billion and a 35% interest in Izandla valued at R0.3 billion. c.50%[1] of the Fund's balance sheet and 43% of earnings are derived from offshore investments. This comprises strategic property investments, mainly in logistics, in Europe (R7.1 billion) and the UK (R1.0 billion) where the Manager has a presence on-the-ground with in-country expertise.

	South Africa		Pan-European Logistics (incl. Belgium)	Pan-European Light Industrial	UK Fund
	Direct property	Izandla			
No. of properties	92	15	47	25	14
Ownership interest	100%	35%	65%*	25%	38%
Asset value (local currency)	R15.7bn	R748m	€987m	€126m	£267m
Value of investment (Rbn)	15.7	0.3	6.8	0.3	1.0
GLA (m²)	1,111,190	83,343	1,131,730	164,000	113,409
WALE (years)	3.4	4.1	4.2	5.3	7.5
Vacancy	12.7%	4.3%	4.4%	7.2%	16.8%
Sectoral composition (by asset value)					

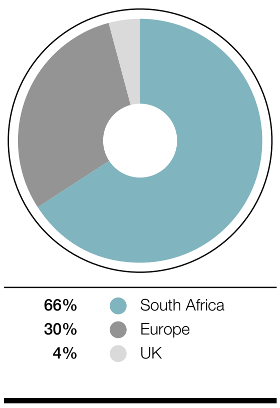


* *Effective 30 September 2020*

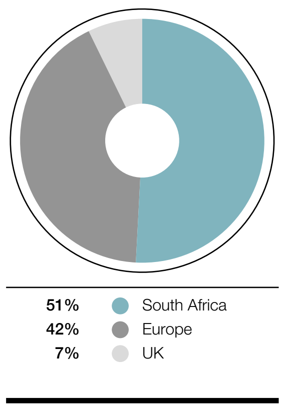
The Fund's portfolio of investments has been built based on adhering to its investment philosophy of acquiring quality assets with compelling property fundamentals in targeted sectors in selected geographies where it has in-country expertise. More recently, the Fund has strategically shifted its focus towards the logistics sector, as a result of which, logistics assets now comprise 46%[2] of IPF's investments globally.

The sectoral and geographical diversified earnings base of the Fund has allowed it to deliver returns throughout the cycles despite muted domestic growth. The balance sheet construct of the Fund is set out below.

*IFRS balance sheet construct**



Look-through balance sheet construct



* *Balance sheet construct excludes PEL shareholder loan*

1 *On a look-through basis.*
2 *On a look-through basis.*

FINANCIAL REVIEW

Performance highlights

IPF commenced the FY21 financial year with the world entering a state of lockdown. The impact on the South African economy as a result of the introduction of the lockdown restrictions has been devastating and REITs have suffered the double impact of a stagnating economy and COVID-19's impact on trading activity. The sharp deterioration in business conditions has had negative implications for the property sector and IPF has not been spared in this regard.

However, with limited exposure to retail globally (<25%[3] of portfolio), a high-quality tenant base comprising c.83% of investment grade tenants and a strategic evolution towards a greater logistics-focus, IPF was relatively well-positioned going into the crisis. Following the increased investment in the PEL platform, foreign investments now comprise c.50%[4] of the Fund's balance sheet and 45% of earnings. These characteristics enhance the portfolio's defensiveness and continue to support weaker domestic performance.

The impact of COVID-19 was experienced over the full interim reporting period. The SA portfolio suffered the most severe impact with Level 5 lockdown commencing on 26 March 2020 at the beginning of the interim period and gradually easing to Level 1 on 21 September 2020. As South Africa entered an intensified state of lockdown and ceased trading, many countries across Europe were announcing plans for a gradual lifting of lockdown restrictions and reopening their economies. This disparity is reflected in the Fund's H1 FY21 results where solid returns from the European portfolio has continued to bolster local performance.

Distributable earnings for the H1 FY21 period declined by 33.9% yoy to 46.87cps (H1 FY20: 70.92cps) primarily due to the impact of COVID-19 related concessions and tenant failures that affected investments largely in SA. In addition, a more conservative approach was adopted in respect of dividends from the UK Fund, which are currently being retained in the UK until there is a greater degree of operating certainty amid lockdown. As such, H2 FY20 dividends from the UK have been excluded from group distributable earnings for H1 FY21. The Fund also incurred higher debt funding costs on the extension of the EUR-denominated bridge loans due to the delay in the PEL debt refinance. The decline in distributable income as a result of the above factors was partly offset by the accretive nature of the increased shareholding in and solid performance of the PEL platform.

Despite the tough trading conditions, the Fund proceeded with the declaration of an H2 FY20 dividend of 39.05cps in respect of the prior year-end period, demonstrating the strength and resilience of its balance sheet. In line with its previously stated intention, the Fund has also declared a further top-up dividend of 29.82cps in respect of the same period, in light of the conclusion of a successful PEL debt refinancing and having secured the means to refinance ZAR-denominated debt maturing in December. This will bring the aggregate H2 FY20 dividend to 68.87cps and the full year dividend to 139.80cps, representing a payout ratio of 95% of distributable earnings and ensuring optimal tax efficiency for the Fund and its shareholders.

Furthermore, given the recent lockdowns in the foreign markets to which IPF is exposed, the Board has resolved to defer the declaration of the H1 FY21 interim dividend until such time as there is more clarity as to the duration and extent of the disruption, particularly in the UK and Europe. The Fund is confident of the performance of the European portfolio given the resilience exhibited during the first lockdown and its ability to maintain average collection rates of 98% through this. All things being equal, the Fund would expect a similar performance through the second wave however, the Board deems it prudent to maintain a cautious approach. The Board is acutely aware of the obligations imposed on the Fund in order to retain REIT status and preservation of this status is a key priority.

Balance sheet highlights

The Fund is pleased to have executed on its de-gearing flightpath, with the PEL debt refinancing concluded in mid-November post half-year end. Aggregate proceeds of R4.5bn were raised from this strategy and used to settle debt thereby normalising LTV from 43.8% (Sep-20) to the current 39.8%. The outcome of the de-gearing flightpath is a more simplified and robust balance sheet going forward, leaving the Fund in a healthy position going into H2 FY21.

NAV decreased by 5.1% to R13.9bn (Mar-20: R14.6bn) over the interim period following fair value adjustments in SA and UK.

3 *On a look-through basis.*
4 *On a look-through basis.*

PORTFOLIO REVIEW – SOUTH AFRICA

South African direct property portfolio

Overview

The South African direct property portfolio accounts for 66% of the Fund's balance sheet on an IFRS basis (but 51% on a look-through basis) and this remains the core focus of the dedicated South African management team. The local portfolio comprises 92 high-quality properties in strategic well-located nodes. The table below presents a snapshot of the SA property portfolio at 30 September 2020.

SA property portfolio snapshot

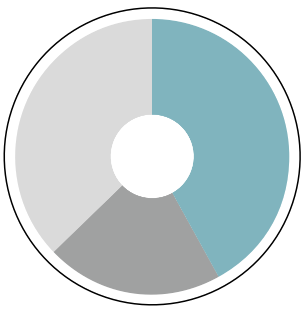
	Total		Office		Industrial		Retail	
Portfolio	**30-Sep-20**	30-Mar-20	**30-Sep-20**	30-Mar-20	**30-Sep-20**	30-Mar-20	**30-Sep-20**	30-Mar-20
Number of properties	**92**	98	**30**	31	**35**	36	**27**	31
Asset value (Rbn)	**15.7**	17.1	**6.1**	6.3	**3.4**	3.6	**6.2**	7.2
Base NPI growth*	**(24.4%)**	1.3%	**(21.4%)**	(5.2%)	**(13.3%)**	4.9%	**(34.3%)**	6.4%
Cost to income (excl. bad debts)*	**25.7%**	19.7%	**28.5%**	20.2%	**19.1%**	16.6%	**26.8%**	21.0%
GLA	**1,111,190**	1,191,375	**246,143**	249,243	**509,048**	511,108	**356,000**	413,871
Vacancy	**12.7%**	3.9%	**9.6%**	6.9%	**19.7%**	3.5%	**5.6%**	1.4%
WALE (years)	**3.4**	2.9	**3.6**	2.9	**3.0**	2.7	**3.4**	2.8
In-force escalations	**7.5%**	7.5%	**7.9%**	8.0%	**7.6%**	7.5%	**7.1%**	7.4%

* *Comparative period is 30 September 2019*

The sectoral spread of the SA portfolio is set out below.

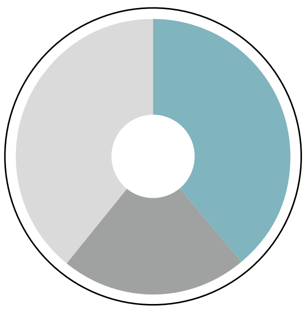
SA sectoral spread

Sectoral spread by revenue



42% Office
21% Industrial
37% Retail

Sectoral spread by asset value



39% Office
22% Industrial
39% Retail

Sectoral spread by GLA

23% Office
44% Industrial
33% Retail

Performance was hampered in the initial months of the interim period due to the impact of the lockdown restrictions and tenants' inability to trade. The resulting rental concessions and the prolonged easing of lockdown measures have resulted in an overall negative performance by the SA portfolio. The negotiation of rental relief measures with tenants has now been concluded and all tenants have resumed trading, albeit some at reduced capacity. While most sectors have seen a marked improvement in trading performance following the easing of restrictions, certain categories, mainly entertainment and leisure, continue to experience subdued trade and have not yet returned to pre-COVID levels of activity.

Financial performance

The South African portfolio delivered like-for-like NPI decline of 24.4% (Sep-19: 1.3% growth) for the H1 FY21 trading period, mainly driven by the impact of rental concessions granted, bad debts arising from business failures (including Edcon), increasing vacancies and longer void periods amidst a challenging leasing market. NPI was further affected by the negative short-term impact of the re-gearing of five notable long-term leases (with total GLA of 67,000m^2) however, the Fund has gained the benefit of the longer-term sustainable income profile.

Both fixed and variable property expenses have increased marginally due to higher repairs and maintenance and tenant installation costs incurred. Despite the rigid control of expenses, cost to income ratios have been adversely impacted across all three sectors by the decline in rental income arising from the relief granted to tenants and loss of income from business failures, resulting in an overall cost to income ratio of 25.7% (Sep-19: 19.7%). This ratio is expected to improve marginally towards the financial year end as rental income stabilises.

The Fund is more optimistic in its outlook for H2 FY21 now that all major early renewals have been concluded and no further material rental concessions are anticipated.

Portfolio performance

Demand for space has been subdued and was further impacted following the onset of COVID-19, resulting in a deterioration of key portfolio metrics.

Overall vacancy has increased to 12.7% (Mar-20: 3.5%) following a slowdown in letting activity during lockdown, of which c.5% is attributable to tenant insolvencies and delinquencies. Approximately 5% of vacancy is currently under negotiation with prospective tenants. Vacancy is therefore expected to reduce to c.7% by Mar-21 as leasing activity resumes post lockdown and supported by the Fund's aggressive marketing initiatives. The industrial sector carries the greatest vacancy with c.127,000m^2 of space expiring during FY21. IPF's retail assets remained most resilient with vacancy at 5.6% (Mar-20: 1.4%).

Portfolio WALE has increased since Mar-20 (2.7 years) to 3.4 years at Sep-20. The Fund has secured some notable long-term leases during the period and has sought to extend the lease expiry profile through rental relief discussions with tenants. This leasing has served to de-risk IPF's future cashflow profile but has had a short-term income impact as a result of rent-free periods and / or other leasing incentives provided to secure the extended leases.

The heightened possibility of further tenant failures and business rescues remains a risk. The Fund experienced several business failures that impacted on performance. The most notable tenant insolvencies were ELB Engineering and Edcon (see retail sector review) which contributed R21m towards bad debts during the period.

Demand is expected to remain subdued in the short-term, with muted or negative rental growth and lower escalation prospects until the economy gradually recovers. Vacancies are likely to persist as undercapitalised tenants experience business failure, with limited new users currently entering the market. The Fund, however, remains optimistic over the medium to long term outlook for its South African assets.

Property disposals

During the period, the Fund reached agreement to dispose of 8 assets valued at R920m. The Musina Mall, Great North Plaza, Boitekong Mall, Combined Motor Holdings, Renew-It, International SOS and Boxer Cofimvaba assets transferred during the period, generating R840m of proceeds (4.5% discount to book value) as anticipated per the de-gearing flightpath. A further asset (R80m) is still pending transfer.

The Fund assesses the relevance of its investments on a continual basis and is pursuing further disposals of non-core assets. A total of 8 properties valued at R493m were identified for sale at 30 September 2020.

Letting activity

As expected, letting activity during the period has been slower than previous years with lease negotiations becoming more protracted and tenants reluctant to commit to longer term leases.

The Fund successfully renewed 67% of space expiring in H1 FY21 (representing 65% of space expiring for the full FY21 year) at a weighted average reversion of negative 18.5% (Sep-19: negative 8.7%). Key drivers include:

- the renewal of the Investec Durban office lease for 7 years with a reversion of negative 46.9% due to the expiry of a 10-year lease. No incentive or capex allowance was provided on renewal;
- renewal of a lease with Cliffe Dekker Hofmeyr (10,640m^2) at negative 40% reversion; and
- the renewal of Builders Warehouse Polokwane and Builders Warehouse Witbank leases (over 7,286m^2 and 5,512m^2, respectively) that were due to expire in FY21 and now renewed at reversions of negative 18% and negative 16%, respectively.

Despite large reversions, leases are signed at favourable terms in the form of long WALE's and low incentive levels with resulting net effective rentals (i.e. rent after incentives) being better than market averages.

Reversions are expected to remain under pressure over the coming months and the negative trend is anticipated to persist into H2 FY21 as demand is curtailed. The retail sector has performed particularly well with 78% of expiring space during H1 FY21 let, albeit at a negative rental reversion of 14% primarily due to the re-gearing of the Massmart leases (44,000m^2) at a WALE of 10 years.

SA letting activity:

YTD	Opening vacancy and expiries GLA	Renewals, new lets GLA	Gross expiry rental R/m²	Gross new rental R/m²	Rental reversion[1] %	Average escalation %	WALE[2] Year	Incentive % lease value	Retention %
Office	23,291	14,425	412.9	220.4	(46.6%)	7.1%	6.4	1.9%	57.7%
Industrial	131,864	52,702	71.3	77.8	9.2%	7.9%	5.1	2.2%	55.6%
Retail	63,329	49,082	165.5	142.4	(14.0%)	6.0%	7.4	0.0%	84.1%
Subtotal	**218,484**	**116,209**	**153.5**	**122.8**	**(20.0%)**	**7.0%**	**6.2**	**1.2%**	**69.8%**
Early letting	91,866	91,866	125.9	104.3	(17.1%)	5.5%	6.1	2.1%	100%
Sub total	**310,350**	**208,075**	**141.3**	**114.6**	**(18.5%)**	**6.3%**	**6.2**	**1.6%**	**76.1%**
Opening vacancy	39,704	800							
Total letting	**350,054**	**208,875**							

1. *Large reversion relates to the renewal of Investec Durban office lease for 7 years with a reversion of negative 46.9%. Industrial reversion impacted positively by 49,700m² of early letting concluded at strong positive reversion.*
2. *Strong WALE on renewals due to 10-year lease signed for Intercare Fourways (2,575m²), 7-year lease for Investec Durban (6,500m²), 9.2-year lease for Zamani Chemicals (2,500m²), regearing of Massmart leases until 2030 (44,000m²) as well as 10.7 years for Cliff Decker Hofmeyr (10,640m²)*

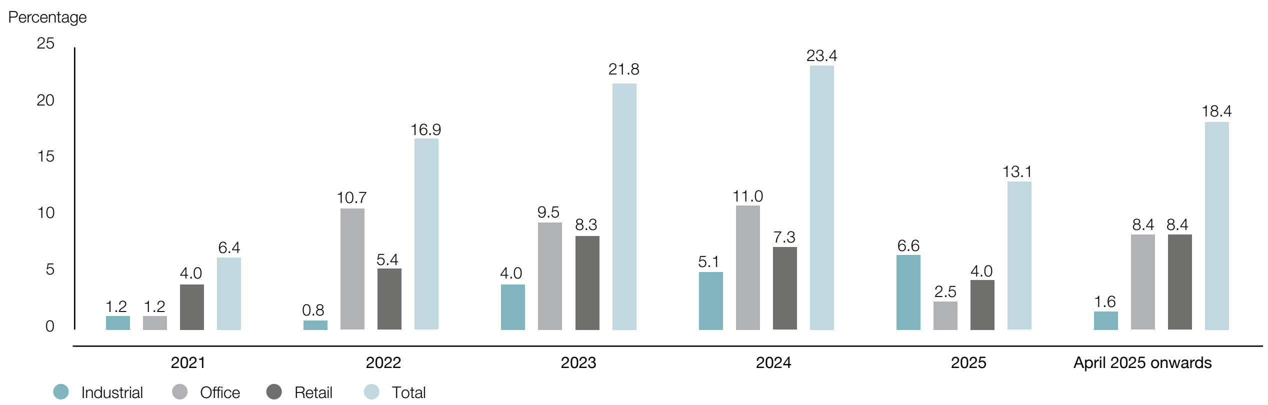
During the period, the Fund took the opportunity to pre-empt medium term expiries at a short-term cost to the Fund to secure long-term sustainability. Notable examples include:

- the re-gear of all 10 Massmart leases representing 44,000m² of GLA, all on new 10-year leases at market related rentals and 1 Masscash store for 5 years;
- 10-year lease signed for Intercare Fourways over 2,575m² of space; and
- Cliffe Dekker Hofmeyr, prime Sandton space of 10,640m² for 10.7 years.

The Fund has concluded 91,866m² of early letting at a reversion of negative 17.1% and WALE of 6.1 years, securing further future contractual income and de-risking future periods. This comprises 31,200m² in respect of FY22 (representing 15% of space expiring in FY22) with the balance attributable to space expiring in FY23 and FY24.

Despite letting activity being subdued in H1, the letting that has been concluded has added an average WALE of 6.2 years to the portfolio, which promotes long-term sustainability of income. Enhanced focus has also been placed on tenant retentions which is evidenced through strong retention ratios in the retail (84%) and office sectors (74%). Incentive levels remain low at 1.6%. H1 letting has been concluded at a weighted average escalation of 6.3%, slightly lower than portfolio average in-force escalations of 7.5%.

SA lease expiry profile (by revenue)



Valuation

The valuation of the SA property portfolio was written down by R412m (2.9%) during the period, following a loosening of the weighted average cap rate to 9.2% (Mar-20: 9.1%) and a 3.1% reduction in market NPI assumptions to reflect deteriorating macro-economic conditions and a weak outlook. 15% of the portfolio was externally valued during the period and directors' valuations written down in line with these. The SA portfolio has been written down by an aggregate R750m (5%) since March 2020.

South African portfolio sectoral performance

Office

The Fund's office portfolio comprises 30 quality properties in major nodes across South Africa. The market continues to be in a state of significant oversupply with vacancy rates at elevated levels. The sector in general is still struggling to record above inflation rental growth, with nominal rentals even declining in some nodes.

The COVID-19 impact on the office sector will take longer to play out, as much is dependent on the extent to which office staff wish to retain a level of remote working as part of their business model going forward. The necessary shift to working from home during lockdown prompted speculation about a significant reduction in the need for office space in future and increased risk of vacancies, however this is not expected to be as severe as previously contemplated. The Fund's strategy of amenitising office space (i.e. incorporating more lifestyle amenities for tenants) and optimising the potential of space has become even more relevant in the post-COVID environment to promote office working and team collaboration.

The Fund has reported base NPI decline of 21.4% yoy in this sector compared to Sep-19 (-5.2%) due to concessions granted, business failures (notably ELB Engineering) and an uptick in vacancy. R9m of discounts and R17m of deferral relief were provided to office sector tenants.

The sector cost-to income ratio increased by 8.3% to 28.5% (excl. bad debts), driven by a decline in rental income due to discounts granted and increased void periods and vacancies. Net fixed costs remain well-controlled with a reduction of 1.4%.

Office sector vacancy was at 9.6% at half-year end (Mar-20: 6.9%). This increase is primarily attributable to a tenant insolvency in one property resulting in a significant void of 5,500m^2. This is anticipated to be a persisting vacancy due to the current low demand in the Rivonia area. The WALE for the sector improved from 2.9 years (Mar-20) to 3.6 years due to long-term leases signed with Investec Durban, CDH and Intercare Fourways.

The sector has let 62% of space expiring in H1 FY21 at an average reversion of negative 46.6% (primarily due to the renewal of the Investec Durban office lease). Enquiries for new space have been limited to date, but recent evidence post lockdown indicates this is starting to pick up. 10,640m^2 of early letting was concluded in the sector at a reversion of negative 39.8% and WALE of 10.7 years in respect of a lease with Cliffe Dekker Hofmeyr.

Industrial

The industrial sector comprises 35 properties with good fundamentals in strategically located nodes. The South African industrial and logistics sector has been less impacted by COVID-19 to date, however the sector may well experience positive drivers in the medium to longer term as manufacturers and retailers consider supply chain diversification in order to adapt to the accelerated trend towards online shopping.

The industrial sector has been relatively stronger than others with NPI decline of 13.3% (Sep-19: 4.9% growth). The yoy decline is due to the reduced demand for industrial space during the period that made it challenging to fill existing vacancies and expiries. The sector is showing early signs of recovery with an uptick in interest received on vacant areas. The impact of COVID has been limited to short term cash flow constraints experienced by some tenants, where the Fund has stepped in to assist with rent deferrals. R2m of discounts and R12m of deferral relief were provided to industrial clients.

A relatively low retention ratio of 55.6% adversely impacted the cost of letting and voids across the sector. Net rates and electricity expenses have contributed to the increase in the cost base (due to void periods), while fixed cost growth has been kept below inflation. Economic challenges experienced by the tenant base during lockdown resulted in an upward trend in arrears and bad debts. This drove up the cost to income ratio of the sector to 19.1% (Sep-19: 16.6% excl. bad debts).

The sector has experienced a short-term spike in vacancy to 19.7% (Mar-20: 3.5%) due to tenants that occupied large areas going into business rescue and short-term letting done in FY20 which resulted in large spaces becoming vacant early in the current year. The Fund is however in advanced negotiations regarding much of this space and is expected to conclude further leases before the financial year end, when vacancy is expected to be c.7%. The WALE of the sector increased from 2.7 years (Mar-20) to 3.0 years.

The industrial sector has leased 52,702m^2 (40%) of expiring space during H1 FY21 at a positive reversion of 9.2%. A further 49,700m^2 of early letting was concluded during the period at a positive reversion of 13.9% and WALE of 2.7 years.

Retail

The retail sector experienced the greatest setback with tenants severely restricted from trading for a period. Even when restrictions were eased, social distancing measures contributed towards lower footfalls in retail centres. Expectations are that this sector will also take the longest to recover.

IPF's 27 retail assets have been strategically selected to comprise mainly semi-urban shopping centres that are well-tenanted with a significant proportion of national clients, serve large catchment areas and are dominant in the nodes within which they are located. These semi-urban shopping centres have a greater proportion of essential services, as a result of which, IPF's retail portfolio has shown a degree a resilience and turnover growth has rebounded faster than metropolitan counterparts.

Retail portfolio revenue has been the hardest hit by lockdown restrictions as the bulk of rental discounts granted were attributable to this sector. R44m of discounts and R3m of deferral relief was provided to tenants in the retail sector. This had a direct impact on underlying base NPI resulting in a yoy decline of 32.5% (Sep-19: 6.4% growth). Performance is expected to recover in H2 FY21 as no material concessions are expected to be extended to tenants and vacancies remain low.

While performance was constrained during the initial phases of lockdown, these assets have proved to be defensive and there has been a solid recovery in all semi-urban centres with monthly trading density rebounding from peak-COVID levels and ending at 0.9% yoy for Sep-20 (Mar-20: -0.5% yoy; Apr-20: -55.8% yoy).

Monthly footfall has recovered from a low of negative 56% yoy in April but remains down at negative 15% vs. Sep-19. Turnover growth in non-metropolitan areas has however rebounded, suggesting consumers are visiting less frequently but spending more per visit. Trading amongst restaurant tenants are still impacted due to restrictions in capacity and the government-imposed curfew at night.

The cost to income ratio of the sector has increased by 5.8% to 26.8% (Sep-20) following the drop in income due to rent free periods. Fixed costs increased by 13% due to an increase in security costs and a change in the property management fee structure.

The vacancy of the portfolio has increased to 5.6% (Mar-20: 1.4%) due to business failures, the most notable being Edcon. Non-metropolitan malls continue to be resilient with limited vacancies.

Leasing activity during the year has been very positive with 78% of space expiring during the period let with retention at an encouraging 84.1%, albeit at rental reversions of negative 14.0% mainly due to the regearing of the Massmart portfolio.

Edcon

The Fund is encouraged by the developments relating to the Edcon assets. Edcon was a tenant across 6 of the Fund's retail properties. In respect of the restructuring implemented by Edcon in June 2019, IPF elected to contribute to the restructure via the reduced rental option and had anticipated a reduction in rental income of approximately R9.8m commencing on 1 May 2019. As a result, Edcon constituted a nominal portion of the Fund's income, representing 0.9% of total SA revenue and 0.6% of Group revenue on a proportionally consolidated basis.

The sales will result in the closure of 1 out of 4 Edgars and 1 out of 6 Jet stores in the portfolio. Of the 18,700m^2 previously occupied by Edcon, 14,300m^2 of GLA will therefore be retained following the restructure. Closure and downsizing of stores will result in c.4,400m^2 of space becoming vacant.

South African investments

Izandla

IPF has a R292.6m investment in Izandla comprising a 35% equity interest (R15.3m), a convertible shareholder loan (R97.8m) and mezzanine loans (R179.5m). Cash interest income received on the shareholder and mezzanine loans are distributed by IPF, while non-cash interest is capitalised to the value of the loan and excluded from Group distributable earnings (i.e. not distributed). During the period, an agreement was reached with Izandla to convert the IPF convertible shareholder loan into a 3-year mezzanine facility effective from 1 October 2020.

The portfolio has proved resilient during the COVID-19 crisis with collections in April dropping to 78% with the onset of lockdown and increasing to in excess of 100% in September as Izandla begins to collect on deferral concessions previously agreed with tenants. Izandla has let 100% of space expiring in the period at a WALE of 4.1 years and average escalations of 7.2%.

There has been no further investment by IPF into the empowerment vehicle during the year.

PORTFOLIO REVIEW – OFFSHORE INVESTMENTS

Following the increase of IPF's interest in the PEL platform to 75%, and subsequent sell down of 10% to clients of Investec Wealth and Investment, c.50%[5] of the Fund's balance sheet is now comprised of offshore investments. Maintaining an appropriate level of offshore diversification, through platforms that IPF has the ability to control, remains a key strategic priority for the Fund given the ongoing challenging domestic operating environment. The timing of the increased investment into the PEL platform earlier in the year was beneficial with the onset of global lockdowns immediately thereafter. The impact of COVID-19 is expected to further enhance the investment case into Pan-European logistics with (i) the shift to on-line being fast tracked and (ii) occupiers shifting towards holding more stock and requiring additional warehousing space, a trend that was evidenced as the crisis unfolded. The logistics nature of the PEL platform contributed to the Fund's defensive nature and robustness through the COVID-19 volatility. This has also been bolstered by the PELI platform, which is also expected to benefit from the structural tailwinds in the sector. These benefits have already been demonstrated in the collection rates to date as both portfolios have achieved average rent collection levels of 98% through the COVID-19 lockdowns.

In addition to its European assets, IPF achieves geographical diversification through its investment in the UK Fund. This investment provides the Fund with optionality and has been strategically selected based on underlying asset quality, sound structural drivers and property fundamentals, and a skilled management team that possesses market knowledge and track record in the UK.

During the period, the Fund disposed of its minority interest in IAP to raise proceeds to de-gear the balance sheet. This recycling of capital enables IPF to focus resources on its UK and Pan-European strategies.

IAP (ASX and JSE listed investment)

The Fund disposed of its entire shareholding in IAP on 11 June 2020 by way of a private placement to institutional investors on the Australian Stock Exchange and Johannesburg Stock Exchange. The sale raised gross proceeds of R742m, enabling the Fund to exit the minority position at an attractive return and deploy the proceeds, net of costs, towards the de-gearing strategy. The Fund recognised investment income of R11.6m for the period prior to the disposal.

Pan-European logistics portfolio (unlisted investment)

Overview

The platform currently comprises 47 logistics and warehouse properties valued at c.€987 million (Mar-20: €987m), with total GLA of 1,131,730m^2 located across 7 European countries namely Germany, France, Netherlands (together comprising 62% of GLA), Italy, Spain, Poland, and Belgium. The investment also gives IPF an additional presence in Luxembourg, being the location of the holding companies and the operational centre of the platform.

The PEL portfolio features a strong and diverse tenant base across all regions with the largest component comprising international and national third-party logistics and storage/distribution tenants. Notable tenants include DHL, Kühne + Nagel, Pilkington / St. Gobain, Rhenus Logistics, XPO and Renault. Underpinned by a strong tenant base, and given the sector is expected to emerge as a beneficiary of the COVID-19 pandemic, the PEL portfolio was well-placed to weather the COVID-19 volatility and has continued to support overall Fund performance.

Corporate activity

In February 2020, the Fund increased its interest in the PEL-platform to 75% and gained joint control thereof, together with a strategic co-investor who acquired the balance of the 25% interest in the platform.

Effective from 30 September 2020, the Fund sold a 10% interest in the PEL platform to Pan-European Logistics Property Holdings Limited ("**PEL HoldCo**"), for an aggregate cash consideration of €40m. PEL HoldCo is a Mauritian-domiciled entity established for purposes of facilitating a passive investment into the PEL platform by various private clients of Investec Wealth & Investment. This sell down had always been envisioned as part of IPF's de-gearing flightpath. As such, the proceeds from the sale were utilised to settle existing EUR bridge facilities and further strengthen the balance sheet. IPF now holds a 65% economic interest in the PEL platform.

For the duration of the interim period, IPF maintained a 100% ownership interest in 2 Belgian properties, which were transferred into the PEL platform at acquisition value on 30 October 2020.

Financial performance

The portfolio continues to perform well, tracking in line with expectations. As expected, the impact of lockdown on the PEL portfolio was minimal, with high rent collection rates maintained through the period and tenant defaults remaining low.

The logistics portfolio delivered like-for-like NPI growth of 2.7% for the H1 FY21 trading period, driven by a reduction in base vacancy and positive letting activity but offset by an increase in non-recoverable maintenance costs. Net expenses remained well-controlled and in line with expectations. Overall NPI growth was 13.2% yoy driven by the acquisition of a further 11 properties between Mar-19 and Feb-20. The PEL portfolio delivered like-for-like[6] distributable earnings growth of 14.8%, driven by the acquisition of additional properties but offset by an increase in finance costs due to a higher cost of debt in the current period.

5 On a look-through basis.

6 FY19 finance costs restated to reflect similar quantum of debt as FY20 (i.e. including the €158m shareholder loan).

Portfolio performance

Vacancy was reduced to 4.4% at half-year end from 5.0% (Mar-20) driven by strong letting performance during the period. This excludes the recently completed Hoppegarten development (18,262m²) and 19,340m² of vacant space in one Belgian property that is covered by a rental guarantee. Including these, the vacancy at September is 7.6%.

The underlying tenant base proved resilient during the period with only two tenants in Germany and France falling into insolvency. These tenants occupy 28,960m² in aggregate and represent 2.9% of contracted income. While portions of this space have been re-let on interim short-term leases, leasing of the full space can only be concluded once vacant possession is received from the insolvency administrators. The Fund is already in discussions with prospective tenants for the space affected by the insolvency in Germany.

Portfolio WALE at Sep-20 was 4.2 years to expiry (Mar-20: 4.7 years) and 3.1 years to break (Mar-20: 3.6 years). The reduction reflects the impact of COVID-19 on consumer behaviour as many existing tenants had adopted a “wait-and-see approach”, electing to defer committing to longer term lease renewals and new tenants opting for shorter, rolling leases until there is more certainty in the trading environment.

Letting activity

Letting performance has been strong despite the tough lockdown conditions. The Fund has re-let:

- 73% of space expiring YTD at a positive reversion of 14.1% and 80% of space subject to break options during the period;
- 53% of space expiring in the full year at a positive reversion of 9.6% and 52% of space subject to break options during FY21; and
- 47% of opening vacancy

The lettings during the period added a WALE of 3.2 years to the portfolio

PEL letting activity:

YTD	Expiries & cancellations GLA	Renewals & new lets GLA	Gross expiry rental €/m²	Gross new rental €/m²	Rental reversion %	WALE Years	Incentive % lease value	Retention %
Germany	16,183	28,238	41.1	58.9	43.2%[1]	3.2	4.0%	28.5%
Netherlands	23,523	25,877	55.0	54.3	(1.3%)[2]	4.1	5.7%[2]	–
France	5,992	5,992	42.4	45.3	6.7%	0.2[3]	–	21.8%
Poland	3,665	2,850	56.2	59.2	5.4%	4.0	4.1%	100.0%
Belgium	15,572	22,530	35.7	36.9	3.5%	2.2	4.3%	–
Subtotal	**64,935**	**85,487**	**44.5**	**50.8**	**14.1%**	**3.2**	**4.5%**	**14.3%**
Opening vacancy	80,598	38,145						
Germany	16,441	12,067						
Netherlands	18,205	2,354						
France	771							
Poland	703							
Belgium	26,298	23,724						
Italy	18,180							
New development	18,674							
Total	**164,207**	**123,632**						

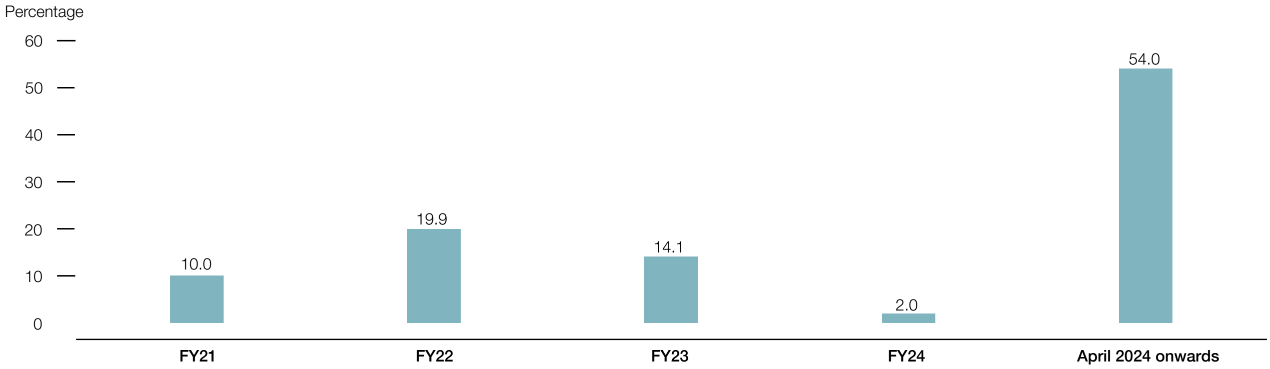
1. *Abnormal reversion due to strategic short-term leases. In addition, a new 10.5-year lease has been signed with a tenant for 21,160m² in Wetzlar, only a portion of which has commenced during the period at a significant reversion. The weighted average revision for this lease in respect of the full space is 18.0%.*
2. *Space leased to an existing tenant seeking more space. Agreed a rent of €53/m² which was consistent with their existing terms. In anticipation of them taking this space, it had been leased on a short-term basis in the interim at above market rentals, hence negative reversion. Higher incentive also offered to this tenant to take up the whole of Maasvlakte DC3 on a long-term lease for 5 years*
3. *Three units expired in Marseille with two of these subsequently re-let on short term lettings to existing tenants. These are being rolled over on a monthly basis in anticipation of the closing of ongoing insolvency proceedings in one of the units and obtaining vacant possession of this unit.*

Post half-year end, the Fund concluded a comprehensive letting arrangement with an existing tenant seeking additional space, The Rhenus Group, over 39,350m² of space, comprising:

- The recently completed Hoppegarten development (18,262m²) for a duration of 14 years;
- 4,900m² of warehouse space in the Hoppegarten asset for a duration of 10 years, which became vacant in Nov-20 following a tenant insolvency; and
- Lease extension for units currently occupied by the Rhenus Group (16,200m²) for a 10-year term

The lease terms achieved are near the top-end of market rentals, both in terms of lease duration and rental levels, and create significant value uplift for the PEL portfolio.

PEL lease expiry profile (by revenue)



Valuation

An independent valuation of the portfolio was undertaken during the period as a result of the debt refinancing and portfolio value was maintained.

Pan-European light industrial portfolio (unlisted investment)

In May 2019, IPF invested €10m to acquire a 25% interest, alongside funds managed by Ares Management Limited, in an unlisted portfolio of light industrial properties. A further €0.9m was deployed during the current period bringing the total deployment to €10.9m to date. Currently, the portfolio is valued at €126.2m and comprises 25 properties located across France, Germany and Netherlands with total GLA of 164,000m². The strategy seeks to benefit from growth of e-commerce across Europe and its expected impact on last mile logistics. Inclusive of the initial investment, IPF has committed a total of €64.5m into this light industrial platform which is expected to be deployed over the next two years. This investment is a relatively small one for IPF and represents 1% of the Fund's balance sheet.

As part of the acquisition of the initial portfolio, the platform had purchased 4 office properties which it had intended to dispose as these are non-core assets. One office property was disposed during the period at a passing yield of 6.1% and locking in a profit on sale of €2.7m (18% of acquisition price). UREP is in the process of marketing the remaining 3 office assets and currently noting good market interest on these. A further asset was acquired in the Netherlands for €3.6m with GLA of 13,427m² at an ERV yield of 11.2%.

The impact of lockdown on the light industrial portfolio has been minimal to date and the portfolio has maintained high rent collection rates and low arrears through the crisis. The portfolio generates contracted rent of €9.7m and has maintained strong metrics during the period, including:

- high portfolio occupancy of 92.8% (Mar-20: 90.4%); and
- improved WALE of 5.3 years (Mar-20: 5.1 years)

Letting activity during the lockdown period was slower, as expected, but has since recovered following the summer recess and easing of government lockdown restrictions from July onwards. Tenants have been more willing to commit to leases to secure well-located industrial space which is becoming a rare commodity due to a surge in demand, largely driven by the e-commerce sector. These positive sector fundamentals are evident in the valuation of the PELI portfolio, which has experienced a 2.2% capital uplift since March 2020.

Strong leasing performance from the PELI portfolio resulted in 37,600m² of space leased or renewed to date, and almost all concluded above expected rental assumptions and for longer durations. 76% of space expiring during the year has been re-let at positive average reversion of 19%.

United Kingdom (unlisted investment)

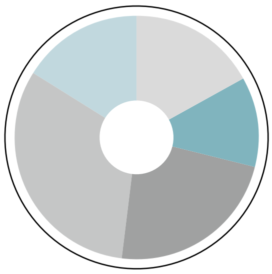
Overview

IPF has a 38% interest in the UK Fund, which is comprised of 14 properties with total GLA of 113,409m² and underpinned by a quality tenant base on long-dated leases. In addition to the core income properties, the portfolio includes core-plus properties that offer future value and upside potential through rental growth and active asset management initiatives. To date, the Fund has invested £52m into the UK Fund which represents a nominal c.4% of the total balance sheet. The investment provides IPF with optionality, should an opportunity arise to increase its exposure to the UK real estate market. There was no further investment into the UK Fund during the period.

The sectoral composition of the UK portfolio is set out below.

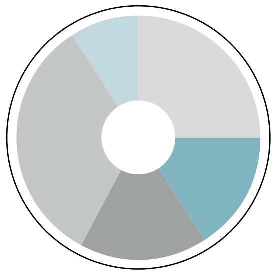
UK sectoral spread

Sectoral spread by revenue



17%	Multi-let industrial
12%	Urban logistics
23%	Last mile retail warehousing[1]
32%	Supermarket
16%	Convenience retail warehouse

Sectoral spread by asset value



25%	Multi-let industrial
16%	Urban logistics
17%	Last mile retail warehousing[1]
33%	Supermarket
9%	Convenience retail warehouse

1. *Assessing feasibility of converting these to industrial assets*

Corporate activity

The UK Fund maintains an active capital recycling programme, as a result of which, the fund disposed of the Kimberley Sainsbury supermarket in June 2020. The asset was sold for £22.3m (yield of 5.3%) locking in an attractive profit on sale of £2.3m. The proceeds of the disposal were used to reduce bank debt and fund capex across the remainder of the portfolio.

The second phase of the development at the Edmonton property was completed in March 2020 adding a further 7,440m² of GLA to the portfolio during the period. Of this, 5,006m² has already been let to two tenants, enhancing the WALE on this asset from 2.9 years to 6.1 years.

The UK Fund lost Go Outdoors, a retail tenant, to insolvency during the current period, resulting in a potential vacancy of 11,335m² across 3 last mile retail warehouse properties that were acquired in H2 FY20. The UK Fund is seeking to refurbish and re-purpose these assets to last mile urban industrial assets in order to capitalise on the strong industrial occupational market. This conversion is anticipated to take between 12-15 months but is expected to unlock better longer-term value from these assets.

Financial performance

The portfolio delivered a like-for-like NPI decline of negative 7.3% on the base portfolio primarily due to 2 tenant insolvencies towards the end of the previous financial year. The UK lockdown has stunted leasing activity in recent months, making existing vacancies and new space in the recently refurbished Edmonton property difficult to fill during the period. The balance of assets continues to perform well and there is likely to be a recovery in full year NPI growth as new lettings materialise.

Distributable earnings per share was down 35.5% yoy. The UK Fund did not declare a H2 FY20 dividend and this has therefore been excluded from Group earnings in the current period as a result. The UK Fund is unlikely to declare a distribution until such time as major leasing events have been concluded and the portfolio has returned to a stable state.

Portfolio performance

Overall vacancy is 16.8% (Mar-2020: 8.8%) due to the vacancies resulting from tenant insolvencies[7] and the Edmonton redevelopment coming online. This is expected to reduce to approximately 10% by the end of FY21, following the leasing up of space in the Hayes and Edmonton assets. The remaining 10% is attributable to the Go Outdoors vacancies, which properties are being assessed for conversion to industrial use.

The UK Fund has leased 45.8% of opening vacancy at a positive average reversion of 143% due to higher rentals charged following extensive refurbishment work at Edmonton[8]. Discussions are ongoing to let a further 24% of opening vacancy. No leases have expired to date during the current financial year.

Valuations

The UK portfolio was written down during the period by £10.8m (3.9%) as a result of write downs taken to reflect the current market and loss of income in the retail portfolio. The portfolio is currently valued at £267m (Mar-20: £278m).

7 11,335m^2 space occupied by Go Outdoors classified as vacant due to uncertainty around outcome of insolvency proceedings

8 Total refurbishment capex spend of £6.2m (29.4% of acquisition value)

CONCESSIONS AND COLLECTIONS

Through the lockdown period, IPF's management team devoted considerable time to engage with tenants, with a focus on providing adequate support to SMMEs through the volatility. Concessions were provided in the form of rental discounts, deferrals and changes to payment frequencies.

Rent concessions

South Africa:

During the half-year period, the Fund agreed R87m of rental relief to qualifying tenants equating to 5% of annual gross income. This relief was provided by way of rental discounts (62%) and rental deferrals (38%), with the discounts provided almost solely to SMME's, retail line shops and restaurants, being the tenant categories most severely affected during lockdown. Of the R55m of rental discounts provided, R12m related to relief provided to large national retailers based on guidelines proposed by the South African Property Industry Group. The majority of discounts to nationals, SMME's, line shops and restaurants have now been granted resulting in R44m aggregate income loss within the retail sector alone, and the Fund is not expecting any further material concession requests in SA.

The Fund also took the opportunity within the office and industrial sectors to grant discounts in exchange for lease extensions.

	Retail	**Office**	**Industrial**	**Total**
Rental discounts	R44m[1]	R9m	R2m	R55m
Deferral relief	R3m	R17m	R12m	R32m

1. *Comprises nationals (R11.6m), SMMEs (R9.2m), restaurants (R12.3m) and other retailers (R10.7m)*

Europe:

Deferrals of €0.6m were granted across the portfolio to qualifying tenants, representing 1.3% of annual contracted income. Further relief was provided to tenants by way of amendments to payment terms (i.e. from quarterly to monthly). Other concessions offered were in the form of bringing forward future rent-free periods and adjustments to payment periods. To date, €0.3m of deferrals have been recovered and the remainder expected to be fully recoverable in line with agreed timelines with each tenant. Limited rental discounts were provided.

Within the light industrial portfolio, deferred rental concessions of €45k were granted to only 3 tenants during the period with a €17k rent free concession granted to one tenant in exchange for a 5-year lease extension.

UK:

The UK Fund granted £130k of deferrals with only £90k of income loss arising from discounts granted. Government protection legislation in the UK has enabled some tenants to withhold rental payments during the suspension period which will result in lower collection rates over Q3 FY21. However, the majority of this is expected to be collected once the Government protection ends.

Rent collection

	% Collections (as % of contractual billings)						
Investment region	April	May	June	July	August	September	**Weighted average[1]**
South Africa	66%	78%	91%	97%	103%	107%	**90%**
– Collection of monthly billings	66%	67%	76%	79%	86%	88%	**77%**
– Overcollections[2]	–	11%	15%	18%	17%	19%	**13%**
Europe (logistics)	97%	96%	96%	100%	100%	98%	**98%**
UK	91%	86%	85%	88%	90%	89%	**88%**

[1] *Weighted by rent receivable*

[2] *Collections in excess of monthly billings i.e. recovery of arrears*

Despite the difficult trading environment, collection evidence has remained encouraging with increasing collections across all regions, now incorporating a recovery of previously deferred rent, demonstrating the resilient nature of the Fund's income profile.

Debtors and arrears

In SA, debtors (excluding those in legal proceedings) have increased from R47m (Mar-20) to R66m at Sep-20 mainly due to difficult trading conditions during lockdown. Of the c.R20m movement, R13.8m relates to concessions granted, comprising discounts of R2.5m and deferrals of R11.3m that are expected to be recovered. The Fund incurred R40m of write offs and fair value adjustments (Mar-20: R22.5m).

Total arrears within the PEL portfolio was €2.6m (Mar-20: €2.7m) of which €763k is provided for.

BALANCE SHEET AND RISK MANAGEMENT

IPF's financial position has been significantly enhanced during the period following completion of the de-gearing strategy and resultant reduction in debt. While this has been a critical focus area in recent months, management has also prioritised prudent cashflow management and liquidity preservation which were of paramount importance to weather the pandemic.

LTV and de-gearing flightpath

The Fund's de-gearing flightpath was completed during the period, with the execution of the below events:

- SA direct property disposals – R0.8bn of proceeds
- IAP sale – R0.7bn of proceeds
- Sale of 10% interest in PEL platform – consideration of €40m received
- Sale of Belgian assets into PEL platform (completed subsequent to half-year end)
- Refinancing of debt within PEL platform – completed post half-year end in mid-November and enabled settlement of c.€150m of IPF bridge loans

An aggregate quantum of R4.5bn was raised and used to settle debt, thus normalising gearing from 47.5% (Mar-20) to 43.8% at Sep-20. This was further reduced to the current 39.8% post the PEL refinancing and payment of H2 FY20 top-up dividend as set out below.

Action items	Rm	Impact on LTV
Reported gearing as at 30-Sep-20	**–**	**43.8%**
Payment of H2 FY20 Trance 1 dividend on 19-Oct-20	314	1.2%
Transfer of Belgium properties into PEL portfolio on 31-Oct-20	–	0.4%
PEL debt refinancing – settlement of c.€150m bridge debt in Nov-20	(2 857)	(6.6%)
Payment of H2 FY20 top-up dividend	240	1.0%
Stabilised gearing post flightpath		**39.8%**

Completion of the de-gearing flightpath has resulted in a significantly simplified and robust balance sheet, leaving the Fund in a healthy position going into H2 FY21.

Average all-in cost of funding at Group level was 6.5% at Sep-20 (Mar-20: 6.1%) excluding the bridge loans. The all-in funding cost per currency is set out below:

- ZAR: 9.3% (Mar-20: 8.9%)
- EUR: 1.9% (Mar-20: 2.0%)
- GBP: 2.2% (Mar-20: 2.2%)

Liquidity

Despite the impact of COVID-19 and the added burden of rental concessions granted, the Fund had no difficulty in meeting its financial obligations during the period.

The acquisition bridge facility of €205m was largely settled during the period following the PEL refinance, which resulted in c.€150m of the IPF shareholder loan being settled post period end. The remaining bridge of c.€55m is in discussions to be converted into term debt with a maturity of c.3 years.

Debt maturing over the next 12 months amounts to R1.4bn (excluding c.€55m of the acquisition bridge facility remaining post the PEL refinancing). R890m matures in December 2020 (comprising bank debt and corporate bond). The Fund has received credit approval from a consortium of 4 lenders on a R1.2bn term debt funding package to early refinance these upcoming maturities, with weighted average expiry of 4.3 years. The refinancing is at a margin of 2% above 3-month JIBAR and will introduce new lenders to support the growth of the Fund.

The below schedule illustrates the debt expiring in the next 12 months:

Type	Facility type	Amount drawn	Expiry date	Status
SOUTH AFRICA BALANCE SHEET				
Bank	Term	R300m	Dec 20	R1.2bn refinance credit approved: • 4 lenders • Weighted average expiry of 4.3 years • Margin of 1.97% above 3-month JIBAR • Retain relationships across lender stack • Anticipate flow of funds by mid-December
DMTN	Corporate Bond	R590m	Dec 20	
Bank	Term	R250m	Apr 21	
DMTN	Commercial paper	R80m	Feb 21	
DMTN	Commercial paper	R200m	Aug 21	
TOTAL		**R1.4bn**		
UK FUND BALANCE SHEET				
No debt expiring in next 12 months				
EUROPEAN PORTFOLIO BALANCE SHEET				
No debt expiring in next 12 months				

Balance sheet position

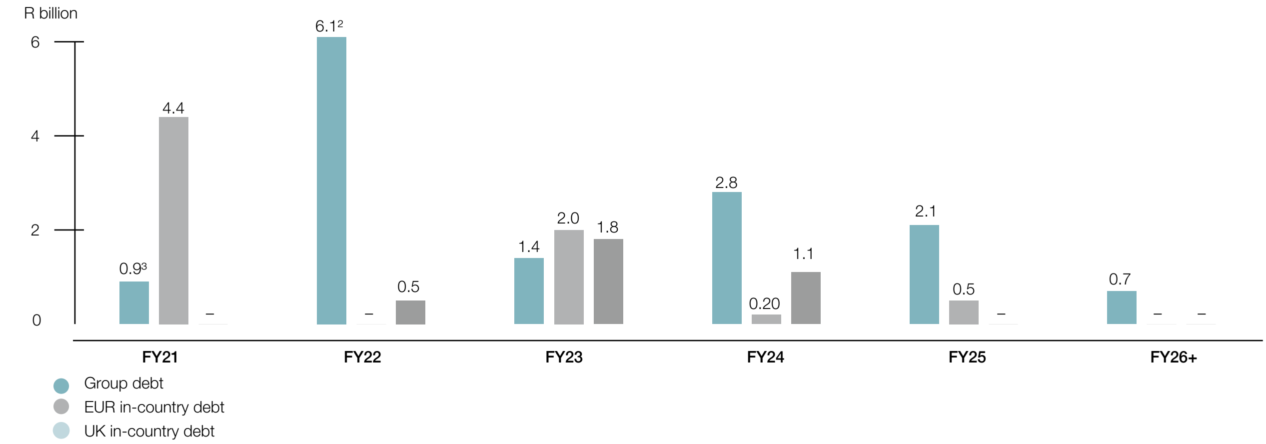
As at 30 September 2020	IPF Group	SA (ZAR debt)	Europe (post-refinance)	UK
Gearing %	**39.8%[1]**	**n/a**	**60%**	**54%**
Average all-in cost of funding	**6.5%**	**9.3%**	**2.3%**	**3.5%**
Average debt margin (local currency)	**1.9%**	**1.9%**	**2.3%**	**2.4%**
Average swap rate	**5.5%**	**7.5%**	**n/a[2]**	**1.5%**
Encumbrance ratio[3]	**32%**	**n/a**	**100%**	**100%**
% debt secured[4]	**49%**	**35%**	**100%**	**100%**
% Hedged – GBP investment[5]	**69%**	**n/a**	**n/a**	**n/a**
% Hedged – EUR investment[5]	**54%**	**n/a**	**n/a**	**n/a**

1. *Gearing post PEL refinancing and top-up dividend. Reported gearing at 30 September 2020 was 43.8%*
2. *The Fund is in the process of putting an interest rate cap in place, the final terms of which have yet to be finalised*
3. *Secured assets as a percentage of total investments. Excludes €205m bridge facility; if included, encumbrance ratio is 49%*
4. *Secured debt as a percentage of total debt facilities. Excludes bridge loan and 65% including bridge*
5. *As % of current balance sheet value; EUR hedged position is post sale of 10% interest and PEL refinance*

A summary of key metrics and activity as at 30 September 2020 is set out below:

- The Fund had c.R1.4bn of unutilized cash and / or facilities, which is sufficient to cover debt expiring in the next 12 months
- Group interest cover was 2.3x (Mar-20: 2.9x) at 30 September 2020 (against covenant of 2.0x) due to rental concessions granted and higher funding costs on the acquisition bridge loans. This is expected to return to c.2.8x by March 2021. The Fund and its investment entities remain within their interest cover and debt yield covenants in all regions and continues to monitor these metrics on a continual basis with a focus on reducing balance sheet risk and managing liquidity through the economic volatility.
  - Group NAV covenant of R7bn – currently at R13.9bn
  - UK – ICR's of 2.0x to 2.5x (covenant levels of 1.5x to 2.2x)
  - Europe – spot debt yields of 8.4% (against covenants of 6.75%)

Debt maturity profile[1]



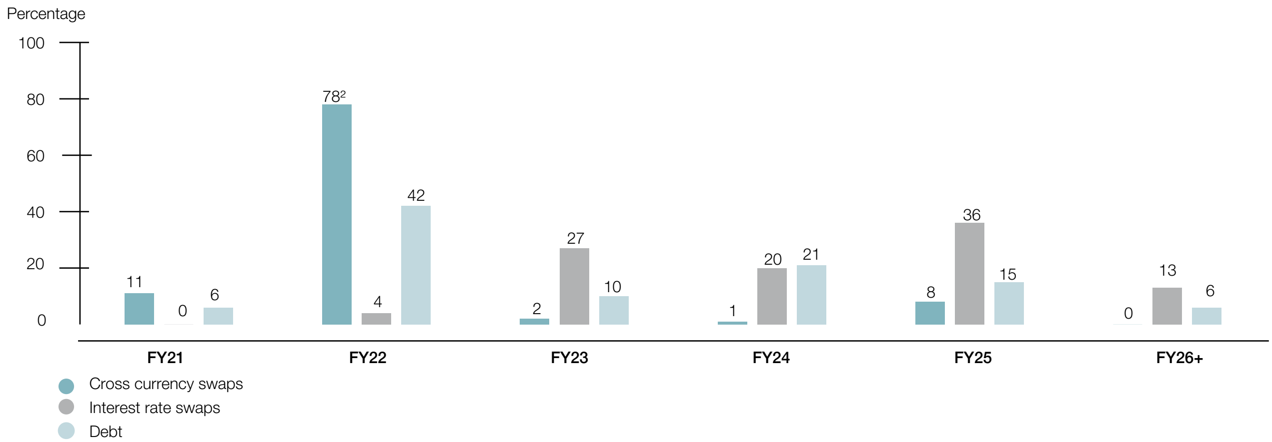
1. *By facility*
2. *Includes bridge loan of c.R3bn settled in November 2020 and further R1bn in discussions to extend for 3 years*
3. *Credit approval received to refinance*

The Fund's weighted average debt maturity is monitored across all platforms:

As at 30 September 2020	IPF Group[1]	SA (ZAR debt)	Europe (post-refinance)	UK
Debt maturity (years)	**3.1**	**2.5**	**5.0**	**2.0**
Swap maturity	**3.3**	**3.5**	**5.0**	**5.9**
Hedge percentage[2]	**97%**	**96%**	**100%**	**92%**

1. *Pro forma for debt and swaps post settlement of bridge debt*
2. *Hedged percentage post payment of H2 FY20 dividend*

Group debt and swap expiry (%)[1]



1. *Based on total facility*
2. *Includes bridge loan of c.R3bn settled after period end reducing this to 10% once the balance is termed out*

The Fund has previously achieved a strong corporate debt rating at A+ with an "evolving outlook" that was dependent on the Fund's ability to execute on its de-gearing flightpath. The Fund will now seek to review this rating post completion of the de-gearing flightpath.

The Fund's key focus areas over the next 12 months in terms of balance sheet management is to preserve liquidity in light of the current environment and conclude the refinancing of other debt maturing in December 2020 and Q1 FY21. Bolstering liquidity and maintaining and/or improving the Fund's credit rating remain ongoing focus areas.

SHAREHOLDING

At 30 September 2020, Investec Group, Coronation Fund Managers and GEPF are the only shareholders holding in excess of 5% of the Fund's total shares in issue.

Rank	Beneficial shareholder	As at 30 September 2020	As at 31 March 2020	Change
1	Investec Group*	**24.3%**	24.3%	–
2	Coronation Fund Managers	**11.5%**	8.5%	3.0%
3	Government Employees Pension Fund	**6.3%**	6.3%	(0.1%)
4	Ninety One	**4.2%**	5.1%	(0.9%)
5	STANLIB Asset Management	**3.6%**	3.7%	(0.1%)

* *includes Investec Limited and Investec Bank Limited.*

DIVIDEND

Pay-out ratio

In adapting the Fund to a persistently weak domestic environment where capital has become scarce, the Board has resolved to reduce the dividend payout ratio to between 90% to 95% going forward. This aligns IPF's policy with international market practice and provides a more efficient source of funding for maintenance capital expenditure.

FY20 top-up dividend

Per the SENS announcement released on 23 September 2020, IPF declared an initial H2 FY20 dividend of 39.05402 cps ("**Tranche 1 Dividend**") with the potential to declare a further top-up dividend in respect of the same period ("**Top-Up Dividend**"), subject to a sound operating environment, the conclusion of a successful refinancing of PEL debt and confirmation of the refinancing of debt maturing in December 2020. The Tranche 1 Dividend represented the minimum distribution (75%) required to retain REIT status.

Given the desired outcomes have since been achieved, the Board now believes it feasible to proceed with the declaration of the Top-Up Dividend, the ability to do so being reflective of the financial strength and operational resilience of the Fund through the recent market turbulence.

As such, the Fund hereby declares the Top-Up Dividend of 29.81552 cps (R240m) in respect of the year ended 30 March 2020, bringing the total dividend for the FY20 year to 139.78860 cps and reflecting a pay-out ratio of 95% of FY20 distributable earnings, which ensures optimal tax efficiency for the Fund and its shareholders.

Interim dividend

The further lockdowns in the foreign markets in which IPF is invested has created uncertainty in the operating environment, and there is a lack of clarity around the impact of this on the European portfolio. The Fund is confident of the performance of the European portfolio given the resilience exhibited during the first lockdown and its ability to maintain average collection rates of 98% through this. All things being equal, the Fund would expect a similar performance through the second wave however, the Board deems it prudent to maintain a cautious approach. As a result, the Board has resolved to defer the declaration of the H1 FY21 interim dividend until such time as there is greater stability and more visibility as to the duration and extent of the disruption.

Compliance with REIT regulations requires payment of a dividend within 4 months of the Fund's FY21 year end. Thus there is no adverse tax impact of delaying the interim distribution at this stage and the Fund intends to resume a regular dividend cycle as soon as the Board deems this prudent.

PROSPECTS AND GUIDANCE

Prospects

IPF has a solid asset mix that has exhibited resilience to date and has seen the Fund navigate the crisis with relative strength. It is however, expected to take time for performance to return to pre-COVID levels and a heightened likelihood of further tenant failures exists.

The short-term economic outlook in South Africa remains uncertain. Performance of the SA portfolio is expected to improve in H2 FY21 as no further material concessions are expected to be extended to tenants however, the weak economic state creates uncertainty. Leasing activity since the conclusion of lockdown has been encouraging but is expected to remain subdued given the economic downturn and tenants' reluctance to commit.

The Pan-European logistics platform has to date been impacted to a limited extent by COVID-19. However, the recent wave of lockdowns across Europe has re-introduced uncertainty. Improved performance was anticipated from the UK Fund in H2 driven by leasing activity, however this revival is now likely to be further delayed given the second UK lockdown.

IPF management continues to believe the Fund's highly diversified portfolio and logistics-focused platform will continue to hold the Fund in good stead. This, together with a stable balance sheet and strong liquidity position, leaves the Fund well-placed going into H2 FY21. However, given the renewed uncertainty in offshore markets, the Fund continues to withhold guidance in respect of its FY21 full year performance. This is anticipated to be provided when the Fund is able to better assess the full extent of the UK and European lockdowns on its financial performance.

Sam Hackner
Non-executive Chairman

Andrew Wooler and Darryl Mayers
Joint Chief executive officers

18 November 2020

BASIS OF ACCOUNTING

The reviewed interim condensed consolidated financial information for the period ended 30 September 2020 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 2020 are consistent with those adopted in the financial statements for the year ended 31 March 2020, other than the adoption of those standards that became effective in the current period. 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 interim condensed consolidated financial results, as set out on pages 3 to 24 of the reviewed interim condensed consolidated 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.

Investec Bank Limited
Company Secretary

18 November 2020

GLOSSARY

Term	Definition
Board	Board of directors of Investec Property Fund Limited
CCS	Cross currency swaps
CGT	Capital gains tax
Cps	Cents per share
Edcon	Edcon Holdings Limited
ERV	Estimated rental value
EV	Enterprise value
FEC	Foreign exchange contract
GAV	Gross asset value
GBF	General banking facility
Group revenue or gross income	Revenue from all investments aggregated on a proportionally consolidated basis
Group NOI	Group net operating income
HFS	Held for sale
IAP	Investec Australia Property Fund
Ingenuity or ING	Ingenuity Property Investments Limited
IPF or The Fund	Investec Property Fund Limited group including Investec Property Fund Limited and its subsidiaries, investments in joint-ventures and any other investments
IPFO	Investec Property Fund Offshore
IRS	Interest rate swaps
Izandla or Izandla Property Fund	Izandla Property Fund Proprietary Limited
Like for like	Measure of growth in base NPI and refers to comparison between the same portfolio of properties i.e. adjusted for properties acquired or disposed and on a gearing neutral basis
Manager	Investec Property Proprietary Limited, being the asset manager of IPF
MTM	Mark to market
NAV	Net asset value
NPI	Net property income
PEL	Pan-European logistics
PEL Co-investor	The strategic equity partner who was introduced for a 25% interest alongside IPF in the PEL platform
PELI	Pan-European light industrial
REIT	Real estate investment trust
SA	South Africa / South African
SMME's	Small, medium and micro enterprises
UK	United Kingdom
UK Fund	Nestor Investment Holdings Limited
UREP	Urban Real Estate Partners
WALE	Weighted average lease expiry
WAULT	Weighted average unexpired lease term
WHT	Withholding tax
Yoy	Year on year

Directors

S Hackner (*Chairman*)#*

SR Leon (*Deputy Chairman*)#

A Wooler *(Joint Chief executive officer)*

DJ Mayers *(Joint Chief executive officer)*

JC Sprenger *(Acting Chief financial officer)*

N Riley#

LLM Giuricich#

S Mahomed#*

CN Mashaba#*

MM Ngoasheng#*

KL 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