

Investec Property Fund Limited



Out of the Ordinary®



Highlights

Interim dividend of
54.65 cps
8.3% growth on prior year

Total portfolio now
R8.1 billion*
89% growth in the last 12 months

Remains conservatively geared
22.6%
Provides significant
headroom for growth

Acquisitions concluded and announced
R1.7 billion
Average through yield
of 8.2%

Bank and bond market accessed
at attractive rates
R950 million
All in cost of funding 8.2%*

Low vacancy
3.0%
Supported by WALE of 4.3 years

**Post announced acquisitions*

Consolidated statement of comprehensive income

R'000	Notes	Reviewed	Reviewed	Audited
		Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
Revenue, excluding straight-line rental adjustment		336 231	241 556	520 862
Straight-line rental adjustment		45 590	21 046	45 132
Revenue		381 821	262 602	565 994
Property expenses		(60 192)	(52 589)	(90 586)
Net property income		321 629	210 013	475 408
Other operating expenses		(21 541)	(15 538)	(32 105)
Operating profit		300 088	194 475	443 303
Fair value adjustments	4	(14 418)	(35 473)	211 610
Profit on sale of investment property		–	10 953	10 988
Income from investment		8 483	–	7 354
Finance costs		(60 521)	(18 500)	(57 369)
Finance income		3 173	5 106	10 745
Profit before debenture interest and taxation		236 805	156 561	626 631
Debenture interest		–	(119 935)	(119 935)
Profit before taxation		236 805	36 626	506 696
Taxation		(193)	39	39
Profit after taxation		236 612	36 665	506 735
Items that may be reclassified to profit and loss:				
Other comprehensive income: realised unrealised gain on cash flow hedge		(276)	–	276
Total comprehensive income attributable to equity holders		236 336	36 665	507 011

Consolidated statement of financial position

R'000	Notes	Reviewed	Audited	Reviewed
		Six months ended 30 September 2014	Year ended 31 March 2014	Six months ended 30 September 2013
ASSETS				
Non-current assets		6 911 154	6 117 243	4 440 946
Investment property		6 468 862	5 708 131	4 348 177
Straight-line rental adjustment		162 292	116 702	92 769
Derivative financial instruments		–	3 714	–
Investment		280 000	288 696	–
Current assets		153 141	436 082	240 143
Trade and other receivables		70 467	77 766	44 162
Cash and cash equivalents		82 674	358 316	195 981
Total assets		7 064 295	6 553 325	4 681 089
EQUITY AND LIABILITIES				
Shareholders' interest		5 370 350	5 112 629	4 128 947
Stated capital		4 874 558	4 645 756	4 092 282
Retained earnings		495 792	466 597	36 665
Cash flow hedge reserve		–	276	–
Non-current liabilities		1 231 542	944 864	461 110
Long-term borrowings		1 229 757	944 864	450 000
Derivative financial instruments	3	1 785	–	11 110
Current liabilities		462 403	495 832	91 032
Current portion of non-current liabilities		334 000	80 017	–
Trade and other payables		128 403	415 815	91 032
Total equity and liabilities		7 064 295	6 553 325	4 681 089

Consolidated condensed statement of cash flows

R'000	Reviewed	Reviewed	Audited
	Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
Cash generated from operations	283 232	197 460	390 903
Finance income received	3 173	4 480	10 745
Finance costs paid	(47 080)	(18 461)	(48 494)
Income from investment	7 982	–	–
Taxation paid	380	(41)	(46)
Dividend paid to shareholders	(206 927)	(164 207)	(344 975)
Net cash inflow from operating activities	40 760	19 231	8 133
Net cash outflow from investing activities¹	(1 032 616)	(221 486)	(1 217 547)
Net cash inflow/(outflow) from financing activities²	716 214	(494)	1 169 000
Net decrease in cash and cash equivalents	(275 642)	(202 749)	(40 414)
Cash and cash equivalents at the beginning of the year	358 316	398 730	398 730
Cash and cash equivalents at the end of the year	82 674	195 981	358 316

¹ Investing activities include investment property acquired, capital expenditure, proceeds on sale of investment property and other investments.

² Financing activities include term loans raised and proceeds from issue of shares.

Consolidated statement of changes in equity

R'000	Reviewed	Reviewed	Audited
	Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
Balance at the beginning of the period	5 112 629	3 172	3 172
Capital conversion	–	4 089 110	4 088 881
Total comprehensive income attributable to equity holders	236 336	36 665	507 011
Shares issued and to be issued	228 801	–	694 344
Dividends declared	(207 416)	–	(180 768)
Balance at the end of the period	5 370 350	4 128 947	5 112 629

Segmental analysis

Reviewed

For the six months ended 30 September 2014

R'000	Office	Industrial	Retail	Total
Statement of comprehensive income extracts				
Revenue, excluding straight-line rental adjustment	126 200	79 260	130 771	336 231
Straight-line rental adjustment	24 760	6 461	14 369	45 590
Revenue	150 960	85 721	145 140	381 821
Property expenses	(23 174)	(13 757)	(23 261)	(60 192)
Net property income¹	127 786	71 964	121 879	321 629
Statement of financial position extracts				
Investment property opening balance	2 394 397	1 343 734	2 086 702	5 824 833
Net acquisitions, disposals and additions	149 799	–	610 932	760 731
Straight-lining fair value adjustment	24 760	6 461	14 369	45 590
Fair value of investment property	2 568 956	1 350 195	2 712 003	6 631 154

Reviewed

For the six months ended 30 September 2013

R'000	Office	Industrial	Retail	Total
Statement of comprehensive income extracts				
Revenue, excluding straight line rental adjustment	80 194	62 465	98 897	241 556
Straight-line rental adjustment	15 259	5 000	788	21 047
Revenue	95 453	67 465	99 685	262 603
Property expenses	(12 974)	(13 979)	(25 636)	(52 589)
Net property income¹	82 479	53 486	74 049	210 014
Statement of financial position extracts				
Investment property opening balance	1 499 200	913 050	1 774 750	4 187 000
Net acquisitions, disposals and additions	139 448	82 135	11 315	232 899
Straight-lining fair value adjustment	15 259	5 000	788	21 047
Fair value of investment property	1 653 907	1 000 185	1 786 853	4 440 946

¹ Items below the net property income line are not managed on a segmental basis.

Notes to the reviewed interim condensed consolidated financial results

R'000	Reviewed six months ended 30 September 2014	Reviewed six months ended 30 September 2013	Audited year ended 31 March 2014
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1. Dividend reconciliation

Profit after taxation	236 612	36 665	506 735
Add: Debenture interest	–	119 935	119 935
Add/less: Fair value adjustments	14 418	35 473	(211 610)
Less: Profit on disposal of investment property	–	(10 953)	(10 988)
Less: Straight-line rental adjustment	(45 590)	(21 046)	(45 132)
Antecedent interest ¹	3 458	–	32 925
Dividend	208 898	160 074	391 865
Number of shares			
Shares in issue and to be issued	382 234 219	317 220 000	365 576 663
Weighted average number of shares in issue	368 570 813	317 220 000	330 736 792
Cents			
Dividend per share	54.65	50.46	108.20
Basic earnings per share	64.12	11.56	153.30
Headline earnings per share	64.20	58.72	142.03

2. Reconciliation of basic earnings to headline earnings

Total comprehensive income attributable to equity holders	236 336	36 665	507 011
Add/less: Other comprehensive income	276	–	(276)
Less: Net fair value adjustment – investment property	–	–	(186 858)
Add: Net fair value adjustment – debentures	–	29 657	29 657
Add: Debenture interest paid	–	119 935	119 935
Headline earnings attributable to shareholders	236 612	186 257	469 469

3. Financial instruments

Financial instruments held at fair value consist of derivative financial instruments and a portion of long term borrowings, which are classified at level 2. These are valued using valuation models which use markets observable inputs such as quoted interest rates. No other financial instruments are carried at fair value. Non-current long term borrowings held at fair value amount to R1.2 billion and the current portion of long term borrowings held at fair value amount to R0.3 billion. For the valuation techniques used to determine fair value as well as the inputs for these techniques please refer to note 27 and note 29 in the 2014 Annual Financial Statements.

4. Fair value adjustments of investment property

The Fund's policy is to value investment properties at year-end, with independent valuations performed on a rotational basis to ensure each property is valued at least every three years by an independent external valuer. The directors' valuation methods include using the discounted cash flow model and the capitalisation model. Revaluations were not undertaken at the half year period end as the directors are not aware of any factors which would materially affect the valuation of the properties.

5. Related parties

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

Acquisitions from Investec Property (Pty) Ltd

Investec Property (Pty) Ltd held a 50% share in the following companies sold to the Fund:

	R'million
Lekup Property Company No 6 Proprietary Limited (Foschini Building)	38.8
Bethlehem Property Development Proprietary Limited (Dihlabeng Mall)	178.8

The purchase of these companies does not meet the definition of IFRS 3, Business Combinations and was not treated as such.

¹ The antecedent interest is as a result of the RPP and Foschini transactions and the DRIP programme.

Commentary

Introduction

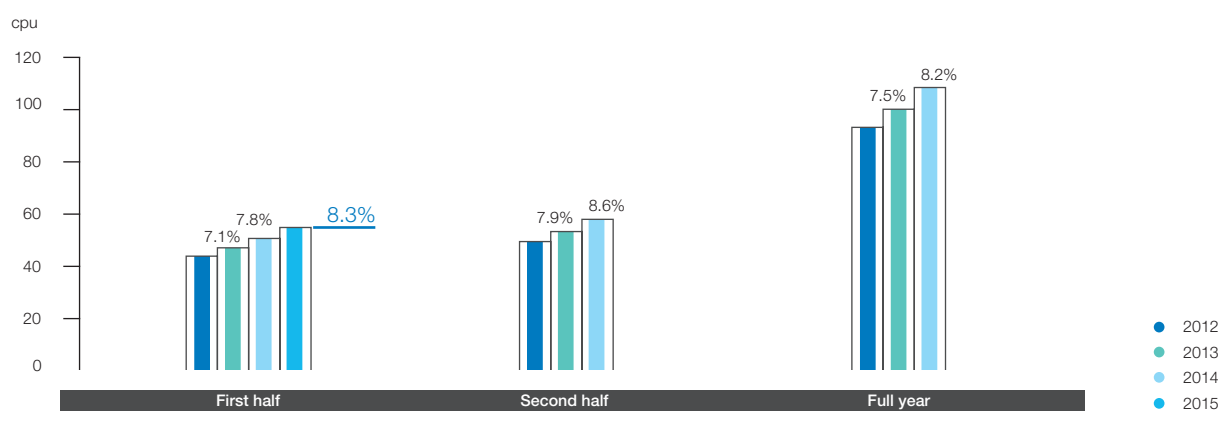
Investec Property Fund Limited ("The Fund") is a South African Real Estate Investment Trust having listed on the JSE Limited ("JSE") on 14 April 2011 and it obtained REIT status on 1 April 2013. At period end it comprises a portfolio of 74 properties in South Africa with a total Gross Lettable Area ("GLA") of 742 716m² valued at R6.6 billion and a R280.0 million investment in Investec Australia Property Fund ("IAPF") (prior to the rights offer in October 2014).

The objective of the Fund is to grow its asset base by investing in well priced income producing properties in the office, industrial and retail sectors to optimise capital and income returns over time for shareholders. Effectively, all rental income, less operating costs and interest on debt, is distributed to shareholders semi-annually. The Fund does not distribute capital profits or fair value gains.

Financial results

The board of directors is pleased to announce an 8.3% increase in the interim dividend to 54.65 cents per share (cps) for the six months ended 30 September 2014 (30 September 2013: 50.46 cps). The growth is underpinned by quality properties, a secure tenant base and tight cost control, coupled with conservative balance sheet management and growth from the investment in IAPF. The Fund's weighted average lease expiry ("WALE") of 4.3 years and vacancy of 3.0% reflects the underlying quality of the portfolio.

Dividend growth



Acquisitions and disposals

During the period the Fund completed acquisitions of R724 million and has entered into agreements for the acquisition of a further R943 million of announced property acquisitions ("Pending Acquisitions"). The combined acquisitions of R1.7 billion are underpinned by a high quality tenant mix, a WALE of 5.4 years and built in weighted average escalations of 7.8%.

On 6 November 2014, as part of the Pending Acquisitions, the Fund announced the acquisition of a portfolio of 5 assets from Investec Property (Pty) Ltd for R871 million at a through yield of 8.25% ("IP Portfolio").

The effective date of the transaction is 1 February 2015 due to the timing of the Competition Commission and the required shareholder vote which will take place in January 2015.

The inclusion of the Pending Acquisitions as well as the Fund electing to follow their rights in IAPF, will increase the total property portfolio to R8.1 billion. The acquisitions bring into the portfolio a mix of high quality office, retail and industrial properties, tenanted by a majority of national and A-grade tenants.

Acquisitions	Sector	Cost R'm	GLA m ²	Yield %	Date of transfer
1. Mafuri House	Office	9.0	682	8.3	April 2014
2. Barinors	Office	91.0	5 394	8.5	May 2014
3. McCarthy Menlyn	Retail	115.4	7 346	7.8	May 2014
4. Foschini Building	Retail	77.6	6 305	9.0	June 2014
5. Nicol Main D	Office	49.8	2 095	8.0	July 2014
6. Dihlabeng Mall	Retail	357.5	26 210	8.0	July 2014
7. Edcon Carletonville	Retail	23.7	3 811	9.0	September 2014
Completed acquisitions		724.0	51 843	8.2	
Announced acquisitions ¹	Various	943.3	82 703	8.25	Various
Total acquisitions		1 667.3	134 546	8.2	

¹ Announced acquisitions include the IP portfolio and Nicol Main E.

Capital expenditure and development

During the period the Fund committed to a R63 million upgrade, refurbishment and tenant mix improvement of the Balfour Mall which will modernise and enhance its presence and dramatically improve the shopping experience. The Fund also committed to a 6 000m² extension to the Dhlabeng Mall at a cost of R88 million. This extension will be anchored by a 4 286m² full-line Woolworths store and other nationals. Completion is due in July 2015 and will entrench the dominance of this centre in the region.

Major tenants

The Fund reviews tenant risk on a continual basis and it is a key factor when assessing new acquisitions. The Funds top ten tenants account for 38% of total gross income and are made up by 76% listed companies, 19% large corporates and 5% large professional firms.

The Fund's tenants across the total portfolio can be categorised as follows:

Tenant type	% of portfolio by revenue
Listed Companies	60
Large Corporates	20
Professional firms	7
Other smaller tenants	13

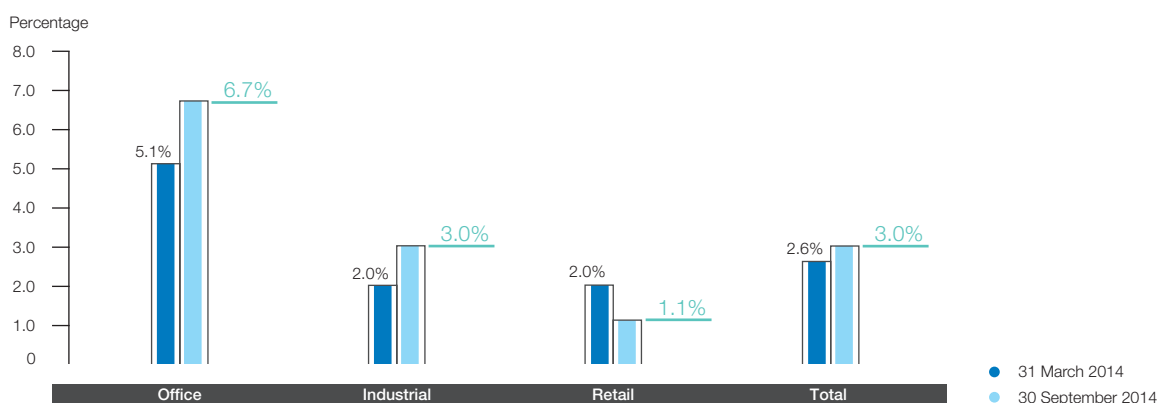
Ellerines exposure

The Fund has six stores tenanted by Ellerines brands and these account for 1.3% of annual gross revenue. The stores are in prominent locations and within dominant centres in niche retail nodes. At reporting date, only one store has been identified for closure.

Vacancy levels

The overall vacancy rate increased marginally to 3.0%. The increase was mainly seen in the office space acquired and the industrial sector.

Vacancies by sector – by GLA



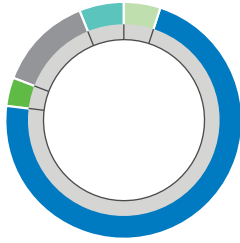
Letting activity

The Fund has renewed the majority of expired space during the period and despite the economic climate has managed to achieve higher than market average escalations. The rental reversion seen in the industrial sector was as a result of a large clothing manufacturer in the Western Cape in a space of 13 552m² that was previously over-rented.

Renewals and new leases

	Expiries GLA	Renewals and new lets GLA	Weighted average expiry rental R/m ²	Weighted average rental reversion %	Weighted average escalation %
Office	3 848	1 701	110.33	11.8	8.5
Industrial	18 947	15 701	39.93	(30.8)	8.4
Retail	5 888	6 060	172.50	2.5	8.0
Total	28 683	23 462			8.2

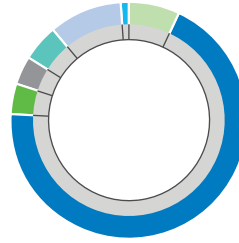
Geographic spread by GLA



GLA

Free State	5%
Gauteng	72%
Limpopo	4%
Western Cape	13%
Other	6%

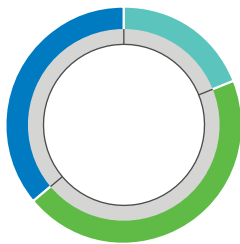
Geographic spread by revenue



GLA

Free State	7%
Gauteng	69%
KwaZulu-Natal	4%
Limpopo	4%
Mpumalanga	5%
Western Cape	10%
Other	1%

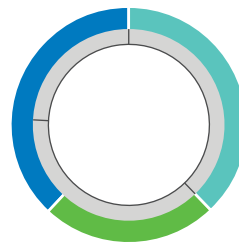
Sectoral spread by GLA



GLA

Office	19%
Industrial	45%
Retail	36%

Sectoral spread by revenue



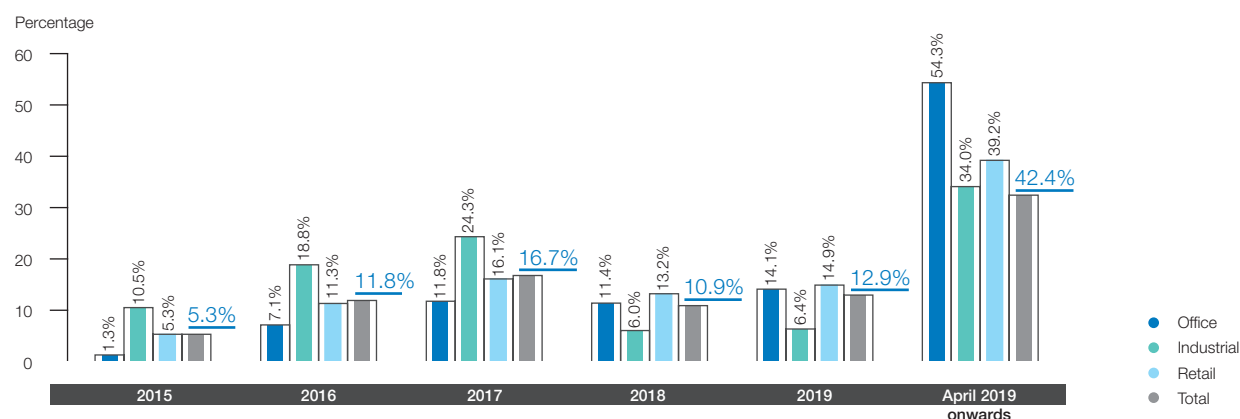
Revenue

Office	38%
Industrial	24%
Retail	38%

Lease expiry profile by sector

The Fund's lease expiry profile remains robust and defensive with a WALE of 4.3 years by revenue.

Lease expiry profile by sector – % of total revenue



Investment in IAPF

Post period-end the Fund has followed its rights in its investment in the JSE-listed IAPF keeping its stake in IAPF at 18.6% which equates to R502 million or 6.2% of the Fund's total portfolio.

Capital funding

The Fund's Balance Sheet remains well positioned for growth with gearing at 22.6%, a debt and swap maturity profile of 2.6 years and 3.7 years respectively and a current hedged position of 86%. At 30 September 2014, the Fund's all-in cost of borrowing was 8.6% which will revert to 8.2% after the exercising of the Fund's rights in IAPF.

During the period the Fund entered into the following unsecured facilities:

At 30 September 2014	Expiry	Rate	R'm
Commercial Paper	January 2015	JIBAR + 27 bp	200
DMTN 7	June 2017	JIBAR + 140 bp	150
DMTN 8	June 2018	JIBAR + 158 bp	50
DMTN 9	June 2019	JIBAR + 170 bp	250
Standard Bank term debt facility	September 2017	JIBAR + 155 bp	200
Investec development loan facility	August 2020	JIBAR + 190 bp	100
			950

On 15 October 2014, the Fund issued R170 million corporate bonds at an average rate of JIBAR plus 154 bps to partially fund the take up of rights in IAPF. The bonds have a weighted average tenor of 3 years.

On 6 November 2014 the Fund signed a new five-year R200 million unsecured facility with Nedbank at JIBAR plus 175 bps.

At announcement date, the Fund has available debt facilities of R2.7 billion.

Debtor arrears

Receivables have been tightly managed during the period and at period end gross arrears were R6 million, representing 0.8% of total collectables over the period (31 March 2014: 0.3%). The marginal uptick in arrears is largely due to Ellerines and a small number of delinquent tenants in both the retail and industrial sectors.

Share capital

The Fund has authorised share capital of one billion no par value shares at 30 September 2014.

During the period the Fund issued 9 747 955 shares as part of the purchase consideration for the RPP transaction and the Foschini building and 12 488 699 as a result of the successful maiden dividend re-investment programme ("DRIP") completed in June 2014. Shares to be issued of 1 765 945 relate to the RPP transaction reported at year-end, for which the risks and rewards have transferred but for which final legal transfer of properties is still outstanding. Post period end the Linbro Property (part of the RPP portfolio), transferred to the Fund. The Fund therefore issued 444 279 of the shares to be issued. There is one property still to transfer from the RPP Portfolio. Antecedent interest raised in the current period relates to the RPP and Foschini transactions and the DRIP programme.

On 18 November 2014, the Fund issued 18 889 966 shares as a result of the accelerated book build undertaken on 7 November 2014. These shares will be entitled to participate in the declared dividend, but for which an antecedent interest adjustment will be made.

Changes to the Board

In July 2014, shareholders were informed of the unfortunate and untimely passing of Michael Crawford, the Lead Independent non-executive director of the Fund. Mr Crawford made an invaluable contribution to the Board and the Board Committees since the listing of the Fund. Graham Rosenthal has assumed the role of Lead Independent non-executive director and Moss Ngoasheng has been appointed as a member of the Audit Committee.

Dividend reinvestment plan

The Board has elected not to provide the Investec Property Fund shareholders with the election to re-invest their cash dividend in return for shares. The Fund has already issued shares as a result of the accelerated book build relating to the IP Portfolio and thus the Director's ability to issue shares has been fully utilised.

Prospects

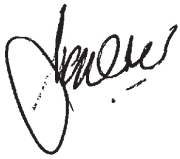
The Board expects underlying property performance in the second half to remain consistent with historical growth and maintains its guidance of historical growth levels in dividend distributions for the full year.

This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no major corporate failures will occur, budgeted renewals will be concluded, that clients will be able to absorb the recovery of rising rates and utility costs and that the ZAR/AUD exchange rate remains at similar levels to the last financial year. Budgeted rental income was based on contractual escalations and market-related renewals.

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 with regards to the accuracy and/or completeness of such information and/or the correctness of such opinions.

This forecast has not been reviewed or audited on by the Fund's independent external auditors.

On behalf of the Board of Investec Property Fund Limited



Sam Hackner
Non-executive Chairman

20 November 2014



Sam Leon
Chief Executive Officer

Basis of accounting

The reviewed interim condensed consolidated financial information for the six months ended 30 September 2014 has been prepared in compliance with International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board, IAS 34: *Interim Financial Reporting*, the Companies Act (71 of 2008, as amended) of South Africa and the JSE Listings Requirements.

The accounting policies applied in the preparation of the results for the period ended 30 September 2014 are consistent with those adopted in the financial statements for the year ended 31 March 2014, other than the adoption of those standards that became effective in the current period, which had no impact on the financial result. These reviewed preliminary condensed financial statements have been prepared under the supervision of Dave Donald, CA(SA).

Review conclusion

Ernst & Young Inc., the Fund's independent auditors, have reviewed the interim condensed financial information and have expressed an unmodified review conclusion. A copy of their review report is available for inspection at the company's registered office.

Interim dividend

Notice is hereby given that a gross interim dividend number 7 of 54.65188 cents per share has been declared in respect of the six months ended 30 September 2014.

Other information:

- The dividend portion has been declared from income reserves and no secondary tax on companies' credit has been used.
- A dividend withholding tax of 15% will be applicable on the dividend portion to all shareholders who are not exempt.
- The issued share capital at the declaration date is 399 358 241 ordinary shares of no par value.

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

Tax implications for South African resident shareholders:

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from the income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are however exempt from dividend withholding tax (Dividend Tax) in the hands of South African resident shareholders provided that the South African resident shareholders have provided to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Fund, in respect of certificated shares, a DTD(EX) (Dividend Tax: Declaration and undertaking to be made by the beneficial owner of a share) form to prove their status as South African residents.

If resident shareholders have not submitted the abovementioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the payment of the dividend.

Tax implications for non-resident shareholders:

Dividends received by non-resident shareholders from a REIT will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption section 10(1)(k) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 1 January 2014, any dividend received by a non-resident from a REIT will be subject to Dividend Tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 15%, the net amount due to non-resident shareholders is 46.45410 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Fund, in respect of certificated shares:

- A declaration that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking to inform the CSDP, or broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner of the South African Revenue Services.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the Fund, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

Summary of the salient dates relating to the dividend are as follows:

2014

Last day to participate in the dividend	Friday, 5 December
Shares to trade ex dividend	Monday, 8 December
Record date	Friday, 12 December
Dividends posted/paid to certificated shareholders	Monday, 15 December
Accounts credited by CSDP or broker for dematerialised shareholders	Monday, 15 December

By order of the Board

Investec Bank Limited

Company Secretary

20 November 2014

Company information

Directors

S Hackner (*Chairman*)#

SR Leon (*Chief Executive Officer*)

DAJ Donald

LLM Giuricich#

S Mahomed#*

CN Mashaba#*

MM Ngoasheng#*

GR Rosenthal#*

Non-executive

* *Independent*

Investec Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number 2008/011366/06)

Share code: IPF ISIN: ZAE000180915

(Income tax reference number 9332/719/16/1)

Registered office

C/o Company Secretarial, Investec Limited

100 Grayston Drive, Sandown, Sandton, 2196

Transfer secretary

Computershare Investor Services (Pty) Limited

(Registration number 2004/003647/07)

Ground Floor, 70 Marshall Street, Johannesburg, 2001

Sponsor

Investec Bank Limited

100 Grayston Drive, Sandown, Sandton, 2196

