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Irongate Group consolidated financial statements prepared in accordance with the regulatory requirements under JSE Listings Requirements

Directors' responsibility statement

The directors of Irongate Funds Management Limited (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Irongate Group (**IAP** or **the Group**) are responsible for the preparation and fair presentation of the consolidated financial statements of the Group.

The consolidated financial statements comprise the:

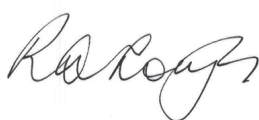
- consolidated statement of profit or loss and other comprehensive income for the period 3 September 2020 to 31 March 2021
- consolidated statement of financial position at 31 March 2021
- consolidated statement of changes in equity for the period 3 September 2020 to 31 March 2021
- consolidated statement of cash flows for the period 3 September 2020 to 31 March 2021
- notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes
- in accordance with International Financial Reporting Standards (**IFRS**), the constitution of the Funds, the JSE Listings Requirements and the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**).

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

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

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

The consolidated financial statements of the Fund, as identified in the first paragraph, were approved under authority of the board of the Responsible Entity on 5 May 2021 and are signed on their behalf by:



Richard Longes
Independent non-executive
chairperson

Dated at Sydney
5 May 2021



Graeme Katz
CEO

Dated at Sydney
5 May 2021

Directors' responsibility on financial controls

The directors, whose names are stated below, hereby confirm that:

- (a) the annual financial statements set out on pages 91 to 121, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having applied the combined assurance model pursuant to principle 15 of the King Code.

Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Signed by the CEO and the CFO



Graeme Katz
Chief Executive Officer

Dated at Sydney
5 May 2021



Kristie Lenton
Chief Financial Officer

Dated at Sydney
5 May 2021

Section 01

Section 02

Section 03

Section 04

Section 05

Section 06

Section 07

Report of the audit and risk committee

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

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

As the Group comprising Stapled Securities comprising Irongate Property Fund I and Irongate Property Fund II, who are both Australian registered managed investment schemes under the Corporations Act it has Australian reporting obligations. The Group is required to lodge audited Group consolidated financial statements and the consolidated financial statements of Irongate Property Fund I with the Australian Securities and Investments Commission. This is in addition to the Group's reporting obligations in South Africa. The Audit and Risk committee is satisfied that the Fund has discharged all of its reporting obligations in Australia and South Africa.

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

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

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

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

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

The Audit and Risk Committee is satisfied:

- its members have the requisite financial skills and experience to contribute to its deliberations
- with the independence and effectiveness of the external auditor, including the provision on non-audit services and compliance with the Group's policy in this regard
- the Responsible Entity has complied with the JSE Listings Requirements and the principles of the King IV Code applicable to the Group
- it considered and approved that audit fee payable to the external auditors in respect of the audit for the year ended 31 March 2021 as well as their terms of engagement and scope of the audit
- that the appointment of the external auditor is in compliance with the Corporations Act and the JSE Listings Requirements
- with the effectiveness of the internal audit function and that the system of internal financial control in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the consolidated financial statements
- with the expertise and experience of the chief financial officer and the overall adequacy and appropriateness of the finance function

The Audit and Risk Committee, having fulfilled the oversight role regarding the reporting process and the annual report, recommends for approval by the board of the Responsible Entity, the annual report and the consolidated financial statements for the year ended 31 March 2021.



Sally Herman
Chairperson

Dated at Sydney
5 May 2021

Directors' report

The directors of Irongate Funds Management Limited (formerly Investec Property Limited) (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Irongate Group (**IAP** or the **Group**), present their report together with the consolidated financial statements of the Group for the period from 3 September 2020 to 31 March 2021.

Irongate Group is a stapled group consisting of Irongate Property Fund I (**IPF I**) and Irongate Property Fund II (**IPF II**). The financial statements of the Group comprise IPF I, IPF II and their respective controlled entities. IPF I and IPF II are both managed investment schemes in Australia under the *Corporations Act 2001* (Cth) and are subject to regulatory oversight by the Australian Securities and Investments Commission.

IPF II was established on 3 September 2020 and stapled to IPF I on 27 November 2020. The implementation date of the management internalisation¹ was 30 November 2020 prior to which the Group was known as Investec Australia Property Fund. Effective 7 December 2020, Investec Australia Property Fund changed its name to IPF I and Investec Australia Property Fund II changed its name to IPF II. Refer to *Significant changes in state of affairs* for further details.

IPF I was listed on the exchange operated by JSE Limited (**JSE**) on 23 October 2013, was listed on the exchange operated by ASX Limited (**ASX**) on 28 May 2019 and following this was dual primary listed on the ASX and JSE. Following the stapling of IPF I and IPF II, the Group continues to be dual primary listed on the ASX and JSE. The security code on both the JSE and the ASX is IAP and the ISIN is AU0000046005. Securities in IPF I and IPF II are quoted on both the JSE and the ASX and can be moved between the South African sub-register and the Australian sub-register. Securityholders can elect where their securities are traded by holding their security on either the South African sub-register or the Australian sub-register.

Directors of the Responsible Entity

The following persons were directors of the Responsible Entity during the period from 3 September 2020 up to the date of the annual report, unless otherwise stated:

Richard Longes	Independent non-executive chairperson
Sally Herman	Lead independent non-executive director and chairperson of the audit and risk committee of the board of the Responsible Entity (Audit and Risk Committee)
Georgina Lynch	Independent non-executive director
Stephen Koseff	Non-executive director
Graeme Katz	Executive director
Hugh Martin	Independent non-executive director (resigned 30 November 2020)
Sam Leon	Non-executive director (resigned 30 November 2020)

Directors of the Manager

The following persons were directors of Irongate Property Management Pty Limited (formerly Investec Property Management Pty Limited) (**Manager**) during the period from 3 September 2020 up to the date of the annual report:

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

Company secretary

The company secretary for the period 3 September 2020 up to the date of the annual report was Lucy Spenceley.

Principal activities

As a result of the internalisation transaction effective 30 November 2020, the principal activities of the Group have diversified. In addition to investing in real estate assets, the Group has taken the first step towards growing its third-party capital and wholesale funds management business with the acquisition of the management rights of IPF I and becoming the manager of a fund comprised of Templewater Australia Property I L.P., Templewater Australia Property Fund I Head Trust and various sub trusts that have been established (or may be established from time to time) (**TAP**). The Group undertakes investment and asset management services as part of the broadening of the principal activities associated with the internalisation transaction.

Group objectives and investment philosophy

The Group's strategy is to invest in office, industrial and retail properties in major metropolitan cities or established commercial precincts in Australia and New Zealand. As a result of the internalisation transaction, IPF II provides investment and asset management services as part of a combined economic group consolidated with IPF I. The Group also provides investment and asset management services in relation to TAP.

The objectives of the Group are to:

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

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

Review of operations

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

1. A management internalisation is a transaction where a fund's unitholders acquire the externally owned responsible entity (and other related management entities) that operate and manage the fund.

Directors' report

Continued

Financial result

For accounting purposes, IPF II has been identified as the parent of the consolidated group. IPF II was established on 3 September 2020 in preparation for the internalisation of the management function. IPF II was dormant between the date of establishment and the implementation date of 30 November 2020. The consolidation of IPF II and IPF I became effective on 30 November 2020 which is the implementation date of the internalisation transaction. The following table summarises the statutory profit for the period 3 September 2020 to 31 March 2021.

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Total revenue and other income	32,224
Total expenses	(21,952)
Net operating income	10,272
Fair value adjustments	97,510
Profit before tax	107,782
Income tax benefits	2,957
Profit after tax	110,739

As at 31 March 2021, the Group's net tangible assets attributable to securityholders was A\$1.43 per security.

The below tables and analysis outline the Group results for the year 1 April 2020 to 31 March 2021 compared to the pro forma forecast outlined in the Explanatory Memorandum (EM) associated with the internalisation of the management function.

A\$'000	IPF I REVIEWED SIX MONTHS TO 30 SEPTEMBER 2020	IPF I 1 OCTOBER 2020 TO 29 NOVEMBER 2020	IRONGATE GROUP AUDITED RESULTS FOR THE PERIOD 3 SEPTEMBER 2020 TO 31 MARCH 2021	12 MONTH COMBINED RESULTS FOR THE YEAR 1 APRIL 2020 TO 31 MARCH 2021
	1	2	3	
Total revenue	45,207	15,824	32,224	93,255
Total expenses	(17,640)	(5,950)	(21,952)	(45,542)
Net operating income	27,567	9,874	10,272	47,713
Fair value adjustments/ (cost on sale of property)	10,777	441	97,510	108,728
Net profit pre tax	38,344	10,315	107,782	156,441
Net profit post tax	38,344	10,315	110,739	159,398
Basic and diluted earnings per security (cents)	6.27		18.12	26.08
Basic and diluted headline earnings per security (cents)	3.23		2.07	7.68
Distribution (cps)	4.39		4.53	8.92

1. IPF I (then known as Investec Australia Property Fund) reviewed interim results for the six months to 30 September 2020. These can be viewed on the Group's website at irongategroup.com.au.
2. The results of IPF I for the period 1 October 2020 to 29 November 2020, prior to the implementation of the internalisation transaction and consolidation of IPF II and IPF I.
3. Irongate Group is a stapled group consisting of IPF I and IPF II. IPF II was established on 3 September 2020. For accounting purposes, IPF II has been identified as the parent of the consolidated group. IPF II was established on 3 September 2020 in preparation for the internalisation of the management function. IPF II was dormant between the date of establishment and the implementation date of 30 November 2020. The consolidation of IPF II and IPF I became effective on 30 November 2020 which was the implementation date of the internalisation transaction.

The below table compares the combined 12 month results of the Group to the forecast disclosed in the EM associated with the internalisation transaction.

A\$'000	12 MONTH COMBINED RESULTS FOR THE YEAR 1 APRIL 2020 TO 31 MARCH 2021	FY21 GROUP PRO FORMA	VARIANCE
Total revenue	93,255	95,155	(2%)
Total expenses	(45,541)	(47,599)	(4%)
Net operating income	47,714	47,556	0%
Fair value adjustments/(cost on sale of property)	108,728	(6,940)	(1667%)
Net profit pre tax	156,442	40,615	285%
Net profit post tax	159,398	40,615	292%
Basic and diluted earnings per security (cents)	26.08	6.64	292%
Basic and diluted headline earnings per security (cents)	7.68	6.95	10%
Distribution (cps)	8.92	8.85	1%

The key financial indicators for the Group when comparing the pro forma forecast in the EM to the 12 month combined results are net operating income and the distributions declared/paid for the period 1 April 2020 to 31 March 2021. The net operating income for the Group's combined results is in line with the net operating income outlined in the pro forma forecast in the EM. The Group's distributions declared/paid for the full year of 8.92 cps are in line with the pro forma distributions disclosed in the EM. The variance of basic and diluted earnings per security is largely the result of the fair value assessment on the Group's investment property portfolio, which as outlined below was not forecasted in the EM.

The fair value adjustments variance for the 12 month combined results is greater than 10% to the pro forma disclosed in the EM as a result of the Group not forecasting additional fair value adjustments in the Group's investment properties at the time the forecast in the EM was prepared. At the time of preparing the forecast for the EM there was not enough information to support the inclusion of a forecast of the expected fair value of the investment property portfolio as at 31 March 2021. The fair value assessment process undertaken for reporting the group results as at 31 March 2021 factored in the market movements since the time the forecast in the EM was released in October 2020. The detailed process and outcome of the fair value assessment process can be seen in Note 12 to the financial statements.

Interests of the Responsible Entity

Prior to the internalisation transaction, the Responsible Entity had delegated the management of IPF I to the Manager, which was a wholly owned subsidiary of Investec Group (comprising Investec Limited and Investec plc, being the head entities of the dual listed companies structure, and each of their subsidiaries (**Investec Group**)). The Responsible Entity was not paid fees during the year. The following fees were paid to the Manager for the period up to the date of the internalisation transaction on 30 November 2020. These fees are not reflected in the statement profit or loss and other comprehensive income but it is reflected in the net assets of IPF I upon the stapling. Following the internalisation, the fees are paid to a controlled entity of IPF II and are eliminated on consolidation of the Group.

A\$	2021
Asset management fee	3,808,008
Property management fee	1,135,884

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

	2021
Investec Bank Limited	-

During the period, Investec Bank Limited sold its investment in the Group.

Directors' report

Continued

Property portfolio

A detailed review of the property portfolio is included from page 9 of the annual report. Note 12 to the consolidated financial statements describes the basis for determining fair value of the Group's properties.

Outlook and guidance

The Group is targeting distribution growth of between 2% and 3% for FY2022, with the higher end of the range dependent on securing additional commitments and deployment for TAP. The Group's policy is to pay out between 80% and 100% of FFO, with an expectation for FY2022 to be in the middle of the target range.

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

Subsequent events to reporting date

On 19 April 2021 the Group announced that it had entered into agreements to acquire two industrial facilities on a fund-through basis, being 57–83 Mudgee Street, Kingston QLD for a total land consideration of A\$3.1 million which is expected to be completed in December 2021 and Lot 24 Dunhill Crescent, Morningside QLD for a total land consideration of A\$1.3 million which is expected to be completed in November 2021.

The Group is committed to invest up to A\$30.0 million in TAP representing 21.4% of the total equity of TAP (current committed equity of A\$140 million). At 31 March 2021, A\$6.5 million had been contributed. On 19 April 2021, the Group invested an additional A\$9.7 million bringing the total investment to A\$16.2 million.

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

Significant changes in state of affairs

An implementation deed between Investec Group and the Responsible Entity was executed on 15 October 2020, providing a clear framework for the internalisation of management to the Group which was ultimately approved by securityholders on 17 November 2020, and completed on 30 November 2020. In connection with the internalisation transaction, the Group paid A\$40 million to Investec Group and related expenses totalling approximately A\$7.7 million were incurred. None of these non-recurring costs form part of distributable earnings.

There were no other significant changes in the state of affairs of the Group that occurred during the period.

Directors' interest in securities

The directors' interest in securities is set out in Note 23 to the consolidated financial statements.

Directors' remuneration

Directors' remuneration is set out in the remuneration report on page 32 of the annual report, for the purpose of meeting the requirements of the JSE Listing Rules.

Contracts with directors

Post the internalisation transaction on 30 November 2020, the Group has put in place contracts with the directors of the Responsible Entity and the employees of the Manager. The details are set out in the remuneration report (which has not been audited) on page 32 of the annual report.

Corporate governance

The Group's corporate governance framework is set out from page 24 of the annual report.

Audit and Risk Committee

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

Auditor

KPMG has been appointed by the Responsible Entity as auditor of the Group.

Subsidiaries

The Group has a number of wholly-owned trusts which hold the Group's property assets. Details of subsidiaries are set out in Note 24 to the consolidated financial statements.

Major securityholders

The Group's major securityholders are set out on page 124 of the annual report.

Insurance and indemnification of officers and auditors

The Group has paid premiums in respect of a contract insuring all directors and officers of the Group and its related entities against certain liabilities incurred in that capacity. The insurance policies cover former directors and officers of the Responsible Entity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

The Responsible Entity has entered a deed of indemnity with each of its directors, Graeme Katz (Chief Executive Officer), Kristie Lenton (Chief Financial Officer), Zach McHerron (Fund Manager), Adam Broder (Third Party Capital) and Lucy Spenceley (Company Secretary) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Group and its related entities. The deeds also require the Group to grant the indemnified person with access to certain Group documents and insure the indemnified persons.

In addition, the Group's and the Responsible Entity's constitutions provide for the indemnity of officers of the Group/Responsible Entity or its related bodies corporate from liability incurred by a person in that capacity.

No indemnity payment has been made under any of the documents referred to above during, or since the end of, the financial year.

The Group has not during or since the end of the financial year indemnified or agreed to indemnify an auditor of the Group or of any related body corporate against a liability incurred in their capacity as an auditor.

Provision for non-audit service by auditor

The Group may decide to employ the auditor, KPMG, on assignments in addition to their statutory audit duties. Details of the amounts paid to the auditor, which includes the amounts paid for non-audit services and other assurance services, are set out in Note 27 to the consolidated financial statements.

Directors have considered the non-audit services and other assurance services provided by the auditor during the financial year. In accordance with advice received from the Audit and Risk Committee, the directors are satisfied that the provision of non-audit services is compatible with, and did not compromise, the general standard of auditor independence imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as specified by the Independent Regulatory Board for Auditors

Environmental regulation

As a landlord, the operations of the Group are subject to a range of environmental laws and regulations under Commonwealth, State and Territory law. However, the leases attaching to the majority of the properties owned by the Group require the tenant to use reasonable endeavours to prevent contamination at each site and indemnify the Group for any contamination caused by their operations.

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

Rounding off

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

Additional financial report

As a result of the Group being dual primary listed on both the JSE and ASX, the Group's financial report for the year ended 31 March 2021 is required to be audited by auditors in both Australia and South Africa to meet the regulatory requirements in both jurisdictions. Due to the varying reporting requirements in Australia and South Africa, two sets of consolidated financial statements have been prepared, where the differences in the two are largely presentation driven. Both copies of the consolidated financial statements are included in the annual report.

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



Richard Longes
Independent non-executive
chairperson

5 May 2021



Graeme Katz
CEO

5 May 2021



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Independent Auditor's Report

To the stapled securityholders of Irongate Group

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Irongate Group (the stapled group) set out on pages 91 to 121, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, segmental analysis and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Irongate Group as at 31 March 2021, and its consolidated financial performance and consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the stapled group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Valuation of investment properties	
Refer to accounting policy note 1.10 and note 12 to the consolidated financial statements	
Key audit matter	How the matter was addressed in our audit
The valuation of investment property (A\$1 225 million) is a key audit matter as investment property represents a significant asset on the consolidated statement of financial position at year end. The properties being valued at fair value increased the judgement applied by us when evaluating evidence available in light of the COVID-19 pandemic. The stapled group approached the uncertainty risk using internal methodologies and the use of external valuation experts. We focused on the significant forward-looking assumptions the stapled group applied in external and internal valuation models with particular considerations to the impact of COVID-19 including: - discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; - capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and - forecast cash flows including market rental income and leasing assumptions. Due to the significant judgement and assumptions applied by the directors, the involvement of external experts, the significance of the balance and the work effort from the audit team, the valuation of investment property was considered a key audit matter.	Our audit procedures included the following: - We assessed the stapled group's process regarding the valuation of investment property, including specific considerations of the impact of COVID-19; - We assessed the stapled group's methodologies used in the valuations of investment property for consistency with accounting standards and the stapled group policies; - We assessed the scope, competence and objectivity of external experts engaged by the stapled group and internal valuers; - For the total portfolio, taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates and market rental income through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the stapled group and historical performance of the investment properties; - We assessed the appropriateness of the stapled group's leasing assumptions against each property's actual rental income, weighted average lease expiry and actual vacancy levels; - We agreed a sample of actual rental income, weighted average lease expiries and vacancy levels within both internal and external valuations to tenancy schedules as per lease agreements; - We assessed the disclosures in the consolidated financial statements including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standards requirements. This was considered in light of the impact of COVID-19 on the portfolio.



Accounting for the management internalisation transaction and stapling arrangement	
Refer to notes 2, 14, 18 and 19 of the consolidated financial statements	
Key audit matter	How the matter was addressed in our audit
On 30 November 2020, the group completed the management internalisation proposal and established the Irongate stapled group consisting of IPF II (incorporated on 3 September 2020) and IPF I. The stapled group was formed by IPF I making a capital distribution of A\$46million to its unitholders which was reinvested in IPF II as contributed equity. IPF II then acquired the management right platform from Investec Group for a total consideration of A\$40million. Accounting for the management internalisation transaction and stapling arrangement is a key audit matter given the complexities involved with the transaction including the accounting treatment as an asset acquisition, the newly formed stapled entity structure (Irongate stapled group), tax implications and related disclosures. This required involvement of more senior audit personnel and our technical, valuation and tax specialists.	Our audit procedures included the following: • We reviewed the executed Implementation Deed and other key contractual arrangements governing the transaction; • Assessed the underlying documents regarding the satisfaction of the conditions precedent of the Implementation Deed on completion, including unitholder approval, regulatory approvals, third party consents obtained, and restructure steps completed to their corresponding record; • Assessed, in conjunction with our technical specialists, management's accounting treatment of the transaction as an asset acquisition or a business combination. This involved assessing the terms of the Implementation Deed, obtained by reading and interpreting the clauses within, against the criteria in the relevant accounting standards; • Assessed, in conjunction with our valuation specialists, the management rights assets acquired at fair value by evaluating the key assumptions, such as forecast EBITDA, against recent management fee income and related operating expenses, and the market multiple against comparable entities. • Using our internal tax specialists: (a) assessed the tax implications of the newly formed stapled structure and IPF II, through evaluating relevant tax legislation and rulings compared to the terms of the Implementation Deed and our knowledge of the precedents; • Assessed the appropriateness of the financial statements disclosures, using our understanding obtained from our testing and against accounting standard requirements.



Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Irongate Group Annual Report 2021| Integrated annual report and consolidated financial Statements". The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the stapled group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and



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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

KPMG Inc.

Registered Audit

Per Tracy Middlemiss

Registered Auditor

Chartered Accountant (SA)

Director

5 May 2021

Consolidated statement of profit or loss and other comprehensive income

For the period from 3 September 2020 to 31 March 2021

A\$'000	NOTE	3 SEPTEMBER 2020 TO 31 MARCH 2021
Property revenue	3	31,692
Interest income		12
Other income		1,227
Share of equity accounted profit/(loss)	15	(707)
Total revenue and other income		32,224
Property expenses	4	(7,330)
Finance costs	8	(3,017)
Other expenses	5	(3,890)
Transaction costs	6	(7,715)
Total expenses		(21,952)
Fair value adjustments	7	97,510
Profit before tax		107,782
Income tax benefits	9	2,957
Profit after tax		110,739
Total comprehensive income attributable to:		
Owners of the group		(7,395)
Non-controlling interests		118,134
Total comprehensive income attributable		110,739
Basic and diluted earnings per security—Group (cents)	11	18.12

The Notes on pages 98 to 121 are an integral part of these consolidated financial statements.

Section 01

Section 02

Section 03

Section 04

Section 05

Section 06

Section 07

Consolidated statement of financial position

As at 31 March 2021

A\$'000	NOTES	2021
ASSETS		
Non-current assets		1,285,909
Investment properties	12	1,225,356
Investment property under development	13	11,600
Property, plant and equipment		661
Intangible assets	14	39,528
Equity accounted investments	15	5,807
Deferred tax assets	9	2,957
Current assets		13,067
Cash and cash equivalents	17	7,405
Receivables and other assets	16	5,662
Total assets		1,298,976
EQUITY AND LIABILITIES		
Equity		913,033
Contributed equity—owners of the group	18	46,723
Retained earnings—owners of the group		(7,395)
Non-controlling interests	19	873,705
Non-current liabilities		348,925
Long-term borrowings	20	339,063
Trade and other payables	21	9,026
Financial instruments held at fair value		836
Current liabilities		37,018
Trade and other payables	21	9,322
Distributions payable	10	27,696
Total equity and liabilities		1,298,976
Number of securities in issue—Group ('000)		611,298
Weighted average number of securities in issue—Group ('000)		611,298
Net tangible asset value per security—Group (A\$) ¹		1.43

The Notes on pages 98 to 121 are an integral part of these consolidated financial statements.

1. Net tangible asset value per security is calculated by dividing net tangible assets by the number of securities in issue.

Consolidated statement of changes in equity

For the period from 3 September 2020 to 31 March 2021

A\$'000	OWNERS OF THE GROUP			NON-CONTROLLING INTEREST	TOTAL
	CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL		
Balance as at 3 September 2020	–	–	–	–	–
Issue of capital	46,723	–	46,723	–	46,723
Net Assets of IPF I on stapling to IPF II	–	–	–	783,267	783,267
Total comprehensive income attributable to securityholders 3 September 2020 to 31 March 2021	–	(7,395)	(7,395)	118,134	110,739
Distributions paid/payable to ordinary securityholders	–	–	–	(27,696)	(27,696)
Balance at 31 March 2021	46,723	(7,395)	39,328	873,705	913,033

The Notes on pages 98 to 121 are an integral part of these consolidated financial statements.

Section 01

Section 02

Section 03

Section 04

Section 05

Section 06

Section 07

Consolidated statement of cash flows

For the period 3 September 2020 to 31 March 2021

A\$'000	NOTES	2021
Cash flows from operating activities		
Rental income received		31,414
Other income received		785
Property expenses		(5,479)
Operating expenses		(4,055)
Cash generated from operations		22,665
Finance income received		12
Finance costs paid		(3,923)
Distribution paid to securityholders		(26,832)
Net cash (used in) operating activities	22	(8,078)
Cash flows (used in) investing activities		
Investment property acquired		(24,750)
Investment property under development acquired		(3,886)
Acquisition costs and capital expenditure—investment properties		(4,369)
Acquisition cost and capital expenditure—investment property under development		(4,698)
Management rights platform acquired		(40,000)
Transaction cost on management internalisation		(7,715)
Cash balance of IPF I on stapling to IPF II		40,008
Equity accounted investment acquired		(6,514)
Net cash outflow used in investing activities		(51,924)
Cash flows from financing activities		
Borrowings raised		71,907
Repayment of loans		(4,500)
Net cash inflow from financing activities		67,407
Net increase in cash and cash equivalents		7,405
Cash and cash equivalents at beginning of the period		—
Cash and cash equivalents at end of the period		7,405

The Notes on pages 98 to 121 are an integral part of these consolidated financial statements.

Segmental analysis

The Group has determined the reportable segments to be on three separate segments, being office assets, industrial assets, and property funds management:

1. The Group's investment properties are made up of office and industrial assets. This is the first segment basis determined to be relevant to report and is consistent with the sectoral spread disclosure of the portfolio in the Group's property landscape (refer to Section 1 of the Annual Report—Overview).
2. The Group's investment properties are geographically spread over the states of Australia and New Zealand. These disclosures are consistent with the geographical spread disclosure of the portfolio in the Group's property landscape (refer to Section 1 of the Annual Report—Overview).
3. The property funds management segment comprises investment management services and property management services.

The primary measure of performance of each operating segment is net property and other income.

The Group's operating segment results are reported monthly to the Group's chief executive officer, who is the chief operating decision maker.

A\$'000	OFFICE	INDUSTRIAL	PROPERTY FUNDS MANAGEMENT	TOTAL
Statement of profit or loss and other comprehensive income for the period 3 September 2020 to 31 March 2021				
Revenue from external customers, excluding straight-line rental revenue adjustment	21,657	9,527	–	31,184
Straight-line rental revenue adjustment	253	255	–	508
Property revenue	21,910	9,782	–	31,692
Property expenses	(5,946)	(1,384)	–	(7,330)
Net property income	15,964	8,398	–	24,362
Fair value adjustments—investment properties	45,255	49,104	–	94,359
Fair value adjustments—Investment property under development	–	3,016	–	3,016
Fair value adjustments—foreign currency revaluation	(4,864)	–	–	(4,864)
Share of equity accounted losses	–	–	(707)	(707)
Total segment results	56,355	60,518	(707)	116,166
Other expenses				(3,890)
Transaction costs				(7,715)
Fair value adjustment on interest rate swaps				3,360
Fair value adjustment on foreign currency				1,639
Finance costs				(3,017)
Finance income				12
Other income				1,227
Profit before tax for the period 3 September 2020 to 31 March 2021				107,782

Statement of financial position extract at 31 March 2021				
Investment properties at 31 March 2021	819,856	405,500	–	1,225,356
Investment property under development at 31 March 2021	–	11,600	–	11,600
Equity accounted investments at 31 March 2021	–	–	5,807	5,807
Intangible assets	–	–	39,528	39,528
Other assets not managed on a segmental basis				16,685
Total assets as at 31 March 2021				1,298,976

Segmental analysis

Continued

A\$'000	VICTORIA	QUEENSLAND	SOUTH AUSTRALIA
Statement of profit or loss and other comprehensive income for the period 3 September 2020 to 31 March 2021			
Revenue from external customers, excluding straight-line rental revenue adjustment	5,169	2,964	1,056
Straight-line rental revenue adjustment	155	10	(37)
Revenue	5,324	2,974	1,019
Property expenses	(1,098)	(1,261)	(98)
Net property income	4,226	1,713	921
Fair value adjustments–investment properties	22,529	117	3,387
Fair value adjustments–Investment property under development	–	3,016	–
Fair value adjustments–foreign currency revaluation	–	–	–
Share of equity accounted losses	–	–	–
Total segment results	26,755	4,846	4,308
Other expenses			
Transaction costs	–	–	–
Fair value adjustment on interest rate swaps			
Fair value adjustment on foreign currency			
Finance costs			
Finance income			
Other income			
Profit before tax for the period 3 September 2020 to 31 March 2021			
Statement of financial position extracts at 31 March 2021			
Investment properties at 31 March 2021	227,750	149,750	37,750
Investment property under development at 31 March 2021	–	11,600	–
Equity accounted investments at 31 March 2021	–	–	–
Intangible assets	–	–	–
Other assets not managed on a segmental basis			
Total assets as at 31 March 2021			

WESTERN AUSTRALIA	NEW SOUTH WALES	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY	NEW ZEALAND	PROPERTY FUNDS MANAGEMENT	TOTAL
1,667	12,100	3,112	902	4,214	-	31,184
79	273	(108)	62	74	-	508
1,746	12,373	3,004	964	4,288	-	31,692
(276)	(2,470)	(450)	(54)	(1,623)	-	(7,330)
1,470	9,903	2,554	910	2,665	-	24,362
5,318	40,580	9,950	238	12,240	-	94,359
-	-	-	-	-	-	3,016
-	-	-	-	(4,864)	-	(4,864)
-	-	-	-	-	(707)	(707)
6,788	50,483	12,504	1,148	10,041	(707)	116,166
						(3,890)
-	-	-	-	-	-	(7,715)
						3,360
						1,639
						(3,017)
						12
						1,227
						107,782
63,000	466,750	107,350	29,400	143,606	-	1,225,356
-	-	-	-	-	-	11,600
-	-	-	-	-	5,807	5,807
-	-	-	-	-	39,528	39,528
						16,685
						1,298,976

Section 01

Section 02

Section 03

Section 04

Section 05

Section 06

Section 07

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021

Corporate information

Irongate Group was formed by stapling of two entities: Irongate Property Fund II (**IPF II**) (formerly Investec Australia Property Fund II) and Irongate Property Fund I (**IPF I** or the **Trust**) (formerly Investec Australia Property Fund) which are collectively referred to as Irongate Group (the **Group** or **IAP**).

IPF II was established on 3 September 2020 and stapled to IPF I on 27 November 2020. The implementation date of the management internalisation was 30 November 2020 prior to which the Group was known as Investec Australia Property Fund. Effective 7 December 2020, Investec Australia Property Fund changed its name to IPF I and Investec Australia Property Fund II changed its name to IPF II.

The financial report of the Group for the period from 3 September 2020 to 31 March 2021 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 5 May 2021.

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

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

The registered office of the Responsible Entity is located at:
Level 13, 95 Pitt Street
Sydney NSW 2000 Australia

Working capital management

The Group utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Group will draw this cash back from the debt facility in order to pay the final distribution in June 2021. This results in the most efficient use of the Group's cash flows.

Going concern

The financial statements have been prepared on a going concern basis. The Board have considered the impacts of the COVID-19 pandemic on the tenants in the Groups' investment properties, investments, debt and capital markets, investment property valuations and the broader economic environment and concluded none of these represent material uncertainty that may cast doubt upon the Groups' ability to continue as a going concern.

The Group is in a net current liability position of A\$24.0 million as at 31 March 2021. The net current liability position is principally due to the final distribution declared. It is anticipated that it will be paid from the undrawn debt under the current loan facility (refer to Note 20 *Borrowings*). The Group has prepared a cashflow forecast 15 months from issuance of the financial statements which indicates that the Group is expected to have positive ongoing cashflows. Therefore notwithstanding the net current liability position at 31 March 2021, the Group considers the going concern assumption to be appropriate and is confident that the Group will be able to pay all liabilities as and when they become due and payable.

1. Accounting policies and basis of preparation

1.1 Basis of preparation

1.1.1 Statement of compliance

The annual financial statements are prepared in accordance with and compliance with International Financial Reporting Standards, as issued by the IASB, its interpretations adopted by the IASB, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial pronouncements as issued by Financial Reporting Standards Council and the JSE Listing Requirements.

1.1.2 Cross stapling

A stapled security comprises one IPF I unit 'stapled' to one unit in IPF II to create a single listed security traded on the ASX and the JSE. The stapled securities cannot be traded or dealt with separately. The stapled security structure will cease to operate on the first of:

- IPF I or IPF II resolving by special resolution in a general meeting, and in accordance their respective constitutions, to terminate the stapled security structure; or
- IPF I or IPF II commencing winding up.

Consolidated financial statements of the stapled group are required to be prepared, audited and lodged as part of the reporting obligations of the Group under the JSE Listing Requirements.

1.1.3 Reporting entity

In accordance with IFRS 3 *Business Combinations* and IFRS 10 *Consolidated Financial Statements*, one of the stapled entities is required to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, IPF II has been identified as the parent entity of the consolidated group and deemed acquirer of IPF I in the stapling arrangement. The financial report includes consolidated financial statements for IPF II comprising IPF II and its controlled entities and IPF I and its controlled entities, for the period from 3 September 2020 to 31 March 2021.

IPF I and IPF II are both Australian registered managed investment schemes under the Corporations Act 2001. Both IPF I and IPF II are for profit entities.

1.1.4 Basis of measurement

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

- derivative financial instruments are measured at fair value;
- investment property is measured at fair value; and
- investments accounted as equity accounted investments.

1.1.5 Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (A\$), which is IAP's functional currency.

IAP is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that ASIC Class Order, all financial information presented in A\$ has been rounded to the nearest thousand unless otherwise stated.

1.1.6 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the board of the Responsible Entity to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of

which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Intangible assets acquired by the Group, which have an indefinite life are recognised initially at cost. Subsequent to initial recognition the recoverable amount is estimated at each reporting date. Refer to Note 14 to the consolidated financial statements for information on best estimates on the recoverable amount of intangible assets.

Derivative financial instruments are valued based on broker quotes and are tested for reasonableness at each reporting date.

Estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year relates to the valuation of investment properties. Refer to Note 12 to the consolidated financial statements for information on best estimates used in the valuation of investment properties.

1.2 Basis of consolidation

1.2.1 Controlled entities

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

1.2.2 Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

1.3 Segmental reporting

Determination and presentation of operating segments.

The Group has the following operating segments:

- office properties;
- industrial properties; and
- property funds management.

The above segments are derived from the way the business of the Group is structured, managed and reported to the chief operating decision-makers. The Group manages its business in the office and industrial property sectors where resources are specifically allocated to each sector in achieving the Group's stated objectives.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment. Segment assets comprise those assets that are directly attributable to the segment on a reasonable basis.

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

1.4 Revenue recognition

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

Section 01

Section 02

Section 03

Section 04

Section 05

Section 06

Section 07

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

Rental income

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

Recoverable outgoings

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

1.5 Lease incentives and commissions

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

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

1.6 Finance income

Finance income includes interest earned on cash invested with financial institutions which are recognised in the profit or loss on an accrual basis using the effective interest method.

1.7 Finance costs

Finance costs include interest expense and other borrowing costs which are recognised in the profit or loss on an accrual basis using the effective interest method.

1.8 Earnings per security

Basic earnings per security is determined by dividing the profit or loss of the Group by the weighted average number of securities outstanding during the financial year.

There are no instruments in issue that could potentially result in a dilution in earnings per security in the future.

1.9 Financial instruments

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

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

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset

in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

1.9.1 Trade and other receivables

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

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

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

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

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

The Group also incorporates forward-looking information by considering economic data and market outlook views by external valuers. Debts that are known to be uncollectable are written off when identified. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments (more than 90 days past due) are considered indicators that the trade receivable is impaired, given all these events would impact the estimated future cashflows of the Group's trade receivables. The Group may write off financial assets which are still subject to enforcement activity when there is no reasonable expectation of recovery.

1.9.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value. Cash and cash equivalents are subsequently measured at amortised cost.

1.9.3 Trade and other payables

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

1.9.4 Derivative financial instruments

The Group utilises derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities.

The Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are not designated as hedges for accounting purposes and are accounted for at fair value. After initial recognition, all derivative instruments are subsequently recorded in the statement of financial position at fair value, with gains and losses recognised in profit or loss.

1.9.5 Borrowings

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

1.10 Investment properties

When the Group acquires property or a group of properties either directly or by obtaining control of entities that own investment properties, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or asset acquisitions of investment properties. An acquisition is not considered to be a business combination if at the date of the acquisition of the entity/property, it does not meet the definition of a business (i.e. inputs, processes and outputs). In particular where the integrated activities (i.e. processes) deemed necessary to generate outputs are not present.

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

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

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

Should any properties no longer meet the Group's investment criteria and are sold, any profits or losses will be recognised in profit or loss.

Investment property is maintained, upgraded and refurbished where necessary, in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are recognised in profit or loss as an expense.

Independent valuations are obtained on a rotational basis, ensuring that every property is valued at least once every 24 months by an external independent valuer.

The directors value the remaining properties that have not been independently valued semi-annually on an open market basis. Directors' valuations are prepared by considering the aggregate of the net annual rental receivable from the properties and where relevant, associated costs, using the discounted cash flow method and the capitalisation rate method. The directors believe that their valuations accurately represent the fair value. Note 12 to the consolidated financial statements describes the basis for determining fair value of the Group's properties.

Gains or losses on subsequent measurement or disposals of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount) are recognised in

profit or loss. Such gains or losses are excluded from the calculation and determination of distributable earnings.

Investment properties under development are stated at fair value at each balance date. Fair value is assessed with reference to reliable estimate future cash flows, status of the development and the associated risk profile. Finance costs incurred on properties undergoing development are included in the cost of the development.

1.11 Intangible assets

The management right acquired by the Group is accounted for as an intangible asset and are not amortised as they are assumed to have an indefinite life, given they are expected to be used beyond any foreseeable horizon where a platform of funds under management is being acquired which gives rise to contractual of other legal rights and they are routinely renewed at minimal cost and on broadly similar terms.

Intangible assets are initially measured at cost. Subsequent expenditure on intangible assets is capitalised only if it is probable that it will increase the future economic benefits associated with the specific asset.

Intangibles with an indefinite useful life are tested for impairment annually. After initial recognition, intangible assets are measured at cost less impairment losses, if any. Impairment losses are recognised to statement of profit or loss and other comprehensive income when incurred.

1.12 Investments accounted for using equity method

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence but not control over the financial and operating policies. The financial statements include the Group's share of income and expense of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. Investments in associates are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds its interest in an entity accounted investee, the carrying amount of that interest reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payment on behalf of the investee. Dividends from associates represent a return on the Group's investment and, as such, are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in associates' reserves are recognised directly in the Group's consolidated reserves.

1.13 Lease agreements as lessor

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

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

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

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

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

1.14 Lease agreements as lessee

All leases are accounted for by recognising a lease liability and corresponding right-of-use asset with the exception of low value asset leases and short-term leases that run for less than twelve months, which are expensed on a straightline basis in the consolidated statement of profit and loss and other comprehensive income.

Lease liabilities are initially measured at the present value of future lease payments, discounted using the interest rate of the Group's incremental borrowing rate. Lease liabilities are subsequently increased by interest expense on lease liabilities and reduced by the lease payments. Lease modifications also have impact on the carrying amount of lease liabilities.

Interest expense on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the consolidated statement of profit and loss and other comprehensive income in the period to which they relate.

Right-of-use assets are initially measured at cost less depreciation and impairment and subsequently adjusted for any remeasurement of the lease liability. Cost includes the amount of the initial lease liability, adjusted for any related lease prepayments or incentives received, any initial indirect costs incurred and make good costs.

Right-of-use assets that do not meet the definition of investment property are depreciated on a straightline basis from commencement date to the earlier of the end of lease term of its useful life. The lease term includes the periods of any options to extend only when considered reasonably certain to be exercised.

1.15 Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Similarly, when each major inspection is performed. Its cost is recognised in the carrying amount of plant and equipment as replacement only if it is eligible for capitalisation.

Depreciation is provided on a prime cost value basis on all property, plant and equipment and is based on their useful lives.

The assets' residual values, useful lives and amortisation methods are reviewed, adjusted if appropriate, at each financial year end.

1.16 Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the Group has a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event and a reliable estimate can be made of the amount of the obligation. Contingent assets and contingent liabilities are not recognised.

Provisions are measured by at the best estimate of expenditure to settle the present obligation.

1.17 Employee benefits

Short-term benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

1.18 Taxation

Taxation of the Group

Securityholders may receive attribution managed investment trust (AMIT) distributions from the Group.

IPF I

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

Furthermore, IPF I and management arrangements are structured to meet the required criteria to be classified as an AMIT for Australian tax purposes. As an AMIT, IPF I will be required to withhold tax in Australia at a concessional rate of 15% on distributions to individual and institutional investors in South Africa (including distributions of capital gains) to the extent that it is not a 'tax deferred distribution', a distribution of interest income or non-Australian sourced income.

A 'tax deferred distribution' is the excess of cash distributed over the securityholders' proportionate share of the Australian taxable income of the IPF I.

As the IPF I is an AMIT, the Responsible Entity will be required to withhold tax in Australia at 10% on Australian sourced interest income.

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

IPF II

IPF II is considered to be a public trading trust and therefore it is taxed as a company under current income tax legislation and taxed at the corporate tax rate of 30%. Corporate tax paid by IPF II will generate franking credits, which should be available to distribute to Australian resident and foreign resident securityholders by way of franked dividends. To the extent a dividend is unfranked, a final withholding tax of 15% would generally apply from dividends paid to individual investors in South Africa.

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they related to a business combination, or items recognised directly in equity or in other comprehensive income.

Current and deferred tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at reporting date, and any adjustment to tax payable in respect of prior year. Deferred

tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that have been enacted by balance date and are expected to apply when the related deferred income asset is realised, or the deferred income tax liability is settled.

Deferred income tax liabilities and assets—recognition

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all taxable temporary differences.

Net deferred tax assets or liabilities

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities, when the deferred tax balances related to the same taxation authority and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax relating to equity items

Current and deferred tax balances attributable to amount recognised directly in equity are recognised directly in equity.

GST

GST is a tax levied or imposed in Australia pursuant to the *GST Act 1999* or otherwise on a supply. Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

1.19 Unit capital

Ordinary unit capital

Units are classified as equity when the units are redeemable only at the Responsible Entity's option, and any distributions are discretionary. The issued unit capital represents the amount of consideration received for units issued in IPF I and IPF II.

Transaction costs of an equity transaction are accounted for as a deduction from equity. All securities are fully paid. The securityholders are entitled to receive distributions as declared from time-to-time and are entitled to one vote per stapled security at the annual general meeting of IAP. All securities rank equally with regard to IAP's residual assets.

1.20 New accounting standards adopted by the Group

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

IFRS 3 *Business Combinations* to clarify the definition of a business

The amendments to IFRS 3 applies to transactions that are either business combinations or asset acquisitions for which the

acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The standard requires business to determine whether a transaction or other event is a business combination by applying the definition in this standard, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition.

The Group has elected to apply the optional concentration test to the recent acquisition of the funds management platform by IPF II, and determined that IAP can account the acquisition as an asset acquisition rather a business combination.

1.21 Accounting standards applicable to the Group not yet effective

Annual improvement to IFRS Standards 2018-2020 reference to the Conceptual Framework (Amendments to IFRS3)

This amendment adds to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

It is expected that the changes will have minimal impact to the Group.

2. Business combination

During the period, the proposal to internalise IPF I's management function was approved by the securityholders, and implemented on 30 November 2020. In connection with the internalisation transaction, the Group paid A\$40 million to Investec Group. A\$39.5 million is presented as an intangible asset in the consolidated statement of financial position (refer to Note 14). Related expenses of A\$7.7 million is included in the consolidated statement of profit or loss and other comprehensive income (refer to Note 6). None of these non-recurring costs form part of distributable earnings.

The internalisation transaction was treated as an asset acquisition rather than a business combination because the Group elected to apply and met the optional concentration test under IFRS 3 (refer to Note 1.20).

As at 30 November 2020 the units in IPF I were stapled to the units in IPF II which was then known as IAP (refer to Note 18).

The Group deemed IPF II as the parent in the stapling arrangement with IPF I. The equity attributable to other entities stapled to the parent (i.e. IPF I) is presented as non-controlling interests (NCI) in the statement of financial position of the Group (refer to Note 19 for further details on NCI).

The Group also deemed that IPF II is a trading public trust and therefore it is taxed under current income tax legislation (refer to Notes 1.18 and 9).

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

3. Property revenue

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Contracted rental income	27,198
Recoverable outgoings	3,986
Revenue, excluding straightline rental revenue adjustment	31,184
Straightline rental revenue adjustment	508
	31,692

4. Property expenses

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Statutory expenses	(2,600)
Electricity	(533)
Insurance	(988)
Cleaning	(421)
Building management	(770)
Repairs and maintenance	(332)
Amortisation of fitout expenses	(259)
Tenant rechargeable expenditure	(173)
Air-conditioning	(189)
Fire protection	(132)
Lift and escalators	(177)
Emergency generators	(145)
Leasing fee	(168)
Legal and marketing expenses	(146)
Non recoverable property expenses	(91)
Other property expenses	(206)
	(7,330)

5. Other expenses

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Depreciation expenses	(37)
Employee benefits expenses	(2,605)
Other expenses	(1,248)
	(3,890)

6. Transaction costs

	3 SEPTEMBER 2020 TO 31 MARCH 2021
Transaction costs on management internalisation	(7,715)
Total transaction costs	(7,715)

7. Fair value adjustments

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Fair value adjustments—investment property	94,359
Fair value adjustments—investment property under development	3,016
Fair value adjustments—interest rate swaps	3,360
Fair value adjustments—foreign currency revaluation	(3,225)
Total fair value adjustments	97,510

8. Finance costs

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Finance costs on borrowings and derivatives	(3,017)
Total finance costs	(3,017)

Refer to Note 20 for details on borrowings

9. Income tax expenses

The table below relate to income tax for the Group's income tax paying entities.

a. Income tax expenses:

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Current tax expenses	–
Deferred tax expense	2,957
Income tax expense in the statement of comprehensive income	2,957

b. Reconciliation of income tax expense to *prima facie* tax payable:

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Profit before income tax expense	107,782
<i>Prima facie</i> tax expenses/(benefit) at 30%	32,335
Less: IPF I profit not subject to tax	(35,440)
Tax effect of amounts not deductible/assessable in calculating income tax expense:	
Non-deductible expenses	2
Others	146
Income tax benefit	(2,957)

c. Current tax balances

A\$'000	AS AT 31 MARCH 2021
Current tax payable	–

d. Deferred tax balances

A\$'000	AS AT 31 MARCH 2021
Deferred tax assets	2,965
Deferred tax (liabilities)	(8)
Net total	2,957

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

e. Reconciliation of deferred tax balances

A\$'000	OPENING BALANCE 3 SEPTEMBER 2020	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN EQUITY	BALANCE 31 MARCH 2021
Net deferred tax asset attributable to:				
Property, plant and equipment	–	2	–	2
Equity accounted investment	–	212	–	212
Accrued expenses	–	1,035	–	1,035
Transaction costs	–	1,689	–	1,689
Income tax loss carried forward	–	27	–	27
	–	2,965	–	2,965
Net deferred tax liabilities attributable to:				
Property, plant and equipment	–	(8)	–	(8)
	–	(8)	–	(8)
Net total	–	2,957	–	2,957

10. Distribution per security

A\$'000 PERIOD FOR DISTRIBUTION	TOTAL DISTRIBUTION A\$'000	SECURITIES IN ISSUE (‘000)	DISTRIBUTION PER SECURITY (A\$ CENTS)
3 September 2020 to 31 March 2021	27,696	611,298	4.53

11. Earnings per security

A\$'000	30 NOVEMBER 2020 TO 31 MARCH 2021
Reconciliation of basic earnings to headline earnings	
Profit for the period	110,739
Less: net fair value adjustment—investment properties	(94,358)
Less: fair value adjustment—investment property held under development	(3,016)
Less: Share of equity accounted profit/(loss)	(707)
Headline earnings attributable to securityholders	12,658
	CENTS
Basic and diluted earnings per security—Group	18.12
Basic and diluted headline earnings per security—Group	2.07
Securities in issue at the end of the year—Group (‘000)	611,298
Weighted average number of securities in issue—Group (‘000)	611,298
Reconciliation of weighted average number of securities in issue:	
Securities at the beginning of the period—Group	611,298
Weighted average number of securities in issue—Group	611,298

Headline earnings is profit for the period adjusted for fair value adjustments on investment property. Headline earnings are a measure of the Group's earnings based solely on operational activities and in the case of the Group will exclude fair value adjustments and profits or losses on sale of properties. As required by the JSE Listing requirements headline earnings per security is calculated using Circular 1/2019.

12. Investment properties

Investment properties held by the Group are accounted for as asset acquisitions when the integrated activities deemed necessary to generate outputs are not present at acquisition. The Group concluded that all the acquisition of properties in the current financial year were asset acquisitions.

(a) Valuation basis

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

The Group's policy is to value investment properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer (in compliance with the Group's debt facility). Where a property is not due for an independent valuation, internal valuations are undertaken at the end of reporting period. The valuation methods include the discounted cash flow (**DCF**) method and income capitalisation method. The mid-point is generally taken between the DCF and income capitalisation method.

(b) Fair value assessment results

External valuations

External valuations were conducted for 23 properties in the portfolio for the second half of the year. External valuations were conducted by Colliers International, Urbis, Savills and CBRE who are all registered as Certified Practising Valuers with the Australian Property Institute.

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

Directors' valuations

As at 31 March 2021, there were eight properties where fair value was based on directors' valuations. At each reporting date, the directors update their assessment of the fair value of each property in accordance with the Group's valuation policy.

As at 31 March 2021, investment properties to the value of A\$1,225.4 million is held as security under the syndicated facility agreement drawn down to a value of A\$341.5 million.

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to A\$94.4 million and are presented in profit and loss in the line item 'fair value adjustment'.

PROPERTY PORTFOLIO A\$'000	LATEST EXTERNAL VALUATION		CONSOLIDATED CARRYING VALUE
	DATE	VALUATION	2021
INDUSTRIAL PORTFOLIO			
47 Sawmill Circuit, Hume ACT	30-Sep-20	12,200	12,700
57 Sawmill Circuit, Hume ACT	31-Mar-21	13,900	13,900
24 Sawmill Circuit, Hume ACT	31-Mar-21	14,500	14,500
44 Sawmill Circuit, Hume ACT	30-Sep-20	10,400	10,500
2-8 Mirage Road, Direk SA	30-Sep-20	8,750	8,750
30-48 Kellar Street, Berrinba QLD	31-Mar-21	9,500	9,500
165 Newton Road, Wetherill Park NSW	31-Mar-21	33,500	33,500
24 Spit Island Close, Newcastle NSW	31-Mar-21	12,000	12,000
67 Calarco Drive, Derrimut VIC	31-Mar-21	12,300	12,300
66 Glendenning Road, Glendenning NSW	31-Mar-21	38,250	38,250
85 Radius Drive, Larapinta QLD	31-Mar-21	19,500	19,500
54 Miguel Road, Bibra Lake WA	31-Mar-21	33,000	33,000
24 Rodborough Road, Frenchs Forest NSW	31-Mar-21	24,500	24,500
6-8 and 11 Siddons Way, Hallam VIC	31-Mar-21	23,750	23,750
36-42 Hydrive Close, Dandenong South VIC	31-Mar-21	25,700	25,700
103 Welshpool Road, Welshpool WA	31-Mar-21	30,000	30,000
70 Grand Trunkway, Gillman SA	31-Mar-21	29,000	29,000
16 Dawson Street, East Arm NT	10-Oct-19	29,000	29,400
153 Main Beach Road, Pinkenba QLD	12-Feb-21	24,750	24,750
Office Portfolio			
449 Punt Road, Cremorne VIC	31-Mar-21	61,500	61,500
35-49 Elizabeth Street, Richmond VIC	31-Mar-21	104,500	104,500
2404 Logan Road, Eight Mile Plains QLD	30-Sep-20	17,500	17,000
186 Reed Street, Greenway ACT	30-Sep-20	25,750	25,250
21-23 Solent Circuit, Baulkham Hills NSW	31-Mar-21	68,000	68,000
266 King Street, Newcastle NSW	31-Mar-20	77,000	81,500
113 Wicks Road, Macquarie Park NSW	31-Mar-21	33,000	33,000
324 Queen Street, Brisbane QLD	31-Mar-20	76,750	79,000
20 Rodborough Road, Frenchs Forest NSW	31-Mar-21	66,000	66,000
2 Richardson Place, North Ryde NSW	31-Mar-21	110,000	110,000
100 Willis Street, Wellington NZ ¹	31-Mar-21	143,606	143,606
24 Wormald Street, Symonston ACT	31-Mar-21	30,500	30,500
Total Investment Properties			1,225,356

1. Converted at spot rate of 1.0877 at 31 March 2021.

(c) Valuation process

The fair value for all investment properties of A\$1,225.4 million has been undertaken under the Level 3 fair value hierarchy, where unobservable inputs have been utilised in the valuation techniques. For all investment property that are measured at fair value, the current use of the property is considered the highest and best use.

Valuation techniques used to derive Level 3 fair values

The Group determines a property's value within a range of reasonable fair value estimates and in making this assessment, considers information from a variety of sources including:

- Current prices for comparable investment properties;
- Discounted cash flows based on estimates of future cash flows; and
- Capitalised income projections based on estimated net market income, and a capitalisation rate based on market analysis.

Under the DCF approach, a property's fair value is estimated by projecting a series of cash flows over a specified time horizon (typically 10 years) and discounting this cash flow, including the projected exit or terminal value, at a market-derived discount rate. Projected cash flows are derived from contracted or expected market rents, operating costs, lease incentives, capital expenditure and future income on vacant space. The net present value of the discounted cash flow represents the fair value of the property.

The income capitalisation approach involves estimating the potential sustainable gross market income of a property from which annual outgoings are deducted to derive the net market income. Net market income is then capitalised in perpetuity at an appropriate market derived capitalisation rate (market yield). Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and general characteristics of the property.

At reporting date, the key assumptions used by the Group in determining fair value were as follows:

INDUSTRIAL		31 MARCH 2021
Capitalisation rate		4.50–7.75%
Discount rate		5.50–8.00%
Terminal yield		4.75–8.00%
Rental growth rate		1.95–3.29%
OFFICE		31 MARCH 2021
Capitalisation rate		5.50–8.00%
Discount rate		6.13–8.25%
Terminal yield		5.75–8.13%
Rental growth rate		2.15–3.51%

Capitalisation rates

Capitalisation rates are derived from the yields indicated by sales of comparable properties. It factors in risk with regard to a property's location, quality, strength of the tenant covenant and length of secured cashflows.

Industrial

Demand for industrial properties has increased over the past twelve months. The sector has proven to be resilient during recent times of economic uncertainty. The large volume of sales activity weighted towards the second half of the Group's financial period ended 31 March 2021 has demonstrated the strength of the industrial market and the main driver for taking 14 out of the Group's 18 industrial properties for external valuation at 31 March 2021 (excluding 153 Main Beach Road, Pinkenba QLD, acquired in 2021). At 31 March 2021, the weighted average capitalisation rate used in valuing the Group's industrial portfolio was 5.83%.

Office

Office sales volumes were impacted by the COVID-19 pandemic, with prospective purchasers demonstrating caution around the unknown economic impacts of the Government lead restrictions implemented. Transaction volumes reduced significantly, especially in CBD markets. Generally, office yields have remained relatively steady, with metropolitan office markets being favoured by investors/occupiers due to affordable rents and a more decentralised model. Properties with minimal vacancy, long WALE with strong tenant covenants have seen strong demand and ultimately have seen tightening of investment metrics. The weighted average capitalisation rate used in valuing the Group's office portfolio was 6.12%.

Discount rates

At 31 March 2021 the weighted average discount rate was 6.77% for the office portfolio and 16.71% for the industrial portfolio.

Market rental growth

Market rental growth is the projected year on year change in market rent based on factors such as population growth, demand for space and expected supply and new developments within markets. A key driver of the DCF calculation outcome is market rental growth, where a property's projected cash flow comprises of actual rental income, speculative rental income, and rental income growth.

Market rent and rental growth have a material impact on the outcome of the terminal value calculation, as terminal market rent is a function of the current market rent and the 10 year CAGR. The terminal market rent is divided by the terminal capitalisation rate to determine the terminal value.

At 31 March 2021, the market rental growth (10-year CAGR) utilised in the valuation of the Group's property portfolio was 2.99%.

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

Significant unobservable inputs

For all classes of investment property the significant unobservable inputs below are used to determine the fair value measurement of investment property at the measurement date. Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. Vacancy rates and weighted average lease expiry are data points used in the fair value calculations and are not included in the significant unobservable inputs below. The higher the market rent or 10-year compound annual growth rate, the higher the fair value. The higher the capitalisation rate, terminal yield or discount rate, the lower the fair value.

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

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

(d) Uncertainty around property valuations

In response to the uncertainty surrounding the impacts of the COVID-19 pandemic, the Group has assessed the carrying value of its investment properties in light of this. Sensitivity analysis has been undertaken to stress test the impacts of investment and market parameters adopted as part of the fair value assessment. In the event the impacts are more material or prolonged than anticipated (refer to Note 12(h)), this may have further impact to the fair value of the Group's property portfolio, and the future price achieved if a property is sold.

(e) Contractual obligations/capital commitments

At 31 March 2021, the Group included forecast cost associated with the aluminium cladding panel assessment and remediation for two properties in the portfolio within the valuation of these properties rather than a separate provision.

A\$'000	2021
449 Punt Road, Cremorne VIC	650
35-49 Elizabeth Street, Richmond VIC	1,200
	1,850

(f) Leasing arrangements as lessor

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

A\$'000	2021
Minus lease payments due to the Group under non-cancellable operating leases of investment property are receivable as follows:	
Less than 1 year	87,439
Between 1 and 2 years	81,900
Between 2 and 3 years	70,293
Between 3 and 4 years	60,497
Between 4 and 5 years	40,812
More than 5 years	105,973
	446,914

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

(g) Movement in investment properties' carrying value

A\$'000	2021
Cost	985,813
Accumulated fair value adjustment	225,073
Investment properties	1,210,886
Straightline rental revenue receivable	14,470
Carrying value	1,225,356
Movement in investment properties	
Opening balance	–
IPF I balance on stapling to IPF II	1,104,909
Acquisitions	24,750
Foreign currency revaluation on property	(4,864)
Acquisition costs and capital expenditure	5,694
Fair value adjustment on revaluation of investment properties (refer to Note 7)	94,359
Straightline rental revenue adjustment	508
Carrying value at end of the period	1,225,356

(h) Sensitivity analysis

As a result of the COVID-19 pandemic, there is still some uncertainty surrounding the economic impacts of the Government lead restrictions to property values. Assumptions made within the Group's valuations in respect of investment parameters, market growth outlook, and re-letting assumptions have sought to consider the impact of the COVID-19 pandemic on market conditions, albeit in an environment where market uncertainty exists.

The results of the sensitivity analysis below demonstrates that stress testing the material unobservable inputs by the ranges disclosed would result in a movement of A\$70.2 million if discount rate and cap rate was softened by 0.50%. Even at this unlikely worst-case scenario, this would not result in the Group's financial position being materially impacted to the point the Group would reconsider its position as a going concern.

A\$'000		CAPITALISATION RATE MOVEMENT		
		0%	0.25%	0.50%
Discount rate movement	0%	1,225,356	1,201,355	1,177,320
	0.25%	1,214,258	1,190,193	1,166,158
	0.50%	1,203,238	1,179,173	1,155,138

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

13. Investment property under development

A\$'000	2021
Opening balance	–
Acquisitions	3,886
Acquisition costs and capital expenditure	4,698
Fair value adjustment	3,016
Net carrying amount at 31 March 2021	11,600

14. Intangible assets

A\$'000	2021
Opening balance	–
Additions	39,528
Impairments	–
Net carrying amount at 31 March 2021	39,528

Intangible assets represent the management rights platform acquired by IPF II during the period. The intangible asset acquired has been determined to have an indefinite useful life and required to be tested for impairment annually. At 31 March 2021 the recoverable amount is considered to be the acquisition cost and is not impaired. The valuation basis of the intangible asset to assess the fair value of the management rights is the forecast EBITDA of IPF II multiplied by a market multiple.

15. Equity accounted investment

A\$'000	2021
Opening balance at 3 September 2020	–
Equity contributions	6,514
Share of equity accounted loss	(707)
Net carrying amount at 31 March 2021	5,807

The Group is committed to invest up to A\$30 million in TAP representing 21.4% of the total equity of TAP (current committed equity of A\$140 million). As at 31 March 2021, A\$6.5 million has been contributed. TAP is an unlisted Australian opportunity fund which was launched in December 2019. TAP seeks to invest in opportunistic real estate transactions in Australia and New Zealand with a shorter-term investment horizon than more passive investments, including value add and real estate backed debt opportunities which require more active management.

16. Receivables and other assets

As at 31 March 2021, the Group granted A\$0.7 million of rental relief to tenants in the form of rental waivers and A\$1.1 million in the form of rental deferrals as required for qualifying tenants under the National Cabinet's Mandatory Code of Conduct for SME commercial leasing principles during the COVID-19 pandemic which has been given effect by state and territory legislation. For non-qualifying tenants the principles of the code were taken into account in the consideration of deferral requests. Deferrals granted have been agreed with tenants to be repaid over periods between October 2020 and September 2022.

Consideration of the impact of COVID-19 on tenants has been incorporated into the assessment as at 31 March 2021 based on discussions held to date with each tenant and on any other information known about the tenant and/or their trading conditions. As at 31 March 2021, the Group had nil allowance for credit losses.

A\$'000	2021
Prepaid expenses	3,303
Trade debtors	1,185
Sundry debtors	1,174
Total receivables and other assets	5,662

17. Cash and cash equivalents

A\$'000	2021
Cash held on call account	7,405
Total cash and cash equivalents	7,405

18. Contributed equity

A\$'000	2021
Issued	
Issue of capital	46,723
In issue at the end of period	46,723
Weighted average number of securities in issue	27,800

IPF II was established by IPF I making a capital distribution to the holders of units in IPF I (equal to A\$0.0764 per IPF I unit), with such distribution being mandatorily applied by holders of IPF I units to subscribe for new units in IPF II of A\$46.7 million. Issued capital comprises of ordinary units fully paid.

The stapling of IPF I units to IPF II units in accordance with the IPF I and IPF II constitutions occurred on 27 November 2020.

A stapled security comprises one unit in IPF I and one unit in IPF II. Holders of stapled securities are entitled to receive distributions as declared from time to time and are entitled to one vote per security at securityholders' meetings. In the event of a winding up, securityholders rank after creditors and are fully entitled to any net proceeds of liquidation. The Group does not have authorised capital or par value in respect of the issued stapled securities.

19. Non-controlling interest

Under AAS, stapled entities are required to separately identify equity attributable to the parent entity from equity attributable to other entities stapled to the parent. The equity attributable to other entities (IPF I) stapled to the parent (IPF II) is presented as non-controlling interests in the statement of financial position of the Group.

The following table summaries the information relating to IPF I that has material NCI.

A\$'000	IPF I
NCI percentage	100%
Non current assets	1,236,956
Current assets	10,393
Non current liabilities	345,307
Current liabilities	28,337
Net assets	873,705
Issued capital	649,679
Returned earnings	224,026
Net assets attributable to NCI	873,705
Revenue	31,704
Profit	118,134
Other comprehensive income	–
Total comprehensive income	118,134
Profit allocate to NCI	118,134
Other comprehensive income allocated to NCI	–
Cash flows from operating activities	(7,487)
Cash flows from investment activities	(51,140)
Cash flow from financing activities	24,407
Net increase (decrease) in cash and cash equivalents	(31,220)

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

20. Borrowings

A\$'000	TRANCHE EXPIRY DATE	INTEREST RATE	2021
Loans—secured—bank debt			
ANZ Facility—Tranche G	01-Apr-24	BBSY+1.5500% ¹	20,000
ANZ Facility—Tranche H	01-Apr-26	BBSY+1.5500% ¹	75,000
ANZ Facility—Tranche I	01-Apr-25	BBSY+1.5500% ¹	25,000
Westpac Facility—Tranche N	28-Mar-24	BBSY+1.4500% ¹	55,000
Westpac Facility—Tranche P	30-Nov-25	BBSY+1.7000% ¹	16,514
Westpac Facility—PGIM	22-Dec-29	3.4%	150,000
Total long-term borrowings—secured			341,514
Capitalised loan establishment costs			(2,451)
Total value of interest-bearing borrowings			339,063
Movement in borrowings			
Opening balance			–
IPF I balance on stapling to IPF II			274,107
Interest charged			3,017
Interest paid			(3,017)
Additional borrowing acquired			71,907
Repayments			(4,500)
Closing balance at the end of the year			341,514

The Group's LVR² was 26.88% as at 31 March 2021.

At 31 March 2021 the approved facility limit of the loan facility was A\$435.0 million with A\$93.5 million undrawn.

The Group's policy is to hedge at least 75% of interest rate risk. At year end, 78.3% of borrowings were hedged using interest rate swaps, locking in a blended rate (including margin and line fees) of 2.84% for a weighted average term of 6.1 years.

21. Trade and other payables

A\$'000	2021
Security deposits	581
Income received in advance	4,246
Lease liabilities	532
Employee entitlement	3,250
Other payables	417
Trade and other payables-non current	9,026
Accrued expenses	3,502
Trade creditors	1,181
Lease liabilities	107
Income received in advance	2,924
GST payable	510
Other payables	1,098
Trade and other payables-current	9,322

1. Varies based on gearing levels.

2. LVR is a non-IFRS measure.

22. Reconciliation of cash flows from operating activities

A\$'000	2021
Profit before tax for the period	107,782
Adjusted for:	
Fair value adjustments—investment properties	(94,359)
Fair value adjustments—investment property under development	(3,016)
Fair value adjustments—derivatives	(3,360)
Fair value adjustments—foreign currency revaluation	3,225
Straightline rental revenue adjustment	(508)
Working capital movement	
Change in trade and other receivables	(5,138)
Change in trade and other payables	7,746
Change in capital expenses	(2,040)
Transaction cost on management internalisation	7,715
Share equity accounted losses	707
Distributions paid	(26,832)
Net cash from operating activities	(8,078)

23. Key management personnel (KMP) compensation

A\$'000	30 NOVEMBER 2020 TO 31 MARCH 2021
Short-term employee benefits	717
Other long-term employee benefits	35
Post-employment benefits	22
	774

Individual directors' and KMP compensation disclosures

Information regarding individual directors' and KMP compensation and equity instruments disclosure is provided in the remuneration reports within the Annual Report.

Movements in securities

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

	HELD AT 3 SEPTEMBER 2020	PURCHASES	SALES	HELD AT 31 MAR 2021
Directors				
Sam Leon	4,000,000	–	(700,000)	3,300,000
Graeme Katz	229,296	41,000	–	270,296
Richard Longes ¹	56,819	65,000	–	121,819
Sally Herman	37,879	–	–	37,879
Georgina Lynch ²	67,493	–	–	67,493
Stephen Koseff ³	170,733	–	–	170,733

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

The related party transaction in relation to the RE is set out in the Directors' report on page 83.

1. Through Gemnet Pty Ltd.

2. Through G Lynch Investments Pty Ltd.

3. Through Sheryl Koseff and SK Employee Trust.

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

24. Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1.2. All subsidiaries are established in Australia and are 100% owned and controlled by the parent entity with no restrictions.

IPF I and IPF II enter into transactions with its wholly owned trusts and companies. These transactions mainly involve the payment of distributions between trusts and lending of funds between the trusts. Intertrust and intercompany loans are repayable upon demand, unsecured and non-interest bearing.

NAME OF ENTITY	INTERTRUST LOAN BALANCE 2021 A\$'000
Held directly by IPF II	
Irongate Property Holdings Pty Limited (Prior 30 November 2020: Investec Australia Property Holdings Pty Limited)	–
Irongate Property Management Trust (Prior 30 November 2020: Investec Australia Management Trust)	520
Irongate Funds Management Limited (Prior 30 November 2020: Investec Property Limited)	–
Irongate Property Management Pty Limited (Prior 30 November 2020: Investec Property Management Pty Limited)	–
Irongate Property No.1 Pty Limited (Prior 30 November 2020: Investec Wentworth Pty Limited)	–
Irongate Property No.2 Pty Limited (Prior 30 November 2020: Investec Propco Pty Limited)	–
Irongate Templewater No.1 Pty Limited (Prior 30 November 2020: Investec Templewater No.1 Pty Limited)	–
Irongate Templewater No.2 Pty Limited (Prior 30 November 2020: Investec Templewater No.2 Pty Limited)	–
Held directly by IPF I	
Irongate Property Hold Trust No.1 (Prior 30 November 2020: Investec Australia Hold Trust No.1)	(54,003)
Irongate Property Sub Trust No.1 (Prior 30 November 2020: Investec Australia Sub Trust No.1)	3,848
Irongate Property Sub Trust No.2 (Prior 30 November 2020: Investec Australia Sub Trust No.2)	(5,503)
Irongate Property Sub Trust No.3 (Prior 30 November 2020: Investec Australia Sub Trust No.3)	(3,155)
Irongate Property Sub Trust No.4 (Prior 30 November 2020: Investec Australia Sub Trust No.4)	427
Irongate Property Sub Trust No.5 (Prior 30 November 2020: Investec Australia Sub Trust No.5)	(1,501)
Irongate Property Sub Trust No.6 (Prior 30 November 2020: Investec Australia Sub Trust No.6)	75,347
Irongate Property Sub Trust No.7 (Prior 30 November 2020: Investec Australia Sub Trust No.7)	87
Irongate Property Sub Trust No.8 (Prior 30 November 2020: Investec Australia Sub Trust No.8)	(110)
Irongate Property Sub Trust No.9 (Prior 30 November 2020: Investec Australia Sub Trust No.9)	(358)
Irongate Property Sub Trust No.10 (Prior 30 November 2020: Investec Australia Sub Trust No.10)	(2,697)
Irongate Property Sub Trust No.11 (Prior 30 November 2020: Investec Australia Sub Trust No.11)	(360)
Irongate Property Sub Trust No.12 (Prior 30 November 2020: Investec Australia Sub Trust No.12)	165
Irongate Property Sub Trust No.13 (Prior 30 November 2020: Investec Australia Sub Trust No.13)	(271)
Irongate Property Sub Trust No.14 (Prior 30 November 2020: Investec Australia Sub Trust No.14)	(2,258)
Irongate Property Sub Trust No.15 (Prior 30 November 2020: Investec Australia Sub Trust No.15)	(974)
Irongate Property Sub Trust No.16 (Prior 30 November 2020: Investec Australia Sub Trust No.16)	(3,706)
Irongate Property Sub Trust No.17 (Prior 30 November 2020: Investec Australia Sub Trust No.17)	506
Irongate Property Sub Trust No.18 (Prior 30 November 2020: Investec Australia Sub Trust No.18)	(4,228)
Irongate Property Sub Trust No.19 (Prior 30 November 2020: Investec Australia Sub Trust No.19)	(3,911)
Irongate Property Sub Trust No.20 (Prior 30 November 2020: Investec Australia Sub Trust No.20)	445
Irongate Property Sub Trust No.21 (Prior 30 November 2020: Investec Australia Sub Trust No.21)	242
Irongate Property Sub Trust No.22 (Prior 30 November 2020: Investec Australia Sub Trust No.22)	695
Irongate Property Sub Trust No.23 (Prior 30 November 2020: Investec Australia Sub Trust No.23)	31
Irongate Property Sub Trust No.24 (Prior 30 November 2020: Investec Australia Sub Trust No.24)	(5,361)
Irongate Property Sub Trust No. 25	1,759
Irongate Property Sub Trust No. 26	–
Irongate Property Sub Trust No. 27	–
Irongate Property Sub Trust No. 28	–
Irongate Property Sub Trust No. 29	–
Irongate Property Sub Trust No. 30	–

25. Parent entity disclosures

A\$'000	2021
The parent of the Group is IPF II	
Result of parent entity	
Net loss for the period	(5,998)
Other comprehensive income	–
Total comprehensive income for the period from 3 September 2020 to 31 March 2021	(5,998)
Financial position of parent entity at period end	31 March 2021
Current assets	–
Non current assets	41,245
Total assets	41,245
Current liabilities	(520)
Non current liabilities	–
Total liabilities	(520)
Net assets	40,725
Total equity of parent entity comprising of:	
Contributed equity	46,723
Retained earnings	(5,998)
Total equity	40,725

Section 01

Section 02

Section 03

Section 04

Section 05

Section 06

Section 07

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

26. Financial risk and capital management

26.1 Total financial and non-financial assets and liabilities

The table below sets out the Group's accounting classification of each class of financial and non-financial asset and liability and their fair values at 31 March 2021.

AS AT 31 MARCH 2021 A\$'000	MEASURED AT FAIR VALUE	NON- FINANCIAL INSTRUMENTS	AMORTISED COST	TOTAL
ASSETS				
Non-current assets				
Investment property	1,225,356	–	–	1,225,356
Investment property under development	11,600	–	–	11,600
Property, plant and equipment	–	661	–	661
Intangible asset	–	39,528	–	39,528
Other investment	–	5,807	–	5,807
Deferred tax assets	–	2,957	–	2,957
Current assets				
Cash and cash equivalents	–	–	7,405	7,405
Trade and other receivables	–	–	5,662	5,662
Total assets	1,236,956	48,953	13,067	1,298,976
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	339,063	339,063
Financial instruments held at fair value	836	–	–	836
Trade and other payables	–	–	9,026	9,026
Current liabilities				
Trade and other payables	–	–	9,322	9,322
Distributions payable	–	–	27,696	27,696
Total liabilities	836	–	385,107	385,943

Cash and cash equivalents; trade and other receivables; trade and other payables are measured at amortised cost and approximate fair value. The fair value of "long term borrowings at amortised cost" has been estimated by market interest rate at each year end. Other non-financial instruments are tested for impairment on an annual basis.

26.2 Fair value hierarchy—financial instruments

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

- a. The fair value of “long term borrowings at amortised cost” has been estimated by marketing interest rate at year end.

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

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

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

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

A\$'000 FAIR VALUE AND CARRYING AMOUNT	CARRYING AMOUNT	FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 31 March 2021					
Financial assets not measured at fair value					
Cash and cash equivalents	7,405	–	–	–	–
Receivables and other assets	5,662	–	–	–	–
	13,067	–	–	–	–
Financial liabilities not measured at fair value					
Trade and other payables	18,348	–	–	–	–
Distribution payable	27,696	–	–	–	–
Long term borrowings	339,063	–	352,018	–	352,018
	385,107	–	352,018	–	352,018
Financial liabilities measured at fair value					
Interest rate swaps	836	–	836	–	836
	836	–	836	–	836

- b. Details of changes in valuation techniques

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

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

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

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

26.3 Other financial risk management considerations

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

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

- credit risk;
- liquidity risk; and
- market risk

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

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

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by Investec Internal Audit, which undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

Notes to the consolidated financial statements

For the period from 3 September 2020 to 31 March 2021 (continued)

26.4 Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from derivatives, as well as trade and other receivables. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

Exposure to credit risk

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

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

The Group has determined that no ECL is required to be recognised as at 31 March 2021.

26.5 Market risk

a. Interest rate risk

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

At 31 March 2021, 78.3% of the Group's interest rate exposure was hedged. Therefore, for the year ended 31 March 2021, a 1% increase/decrease in interest rates on the variable rate borrowings would have an immaterial impact on the Group's profit, assuming all other variables remain constant.

b. Liquidity risk

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

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

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

AS AT 31 MARCH 2021 A\$'000	WITHIN 1 YEAR	1-2 YEARS	2-5 YEARS	OVER 5 YEARS	TOTAL	CARRYING VALUE
Long-term borrowings ¹	7,758	7,758	195,691	169,156	380,363	341,514
Trade and other payables	9,322	4,931	2,601	1,494	18,348	18,348
Distributions payable	27,696	–	–	–	27,696	27,696
Total liabilities	44,776	12,689	198,292	170,650	426,407	387,558

The table below outlines the Group's LVR² at the end of the period.

A\$'000	2021
Investment properties	1,225,356
Investment property under development	11,600
Equity accounted investment (EAI)	5,807
Total	1,242,763
Carrying value of interest bearing borrowing	341,514
Less: Cash and cash equivalents	(7,405)
Net value of borrowing	334,109
Current ratio of interest bearing borrowings to value of properties and EAI (%)	26.88

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

2. LVR is a non-IFRS measure.

26.6 Derivatives

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

FINANCIAL INSTITUTION	NOTIONAL AMOUNT \$'000	START DATE	END DATE	FIXED RATE
31 March 2021				
Australia and New Zealand Banking Group	30,000	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	20,000	22-Mar-21	24-Mar-25	0.64%
Westpac Banking Corporation	67,303	11-Dec-17	12-Dec-26	2.58%

26.7 Capital management

In terms of the constitutions of IPF I and IPF II, the Group's gearing ratio must not exceed 60%. The Group is funded partly by unit capital and partly by external borrowings.

In terms of its covenants entered into during the year, the Group is committed to a maximum value of external borrowings of 55% of the value of investment property and investment assets. In practice, the Group aims to keep gearing levels between 30% and 40% over the long term. At 31 March 2021, the nominal value of borrowings less cash equivalents was equal to 26.88% of the value of investment properties and equity accounted investments.

The board of the Responsible Entity is committed to maintaining a strong capital base, comprising its securityholders' interests, so as to promote investor, creditor and market confidence and to sustain future development of the business. It is the Group's stated purpose to deliver medium to long-term sustainable growth in distributions per security. Distributable income is distributed on a six monthly basis. The board of the Responsible Entity monitors the level of distributions to securityholders. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

27. Remuneration of auditors

The following fees were paid or payable for services provided by the auditor of Group during the year. All audit and tax services were provided by KPMG.

A\$'000	3 SEPTEMBER 2020 TO 31 MARCH 2021
Auditor's remuneration—audit fee	(301)
Auditor's remuneration—tax compliance	(164)
Non-audit service costs for internalisation transaction	(2,012)
	(2,477)

28. Subsequent events

On 19 April 2021 the Group announced that it had entered into agreements to acquire two industrial facilities to be acquired on a fund-through basis being 57–83 Mudgee Street, Kingston QLD, for a total land consideration of A\$3.1 million which is expected to be completed in December 2021 and Lot 24 Dunhill Crescent, Morningside QLD, for a total land consideration of A\$1.3 million which is expected to be completed in November 2021.

The Group is committed to invest up to A\$30.0 million in TAP representing 21.4% of the total equity of TAP (current committed equity of A\$140 million). At 31 March 2021, A\$6.5 million had been contributed. On 19 April 2021, the Group invested an additional A\$9.7 million bringing the total investment to A\$16.2 million.

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

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07 —

Other information

Securityholder information

Top 20 securityholders as at 16 April 2021

RANK	NAME	NUMBER OF SECURITIES HELD	% OF ISSUED CAPITAL
1	360 Capital IG Pty. Ltd.	92,809,509	15.18
2	Public Investment Corporation (SOC) Limited	52,847,192	8.65
3	Sesfikile Capital (Pty) Ltd	41,993,819	6.87
4	Vanguard Investments Australia Ltd.	36,709,669	6.01
5	Martin Currie Australia	30,833,565	5.04
6	Old Mutual Investment Group (South Africa) (Pty) Limited	22,064,614	3.61
7	APN Funds Management Limited	20,221,349	3.31
8	STANLIB Asset Management Ltd.	16,752,977	2.74
9	The Vanguard Group, Inc.	16,084,668	2.63
10	First Sentier Investors	15,008,069	2.46
11	BlackRock Investment Management (Australia) Ltd.	9,616,236	1.57
12	Milford Asset Management Ltd.	8,441,016	1.38
13	Meago Asset Managers (Pty) Ltd.	8,157,222	1.33
14	Eskom Pension and Provident Fund	8,079,808	1.32
15	SG Hiscock & Co., Ltd.	7,258,840	1.19
16	Investec Wealth and Investment Management Pty Ltd	7,018,819	1.15
17	Ninety One SA Pty Ltd.	6,975,078	1.14
18	BlackRock Institutional Trust Company, N.A.	6,198,382	1.01
19	Truffle Asset Management (Pty) Limited	5,212,121	0.85
20	Sanlam Investment Management (Pty) Ltd.	4,591,230	0.01
Top 20 securityholders		416,874,183	67.45
Total remaining securityholders balance		194,423,901	32.55

Spread of securityholders as at 16 April 2021

SECURITYHOLDER SPREAD	NUMBER OF SECURITYHOLDINGS	% OF TOTAL SECURITYHOLDERS	NUMBER OF SECURITIES IN ISSUE	% OF ISSUED CAPITAL
1–5,000	2,053	42.48	3,539,658	0.58
5,001–10,000	803	16.61	6,181,200	1.01
10,001–50,000	1,406	29.09	32,713,087	5.35
50,001–100,000	220	4.55	16,039,590	2.62
100,001 securities and over	351	7.26	552,824,549	90.43
Total	4,833	100	611,298,084	100

There is currently only one class of securities, being ordinary securities, and there are no securities currently held in escrow. All of the Fund's securities are quoted on the ASX and JSE and no other stock exchanges. The Fund does not currently have any security buy-back plans in place.

The number of securityholders holding less than a marketable parcel of 363 securities (based on the 16 April 2021 closing price of A\$1.375) is detailed below. In accordance with the ASX Listing Rules, a "marketable parcel" is "...a parcel of securities of not less than A\$500..."

OWNERSHIP OF LESS THAN A\$500	NUMBER OF SECURITYHOLDINGS	NUMBER OF SECURITIES IN ISSUE	VALUE (A\$)
ASX ¹	111	14,113	19,405
JSE ²	590	38,821	53,961
Total			73,367

Directors' interest in securities

DIRECTORS' INTEREST IN SECURITIES	BALANCE AT 16 APRIL 2021	BALANCE AT 17 APRIL 2020
Executive director		
Graeme Katz	270,296	229,296
Non-executive directors		
Richard Longes ³	121,819	56,819
Stephen Koseff ⁴	170,733	170,733
Georgina Lynch ⁵	67,493	67,493
Sally Herman	37,879	37,879
Sam Leon (resigned 30 November 2020)	2,300,000	4,000,000
Total	3,085,776	4,679,776

There has been no change in directors' interests in securities since 16 April 2021 and the date of signing the annual report.

SECURITY STATISTICS	31 MARCH 2021	31 MARCH 2020
JSE		
Closing market price (ZAR)		
Year end	14.79	11.99
High	16.48	16.50
Low	11.66	9.47
Market capitalisation	4,803,000,084	4,738,730,592
Daily average volume of securities traded	891,982	805,003
Securities registered on South African sub-register	324,746,456	395,223,569
ASX		
Closing market price (A\$)		
Year end	1.35	1.06
High	1.44	1.64
Low	1.01	0.90
Market capitalisation	386,844,698	227,958,613
Daily average volume of securities traded	1,034,301	819,037
Securities registered on Australian sub-register	286,551,628	216,074,515
Total securities in issue	611,298,084	611,298,084

1. Closing price on ASX in A\$ as at 16 April 2021.
2. Closing price on JSE in A\$ as at 16 April 2021.
3. Through Gemnet Pty Ltd.
4. Through Sheryl Koseff and SK Employee Trust.
5. Through G Lynch Investments Pty Ltd.

Corporate information

Irongate Group

ISIN: AU00000046005

Irongate Property Fund I

Established on 12 December 2012 in Australia and registered on 6 February 2013 with ASIC as a Managed Investment Scheme (ARSN 162 067 736). Registered on 23 August 2013 as a foreign collective investment scheme authorised to solicit investments from members of the public in South Africa in terms of the Collective Investment Schemes Control Act 45 of 2002.

Irongate Property Fund II

Established on 3 September 2020 in Australia and registered on 9 September 2020 with ASIC as a Managed Investment Scheme (ARSN 644 081 309). On 12 October 2020, the Register of Collective Investment Schemes exempted Irongate Property Fund II from the requirement to obtain approval for solicitation of investments as a foreign collective investment scheme in terms of section 65(1) of the Collective Investment Schemes Control Act 45 of 2002.

Security code

JSE: IAP
ASX: IAP

Website address

www.ironategroup.com.au

Responsible Entity

Irongate Funds Management Limited
(ACN 071 514 246 AFSL 290 909)

Level 13
95 Pitt Street
Sydney NSW 2000
Australia

Directors of the Responsible Entity

Richard Longes# (Non-executive chairperson)
Sally Herman# (Non-executive lead independent)
Hugh Martin# (Non-executive)*
Georgina Lynch# (Non-executive)
Stephen Koseff (Non-executive)
Sam Leon (Non-executive)*
Graeme Katz (Executive)

Independent

* Retired 30 November 2020

Company secretary of the Responsible Entity

Lucy Spenceley (BA (Hons))

Registered office and postal address of the Responsible Entity

Level 13
95 Pitt Street
Sydney NSW 2000
Australia

Local representative office

2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

Transfer secretaries

JSE

Computershare Investor Services
Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196

(PO Box 61051 Marshalltown 2107)
South Africa

ASX

Computershare Investor Services Pty
Limited
GPO Box 2975
Melbourne VIC 3001
Australia

Phone (within Australia): 1300 850 505
Phone (outside Australia): +61 (0)3 9415 4000
Fax: +61 (0)3 9473 2500
Email: webqueries@computershare.com.au

Sponsor

The Corporate Finance division of Investec
Bank Limited
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196
(PO Box 785700 Sandton 2146)
South Africa

Custodian

Perpetual Corporate Trust Limited
(ACN 000 341 533)
Level 12
123 Pitt Street
Sydney NSW 2000
Australia

Investor relations

Telephone: +61 2 7906 2000
E-mail: ir@ironategroup.com.au

Preparer

The annual report and consolidated financial statements have been prepared under the supervision of the CFO, Kristie Lenton CA.

Glossary of terms

AAS	means Australian Accounting Standards.
AFFO	means adjusted funds from operations, calculated in line with the Property Council Guidelines, being FFO adjusted for maintenance capital expenditure, cash and cash equivalent incentives (including rent free incentives) given to tenants during the period and other one-off items which have not been adjusted in determining FFO.
AMIT	means an attribution managed investment trust as defined in section 276-10 of the <i>Income Tax Assessment Act 1997</i> (Cth).
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited and, where applicable, the Australian securities exchange operated by ASX Limited.
ASX Guidelines	means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as amended from time to time.
ASX Listing Rules	means the listing rules of the ASX, and other rules of the ASX which are applicable to the Fund while the Fund is listed on the ASX, as amended from time to time.
A\$	means Australian dollars.
Audit and Risk Committee	means the audit and risk committee of the Board.
Board	means the board of directors of the Responsible Entity.
bps	means basis points.
CBD	means central business district.
CEO	means chief executive officer.
CFO	means chief financial officer.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
CPI	means the All Groups Consumer Price Index, as issued by the Australian Bureau of Statistics as a general indicator of the rate of change in prices paid for consumer goods and services.
cps	means cents per security.
ESG	means environmental, social and governance.
FFO	means funds from operations calculated in accordance with the Property Council Guidelines, determined by adjusting statutory net profit (under AAS) for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gain/loss on sale of investment properties, straightline rental revenue adjustments, non-FFO tax expenses/benefits and other unrealised one-off items.
FY	means the financial year ending 31 March in the relevant year.
GDP	means gross domestic product.
gearing	means interest bearing liabilities (excluding debt establishment costs) less cash divided by the total value of investment properties.
HoA	means heads of agreement.
HY	means the half year ending 30 September in the relevant year.
IAL	means Investec Australia Limited, a member of the Investec Group.
IAP or Fund	means Irongate Group, comprising IPF I and IPF II.
Investec Group	means Investec Limited and Investec Plc, being the head entities of the dual listed companies structure comprising the Investec Group, and each of their subsidiaries.
IPF I	means Irongate Property Fund I (ARSN 162 067 736).
IPF II	means Irongate Property Fund II (ARSN 644 081 309).
IRR	means internal rate of return.
JSE	means JSE Limited and, where applicable, the exchange operated by JSE Limited in accordance with its licence under the Financial Markets Act, No. 19 of 2012 of South Africa.

Section 01

Section 02

Section 03

Section 04

Section 05

Section 06

Section 07

Glossary of terms

Continued

JSE Listings Requirements	means the listings requirements of the JSE, as amended from time to time.
King IV Code	means the King IV Report on Corporate Governance for South Africa 2016.
KMP	means key management personnel.
LTI	means long term incentive.
m²	means square metres.
Managed Investment Scheme	means a managed investment scheme that has been registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.
Manager	means Investec Property Management Pty Limited, which has been contracted under a management agreement to provide certain asset management and property management services to the Fund, and is a member of the Investec Group.
NABERS	means national Australian built environment rating system.
NAV	means net asset value.
Nomination and Remuneration Committee	means the nomination and remuneration committee of the Board.
NTA	means net tangible assets.
NZ\$	means New Zealand dollars.
Property Council Guidelines	means version 2 of the Property Council of Australia's <i>Voluntary Best Practice Guidelines for Disclosing FFO and AFFO</i> , published in December 2017 and available at www.propertycouncil.com.au .
REIT	means real estate investment trust.
Remuneration Report	means the remuneration report on pages 29 to 33 of the annual report.
Responsible Entity	means the responsible entity of the Fund, being Irongate Funds Management Limited.
Sponsor	means Investec Bank Limited, a member of the Investec Group.
STI	means short term incentive.
TAP	means a fund comprised of Templewater Australia Property I L.P., Templewater Australia Property Fund I Head Trust and various sub trusts that have been established (or may be established from time to time).
WACR	means the average capitalisation rate across the Fund's portfolio or group of properties, weighted by property valuation.
WADE	means the weighted average expiry of the Fund's debt facilities.
WALE	means the average lease term remaining to expiry across the Fund's portfolio or a property or group of properties, weighted by gross property income.
WARR	means the average rent review across the Fund's portfolio or a property or group of properties, weighted by gross property income.
WASE	means the weighted average expiry of the Fund's interest rate swaps.
WHT	means withholding tax.
ZAR	means South African rand.

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IRONGATE

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