Investec Australia Property Fund
Registered in Australia in terms of ASIC (ARSN 162 067 736)
Registered in terms of the Collective Investment Schemes Control
Act No. 45 of 2003
Share code: IAP
ISIN: AU60INL00018

Interim results
Condensed consolidated financial results
for the period ended 30 September 2018

Highlights

Portfolio value

1 013.4 mn

pre WHT
5.05CPU
distribution growth of 2.0%

Growth since listing
7.8X
portfolio of 27 quality properties

WALE
5.1YEARS
48.7% of leases expiring after 5 years

99.0%
OCCUPANCY RATE

0.5% improvement
since March 2018

3.91%
ALL IN FUNDING RATE

Strong balance sheet management
85% hedged for 5.7 years

4 year
WEIGHTED AVERAGE DEBT EXPIRY

Debt maturity profile extended by
1 year

Consolidated statement of comprehensive income
for the six months ended 30 September 2018

AUD'000	Note	Reviewed six months to 30 September 2018	Reviewed six months to 30 September 2017	Audited year ended 31 March 2018
Revenue, excluding straight-line rental revenue adjustment		43 606	34 805	75 451
Straight-line rental revenue adjustment		1 374	1 942	2 146
Revenue		44 980	36 747	77 597
Property expenses		(9 177)	(6 100)	(13 897)
Net property income		35 803	30 647	63 700
Other operating expenses		(3 327)	(2 746)	(6 177)
Operating profit		32 476	27 901	57 523
Fair value adjustments	3	4 198	27 511	61 225
Finance costs		(7 099)	(4 737)	(10 700)
Finance income		41	40	117

Other income			152	12	40
Total comprehensive income attributable to equity holders			29 768	50 727	108 205
Units in issue at the end of the period	('000)		478 802	429 265	478 802
Weighted average number of units in issue for the period	('000)		478 802	434 055	450 084
Basic and diluted earnings per unit	(cents)	4	6.22	11.69	24.04

Distribution reconciliation
for the six months ended 30 September 2018

AUD'000		Note	Reviewed six months to 30 September 2018	Reviewed six months to 30 September 2017	Audited year ended 31 March 2018
Total comprehensive income for the period			29 768	50 727	108 205
Less: Straight-line rental revenue adjustment			(1 374)	(1 942)	(2 146)
Fair value adjustments		3	(4 198)	(27 511)	(61 225)
Other			-	(5)	-
Antecedent distribution			-	-	3 216
Distributable earnings			24 196	21 269	48 050
Withholding tax paid/payable to the Australian Taxation Office			(1 843)	(1 342)	(3 202)
Income tax paid/payable to the New Zealand Inland Revenue Office			(92)	-	(366)
Interim/final distribution post-withholding tax			22 261	19 927	44 482
Number of units					
Units in issue at the end of the period	('000)		478 802	429 265	478 802
Weighted average number of units in issue for the period	('000)		478 802	434 055	450 084
Distribution per unit (pre withholding tax)	(cents)		5.05	4.95	10.03
Distribution per unit (post withholding tax)	(cents)		4.65	4.64	9.29

Consolidated statement of financial position
as at 30 September 2018

AUD'000		Notes	Reviewed as at 30 September 2018	Audited as at 31 March 2018
ASSETS				
Non-current assets			1 014 429	987 663
Investment property		6	1 013 392	986 696
Financial instruments held at fair value		5	1 037	967
Current assets			13 244	10 976
Cash and cash equivalents			7 950	7 218
Trade and other receivables			5 294	3 758
Total assets			1 027 673	998 639
EQUITY AND LIABILITIES				
Unitholders' interest			622 935	617 363
Contributed equity			515 203	515 203
Retained earnings			107 732	102 160
Non-current liabilities			374 474	350 614
Long-term borrowings			366 094	342 431
Trade and other payables			6 674	6 187
Financial instruments held at fair value		5	1 706	1 996
Current liabilities			30 264	30 662
Trade and other payables			5 860	6 335
Distributions payable			24 404	24 327
Total equity and liabilities			1 027 673	998 639
NET ASSETS			622 935	617 363
	('000)		478 802	478 802
Net asset value per unit*	(cents)		130.10	128.94

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

The Fund is in a net current liability position of AUD17.0 million due to the distribution declared at period end. The Fund plans to fund the distribution payment from a combination of cash and undrawn borrowing facilities. Management has done a cash flow forecast, which reflects that it will be able to meet its commitments as they become due, and has therefore prepared the financial statements on a going concern basis.

Consolidated statement of cash flows
for the six months ended 30 September 2018

AUD'000	Reviewed six months to 30 September 2018	Reviewed six months to 30 September 2017	Audited Year ended 31 March 2018
Cash flows from operating activities			
Rental income received	43 982	34 991	73 395
Property expenses	(10 335)	(6 810)	(14 166)
Fund expenses	(3 317)	(2 924)	(6 177)
Security deposits received/(refunded)	763	(710)	(798)
Cash generated from operations	31 093	24 547	52 254
Finance income received	41	40	117
Finance costs paid	(7 601)	(4 571)	(10 443)
Distribution paid to unitholders	(24 120)	(21 456)	(45 179)
Net cash used in operating activities	(587)	(1 440)	(3 251)
Cash flows from/(used in) investing activities			
Investment property acquired	(20 683)	-	(134 920)
Expenditure on building improvement	(2 156)	(1 955)	(4 379)
Net cash outflow used in investing activities	(22 839)	(1 955)	(139 299)
Cash flows from financing activities			
Borrowings raised	34 658	20 200	109 313
Repayment of loans	(10 500)	(10 000)	(15 200)
Proceeds from issue of units	-	(7 990)	52 054
Payment of transaction costs related to the issue of units	-	-	(515)
Net cash inflow from financing activities	24 158	2 210	145 652
Net increase/(decrease) in cash and cash equivalents	732	(1 185)	3 103
Cash and cash equivalents at beginning of the period	7 218	4 116	4 116
Cash and cash equivalents at end of the period	7 950	2 931	7 218

Consolidated statement of changes in equity
for the six months ended 30 September 2018

AUD'000	Reviewed six months to 30 September 2018	Reviewed six months to 30 September 2017	Audited year ended 31 March 2018
At the beginning of the period	617 363	505 668	505 668
Total comprehensive income	29 768	50 727	108 205
Issue of ordinary units	-	(7 990)	51 540
Distributions paid/payable to ordinary unitholders	(24 196)	(21 269)	(48 050)
Balance at the end of the period	622 935	527 136	617 363

The adjustment made to retained earnings on the impact of applying IFRS 9 and IFRS 15 is nil.

Consolidated segmental information
for the six months ended 30 September 2018

For the six months ended 30 September 2018 AUD'000	Office	Industrial	Total
Condensed statement of comprehensive income			
Revenue, excluding straight-line rental revenue adjustment	28 675	14 931	43 606
Straight-line rental revenue adjustment	179	1 195	1 374
Revenue	28 854	16 126	44 980
Property expenses	(6 701)	(2 476)	(9 177)
Net property income	22 153	13 650	35 803

	Office	Industrial	Total
Statement of financial position extracts at 30 September 2018			
Investment property balance at 1 April 2018	770 922	215 774	986 696
Acquisitions	-	19 450	19 450
Foreign currency revaluation on property	(2 914)	-	(2 914)
Acquisition cost and capital expenditure	1 214	1 936	3 150
Straight-line rental revenue receivable	184	1 195	1 379
Fair value adjustments	4 987	644	5 631
Investment property at 30 September 2018	774 393	238 999	1 013 392
Other assets not managed on a segmental basis			14 281
Total assets at 30 September 2018			1 027 673

For the six months ended 30 September 2017

AUD'000	Office	Industrial	Total
Condensed statement of comprehensive income			
Revenue, excluding straight-line rental revenue adjustment	26 345	8 460	34 805
Straight-line rental revenue adjustment	1 465	477	1 942
Revenue	27 810	8 937	36 747
Property expenses	(5 200)	(900)	(6 100)
Net property income	22 610	8 037	30 647
Statement of financial position extracts at 30 September 2017			
Investment property balance at 1 April 2017	597 151	182 199	779 350
Acquisition cost and capital expenditure	1 523	-	1 523
Straight-line rental revenue receivable	1 465	477	1 942
Fair value adjustments	25 153	1 772	26 925
Investment property at 30 September 2017	625 292	184 448	809 740
Other assets not managed on a segmental basis			9 168
Total assets at 30 September 2017			818 908

Notes to the reviewed consolidated financial results for the six months ended 30 September 2018

1. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. Except as described in below note 2, the accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

2. Changes in significant accounting policies

The Fund has applied IFRS 9 and IFRS 15 being effective in the current financial year. The impact of applying IFRS 9 to IAPF accounts is nil. Additional disclosure has been included in the notes to the condensed consolidated financial statements. IFRS 15 applies to all revenue that is not accounted for in accordance with other accounting standards. With the main revenue stream earned by the Funds being from leases which is accounted for in accordance with IFRS 16, therefore, the impact to IAPF upon adoption of IFRS 15 is nil.

3. Fair value adjustments

AUD'000	Reviewed six months to 30 September 2018	Reviewed six months to 30 September 2017	Audited year ended 31 March 2018
Fair value adjustments - investment property	5 717	26 925	61 269
Fair value adjustments - interest rate swaps	360	586	(2 305)
Fair value adjustments - foreign currency revaluation	(1 879)	-	2 261
Total fair value adjustments	4 198	27 511	61 225

4. Headline earnings reconciliation

Total comprehensive income for the period		29 768	50 727	108 205
Less: Fair value adjustments - investment property		(4 198)	(26 925)	(61 269)
Other		-	(5)	-
Headline earnings		25 570	23 797	46 936
Basic and diluted earnings per unit	(cents)	6.22	11.69	24.04
Headline earnings per unit	(cents)	5.34	5.48	10.43

5. Fair value of financial instruments

Financial instruments held at fair value include interest rate swaps. Interest rate swaps are classified as level 2 in the fair value hierarchy. These are valued using valuation models which use market observable inputs such as quoted interest rates. No other financial instruments are carried at fair value. There have been no transfers between hierarchy levels. Cash and cash equivalents; trade and other receivables; trade and other payables are measured at amortised cost and approximate fair value. Long-term borrowings are measured at amortised cost.

For the six months ended 30 September 2018 AUD'000	Measured at fair value Level 1	Level 2	Level 3	Total gain or (loss) in the period in the profit or loss
Interest rate swaps	-	(669)	-	360
Total financial instruments measured at fair value	-	(669)	-	360

For the six months ended 30 September 2017 AUD'000	Measured at fair value Level 1	Level 2	Level 3	Total gain or (loss) in the period in the profit or loss
Interest rate swaps	-	1 862	-	586
Total financial instruments measured at fair value	-	1 862	-	586

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

a. The fair value of long term borrowings has been estimated by applying the discounted cash flow (DCF) method at each reporting period.

For financial instruments whose carrying amount is equivalent to the 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)

Fair value and carrying amount AUD'000	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
As at 30 September 2018					
Financial assets not measured at fair value					
Cash and cash equivalents	7 950	-	-	-	-
Trade and other receivables	5 294	-	-	-	-
	13 244	-	-	-	-
Financial assets measured at fair value					
Interest rate swaps	1 037	-	1 037	-	1 037
	1 037	-	1 037	-	1 037
Financial liabilities not measured at fair value					
Trade and other payables	36 938	-	-	-	-
Long-term borrowings	366 094	-	344 190	-	344 190
	403 032	-	344 190	-	344 190
Financial liabilities measured at fair value					
Interest rate swaps	1 706	-	1 706	-	1 706
	1 706	-	1 706	-	1 706

a. Details of changes in valuation techniques

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

b. Significant transfers between Level 1, Level 2 and Level 3

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

Derivative financial instruments consist of interest rate swap instruments. Interest rate swap 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.

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

At 30 September 2018 independent external valuations were obtained for all properties. In aggregate, revaluations contributed AUD7.2 million to the value of the portfolio which was offset by the write-off of transaction costs associated with acquisitions made during the period.

Fair value hierarchy - Investment property
For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Properties are valued under the income capitalisation method and DCF method.

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

For the period ended 30 September 2018	Measured at fair value		
AUD'000	Level 1	Level 2	Level 3
Total assets			
Investment property balance at 1 April 2018	-	-	986 696
Acquisitions	-	-	19 450
Foreign currency revaluation on property	-	-	(2 914)
Capital expenditure	-	-	3 150
Straight-line rental revenue receivable	-	-	1 379
Fair value adjustments	-	-	5 631
Total non-financial assets measured at fair value	-	-	1 013 392
Total gain or (loss) in the period in the comprehensive income			
Straight-line rental revenue adjustment	-	-	(1 374)
Acquisition cost and capital expenditure	-	-	(3 065)
Foreign currency revaluation on property	-	-	2 914
Net investment property valuation	-	-	7 242
Total fair value adjustment - investment property	-	-	5 717

For the period ended 30 September 2017	Measured at fair value		
AUD'000	Level 1	Level 2	Level 3
Total assets			
Investment property balance as at 1 April 2017	-	-	779 350
Capital expenditure	-	-	1 523
Straight-line rental revenue receivable	-	-	1 942
Net fair value adjustments	-	-	26 925
Total non-financial assets measured at fair value	-	-	809 740
Total gain or (loss) in the period in the comprehensive income			
Straight-line rental revenue adjustment	-	-	(1 942)
Acquisition cost and capital expenditure	-	-	(1 523)
Net investment property valuation	-	-	30 390
Total fair value adjustment - investment property	-	-	26 925

Fair value adjustments are processed through "Fair value adjustments - investment property" in the statement of comprehensive income.

a. Details of changes in valuation techniques

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

b. Significant transfers between level 1, level 2 and level 3

There have been no transfers between hierarchy levels.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

7. Related party transactions

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

Transactions with related parties: AUD'000	Reviewed six months to 30 September 2018	Reviewed six months to 30 September 2017	Audited year ended 31 March 2018
Payments to Investec Group and its subsidiaries:			
Investec Property Management Pty Limited - subsidiary			
Asset management fee	2 777	2 449	5 120
Property management fee*	669	652	1 282
Leasing fee	-	-	494
Investec Bank Limited - parent company			
Sponsor fee	2	10	29
Capital raising fees and listing costs	-	-	473
Investec Bank plc - parent company			
Interest on swaps	-	668	896
Investec Australia Limited - subsidiary			
Interest on swaps	427	-	393
Amounts owing to related parties			
Investec Property Management Pty Limited - subsidiary			
Asset management fee payable	513	421	433

* Investec Property Management Pty Limited (IPMPL) has been contracted to perform property management services on behalf of the Fund. IPMPL has sub-contracted certain of these services to third party property managers who are paid by IPMPL.

8. Subsequent events

In the interval between the end of the reporting period and the date of this report there is no item, transaction or event of a material and unusual nature likely, in the opinion of the responsible entity, to affect significantly the operations of the Fund, the results of those operations or the state of affairs of the Fund, in future financial years.

Commentary

Introduction

Investec Australia Property Fund (Fund) is the only inward-listed Australian REIT listed on the main board of the JSE Limited (JSE). It is a revenue-producing fund that operates in a transparent and developed market.

The Fund aims to provide unitholders with stable revenue and capital value uplift by investing in quality office, industrial and retail properties in Australia and New Zealand, giving unitholders direct exposure to the Australian and New Zealand real estate markets via the JSE. The Fund's portfolio has grown 7.8 times since listing in October 2013 and now comprises 27 properties with a total gross lettable area of 285 587m² and a portfolio value of AUD1 013.4 million.

Management continues to believe that the investment case for investing in good quality properties in Australia and New Zealand remains attractive for South African investors given the region's favourable macroeconomic conditions, property yield spreads over historically low funding costs and revenue returns in a hard currency.

Market commentary

The Australian economy continues to experience relatively strong economic growth, underpinned by population growth averaging 1.6% over the last decade. The composition of growth has transitioned from mining and dwelling investment to non-mining business investment and public infrastructure spending. Household consumption has continued to be a strong contributor to growth, again underpinned by continued population growth.

While mining investment is well off its peak, export volumes in the resources sector remain a significant driver of Australia's growth. The resource rich states of Western Australia and Queensland are both showing signs of recovery. Forecast state final demand in Queensland over the five years to 2022 is now expected to outpace the larger states of New South Wales and Victoria, while Western Australia is expected to experience solid growth from 2020 onwards.

Industrial markets

- Performance across Australia's main industrial markets is converging, with Sydney and Melbourne continuing to experience growth and market recovery now evident in Perth, Brisbane and Adelaide.

- Transaction volumes peaked in 2016 and have remained high through the 3Q18. Industrial assets are attracting a broader range of investors, including global institutional investors. This is further supported by structural changes in the sector that is driving the development of high quality assets that support new technologies and practices in the logistics sector.

- All markets are forecast to experience rental growth over the five years to 2023, ranging from 1.8% to 3.2% per annum.

- Yields are expected to remain firm at cyclical low levels throughout 2019. JLL Research has factored in a minor decompression cycle from 2020 if, as expected, bond rates rise and the Reserve Bank of Australia move to a tightening monetary policy stance.

Office markets

- Australia remains an attractive destination for global capital, supported by sustainable growth, a stable economic environment, high transparency and relatively strong population growth compared to other advanced economies.

- The volume of capital from domestic and increasingly diverse offshore sources seeking to invest in Australian office assets is well in excess of available product.

- Yields are expected to be maintained at current levels at least through the end of 2018 and 2019.

- While much of the recent market activity has been centred on Melbourne and Sydney, other markets are now showing improvements in key market indicators, including positive net absorption, improved vacancy and a pairing back of incentives. This is forecast to lead to stronger effective rental growth over the next few years. The Brisbane and Perth markets are forecast to lead the way in terms of effective rental growth over the five years to 2023.

Financial results

The board of directors of Investec Property Limited (IPL), the responsible entity of the Fund, is pleased to announce an interim distribution of 5.05 cents per unit (cpu) pre-withholding tax (WHT) and 4.65 cpu post-WHT (2017: 4.95 cpu pre-WHT and 4.64 cpu post-WHT). This represents growth of 2.0% pre-WHT and 0.2% post-WHT. The effective tax rate for the distribution is 7.99944% compared to 6.30841% for the prior year which has impacted the growth rate in the post-WHT distribution. Guidance for the full year is maintained in the range of 2.0% to 2.5% pre-WHT, and 0.0% to 0.5% post-WHT.

Properties

Strategy

Management's focus continues to be on seeking out and creating value for unitholders by acquiring good quality assets and by improving the performance of the underlying portfolio through active asset management.

Australia and New Zealand remain an attractive destination for global capital, supported by sustainable growth, a stable economic environment, high transparency and relatively strong population growth compared to other advanced economies. This, together with the fact that the volume of capital from both global and domestic sources seeking to invest in Australian and New Zealand property is in excess of available product, has contributed to direct asset pricing remaining strong in both markets. Management is committed to maintaining a disciplined approach to asset acquisition, focusing on underlying property fundamentals and identifying opportunities in locations supported by significant existing or planned infrastructure that provide affordable occupancy costs for tenants. Active asset management remains a key element of management's strategy, both in respect of the existing portfolio and in assessing acquisition opportunities. Through leasing initiatives, repositioning opportunities and capital expenditure, management is continually exploring ways to enhance yield and/or create value across the portfolio.

Tenant retention remains a key focus for management. Critical in achieving this is early engagement with tenants in an effort to understand their medium to long-term occupancy requirements and, where possible, agreeing lease extensions in advance of the contractual lease expiry dates. Management is also continually looking at ways to improve the tenant experience and amenity at the Fund's properties in order to retain and attract tenants and to support revenue growth.

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

Acquisitions

During the period the Fund completed the acquisition of an industrial property located at 36 - 42 Hydrive Close, Dandenong South, approximately 30 kms south east of the Melbourne CBD. The property is occupied by a subsidiary of the ASX-listed Pact Group and had a remaining lease term of 7.1 years at acquisition. Key metrics are set out below:

Property name	Geography	Effective date	Sector	Value ('000)	GLA (m(2))	Yield (%)	WALE (years)
36 - 42 Hydrive Close	Melbourne, VIC	19/04/2018	Industrial	AUD19 450	14 635	6.3	7.1

Valuations

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

At 30 September 2018 independent external valuations were obtained for all of the Fund's properties. Revaluations contributed AUD7.2 million to the value of the portfolio, which represents an increase of 0.7% for the six months since 31 March 2018.

Net asset value growth of 0.9% was achieved for the six months to 30 September 2018, largely attributable to the revaluation of the Fund's properties.

Geographic spread

The majority of the Fund's exposure is to the two best performing economies of New South Wales and Victoria, which represent 57% of the portfolio by asset value (31 March 2018: 57%).

GLA

ACT	10%
NSW	35%
QLD	16%
SA	3%
WA	8%
VIC	19%
NZ	9%

Asset value

ACT	7%
NSW	39%
QLD	20%
SA	1%
WA	3%
VIC	18%
NZ	12%

Revenue

ACT	8%
NSW	38%
QLD	21%
SA	1%
WA	3%
VIC	16%
NZ	13%

Sectoral spread

The Fund has maintained its bias towards office markets with exposure to this sector representing 76% of the portfolio by asset value (31 March 2018: 77%).

GLA

Office	49%
Industrial	51%

Asset value

Office	76%
Industrial	24%

Revenue

Office	77%
Industrial	23%

Leasing activity

At the date of this report, the portfolio is 99.0% occupied by revenue, an improvement from 98.5% at 31 March 2018. The current vacancy largely comprises acquired vacancy at 20 Rodborough Road in Sydney, which has taken longer than expected to lease.

The Fund continues to engage with tenants to understand their medium to long term occupancy requirements. This has resulted in approximately 9% of Fund's portfolio by area being subject to signed leases or heads of agreement since 31 March 2018. As at the date of this report only 2 229 m² remains vacant.

Since 31 March 2018, the Fund has completed the following leasing transactions:

Signed leases	GLA (m(2))	Average initial lease term (years)	Average escalation (%)
Replacement leases/renewals			
Office	4 377	4.7	2.24
Industrial	16 461	10.0	3.00
Letting of vacancy			
Office	2 442	5.9	3.56
Industrial	-	-	-
Total signed leases	23 280	6.4	2.74

Signed HOAs	GLA (m(2))	Average initial lease term (years)	Average escalation (%)
Replacement leases/renewals			
Office	1 054	2.5	3.50
Industrial	-	-	-
Letting of vacancy			
Office	488	5.9	3.50
Industrial	-	-	-
Total signed HOAs	1 542	3.3	3.50
Total	24 822	6.1	2.83

As a result of the leasing activity during the period, current vacancy has reduced (1.0% down from 1.5% at 31 March 2018), expiries in FY19 have almost been completely extinguished (0.2% down from 2.0% at 31 March 2018) and expiries in FY20 have reduced from 12.8% at 31 March 2018 to 10.0% at the date of this report.

The Fund's lease expiry profile at the date of this report remains strong with a weighted average lease expiry of 5.1 years by revenue with 48.7% of leases expiring after five years. The lease expiry profile reflects the quality and sustainability of the Fund's revenue base.

Capital and risk management

The Fund's gearing ratio as at 30 September 2018 was 36.3%. The Fund's long-term strategy is to maintain gearing between 35% and 40%, however, the Fund will manage gearing levels to take advantage of attractive acquisition opportunities. During the six months to 30 September 2018, the Fund restructured the debt book with existing financiers, extending the weighted debt maturity by one year.
The weighted average maturity of the Fund's debt is 4.0 years and the Fund has fixed 85.4% (2017: 87.7%) of its interest rate exposure for a weighted average term of 5.7 years (2017: 7.2 years) at a rate of 2.42% (2017: 2.43%). The Fund's all in cost of funding is currently

3.91% (2017: 3.61%).

ASX listing

On 5 September 2018, unitholders approved a resolution for the issue and allotment of up to a maximum of 180 million new units within 12 months after the date on which the resolution was passed, together with resolutions to amend to the Fund's constitution and management agreement to facilitate an ASX listing and associated capital raising as described in the circular to unitholders dated 6 August 2018 (Circular). The subscription price for new units under the capital raising would be determined under a bookbuild, subject to a minimum price of the greater of the net asset value of the Fund based on the Fund's most recent financial statements (as adjusted if appropriate by any third party valuations), and a 3% discount to the volume weighted average price per unit over the 30 business days prior lodgement of the relevant offer document.

The rationale for the ASX listing remains sound, particularly in light of recent increased corporate activity in the ASX-listed REIT sector, notably the completion of the acquisition of Westfield Group (ASX: WFD) by Unibail-Rodamco and the acquisition of Folkestone Limited (ASX: FLK) by Charter Hall Group (ASX: CHC), as well as the proposed acquisition of Investa Office Fund (ASX: IOF) by Oxford Properties Group, the proposed acquisition of Australian Unity Office Fund (ASX: AOF) by Starwood Group and the takeover offer for Propertylink (ASX: PLG) by ESR Real Estate. These transactions could result in a reduction in the number of ASX-listed REIT investment opportunities and an increase in capital flows into other ASX-listed REITs.

Management is continuing to work towards an ASX listing and associated capital raising in line with the approvals granted by unitholders, the proceeds of which will primarily be used to make further property acquisitions in line with the Fund's current investment strategy, and which may also be used to pay down debt. This includes liaising with the ASX and the JSE and progressing other practical matters described in the Circular such as proposed board and governance changes and proposed changes to the distribution policy. In relation to the distribution policy, the Circular stated that if the Fund becomes listed on the ASX, it is intended that the Fund will determine the distribution and report the distribution payout ratio by reference to funds from operations and/or adjusted funds from operations (AFFO). As described in the Circular, by applying this revised reporting and calculation methodology, the Fund's aggregate distribution for the financial year ended 31 March 2018 would have equated to 105% of AFFO. If the ASX listing proceeds, the Fund will announce its proposed distribution payout ratio and underlying guidance on a periodic basis. The determination of future distributions is dependent on a number of factors including the Fund's available free cash flow (or AFFO) and the financial position of the Fund. Prior to the ASX listing, the Fund intends to continue to calculate and report distributions under its current methodology (but may also report the amount the distributions would have equated to as a percentage of AFFO, for comparative information purposes).

Australian REIT structure

The Fund allows for the tax efficient flow-through of net income to unitholders. The Fund is an uncapped and open-ended fund and existing and future unitholders will hold a participatory interest in the Fund, which entitles unitholders to a pro rata share of the underlying income generated by the Fund and a pro rata beneficial interest in the assets of the Fund. The Fund is registered as a Managed Investment Scheme in Australia. The Fund is governed and operated by Investec Property Limited as Responsible Entity, and is externally managed by Investec Property Management Pty Limited.

Unitholders

At 30 September 2018, the following unitholders held more than 5% of the Fund's total issued units

	Number of units	Percentage of units
Investec Property Fund Limited	100 147 030	20.92
Investec Bank Limited	72 172 172	15.07

- Number of units in issue 478 802 454
- Number of unitholders 4 373

Changes to the board

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

Prospects

Distribution growth guidance for the full year ended 31 March 2019 is expected to be maintained at 2.0% to 2.5% pre-WHT and 0.0% to 0.5% post-WHT as previously indicated. This is on the assumption that there are no material changes to the underlying portfolio or other unforeseen events that could impact growth in the period from the date of this report to 31 March 2019.

The information and opinions contained above are recorded and expressed in good faith and are based upon sources believed to be reliable. No representation, warranty, undertaking or guarantee of whatever nature is made or given concerning the accuracy and/or completeness of such information and/or the correctness of such opinions.

Any reference to future financial information included in this announcement has not been reviewed or reported on by the Fund's independent auditors.

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

Richard Longes
Chairman

Graeme Katz
Chief Executive Officer

13 November 2018

Review conclusion

These reviewed interim condensed consolidated financial results for the period ended 30 September 2018 have been reviewed by KPMG Inc, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the responsible entity's registered office.

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

Final distribution

Notice is hereby given of a final distribution declaration number 10 of:

- 5.05378 AUD cents per unit pre-WHT
- 4.64950 AUD cents per unit post-WHT

for the six months ended 30 September 2018. Tax of 0.40248 AUD cents or 7.99944% per unit will be withheld from the distribution paid to non-Australian unitholders.

The salient dates relating to the distribution are as follows:

	2018
Exchange rate to convert the distribution to Rand and announced on SENS(1)	Tuesday, 20 November
Last day to trade cum distribution	Tuesday, 27 November
Units to trade ex distribution	Wednesday, 28 November
Distribution amount transferred to South Africa	Friday, 30 November
Record date	Friday, 30 November
Distribution posted/paid to certificated unitholders	Monday, 3 December
Accounts credited by CSDP or broker to dematerialised unitholders	Wednesday, 5 December

(1) Exchange rate calculated on Tuesday, 20 November

Units may not be dematerialised or rematerialised between commencement of trade Wednesday, 28 November 2018 and close of trade on Friday, 30 November 2018, both dates inclusive.

This distribution includes a "Fund Payment" amount of 2.48692 AUD cents per unit, pursuant to Subdivision 12-H of Schedule 1 of the Taxation Administration Act 1953 and relates to the period ending 31 March 2019.

The Fund declares that it is an Attribution Managed Investment Trust for the purposes of 12-H of Schedule 1 of the Taxation Administration Act 1953, in respect of the income year ended 31 March 2019.

	Total distribution
Fund payment (subject to fund payment withholding)	2.48692
Interest income (subject to other non-resident withholding)	0.11960
Foreign income (subject to New Zealand corporate tax)	0.00069
Tax deferred	2.44657
Total cash distribution	5.05378

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

General unitholder tax information
The Fund and its management arrangements are structured to meet the required criteria to be classified as an Attribution Managed Investment Trust for Australian tax purposes. As an Attribution Managed Investment Trust, the responsible entity will be required to withhold tax on Australian sourced income at a concessional rate of 15% on distributions to individual and institutional unitholders in South Africa.

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

As a result of certain deduction, such as depreciation, the tax payable on the Fund's distribution for the period from 1 April 2018 to 30 September 2018 has been reduced to an overall tax rate of 7.99944%, equivalent to 0.40248 AUD cents per unit. Thus, tax of 0.40248 AUD cents per unit will be withheld from the distribution accruing to unitholder and will be paid to the Australian Taxation Office for Australian sourced income and the New Zealand Inland Revenue Office for New Zealand sourced income.

South African unitholder tax implications
The distribution is regarded as a foreign distribution for South African unitholders.

The distribution comprises gross income, and is to be taxed as such, in the hands of South African investors. The pre-tax distribution is to be included in an unitholder's taxable income and subject to normal tax in full. Tax paying unitholders will be able to claim a rebate equivalent to 7.99944% per unit against tax paid in Australia and New Zealand. Non-tax paying unitholders will not be entitled to claim a rebate.

By order of the board

Investec Property Limited
Company Secretary

13 November 2018

Directors of the Responsible Entity
Richard Longes# (Non-executive chairman)
Stephen Koseff (Non-executive)
Graeme Katz (Executive)
Samuel Leon (Non-executive)
Sally Herman# (Non-executive)
Hugh Martin# (Non-executive)
Independent

Directors of the Manager
Graeme Katz (Executive)
Zach McHerron (Executive)
Kristie Lenton (Executive)

Company Secretary of the
Responsible Entity
Paul Lam-Po-Tang (BCom, LLB, GAICD)

Registered office and postal address
of the Responsible Entity and date of
establishment of the Fund
Australia
Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Local representative office
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

Responsible Entity
Investec Property Limited
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Level 23, Chifley Tower
2 Chifley Square
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New South Wales
2000
Australia

Manager
Investec Property Management Pty Limited
(ACN 161 587 391)
Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
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Phone: +27 11 370 5159

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

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

Established on 12 December 2012 in Sydney, Australia. Registered as a Managed Investment Scheme with ASIC under the Corporations Act, 2001 on 6 February 2013. On 23 August 2013, the Registrar of Collective Investment Schemes authorised the Fund to solicit investments in the Fund from members of the public in the Republic of South Africa in terms of Section 65 of the Collective Investment Schemes Control Act, 45 of 2002, as amended.