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)

2016
REVIEWED PRELIMINARY
CONDENSED CONSOLIDATED
FINANCIAL RESULTS
for the year ended
31 March 2016

Investec Property
Fund Limited

Key highlights
2016

6.(1%)(1)

FULL YEAR DIVIDEND GROWTH
OF 124.66CPS

8(.2%)	R17(bn)
BASE NET PROPERTY INCOME GROWTH	ASSET VALUE
1(.1%)	5(.9%)
VACANCY RATE continues to fall	NAV GROWTH3
34(.3%)	R8(.0 billion)
TOTAL RETURN FROM IAPF	QUALITY DEFENSIVE ACQUISITIONS

(1) Compared to normalised 2015 dividend of 117.50cps.
(2) Adjusted for provision for bad debts and cash received after close-off.
(3) NAV is normalised for the clean-out dividend of R142.7 million paid in December 2015.

The Fund's
performance is
underpinned by
strong underlying
net property income
driven by focused
asset management

KEY PROPERTY
FINANCIAL
INDICATORS

Net cost to income ratios

	2016	2015
Total	16.1%	16.6%
Office	13.4%	13.1%
Industrial	14.3%	14.7%
Retail	19.8%	20.8%

Arrears (% collectibles)(2)

2016	2015
0.7%	0.6%

Number of properties

2016	2015
122	80

In-force escalations

2016	2015
7.8%	8.0%

Weighted average lease expiry

2016	2015
3.7 years	4.4 years

THE performance by the Fund in a transformative year is testament to the quality and defensive nature of the portfolio, delivering normalised dividend growth of 6.1% exceeding market consensus and guidance. This was achieved in an environment of global macroeconomic uncertainty, subdued local economic activity and the dilutionary impact of the strategic Zenprop acquisition

KEY FINANCIAL AND
PERFORMANCE
INDICATORS

Dividend per share (full year)

2016	2015
124.66	119.151

All in cost of funding

2016	2015
9.0%	8.5%

Hedged percentage

2016	2015
75%	83%

Investment portfolio

2016	2015
R17.0bn	R8.7bn

Weighted average debt expiry

2016	2015
3.9 years	2.7 years

Market capitalisation

2016	2015
R10.0bn	R7.4bn

Gearing

2016	2015
34.1%	23.6%

Weighted average swap expiry

2016	2015
3.6 years	3.8 years

Vacancy

2016	2015
1.1%	2.8%

Listed, large national,
professional services tenants

2016	2015
85%	84%

Active asset
management
and conservative
capital and risk
management

(1) Included once-off impact of IAPF antecedent dividend of 1.65cps, normalised dividend in FY2015 was 117.50cps.

Consolidated statement of comprehensive income

R'000	Notes	Reviewed Year ended 31 March 2016	Audited Year ended 31 March 2015
Revenue, excluding straight-line rental revenue adjustment		1 102 579	725 664
Straight-line rental revenue adjustment		92 259	120 765
Revenue		1 194 838	846 429
Property expenses		(177 830)	(120 559)
Net property income		1 017 008	725 870
Other operating expenses		(49 328)	(42 703)
Operating profit		967 680	683 167
Fair value adjustments	4	358 273	293 118
Profit on disposal of investment property		13 568	2 444
Income from investment		46 645	32 981
Finance costs		(278 492)	(136 648)
Finance income		7 851	9 602
Profit before taxation		1 115 525	884 664
Taxation1		(2 042)	-
Profit after taxation		1 113 483	884 664
Items that may be reclassified to profit and loss:			
Other comprehensive income: (Loss) on cash flow hedge		-	(276)
Total comprehensive income attributable to equity holders		1 113 483	884 388
Distribution reconciliation			
Profit after taxation		1 113 483	884 664
Less: Fair value adjustments		(358 273)	(293 118)
Profit on disposal of investment property		(13 568)	(2 444)
Straight-line rental revenue adjustment		(92 259)	(120 765)
Antecedent dividend		27 485	32 530

Less: Interim dividend paid		(286 665)	(219 222)
Less: Clean out dividend paid		(142 683)	-
Final dividend		247 520	281 645
Number of shares			
Shares in issue		700 228 202	436 690 118
Weighted average number of shares in issue		519 535 592	391 664 683
Cents			
Total dividend per share normalised(2)		124.66	117.50
Total dividend per share		124.66	119.15
H2 dividend per share		65.03	64.50
Final dividend per share		35.35	64.50
Clean out dividend per share(3)		29.68	-
Interim dividend per share		59.63	54.65
Basic earnings per share		214.32	225.87
Headline earnings per share	1	165.24	142.17

(1) Withholding tax on distribution from investment in Investec Australia Property Fund ("IAPF").
(2) FY2015 dividend normalised for "once off" antecedent dividend received from investment in IAPF of 1.65cps.
(3) The clean out dividend was paid in order to enable existing shareholders to receive their share of accrued income prior to the issue of the rights offer shares.

Consolidated statement of financial position

R'000	Notes	Reviewed 31 March 2016	Audited 31 March 2015
Assets			
Non-current assets		17 033 333	8 706 536
Investment property		16 129 988	7 964 158
Straight-line rental adjustment		329 725	237 467
Derivative financial instruments	2	41 848	2 815
Investment	3	531 772	502 096
Current assets		212 420	127 960
Trade and other receivables		158 959	66 965
Cash and cash equivalents		53 461	60 995
Total assets		17 245 753	8 834 496
Equity and liabilities			
Shareholders' interest		11 097 103	6 615 768
Stated capital	6	9 714 108	5 677 360
Retained earnings		1 382 995	938 408
Non-current liabilities		5 139 422	1 736 164
Long-term borrowings		5 093 477	1 718 109
Derivative financial instruments	2	45 945	18 055
Current liabilities		1 009 228	482 564
Trade and other payables		310 104	148 564
Current portion of non-current liabilities		699 124	334 000
Total equity and liabilities		17 245 753	8 834 496
Shares in issue		700 228 202	436 690 118
NAV per share (cents)		1 585	1 515

Condensed consolidated statement of cash flows

R'000	Reviewed Year ended 31 March 2016	Audited Year ended 31 March 2015
Cash generated from operations	906 387	613 090
Finance income received	7 851	9 602
Finance costs paid	(261 426)	(118 258)
Income from investment	44 620	24 551

Taxation paid	(2 042)	-
Dividends paid to shareholders	(711 403)	(426 026)
Net cash outflow from operating activities	(16 013)	102 959
Net cash outflow from investing activities(1)	(6 452 745)	(1 882 117)
Net cash inflow from financing activities(2)	6 461 224	1 481 837
Net decrease in cash and cash equivalents	(7 534)	(297 321)
Cash and cash equivalents at the beginning of the year	60 995	358 316
Cash and cash equivalents at the end of the year	53 461	60 995

(1) Investing activities include investment property acquired, additions and improvements to investment properties and proceeds from sale of investment properties.

(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 31 March 2016	Audited 31 March 2015
Balance at the beginning of the year	6 615 768	5 112 629
Total comprehensive income attributable to equity holders	1 113 483	884 388
Shares issued	4 047 784	1 044 777
Dividends declared	(679 932)	(426 026)
Balance at the end of the year	11 097 103	6 615 768

Condensed consolidated segmental information

For the year ended 31 March 2016				
R'000	Office	Industrial	Retail	Total
Statement of comprehensive income extracts				
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	459 442	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 extracts				
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
For the year ended 31 March 2015				
R'000	Office	Industrial	Retail	Total
Statement of comprehensive income extracts				
Revenue, excluding straight-line rental revenue adjustment	264 784	165 315	295 565	725 664
Straight-line rental revenue adjustment	50 077	13 517	57 171	120 765
Revenue	314 861	178 832	352 736	846 429
Property expenses	(34 747)	(24 296)	(61 516)	(120 559)
Net property income	280 114	154 536	291 220	725 870
Statement of financial position extracts				
Investment property opening balance	2 394 397	1 343 735	2 086 701	5 824 833
Net additions, acquisitions and disposals	674 154	149 140	1 104 885	1 928 179
Fair value adjustment and straight-lining	138 412	37 044	273 157	448 613
Fair value of investment property	3 206 963	1 529 919	3 464 743	8 201 625

Notes to the consolidated condensed financial results

Reviewed Audited

R'000	31 March 2016	31 March 2015
1 RECONCILIATION OF BASIC EARNINGS TO HEADLINE EARNINGS		
Profit after tax	1 113 483	884 664
Less: Fair value adjustment - investment property	(241 437)	(327 848)
Profit on disposal of investment property	(13 568)	-
Headline earnings attributable to shareholders	858 478	556 816

2 FINANCIAL INSTRUMENTS

Financial instruments held by the Fund include the investment in Investec Australia Property Fund "IAPF" and derivatives. The valuation of IAPF is 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.

For cash and cash equivalents, trade and other receivables, trade and other payables and variable rate loans which are carried at amortised cost, the carrying value is a reasonable approximation of fair value. In accordance with IFRS 7.29 no disclosure around fair value is required for these items.

R'000	Reviewed 31 March 2016	Audited 31 March 2015
3 INVESTMENT		
The Fund carries its investment in IAPF at fair value.	531 772	502 096

R'000	Reviewed 31 March 2016	Audited 31 March 2015
4 FAIR VALUE ADJUSTMENTS		
Fair value adjustment on derivative instruments	4 637	(18 268)
Net investment property fair value adjustment	241 437	327 848
Fair value adjustment on investment	112 199	(16 462)
	358 273	293 118

5 FAIR VALUE HIERARCHY

At 31 March 2016	Carried at fair value	Level 1	Level 2	Level 3	Carried at amortised cost
Listed investment	531 772	531 772	-	-	-
Derivative financial instruments	41 848	-	41 848	-	-
Trade and other receivables	-	-	-	-	158 959
Cash and cash equivalents	-	-	-	-	53 461
Total financial assets	573 620	531 772	41 848	-	212 420
Derivative financial instruments	45 945	-	45 945	-	
Long-term borrowings (including current)	-	-	-	-	5 792 601
Trade and other payables	-	-	-	-	310 104
Total financial liabilities	45 945	-	45 945	-	6 102 705

R'000	Reviewed 31 March 2016 Number of shares	Reviewed 31 March 2016 R 'million	Audited 31 March 2015 Number of shares	Audited 31 March 2015 R 'million
6 STATED CAPITAL				
Opening shares in issue	436 690 118	5 677 360	365 576 663	4 645 756
Equity issuances	263 538 084	4 036 748	71 113 455	1 031 604
	700 228 202	9 714 108	436 690 118	5 677 360

R'000		Reviewed 31 March 2016	Audited 31 March 2015
7	RELATED PARTIES		
	The Fund has entered into the following significant related party transactions during the year with Investec Limited and its subsidiaries.		
	Investec Property (Pty) Ltd		
	Asset management fees paid	(39 453)	(35 872)
	Letting commissions paid	(3 108)	(4 105)
	Rental guarantees received	8 741	6 155
	Transaction fees paid(1)	(43 000)	-
	Capital expenditure(2)	(46 182)	(32 859)
	Investec Bank Limited Group		
	Cash and cash equivalents(3)	44 715	60 995
	Borrowings3	565 819	14 000
	Fair value of derivative instruments3	(3 746)	15 240
	Rentals received	52 918	45 485
	Interest received	6 357	8 096
	Sponsor fees paid	(191)	(180)
	Corporate advisory and structuring fees paid	(35 633)	(7 585)
	Interest paid - related party borrowings	(18 331)	(1 618)
	Interest paid - swap derivatives	(23 538)	(14 829)

(1) Transaction fees relate to the Zenprop & Griffin transactions. Investec Property agreed to waive its upfront entitlement to an ongoing management fee of 50bps on the value of the Zenprop acquisition until 31 March 2021. The ratcheted fee structure of the Zenprop acquisition represents R102 million of management fees payable foregone by Investec Property over a five-year period.
(2) Capital expenditure for the Dihlabeng extension.
(3) Included in the carrying value as per the statement of financial position.

Commentary

INTRODUCTION

Investec Property Fund Limited ("The Fund") is a South African Real Estate Investment Trust and currently comprises a portfolio of 122 properties in South Africa with a total gross lettable area ("GLA") of 1 300 278m² valued at R16.5 billion (2015: R8.2 billion) and a R0.5 billion (2015: R0.5 billion) investment in Investec Australia Property Fund ("IAPF").

2016 has been an acquisitive year for the Fund with acquisition activity amounting to R8.0 billion through the acquisition of the Zenprop and Griffin portfolios ("The Acquisitions"). The Acquisitions consist of a diverse portfolio of office, industrial and retail properties that enhance the real estate fundamentals of the Fund and are in line with the Fund's objective to optimise long-term income and capital returns for investors. Both portfolios provide strong visibility of earnings and cash flows and will enhance the prospects of the Fund over time.

FINANCIAL RESULTS

The board of directors is pleased to announce a full year dividend amounting to 124.66 cents per share for the year ended 31 March 2016 (31 March 2015: 117.50 cents per share normalised). This represents growth of 6.1% for the full year.

The Fund's performance, which exceeds market consensus and guidance, and has been achieved in an acquisitive and transformative year where total investments almost doubled to R17 billion, is attributable to the following:

- Strong underlying net property income growth of 8.2% generated by the base portfolio1;

- 21.3% increase in earnings from IAPF on a like for like basis;

- Efficient balance sheet and interest rate management;

- Cost containment at both a property and fund level; and

- Later than expected date of transfer of the Zenprop portfolio, mid December 2015 versus 1 November 2015.

The impressive performance of the base portfolio1 partially shielded the dilutionary impact of the acquisition of the Zenprop portfolio. The acquisition, which is dilutive in the short term, was a strategic decision undertaken by the Fund's board and its shareholders to acquire a quality portfolio, which will enhance the long-term value and prospects of the Fund.

The Fund also reported an increase in normalised net asset value per share of 5.9% to 1605 cents per share. The combined equity issuances of R4 billion at a blended issue price of R15.31, the increase in property portfolio valuations of R334 million, and the increase in the Fund's gearing from 23.6% to 34.1% all contributed to the increase in net asset value per share.

The Fund's base portfolio continued to deliver consistent growth with like for like net property income growth of 8.2%, despite a challenging economic environment. The Fund achieved this like for like net property income growth from:

- a reduction in vacancy to 1.1% (2015: 2.8%);
- reletting of space that became available during the period at a positive reversion of 3.0%;
- defensive WALE of 3.7 years; and
- cost containment resulting in a reduction in the net cost to income ratio.

The low vacancy, letting performance, and positive renewal growth is testament to the quality of the property portfolio and the desirability of the product and service offered to existing clients and the occupier market. These robust measures of real estate fundamentals emphasise the success to date of our acquisition strategy and the quality and defensiveness of the underlying portfolio.

(1) Base portfolio refers to properties to the value of of circa R6.5 billion that have been held by the Fund for comparative periods.

PROPERTY PORTFOLIO

The Fund's current property portfolio consists of a diverse base of 122 quality properties with an average value per property of R135 million. The Fund is actively assessing its capital allocation to assets. Annual analyses will be conducted on the potential future performance of the Fund's portfolio, and those assets or investments that are not expected to deliver value enhancing returns will either be disposed of, with capital being redeployed into existing assets, value enhancing acquisitions or potentially being returned to shareholders.

The portfolio's income stream is underpinned by contractual escalations of 7.8% and a strong tenant base, which is demonstrated by its base net property income growth of 8.2%. During the year, the Fund reduced its overall vacancy to 1.1% through the active leasing. The vacancies across the office, industrial and retail portfolios are all significantly below the IPD sector performance and one of the lowest in the sector overall.

Whilst approximately 52 410m2 (53%) of the expiring leases in FY2017 have already been renewed or let to new tenants, maintaining a vacancy of 1.1% will be challenging in the medium to longer term considering the tough letting and economic environment.

Portfolio	Total	Office	Industrial	Retail
Number of properties	122	34	49	39
Asset value	R16.5bn	R6.6bn	R3.8bn	R6.1bn
Base growth	8.2%	12.0%	3.2%	7.5%
GLA	1 300 278	271 115	608 725	420 436
Vacancy	1.1%	0.6%	1.4%	1.1%
WALE (years)	3.7 years	4.0 years	3.7 years	3.3 years
In-force escalations	7.8%	8.0%	8.0%	7.6%

SECTORAL PERFORMANCE

Office

Office base growth of 12% was driven by improved utility recoveries, as well as reduced vacancy from 5.2% to 0.6%, primarily due to the sale of a non-core vacant building in Midrand.

During the year, 89% of available space was let but this only amounted to 12 188m2 or 4.5% of office GLA. This is representative of the Fund's long office WALE and defensive single tenanted nature. The limited expiry does not necessarily provide a true reflection of the current office market dynamics where vacancies in major nodes in A&B grade properties are at all time highs and tenant incentives are more prominent. The office portfolio's in-force escalations remained static at 8.0%.

The Acquisitions added 13 properties valued at R3.2bn and 114 316m2 GLA to the office portfolio, increasing the value to R6.6 billion, representing 40% of the total portfolio.

The Fund's strategy is to acquire office properties in strategic sought after nodes. Examples of these high demand office nodes, where the Fund has approximately 38% of its office portfolio located, are Bryanston (specifically around the Nicolway Shopping Centre fronting Main and William Nicol), Rosebank and Umhlanga. The Fund's exposure to Sandton, which is arguably the most saturated office market in the country, consists of 62 060m2 representing 27% of the value of the office portfolio. These are defensive assets and well positioned to weather the current over supply with 0% vacancy and a 4.1 year WALE.

Industrial

During FY16, the industrial portfolio demonstrated its resilience and attractiveness to occupiers by letting 45 794m2 of available space as well as decreasing the portfolio vacancy from 3% to 1.4%. This tenant demand can be attributed to a combination of the suitable locality and functional design of the Fund's industrial portfolio in sought after industrial nodes. A thorough understanding of existing tenants requirements as well as those of the general occupier market and innovative broker incentives also contributed to the strong letting performance.

The expiring space was let to majority of A grade tenants with marginal positive reversion of 0.7% to expiry rental, with a WALE of 3.7 years and contractual escalations of 8%.

The overall base growth of 3.2% was hindered by the marginal reversion, short-term vacancy of some of the expiring space that was subsequently relet and a specific bad debt provision. A payment plan has been agreed with the tenant representing the majority of the provision and is expected to be recovered in full in the next 12 months.

The Acquisitions added a further 28 properties valued at R2.4 billion and 267 768m2 GLA to the portfolio increasing the total industrial portfolio value to R3.8 billion. In line with the strategy of recycling capital from non-core, five assets with a total value of R113.7 million were sold during the period, with a further two assets valued at R30 million under contract and awaiting transfer.

Retail

The Retail portfolio comprises retail assets that are either dominant in their respective node or are niche in relation to a specific product offering or category.

There is a focused strategy of maintaining a minimum average of national tenants to ensure the assets are able to trade through periods of subdued economic and consumer spend. The current percentage of national tenants across the portfolio is 80%.

The base retail portfolio delivered growth of 7.5% for the 12-month period, which is in line with its annual contractual escalations.

The Fund's focused strategy has paid off in the current year, with average turnover growth across the Fund's shopping centres increasing by 8.5% year on year. Whilst the overall trading growth is impressive, it has been diluted by the performance of Kriel Mall and Balfour Mall. Kriel is exposed to the coal mining sector in Mpumalanga and with the temporary closure of the Optimum and Malta coal mines, the trading of the centre has been affected. The centre remains 97% occupied with a long WALE of 2.3 years and is let to 72% nationals. Balfour is nearing the completion of its two phase refurbishment and tenant repositioning which has disrupted certain trade in the short term during the construction period. This defensive spend is already reaping benefits through the securing of additional national tenants and increased tenant interest. Turnover is improving and current year on year turnover growth reflects a 5.5% increase.

The consistent year on year renewal and letting activity has resulted in positive reversions of 9.4% over 19 892m2 and reduced overall vacancy to 1.1%.

Receivables continue to be tightly managed and represent 0.7% of total collectables at 31 March 2016 (2015: 0.6%). Asset managers continue to work with tenants and strive to reduce the overall cost of occupation where possible. Provision for bad debts covers all debtors greater than 60 days.

The Fund continuously looks to improve its retail property offering to its patrons by monitoring and optimising tenant mix, and pursuing redevelopment or extension opportunities to secure new tenants or offerings not currently represented. The spend required to maximise this offering is not always earnings enhancing on day one, however, it is critical to protecting the value of the centre, thereby reducing the threat of competition. Successful retail properties in today's environment offer an experience which maximises the length of the customers stay at the centre and therefore spend, by focusing on and offering innovative customer experiences which is critical to the continued success of retail in the current competitive environment.

Projects in progress to this effect include:

- the completion of the Balfour refurbishment;
- the completed extension at Dihlabeng to accommodate Woolworths, Spitz, Cape Union Mart and others;
- a joint venture with the Moolman Group for the 20 478m2 extension at Musina Mall; and
- a 5 000m2 extension at Fleurdal Mall.

Further details of these initiatives are detailed below.

Significant mention has been made of the Edcon Group in the press over the last 12 months and the concerns as to the viability of the business due to its current onerous and overleveraged capital structure. The Fund's current exposure to the Edcon Group across all its brands is less than 1.5% of the Fund's total revenue (GLA of 20 194 m2). Of this, 60% (GLA 12 140m2) relates to the Edgars and CNA brands. The Fund has undertaken a thorough analysis of this space and is confident that if necessary, the space could be relet and in some instances at a higher rental albeit tenant installation may be required.

ACQUISITIONS

The Fund has enjoyed a transformative year from an acquisition perspective with the Fund's asset base almost doubling to R17.0 billion. Two large acquisitions were concluded during the year namely the Griffin acquisition ("Griffin acquisition") and the iconic Zenprop acquisition ("Zenprop acquisition"). Full details of both transactions have been disclosed in the Zenprop circular dated 11 September 2015 and the Griffin Sens announcement dated 5 June 2015.

The Zenprop portfolio contains award-winning properties, with exceptional and striking architectural designs, along with strong property fundamentals and consists of 12 office properties, 11 industrial properties and 3 retail properties. The portfolio is underpinned by strong real estate fundamentals and contractual cash flows. The Zenprop Acquisition was purchased for an aggregate acquisition value of R7.1 billion at a blended yield of 7.5%. The properties transferred during December 2015 and January 2016.

The Griffin acquisition contained 22 industrial properties acquired at an aggregate value of R826 million and a blended yield of 9.3%. The properties are well located, with contractual in-force escalations of 8.6%. AGCO (R80m), an industrial property in Pomona is the last remaining property and is in the process of being transferred to the Fund.

The combined yield of the acquisitions as at the reporting date is 7.8%.

TOP 10 PROPERTIES – PORTFOLIO

Building	Sector	Book value (R'm)	% of portfolio by value	Total area (m2)	% of portfolio by area
1 & 1A Protea Place*	Office	813.9	4.9	20 066	1.5
Zevenwacht Mall*	Retail	788.2	4.8	39 956	3.0
Newcastle Mall*	Retail	785.3	4.8	39 360	2.9
Design Quarter Mall*	Retail	573.6	3.5	25 743	1.9
2929 on Nicol*	Office	506.1	3.1	16 149	1.2
Dihlabeng Mall	Retail	498.5	3.0	26 508	2.0
Balfour Mall	Retail	491.2	3.0	32 647	2.4
The Firs	Office	442.2	2.7	13 085	1.0
Brandhouse*	Industrial	418.6	2.5	36 800	2.7
30 Jellicoe	Office	373.7	2.3	10 749	0.8
Total		5 691.3	34.6	261 063	19.4

* Properties acquired as part of the Zenprop acquisition.

SECTORAL SPREAD   SECTORAL SPREAD   GEOGRAPHICAL SPREAD

Revenue   Asset value   Revenue

38%	Office	40%	Office	8%	Free State
23%	Industrial	23%	Industrial	68%	Gauteng
39%	Retail	37%	Retail	7%	KZN
				3%	Limpopo
				3%	Mpumalanga
				10%	Western Cape
				1%	Other

LETTING ACTIVITY

The Fund began the period with an opening vacancy of 23 546m2; which increased by a further 78 830m2 due to expiries in the current year. The Fund has renewed or relet 86% of the GLA that became available in the year. In addition 10 080m2 of opening vacancy was let during the year. The Fund's closing vacancy after disposals amounted to 14 738m2 or 1.1%.

	Expiries & cancellation GLA	Expiry gross rental1 R/m2	New lets & renewals GLA	New gross rental1 R/m2	Rental reversion %	Average escalation %
Office	12 593	176.14	12 188	173.12	(1.7)	8.3
Industrial	48 492	51.81	45 794	52.19	0.7	8.1
Retail	17 745	143.11	19 892	156.51	9.4	8.0
Total	78 830		77 874		3.0	8.1

The majority of the letting occurred in the industrial sector, which let 45 794m2 of the 48 492m2 that became available. This was despite a tough economic environment. The industrial sector has seen occupier's requirements for warehousing and manufacturing facilities contract and consolidate in the last few years. Occupiers also now require a lot more flexibility in their commitments, due to the tenor of their contracts with clients reducing. Therefore, client retention in the industrial sector is very dependent on the clients' underlying contract base and performance. The ability to let premises whether by way of a renewal or relet is highly dependent on location, functionality, access and being able to be flexible with space and contract terms.

The Fund's lease expiry profile remains robust and defensive with a WALE of 3.7 years by revenue. In the next financial year 93% of income is contractual.

Of the 99 506m2 of GLA expiring for the next 12-month period ending 31 March 2017, 52 410m2 (53%) has already been renewed or let at a positive reversion of 4.2%.

(1) Gross rental includes rental, operating cost recoveries, recovery of assessment rates but excludes parking, utility and other recoveries.

CAPITAL EXPENDITURE AND REDEVELOPMENT

The Dihlabeng extension

During the year, the Fund completed a 4 615m2 extension of R85m at Dihlabeng Mall and held a successful opening in July 2015. The extension was anchored by Woolworths and cements the Mall's position as the dominant retail centre in the area. Pre-opening, the Fund had signed leases with Woolworths, Spitz and Cape Union Mart and subsequently has secured leases with several other prominent retailers. The 31 123m2 centre (including extension) is now 98% let and is represented by circa. 90% nationals. Although the extension was developed on an initially dilutive yield; it brought with it the introduction of new brands. The demand for the space has locked in the strength of the node, increased feet to the mall and improved retail turnovers. The extension has categorised the centre into a sub-regional and will see enhanced returns over time as the centre's strength takes effect.

The Musina extension

IPF acquired Musina Mall in June 2012 at a forward yield of 9.2%. Musina is a vibrant commercial and trading centre in the northern part of the Limpopo province, servicing both the surrounding agricultural sector and in particular the cross-border trade from Zimbabwe.

The Moolman Group ("Moolman") and the Fund will partner (2/3 IPF/1/3 Moolman) to extend the centre by a further 20 478m2. IPF has sold one third of the existing centre to Moolman at a forward yield of 8.2% realising a 61% capital return to the Fund since the acquisition in June 2012.

The proceeds from the sale will be reinvested into the extension which will cost R324.6 million (IPF share R216.4 million) and has an expected blended return in year 1 of 9.3%. The expected completion date of the extension and commencement of trading is 1 April 2017.

The project offers the Fund the ability to expand Musina Mall and recycle its capital to increase the yield of the centre from 8.2% to a blended 8.8%. It provides the Fund a two thirds share of what is to become the dominant semi-regional centre in Musina. It 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.

The Fleurdal extension

The Fund has completed an initial feasibility to extend the existing mall by approximately 5 000m2. The Fund is in discussions with a number of national tenants who have expressed significant interest.

CAPITAL ALLOCATION

As mentioned previously, the Fund is focused on ensuring that it is optimising long-term shareholder returns by allocating and investing capital into value enhancing assets.

The sale of the non-core assets realised sale proceeds of R161 million at an average sale yield of 8.2%. The majority of these proceeds are being reinvested into the Musina extension at a 9.3% yield.

There are also three pending sales totalling circa R135 million, which are subject to contract. These sales were opportunistic and are all to private buyers, who remain very active in the market and are willing to pay attractive pricing versus the listed sector who remain sensitive to the current negative yield spread.

INVESTMENT IN IAPF

The Fund's investment in IAPF amounts to R532 million, representing 12.3% of IAPF (2015: 18.6%).

Whilst the absolute value of the Fund's holding in IAPF remained at similar levels to last year there was significant activity during the year, which comprised of:

- the sale of 17 271 160 units (R200 million) in IAPF to Zenprop as part of the Zenprop acquisition consideration;

- the participation in the distribution re-investment programme ("DRIP") for 1 746 458 units; and

- the following of rights in the IAPF rights offer (8 261 009 units).

The Funds currently holds 38 506 307 units in IAPF.

IAPF delivered annualised full-year distribution growth of 13.2% post withholding tax in AUD which translates into like-for-like ZAR growth of 21.3%. Including a capital return on the investment of 25.9%, this results in IAPF delivering a total return of 34.3% in ZAR to the Fund for the 12 months to 31 March 2016. IAPF has been successful in executing its communicated strategy of deploying its capital into quality Australian real estate. The attractive hard currency growth in distribution is evidence of the broadened quality and diversity of the portfolio and geared growth effect of the increase in leverage of IAPF. Total return to investors in ZAR since listing is 67.9%.

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. The Fund has hedged approximately AUD$3.2 million of income to June 2018 at exchange rates ranging between R10.49 and R13.27 /AUD $.

IPF continues to find Australia an attractive investment destination and IAPF a compelling investment case for the following reasons:

- Australia offers more attractive growth prospects than many of the other developed markets;

- GDP growth > 2% and has delivered positive GDP growth for 24 consecutive years

- The AUD is a cheaper entry point into a developed market considering its depreciation against the USD over the last 24 months

- Government with flexible and proactive policies

- Relative attractive pricing of real estate, quality stock still available at above 7% yield

- Funding costs below 4%, resulting in positive spread in excess of 3%

- Contractual escalations of approximately 3.2% per annum, compounding the growth in the 3% yield spread

- Attractive existing portfolio acquired through well executed strategy underpinned by strong property fundamentals.

OTHER OFFSHORE EXPOSURE

The Fund continues to actively consider and view opportunities in offshore jurisdictions other than Australia. Whilst the positive yield spread and short-term accretion as a result of the very attractively priced long-term debt is appealing, investment decisions will be driven first and foremost by property fundamentals followed by capital structure and funding.

In order to be able to make an informed investment decision and assess the property fundamentals, on the ground knowledge is key and will need to be supported through a local Investec management team on the ground or made alongside long standing partners with local knowledge.

CAPITAL MANAGEMENT

The active and efficient interest rate risk management strategy is evident in the Fund's current average cost of funding of 9.0% which is underpinned by a current hedged position of 75% and a debt and swap maturity of 3.9 years and 3.6 years respectively. This was achieved in a volatile and unpredictable market when the Zenprop properties transferred in mid December 2015.

The Fund's all in cost of funding has shifted from 8.5% to 9.0% at the end of 2016 as a result of the:

- increase in three-month JIBAR of 113bps since March 2015, affecting the unhedged portion of the loan book (between 17% - 25%);

- significant upward shift in the swap curve year-over-year impacting R2.6 billion of new swaps linked to acquisition activity. (212 basis point movement in peak and trough of five-year swap curve in last 12 months); and

- longer dated debt and swaps locked in as part of Zenprop transaction.

During the year, the Fund entered into R2.6 billion of interest rate swaps at a blended rate of 7.9% and an average expiry of 4.2 years. This has taken the Fund's weighted average swap expiry to 3.6 years (2015: 3.8 years). The Fund continues to monitor the market and restructure its interest rate swap book when the opportunity presents itself.

The Fund has always maintained flexibility in its sources of funding without committing to predetermined funding ratios, ensuring banking lines are well maintained and changes in the debt capital markets fully understood. There is a continued strategy to fund long-term assets with long-term funding and to conservatively manage refinancing and credit risk.

The Fund engaged both banks and debt capital market investors to pre-commit R3.6 billion of funding for the debt portion of the Zenprop purchase consideration. The Fund received significant levels of interest from all funders approached. The weighted average debt expiry of the Zenprop debt funding package was 5.4 years at an average credit margin of 1.75% above 3-month JIBAR. The Fund was able to raise 52% of the debt on an unsecured basis. The Fund's gearing ratio is now 34.1%.

Despite a volatile environment, the Fund has been successful in raising R7.8 billion of new funding during the year. This has been raised in the form of:

- R2.5 billion new bank debt facilities on a 55% unsecured basis - average margin of 177bps above three-month JIBAR and average tenor of 5.4 years;

- R1.2 billion of corporate bonds on a 32% unsecured basis - average margin of 168 bps above three-month JIBAR and average tenor of 4.1 years;

- R200 million three-month commercial paper - rolled several times during the year at an average rate of 43bps above three-month JIBAR, and

- R2.6 billion of equity was raised through the Zenprop rights offer at R15.00 per share;

- R0.8 billion of equity was raised via vendor placements for the Zenprop transaction at R16.51 per share; and

- R0.5 billion of equity was raised via vendor placements for the Griffin transaction at R15.70 per share.

DEBT FACILITIES

Debt facilities	Facilities R'm	Drawn R'm	Available R'm	Margin %	Weighted average expiry at 31 March 2016
Balance at 31 March 2015	2 936	(2 059)	877	1.66	1.7
Added during the year:					
Corporate bonds	1 170	(1 170)	-	1.68	4.1
Bank debt	2 460	(2 240)	220	1.77	5.4
Existing bank debt		(324)	(324)		
Balance at 31 March 2016	6 566	(5 793)	773	1.75	3.9
Facilities added post year-end	300	-	300	1.62	
Facilities added post year-end	300	-	300	(1.60)(1)	
Post-balance sheet debt	7 166	(5 793)	1 373		

Post year-end the Fund has rolled the commercial paper for a further three months at an attractive margin of 45 basis points and repaid R40 million of corporate bonds with cash. The Fund has also entered into a new debt facility with Standard Bank for R300 million, unsecured debt at a margin of 162 basis points above three-month JIBAR and refinanced the Investec bridge facility with an unsecured R300 million headroom facility with Standard Bank at prime less 160 basis points.

(1) Margin is calculated at prime less 160 basis points. All other facilities are calculated above three-month JIBAR.

SWAP FACILITIES

Swap facilities	Swaps R'm	Rate %	Weighted average expiry
Balance at 31 March 2015	1 884	6.57	2.8
Added during the year:			
Swaps (including CCS)	2 640	7.90	4.1
Balance at 31 March 2016	4 524	7.72	3.6

The Fund has R212 million cross currency swap ("CCS") in place which equates to 41% of the value of investment in IAPF.

CORPORATE RATING

The Fund's corporate rating was upgraded in August 2015 to A with a positive outlook whilst the secured rating was reaffirmed and released in April 2015 as AA-, with stable outlook reinforcing the Fund's balance sheet strength. The Fund's rating is currently under review and the revised rating is due at the end of May 2016.

SUSTAINABILITY

As a continued commitment to sustainability, the Fund has appointed a dedicated resource to focus on utility management and sustainability with a view to further unlock value for tenants and shareholders alike.

The Fund has completed an energy and water benchmarking exercise across its base portfolio. Over the next 24 months the Fund will be implementing energy and water efficiency initiatives in buildings where feasible, with a view of reducing the utility cost and thereby reducing the "Total Cost of Occupation" within these buildings.

The Fund has obtained approval for a pilot solar project to be introduced on the rooftop at Fleurdal Mall in Bloemfontein. The project aims to reduce the cost of electricity by creating its own solar power. This project offers an attractive yield over its repayment profile and if successful will be rolled out across feasible buildings and assist in reducing the cost base of the Fund as well as the cost of occupation for tenants. It also provides grid stability and energy security and will alleviate down time for tenants in the event of load-shedding.

CHANGES TO THE BOARD

Since the interim results announcement on 19 November 2015, no changes to the Board have been announced or implemented.

PROSPECTS AND GUIDANCE

The full year dividend of 124.66 cents per share exceeded market consensus and the guidance provided in the FY15 results announcement when adjusted for the dilutionary impact of the Zenprop transaction as per the information included in the circular dated 11 September 2015.

This outperformance was generated by the base portfolio, prior year acquisitions, the Griffin Acquisition, the significant growth from IAPF year on year and the marginal benefit from the delay in the transfer of the Zenprop portfolio.

The H2 dividend of 65.03 cps, which delivered growth year on year of 0.8% reflects the dilutionary impact of the Zenprop transaction. The dilution will continue to impact H1 of FY17 and part of H2 2017.

As a result the Fund expects the dividend per share for the year ending 31 March 2017 to be similar to the dividend per share reported for the year ended 31 March 2016.

The aggregate of the dividend per share for FY16 and the guidance for FY17 similarly exceeds the previous guidance and current market consensus for this comparable period.

The growth In dividend per share will normalise to historical levels in the period 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 by the Fund's independent external auditors.

On behalf of the Board of Investec Property Fund Limited

Sam Hackner
Non-executive Chairman

Nicholas Riley
Chief executive officer

19 May 2016

BASIS OF ACCOUNTING

The reviewed preliminary condensed consolidated financial information for the year ended 31 March 2016 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 2016 are consistent with those adopted in the financial statements for the year ended 31 March 2015, 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 consolidated condensed financial results, as set out on pages 2 to 6 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 gross dividend number 11 ("Cash dividend") of 35.34835 cents per share for the period 22 December 2015 to 31 March 2016.

Other information:

- The dividend portion has been declared from income reserves.

- 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 700 228 202 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 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 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 30.04610 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 Cash Dividend:

	2016
Last day to trade ("LDT") cum dividend	Friday, 3 June
Shares to trade ex dividend	Monday, 6 June
Record date	Friday, 10 June

Payment date	Monday, 13 June

Notes:

1. Shares may not be dematerialised or rematerialised between commencement of trade on Monday, 6 June 2016 and close of trade on Friday, 10 June 2016.

Investec Bank Limited
Company Secretary

19 May 2016

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#*
GR Rosenthal#*
KL Shuenyane#*

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* Independent

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