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)

2017 Financial results

Reviewed preliminary condensed consolidated
Investec Property Fund Limited

Key highlights

8.7 %
Base net property
income growth

2.4% UP
increase in
full year dividend
(exceeds guidance)

19.1%
total return

6.9% UP
increase in
NAV per share

R18.8bn UP
asset value
up 10.4% year-on-year

New investments of
R1.4bn

Debt and equity
raised during the year
R1.6bn

Continued improvement
of cost-to-income ratio to
15.2%
(from 16.1%)

Low vacancy
maintained
1.4%
(from 1.1%)

Key property indicators

In force
escalations
7.7%
(from 7.8%)

WALE
3.1 years
(from 3.7)

Number of
properties
119
(from 122)

Key financial indicators

Dividend
per share (cents)
127.65
up 2.4% from 124.66

All in cost of funding
8.9%
improved from 9.0%

Hedged
percentage
86%
up from 75%

Weighted average
swap expiry
3.2 years
(from 3.6 years)

Weighted average
debt expiry
3.2 years
(from 3.9 years)

Gearing stable at
34.1%

Consolidated statement of comprehensive income

R'000	Notes	Reviewed Year ended 31 March 2017	Audited Year ended 31 March 2016
Revenue, excluding straight line rental revenue adjustment		1 657 570	1 102 579
Straight-line rental revenue adjustment		122 691	92 259
Revenue		1 780 261	1 194 838
Property expenses		(251 808)	(177 830)
Net property income		1 528 453	1 017 008
Other operating expenses		(56 301)	(49 328)
Operating profit		1 472 152	967 680
Fair value adjustments	4	446 258	358 273
Profit on disposal of investment property		27 073	13 568
Income from Investments		28 581	46 645
Finance costs		(520 858)	(278 492)
Finance income		11 641	7 851
Profit before taxation		1 464 847	1 115 525
Taxation		(6 139)	(2 042)
Total comprehensive income attributable to equity holders		1 458 708	1 113 483

Distribution reconciliation

Total comprehensive income attributable to equity holders		1 458 708	1 113 483
Less: Fair value adjustments		(446 258)	(358 273)
Profit on disposal of investment property		(27 073)	(13 568)

Straight-line rental revenue adjustment		(122 691)	(92 259)
Add: IAPF dividend accrual1		24 504	-
Notional cost of funding Ingenuity acquisition2		1 702	-
Deferred tax		5 386	-
Antecedent dividend3		11 516	27 485
Less: Interim dividend paid		(426 515)	(286 665)
Less: Clean out dividend paid		-	(142 683)
Final dividend		479 279	247 520
Number of shares			
Shares in issue		718 150 167	700 228 202
Weighted average number of shares in issue		700 773 985	519 535 592
Cents			
Total dividend per share		127.65	124.66
Final dividend per share		66.74	65.03
Final dividend per share		66.74	35.35
Clean out dividend per share		-	29.68
Interim dividend per share		60.91	59.63
Basic and diluted earnings per share		208.16	214.32
Headline earnings per share	1	123.91	165.24

1 The Fund considers the expected future Investec Australia Property Fund ('IAPF') dividend, relating to earnings from the current period, to be part of distributable earnings for the current period. Accordingly an adjustment is made to match the anticipated income of the distribution to the period to which the distribution relates. Historically, for ease of reconciliation and due to the immateriality of the amounts involved investment income was also recorded on this basis, but given the increased holding in IAPF the recognition in profit and loss is being adjusted.

2 The Fund's investment into Ingenuity Property Investments Limited ('Ingenuity') was made on a total return basis. From a distribution perspective, the Fund's policy in relation to total return is to add back the funding cost of the investment, net of dividends received.

3 The antecedent dividend relates to the issue of 1.9m shares for the purchase of the initial 8.0% interest in Ingenuity on 4 January 2017 of R15.50 per share, and the issue of 16m shares on 30 March 2017 at R16.00 per share.

Consolidated statement of financial position

R'000	Notes	Reviewed as at 31 March 2017	Audited `as at 31 March 2016
ASSETS			
Non-current assets		17 997 472	17 033 333
Investment property		16 176 214	16 129 988
Straight-line rental adjustment		424 663	329 725
Derivative financial instruments	2	5 022	41 848
Investments	3	1 391 573	531 772
Current assets		316 633	212 420
Trade and other receivables		153 967	158 959
Cash and cash equivalents		159 377	53 461
Current portion of derivative financial instruments	2	3 289	-
Non-current assets held-for-sale	8	770 618	-
Total assets		19 084 723	17 245 753
EQUITY AND LIABILITIES			
Shareholders' interest		12 167 927	11 097 103

Stated capital	6	9 999 838	9 714 108
Retained earnings		2 168 089	1 382 995
Non-current liabilities		5 714 018	5 139 422
Long-term borrowings		5 630 885	5 093 477
Derivative financial instruments	2	77 747	45 945
Deferred taxation	7	5 386	-
Current liabilities		1 202 778	1 009 228
Trade and other payables		422 252	310 104
Current portion of non-current liabilities		759 432	699 124
Current portion of derivative financial instruments	2	21 094	-
Total equity and liabilities		19 084 723	17 245 753
Shares in issue		718 150 167	700 228 202
Net asset value per share (cents)		1 694	1 585

Condensed consolidated statement of cash flows

R'000	Reviewed Year ended 31 March 2017	Audited Year ended 31 March 2016
Cash generated from operations	1 419 235	906 387
Finance income received	11 641	7 851
Finance costs paid	(521 970)	(261 426)
Income from investment	47 598	44 620
Taxation paid	(753)	(2 042)
Dividends paid to shareholders	(673 614)	(711 403)
Net cash inflow/(outflow) from operating activities	282 137	(16 013)
Net cash outflow from investing activities(1)	(1 026 477)	(6 452 745)
Net cash inflow from financing activities(2)	850 256	6 461 224
Net increase/(decrease) in cash and cash equivalents	105 916	(7 534)
Cash and cash equivalents at the beginning of the year	53 461	60 995
Cash and cash equivalents at the end of the year	159 377	53 461

(1)Investing activities include investment property acquired, additions and improvements to investment properties, proceeds from sale of investment properties and the acquisition of shares in IAPF and Ingenuity.
(2)Financing activities include term loans raised and repaid, corporate bonds issued and repaid and proceeds from issue of shares.

Condensed consolidated statement of changes in equity

R'000	Reviewed Year ended 31 March 2017	Audited Year ended 31 March 2016
Balance at the beginning of the year	11 097 103	6 615 768
Total comprehensive income attributable to equity holders	1 458 708	1 113 483
Shares issued	285 730	4 047 784
Dividends declared and paid	(673 614)	(679 932)
Balance at the end of the year	12 167 927	11 097 103

Condensed consolidated segmental information

For the year ended 31 March 2017

R'000	Office	Industrial	Retail	Total
Statement of comprehensive income extract				
Revenue, excluding straight-line rental revenue adjustment	653 628	398 104	605 838	1 657 570
Straight-line rental revenue adjustment	42 978	36 241	43 472	122 691
Revenue	696 606	434 345	649 310	1 780 261
Property expenses	(93 121)	(54 474)	(104 213)	(251 808)
Net property income	603 485	379 871	545 097	1 528 453
Statement of financial position extract				
Investment property opening balance	6 552 959	3 847 683	6 059 071	16 459 713
Net additions, acquisitions and disposals	(103 103)	(50 659)	384 369	230 607
Fair value adjustment and straight-lining	176 140	137 440	367 595	681 175
Transfer to non-current assets held-for-sale	(263 142)	(199 419)	(308 057)	(770 618)
Fair value of investment property	6 362 854	3 735 045	6 502 978	16 600 877

For the year ended 31 March 2016

R'000	Office	Industrial	Retail	Total
Statement of comprehensive income extract				
Revenue, excluding straight-line rental revenue adjustment	416 560	252 153	433 866	1 102 579
Straight-line rental revenue adjustment	42 883	17 261	32 115	92 259
Revenue	459 443	269 414	465 981	1 194 838
Property expenses	(55 764)	(36 261)	(85 805)	(177 830)
Net property income	403 679	233 153	380 176	1 017 008
Statement of financial position extract				
Investment property opening balance	3 206 963	1 529 919	3 464 743	8 201 625
Net additions, acquisitions and disposals	3 220 416	2 279 529	2 424 447	7 924 392
Fair value adjustment and straight-lining	125 580	38 235	169 881	333 696
Fair value of investment property	6 552 959	3 847 683	6 059 071	16 459 713

Notes to the reviewed preliminary condensed consolidated financial results

R'000		Reviewed 31 March 2017	Audited 31 March 2016
1	Reconciliation of basic earnings to headline earnings		
	Total comprehensive income attributable to equity holders	1 458 708	1 113 483
	Less: Fair value adjustment on investment property	(563 273)	(241 437)
	Profit on disposal of investment property	(27 073)	(13 568)
	Headline earnings attributable to shareholders	868 362	858 478
	Headline earnings per share	123.91	165.24

2 Financial instruments

Financial instruments held by the Fund include the investment in Investec Australia Property Fund ('IAPF'), the investment in Ingenuity Property Investments Limited ('Ingenuity') and derivatives. The valuations of IAPF and Ingenuity are based on the closing share price times the number of shares held at the reporting date, which is a level 1 valuation. Derivative financial instruments hedge interest rate and foreign exchange risk. Interest rate hedging instruments are valued by discounting future cash flows using the market rate indicated on the interest rate curve at the dates when the cash flows will take place. Foreign exchange hedging instruments are valued by making reference to market prices for similar instruments and discounting for the effect of the time value of money. Derivatives are considered to be level 2 valuations. Refer to note 5 for detail on the fair value hierarchy.

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

R'000		Reviewed 31 March 2017	Audited 31 March 2016
3	Investments		
	Investment in IAPF	1 292 426	531 772
	% holding	22.9%	12.3%
	Investment in Ingenuity	99 147	-
	% holding	8.0%	-
	Fair value	1 391 573	531 772

The Fund carries its investments in IAPF and Ingenuity at fair value. IAPF is classified as an associate and Ingenuity is classified as an investment.

R'000		Reviewed 31 March 2017	Reviewed 31 March 2016
4	Fair value adjustments		
	Fair value adjustments on derivative instruments	(86 619)	4 637
	Fair value adjustment on investment property	563 273	241 437
	Net fair value adjustment on investments	(30 396)	112 199
		446 258	358 273

Reviewed 31 March 2017 R'000		Carried at fair value	Level 1	Level 2	Level 3	Carried at amortised cost
5	Fair value hierarchy					
	Investments	1 391 573	1 391 573	-	-	-
	Derivative financial instruments	8 311	-	8 311	-	-
	Trade and other receivables	-	-	-	-	153 967
	Cash and cash equivalents	-	-	-	-	159 377
	Total financial assets	1 399 884	1 391 573	8 311	-	313 344
	Derivative financial instruments	98 841	-	98 841	-	-
	Long-term borrowings (including current)	-	-	-	-	6 390 317
	Trade and other payables	-	-	-	-	422 252
	Total financial liabilities	98 841	-	98 841	-	6 812 569

R'000		Reviewed 31 March 2017 Number of shares	Reviewed 31 March 2017 R'000	Audited 31 March 2016 Number of shares	Audited 31 March 2016 R'000
6	Stated capital				
	Opening shares in issue	700 228 202	9 714 108	436 690 118	5 677 360
	Shares issued	17 921 965	285 730	263 538 084	4 036 748
		718 150 167	9 999 838	700 228 202	9 714 108

R'000		Reviewed 31 March 2017	Audited 31 March 2016
7	Deferred taxation		
	Gain on fair value of investment	5 386	-

A deferred taxation liability arose on the fair value gain through profit and loss on Ingenuity as a result of Ingenuity not being classified as a REIT. The Fund also holds less than 20% of Ingenuity and therefore Ingenuity does not meet the definition of a Property Company as defined under S25BB of the Income Tax Act.

R'000		Reviewed 31 March 2017	Audited 31 March 2016
8	Non-current assets held-for-sale		
	Non-current assets held-for-sale	770 618	-

The Fund has taken the decision to sell 21 buildings with settlement taking place within 12 months of reporting date for a consideration of R770.6m and has presented those assets as non-current assets held for sale. Four of these properties will transfer in May 2017 for a total consideration of R183.7m. The other 17 of the buildings earmarked for sale will be disposed of to an empowered entity which will be created to introduce a leading black-owned entity into the property sector to benefit broad-based beneficiaries. The transaction is expected to be concluded on an earnings neutral basis for the Fund, details of which will be released on conclusion of the transaction.

R'000		Reviewed 31 March 2017	Audited 31 March 2016
9	Related parties		
	The Fund has entered into the following significant related party transactions during the year with Investec Limited and its subsidiaries.		
	Investec Property Proprietary Limited		
	Asset management fees	(43 061)	(39 453)
	Letting commissions	(12 339)	(3 108)
	Rental guarantees received	870	8 741
	Transaction fees(1)	-	(43 000)
	Capital expenditure	(1 889)	(46 182)
	Investec Australia Property Fund		
	Underwriting fees	7 203	-
	Investec Bank Limited Group		
	Cash and cash equivalents(2)	115 127	44 715
	Borrowings(2)	(493 075)	(565 819)
	Fair value of derivative instruments(2)	(85 376)	(3 746)
	Rentals received	57 152	52 918
	Interest received(3)	7 631	6 357
	Sponsor fees paid	(170)	(191)
	Corporate advisory and structuring fees paid	(743)	(35 633)
	Interest paid on related party borrowings	(46 297)	(18 331)
	Interest paid on swap derivatives	(15 716)	(23 538)

(1) Transaction fees in the prior year related to the Zenprop and Griffin transactions and were payable to Investec Property.
(2) Included in carrying values as per the statement of financial position.
(3) Interest is earned at the overnight Safex call rate of 6.80% (FY2016: 6.74%).

10 Subsequent events

Post year-end the Fund has rolled the commercial paper of R242m for a further three months at an attractive margin of 45.5bps points and repaid R276m of corporate bonds. The Fund has also entered into a new debt facility with Standard Bank for R250m, secured at a margin of 172bps above three-month JIBAR.

Commentary

Introduction

Investec Property Fund Limited ('The Fund') is a South African Real Estate Investment Trust and currently comprises a portfolio of 119 properties in South Africa with a total gross lettable area ('GLA') of 1 274 323m² valued at R17.4bn1 (March 2016: R16.5bn), a R1.3bn (March 2016: R0.5bn) investment in Investec Australia Property Fund Limited ('IAPF') and R0.1bn investment in Ingenuity Property Investments Limited ('Ingenuity').

During the 2017 financial year the Fund has successfully consolidated R8bn of acquisitions made in 2016 onto the Fund's management and reporting platforms and which are now managed with the efficiency and intensity of the Fund's base portfolio.

The continued strong performance of the Fund for the year is driven by focused asset, cost and utility management, and the defensiveness of the portfolio in challenging market conditions.

(1) Investment property value includes the straight-line rental adjustment and non-current assets held-for-sale.

Financial results

The board of directors is pleased to announce a final dividend amounting to 66.74 cents per share for the six months ended 31 March 2017, taking the full year dividend to 127.65 cents per share (31 March 2016: 124.66 cents per share). This represents full year growth of 2.4% and results in an outperformance of the guidance provided to the market at the beginning of the year. The dividend growth for the year ending 31 March 2018 is expected to revert to historic growth levels due to the dilution from the Zenprop transaction now fully accounted for and with all the acquisitions now forming part of the base. With the Fund now boasting a quality and diverse asset and investment platform of R18.8bn, the Fund is confident that it is well placed to deal with the current adverse economic environment, and that the defensive portfolio of scale will continue to deliver long-term income and capital returns in excess of the South African benchmark and comparative peers. In addition the Fund reported a 6.9% increase in net asset value per share driven largely by the 4.1% increase in property valuations. The Fund's shareholders have achieved a total market return of 19.1% for the 12-month period ending 31 March 2017, which is comprised of 10.1% capital return and 9.0% income return.

The growth is underpinned by the Fund's base portfolio1 which has delivered 8.7% net property income ('NPI') growth year-on-year despite the challenging environment. The strong performance of the base portfolio again demonstrates the quality and robust nature of the Fund's portfolio which is visible in the continued low vacancy rate of 1.4% (March 2016: 1.1%). Growth in NPI has been driven in part by cost containment with net expenses reducing by 0.7% year-on-year and gross income increasing by 7.2%. This is reflected in an improving cost-to-income ratio of 15.2% down from 16.1% in the prior year. The internal team dedicated to utility management monitors billing by council, the optimisation of utility tariffs and initiatives to optimise client consumption. Effective utility management has been a big contributor to an efficient cost base. In addition to the rigorous cost containment the Fund continues to grow the revenue line, largely driven by contractual income with an average in-force escalation of 7.7%.

The Fund let or renewed 93% of the 175 969m(2) that expired or was cancelled during the financial year at a positive reversion of 3.0%. 24 678m(2) of this related to space originally expiring in 2018 but was effected as early renewals in the current year and a further 2 048m(2) of opening vacancy was let. In addition the Fund has already renewed a further 83 228m(2) (34%) of space expiring in 2018 at a positive reversion of 6.3%. The letting performance is testament to the quality of the property portfolio, the desirability of the product and the pro-active management of forward lease renewals.

The management team has focused the last 12 months on consolidating the Zenprop and Griffin portfolios acquired in 2016. We are pleased that both of the acquisition portfolios are performing in line with the underwritten budgets. In addition, as part of the Fund's capital recycling initiative, R103.5m of the Griffin portfolio has been recycled at a capital profit of R14.0m (since acquisition) with a further R87.4m earmarked for sale in FY2018.

Although still low, receivables represent 1.4% of total collectables (31 March 2016: 0.7%) with the uptick from the prior year caused by the continued pressure the adverse environment is having on our clients. The increase in arrears is largely attributable to two clients. Payment plans with these clients have been agreed. Asset managers continue to work closely with clients and strive to reduce the overall cost of occupation where possible. Provision for bad debts covers all debtors greater than 60 days and the Fund has adequately provided for receivables at risk.

(1) Base portfolio refers to R9.1bn of properties that have been held by the Fund for the full comparative periods.

Property portfolio

The Fund's current property portfolio consists of a diverse base of 119 quality properties with an average value per property of R146m (March 2016: R135m).

The portfolio's income stream is underpinned by contractual escalations of 7.7% and a strong client base which is demonstrated by its base net property income growth of 8.7% for the year. Vacancies across the office, industrial and retail portfolios are all significantly below the reported IPD sector performance and remain as arguably one of the lowest in the listed sector with a portfolio vacancy of 1.4% at 31 March 2017 (31 March 2016: 1.1%).

	Total		Office		Industrial		Retail	
Portfolio	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16
Number of properties	119	122	33	34	46	49	40	39
Asset value (Rbn)	17.4	16.5	6.6	6.6	3.9	3.8	6.9	6.1
Base growth	8.7%	8.2%	5.9%	12.0%	10.2%	3.2%	10.6%	7.5%
Cost-to-income	15.2%	16.1%	14.2%	13.4%	13.7%	14.3%	17.2%	19.8%
GLA	1 274 323	1 300 278	266 700	271 115	582 172	608 725	425 451	420 436
Vacancy	1.4%	1.1%	2.2%	0.6%	1.0%	1.4%	1.3%	1.1%
WALE (years)	3.1	3.7	3.4	4.0	3.1	3.7	2.9	3.3
In-force escalations	7.7%	7.8%	8.0%	8.0%	7.9%	8.0%	7.4%	7.6%

Letting activity

	Expiries & cancellations GLA	Gross expiry rental R/m(2)	Renewals & new lets GLA	Gross new rental R/m(2)	Rental reversion %	Average escalation %
Office	21 362	172.54	16 811	175.87	1.9	8.2
Industrial	73 091	44.34	69 852	45.68	3.0	8.2
Retail	56 838	85.32	54 778	92.15	8.0	7.4
Subtotal	151 291	76.78	141 441	80.54	4.9	7.8
Early renewals already effective*	24 678	82.44	24 678	77.29	(6.2)	7.1
Total	175 969	77.69	166 119	80.02	3.0	7.7
Early renewals effective FY2018	243 907	109.48	83 228	116.33	6.3	7.5

(*) Early renewals already effective are leases that were due to expire in FY2018, renewed to take effect in FY2017 and therefore no longer form part of the FY2018 expiries balance. These all relate to the industrial portfolio-Riverhorse 18 475m(2) and Lerwick Road 6 203m(2). When combined with FY2017 expiries and cancellations this results in a negative reversion of 1.0% and average escalations of 7.7% for the industrial portfolio.

Approximately 83 228m(2) (34%) of the expiring leases in the 2018 financial year have already been renewed or let. With 160 679m(2) still to be let for the coming year, maintaining such a low vacancy remains challenging in the current economic environment. The Fund continues to reduce letting risk by engaging early with clients regarding upcoming lease expiries.

The Fund's lease expiry profile remains robust and defensive with a WALE of 3.1 years by revenue. In the next financial year 92% of income is contractual.

Office
The Fund's office portfolio is defensive and well positioned for existing market conditions, given the oversupply and deficit of demand being experienced in the sector. The assets are well located in strategic, sought after nodes and are currently 98% let with a WALE of 3.4 years. 39% of the Office portfolio is let to high quality single tenants with a WALE of 3.8 years, while the multi-tenanted portfolio has a WALE of 3.1 years. The assets in the Sandton, Bryanston and Rosebank nodes are performing well considering that the market continues to see new developments coming online at very competitive rentals.

During the year 21 362m(2) (13%) of office GLA became available, of which 76% (16 250 m(2)) was renewed or let to new clients at a positive reversion of 1.9%. 561m(2) of opening vacancy was also let, bringing the closing vacancy to 2.2%. The increased vacancy in the second half of the year has contributed to the increase in the cost-to-income ratio. During FY 2018 27 705m(2) becomes available, of which 34% has already been renewed and a further 5% is in advanced stages of negotiation.

The Fund's exposure to Sandton, which accounts for 19.5% of the office GLA, is defensive in nature with a WALE of 3.1 years and 60% A and P grade buildings. Of the remaining 40%, 13% has recently been renewed for eight years with a 6% positive reversion, with the remaining 27% expiring in FY2019.

The Fund also has 33 965m(2) (13% of the office portfolio) in Bryanston spread across four properties. The vacancy of the Bryanston portfolio is 5.6%, which is mostly concentrated in the Brae's property (the oldest of the Bryanston properties), and in which category there is the most available supply and competition. All properties are however well located, fronting onto either William Nicol and Main Road and within direct proximity to the Nicolway Centre. Only 2 357m(2) representing 1% of total office GLA expires in Bryanston in the coming 12 months.

Industrial
The industrial sector achieved double digit growth in its base portfolio despite the tough economic environment facing the sector. Base portfolio gross income increased by 10.9% due to the strong FY2016 letting activity which has reduced void rental periods and the overall vacancy percentage. Although gross costs increased year-on-year, there was also an improvement in the recovery of these costs allowing revenue to provide a direct enhancement to the operating margin.

The market has seen an increase in incentives due to increased competition. Competition from new developments has increased significantly as developers appear willing to conclude deals on reduced rentals and returns in order to mobilise vacant land holdings. Clients have an increased cost focus as a result of subdued revenue growth and standing clients are seeking assistance in reducing the cost of occupation (mostly driven by municipal costs).

Despite the macro-economic challenges, the Fund's industrial portfolio continues to demonstrate its defensiveness. The buildings are well located, functional and reasonably priced. During the year the Fund was able to let 96% (93 940m(2)) of space that became available or was early renewed with a negative reversion of 1.0% and strong contractual escalations of 7.7%. Included in this letting are early renewals which relate to the RTT facility in Riverhorse (18 475m(2)) which was renewed for an additional five years and the Monteagle propert in Lerwick (6 203m(2)) which was extended for a period of four years. A further 589m2 of opening vacancy was let during the year.

Vacancy for the period decreased marginally to 1.0% (March 2016: 1.4%). Much of the success in the year can be attributed to a thorough understanding of existing clients' requirements and a willingness to work with them in order to obtain a positive outcome for both the client and the Fund. Looking forward to 2018, 142 255m(2) (24% of the industrial portfolio) will be expiring. The Fund is working diligently to minimise vacancy risk relating to those leases and has already let 25% (35 290m(2)) of the total space expiring in FY2018.

Retail
The Retail portfolio comprises retail assets that are either dominant in their respective nodes or are niche in relation to a specific product offering or category. There is a focused strategy of maintaining a minimum average of national clients to ensure the assets are able to trade through periods of subdued economic and consumer spend. The current percentage of national clients across the portfolio is 83%.

The Fund's base portfolio has shown NPI growth of 10.6% and continued to achieve above average positive reversions with 8.0% on new lets and renewals despite the high percentage of nationals. These positive reversions have been underpinned by the growth profile in trade achieved in the Fund's shopping centres.

Vacancy remains low at 1.3% and the Fund let 95% (33 880m(2)) of the space that became available during the year (56 838m(2)), as well as 898m(2) of opening vacancy.

The Fund's retail malls have performed well during the year.
- Musina Mall in Limpopo has been extended by 21 482m(2) and was 89% let upon the opening on 30 March 2017, with 80% national tenants. National retailers have indicated that they were pleased with the opening months' trade performance.
- Balfour Mall continues to strengthen with selected national retailers either expanding or introducing new brands into the centre.
- Double digit turnover growth was achieved in Dihlabeng and Zevenwacht due to the strong performance of national tenants that took occupation in 2017.
- Newcastle Mall reported growth in turnover at only inflationary levels as the introduction of Spar and Dis-Chem at the Newcastle Corner development has cannibalised a portion of existing trade growth, albeit not material, Newcastle remains the primary shopping destination for the residents of Newcastle.
- An extension to Fleurdal Mall has been proposed and is driven by interest from national clients not yet in the centre.

Sectoral spread

Revenue (%)

Office	39%
Industrial	24%
Retail	37%

Sectoral spread

Asset value

Office	38%
Industrial	23%
Retail	39%

Geographical spread

Revenue (%)

Gauteng	66%
KwaZulu-Natal	12%
Western Cape	10%
Free State	5%
Mpumalanga	2%
Limpopo	2%
North West	2%
Eastern Cape	1%
Northern Cape	0%

Lease expiry profile by revenue

Percentage

2018		2019		2020		2021		April 2021 onwards	
Office	5	Office	4	Office	6	Office	1	Office	8
Industrial	5	Industrial	9	Industrial	4	Industrial	6	Industrial	15
Retail	6	Retail	7	Retail	8	Retail	5	Retail	10
Total	16	Total	20	Total	18	Total	13	Total	33

Investment in Ingenuity
In January 2017 the Fund made an initial 8% investment in Ingenuity for R75m. The shares were acquired at 80 cents per share which is a 20% discount to the current market price and a 38% discount to latest reported net asset value. Ingenuity have a high quality R4.0bn Western Cape portfolio with a WALE of just under five years as well as a R271m land and development pipeline which when fully completed will add an additional R1.5 - R2bn of assets to their portfolio. The acquisition was opportunistic and provides the Fund with an attractively priced portfolio and development pipeline in the Western Cape, where it is currently underrepresented. The Fund's board and management team know Ingenuity shareholders/board and management team well and share the same property investment philosophy. Whilst a small asset in the Fund's broader portfolio, Ingenuity has exciting prospects. The investment is accounted for at fair value through profit and loss, with any profit or loss on the investment being recognised in the income statement.

Investment in IAPF
The Fund's investment in IAPF amounts to R1.3bn, representing 22.9% of IAPF (March 2016: 12.3%) and now amounts to 6.8% of the Fund's assets. During the current year the Fund partially underwrote the AUD$150m IAPF rights offer, taking up AUD$75m (R769.3m) at an initial yield of 7.1% (post withholding tax). A cross-currency swap was entered into for 50% of the value of the investment at an average rate of 4.4% and a tenor of four years, resulting in the acquisition being earnings neutral for the period.

The Fund manages its exposure to exchange rate risk on its distributions received from IAPF by actively hedging future income from IAPF through taking out forward exchange rate cover. Approximately 32% of future income is hedged to December 2021 through the use of forwards at exchange rates ranging between R10.11 and R13.40/AUD$ with a further 30% of the future income hedged through the use of cross-currency swaps.

IAPF delivered AUD growth of 3.6% on a dividend per share basis for the full year post withholding tax. Through active foreign exchange management the Fund extracted a further 3.1% growth, delivering total income growth of 6.7% in ZAR.

The Fund continues to be a strong supporter of the investment in IAPF given i) the sustainability and quality of earnings; ii) the positive macro-economic factors affecting New South Wales and Victoria where the Fund has the most exposure; and iii) the ability to earn leveraged cash on cash returns of 9.8% based on current forward yields of 7.14% post withholding tax.

Capital expenditure and redevelopment
The Fund has partnered with The Moolman Group ('Moolman') (2/3 IPF/1/3 Moolman) to extend Musina Mall by a further 21 482m(2) for a total value of R344m (IPF share R229m). The project is substantially complete and the centre opened for trading on 30 March 2017.

The redevelopment provides the Fund a development yield of 9.05% on the extension in year one and is 89% let with 80% national tenants.

The project creates a semi-regional centre in Musina and has resulted in an attractive capital profit on the one third sale as well as the yield enhancement through the two thirds investment in the development. There are minimal opportunities to acquire assets of this type of quality and size at the development yield.

An extension to Fleurdal Mall is under consideration by the Fund. The current GLA of 24 370m(2) would be extended by 5 638m(2) at a cost of R94.8m and at a development yield of 7.2%. 80% of prospective tenants have committed to taking space in the development. Although initially dilutive, the extension would cement the centre's future and likely lead to improved long-term returns.

Capital allocation

The Fund is focused on ensuring that it optimises long-term shareholder returns by allocating and investing capital into value enhancing assets.

To this end the Fund has sold five buildings and one third of Musina Mall during the year for R350.9m (profit on sale R27.1m over book value). The profit on sale of these properties since acquisition is R61.8m. The sale proceeds were redeployed into the Musina Mall extension, the acquisitions of AGCO (single tenanted industrial building in Pomona), Boitekong Mall (retail mall in Rustenburg) and the increased stake in IAPF.

The weighted average yield of the assets sold was 8.3%. The proceeds from the sales have been deployed into quality assets with more attractive growth prospects which has been achieved on an earnings neutral basis. In addition the Fund sold three motor dealerships (included in non-current assets held for sale at 31 March 2017) post year-end for R165m.

The Fund continuously and rigorously assesses the current portfolio and evaluates performance over the medium to long-term, to ensure assets are generating accretive returns relative to the Funds cost of capital.

Balance sheet and risk management

Balance sheet and risk management is a fundamental focus area for the business. In the current volatile and unpredictable environment it is paramount that the Fund has certainty on its sources of funding and cost of funding. The Fund adopts a conservative approach to both of these measures.

As a result of this strategy, the Fund's debt metrics remain consistently strong in an extremely volatile capital environment. The Fund's all in cost of funding improved by 10 bps to 8.9%, which was achieved despite the Fund increasing its hedge ratio from 75% to 86%.

	2017	2016
Average all in cost of funding	8.9%	9.0%
Average debt margin - ZAR	1.65%	1.65%
Average debt margin - AUD	2.39%*	2.23%*
Average ZAR swap rate	7.73%^	7.72%^
Debt maturity	3.2 years	3.9 years
Swap maturity	3.2 years	3.6 years
Hedged %	86%^^	75%^^
Gearing %	34.1%	34.1%
Encumbrance ratio	34%*^	33%*^
% debt unsecured	66%(#)	60%#
Source of funding:		
DMTN	40%	41%
Bank debt	56%	56%
Commercial paper	4%	3%

*   Margin above BBSW. The Fund has fixed all AUD debt at an average rate of 4.40% (March 2016: 4.88%)
^   Excludes cross currency swaps
^^ Includes forward starting swaps of R113m, which start in December 2017
*^ Secured portfolio as a percentage of the asset value of R18.8bn
(#) Based on total debt facilities

During the year, the following significant funding activity and balance sheet management took place:
- R1.3bn of new debt was raised at an average margin of 1.61% and an average expiry of 3.5 years (R250m received post year-end)
- R450m of debt was restructured extending the margin by 16bps and average expiry by 2.5 years.
- R663m of new swaps were entered into at an average rate of 7.87% and an average expiry of 4.8 years

- R312.5m of existing swaps were restructured, resulting in a reduction of the cost of the swaps by 11bps and adding 2.7 years to the average expiry
- R366.4m of new cross-currency swaps were entered into at an average rate of 4.44% and average expiry of 4.0 years
- R81.1m of existing cross-currency swaps were restructured which resulted in an increase in the expiry of 2.25 years with no impact on margin

Post year-end, the Fund rolled R242m of three-month commercial paper at margin of 45 basis points and repaid R276m of corporate bonds. R150m of corporate bonds mature in June 2017. The Fund will look to re-finance these upon maturity.

The robustness of the Fund's balance sheet was further enhanced through the proactive recycling of capital, the issuance of R285m of new equity and the R681.1m (4.1%) increase in property valuations at year-end. Gearing remains stable at 34.1% with there being sufficient facilities in place to allow the Fund to transact on a day to day basis, without having to raise further funding or raise new facilities. The Fund has been measured in the structuring of the security provided to its lenders, which is now certainly seeing benefits. The balance sheet remains significantly unencumbered, with only 34% of assets secured, providing significant flexibility in terms of future funding initiatives. The Fund's interest cover ratio has remained stable at 2.9 times.

Debt and swap expiry profile

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Debt	11	15	24	24	13	9	0	0	4
Swaps	8	15	29	22	22	3	1	0	0

Net asset value growth
The net asset value per share of the Fund has grown by 6.9% driven by the 4.1% revaluation of the investment property portfolio which still remains conservatively valued at a yield of 8.9% (prior year 8.7%). The growth in NAV was depressed by negative mark to market movements of R141.0m on interest rate swaps, cross-currency swaps and the subdued share price movement in the investment in IAPF.

Manco renewal
The Fund and the Manager have reached agreement on the terms of a renewal of the management contract ('Manco'). The existing contract which expires on 31 March 2018 will be renewed for a further seven-year period. The following changes to the contract have been agreed in relation to the transaction and development fees capable of being charged by the Manager:

- Transaction and Development Watching Fees have been reduced from 1% of transaction or development value to a maximum of 0.5% of the value of the transaction

- The above fees are however capped at a maximum amount of R103.6m over the seven-year renewal period

- The initial asset management fee of 0.5% of enterprise value together with the remaining terms of the contract remain largely unchanged.

To date, approximately 51.7% of shareholders eligible to vote have provided letters of support or irrevocable commitments to vote in favour of the renewal.

A circular will be posted to shareholders for the vote on the renewal of the Manco in due course.

Corporate rating
The Fund's corporate rating was maintained at A(ZA) with a stable outlook in August 2016 whilst the secured rating was reaffirmed and released in April 2015 as AA-, with the stable outlook reinforcing the Fund's balance sheet strength. The next review will take place in Q2 of 2017.

Sustainability and corporate social investment
Sustainability is a key area of focus for the Fund which includes improving the stability of electricity and water supply for clients while attempting to manage the increasing cost of occupation where possible. The Fund tracks and benchmarks consumption across the portfolio in order to identify energy efficiency opportunities and monitor improvements.

Bulk check meters have been installed across the majority of the portfolio with the remainder to be completed by June 2017. This will ensure accuracy of billing and recovery from clients.

The Fund also introduced a pilot solar project on the rooftop at Fleurdal Mall in Bloemfontein to reduce the cost of electricity. The project went live on 1 November 2016. It also provides grid stability and energy security and will alleviate down-time for clients in the event of load-shedding, producing 20% of the Mall's energy requirements. This project has resulted in the roll out of a similar project at Musina Mall. The technology will continue to be rolled out across feasible buildings and assist in reducing the cost base of the Fund as well as the cost of occupation for clients.

The Fund will continue with the roll out of its sustainability initiatives through a comprehensive two-year programme involving further capital investment. In addition to the direct capital spend on the properties, the majority of which is expected to be value enhancing through returns on investment for the Fund and improved efficiencies for its clients, the Fund is engaging in the process of obtaining ratings from the Green Buildings Council for certain of its properties.

The Fund has initiated a new project known as AMP, as an enterprise supplier development hub, where it initially will be partnering with 10 - 15 black-owned small to medium enterprises in the industries that provide services to the property industry. The initiative seeks to develop small businesses by providing the capital to install offices, subsidising rental levels, upskilling of the entrepreneurs and providing preferential payment terms.

The Fund's current BEE rating is level 3 with the next rating scheduled for October 2017.

Changes to the board

Following the retirement of Graham Rosenthal from the Board on 16 August 2016, shareholders were advised that Philip Hourquebie had been appointed as an independent non-executive Director with effect from the same date. Philip was also appointed as Chairman to the Audit and Risk Committee.

Philip is a member of the South African Institute of Chartered Accountants (SAICA) with over 38 years of experience at the multinational professional services firm, Ernst & Young ('EY'). He served as the Regional Managing Partner (Central & South Eastern Europe) for EY and prior to that he was the Regional Managing Partner (Sub-Saharan Africa) and CEO of EY South Africa.

Prospects and guidance

The full year dividend of 127.65 cents per share exceeds market consensus and the guidance provided in FY2016 and guidance given at interim results.

The dividend guidance indicated the dividend for the full year ending 31 March 2017, would be flat. The outperformance of 2.4% was generated by the performance of the base portfolio, focused asset management and the performance of the acquisitions in line with expectations.

The growth in dividend per share will normalise to historical levels and the Fund expects dividend growth of 7% - 8% for the year ending 31 March 2018.

This forecast is based on the assumption that over the course of the next 12 months, no further local or offshore acquisitions are concluded, the macroeconomic 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 will remain at similar levels to the current levels. 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	Nicholas Riley
Non-executive chairman	Chief Executive Officer

17 May 2017

Basis of accounting

The reviewed preliminary condensed consolidated financial information for the year ended 31 March 2017 has been prepared in compliance with International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by The Financial Reporting Standards Council, the Companies Act, (71 of 2008, as amended) of South Africa and the JSE Listings Requirements.

The accounting policies applied in the preparation of the results for the year ended 31 March 2017 are consistent with those adopted in the financial statements for the year ended 31 March 2016, other than the adoption of those standards that became effective in the current period, which had no impact on the financial results. These reviewed preliminary condensed consolidated financial statements have been prepared under the supervision of Andrew Wooler, ACA.

Review conclusion

Ernst & Young Inc., the Fund's independent auditors, have reviewed the consolidated statement of comprehensive income, consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity, condensed consolidated segmental information and notes to the reviewed preliminary condensed consolidated financial results, as set out on pages 1 to 7 of the preliminary condensed consolidated financial results, and have expressed an unmodified review conclusion. A copy of their review conclusion is available for inspection at the company's registered office.

Final dividend

Notice is hereby given of the declaration of final dividend number 13 ('Cash dividend') of 66.73800 cents per share for the period 1 October 2016 to 31 March 2017.

Other information:

- The dividend has been declared from income reserves.
- A dividend withholding tax of 20% will be applicable on the dividend to all shareholders who are not exempt.
- The issued share capital at the declaration date is 718 150 167 ordinary shares of no par value.

The board is considering offering a dividend re-investment alternative in which a shareholder would be entitled to elect to re-invest the Cash Dividend in return for IPF shares, failing which they will receive the Cash Dividend in respect of all or part of their shareholding. A further announcement will be made in this regard on or before 29 May 2017.

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

Tax implications for South African resident shareholders

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

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

Tax implications for non-resident shareholders

Dividends received by non-resident Shareholders from a REIT will not be taxable in South Africa as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 22 February 2017, any dividend received by a non-resident from a REIT will be subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ('DTA') between South Africa and the country of residence of the non-resident Shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident Shareholders is 53.39040 cents per Share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident Shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated Shares, or the Fund, in respect of certificated Shares:

- A declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is subject to a reduced rate as a result of the application of the DTA; and

- A written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform, the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the reduced rate change or if the beneficial owner ceases to be the beneficial owner.

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

A worked example illustrating the impact for resident and non-resident Shareholders will be announced as part of the finalisation information on SENS on the Finalisation Date.

Other information:
- As at the date of this circular, the ordinary issued share capital of Investec Property Fund is 718 150 167 ordinary Shares of no par value
- Income Tax Reference Number of Investec Property Fund: 9332/719/16/1
- Shareholders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take

Summary of the salient dates relating to the cash dividend:	2017
Last day to trade cum dividend ('LDT')	Monday, 12 June
Shares to trade ex-dividend	Tuesday, 13 June
Record date	Thursday, 15 June
Payment date	Monday, 19 June

Notes:
1. Shares may not be dematerialised or rematerialised between commencement of trade on Tuesday, 13 June 2017 and close of trade on Thursday, 15 June 2017
2. The above dates and times are subject to change. Any changes will be released on SENS.

Investec Bank Limited
Company Secretary

17 May 2017

Company Information

Directors
S Hackner (Chairman)(#)
SR Leon (Deputy Chairman)(#)
N Riley (Chief Executive Officer)
A Wooler (Financial Director)
LLM Giuricich(#)
S Mahomed(#)*
CN Mashaba(#)*
MM Ngoasheng(#)*
KL Shuenyane(#)*
P Hourquebie (#)*

(#) Non-executive
 * Independent

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

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

Transfer secretary

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

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