Out of the Ordinary

Investec
Australia Property Fund

Annual Report
*Integrated annual report
and financial statements
Investec Australia Property Fund*

2018

Cross reference tools

1 *Audited information*

Denotes information in the risk and corporate responsibility reports that form part of the audited annual financial statements

2 *Page references*

Refers readers to information elsewhere in this report

3 *Website*

Indicates that additional information is available on our website: www.iapf.com.au

4 *Reporting standard*

Denotes our consideration of a reporting standard

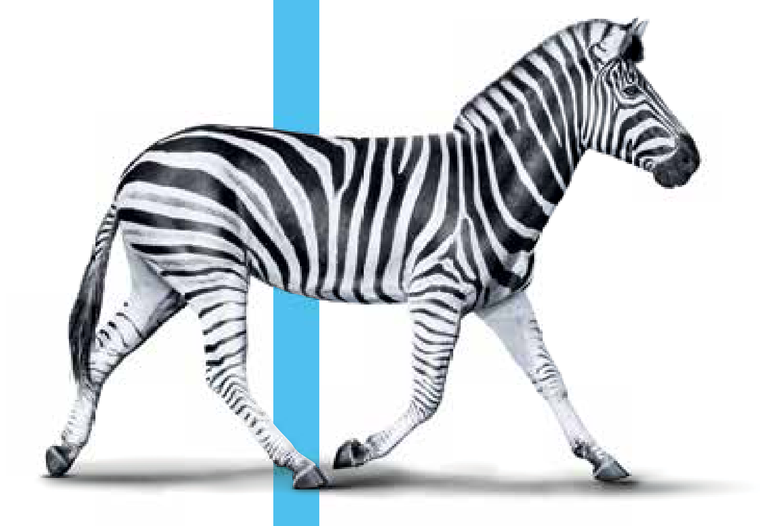
Retail properties

Office properties

Industrial properties

Contents

Overview of Investec Australia Property Fund



Investec Australia Property Fund is the first inward-listed Australian REIT on the JSE. The Fund aims to provide unitholders with stable revenue and capital value uplift by investing in quality office, industrial and retail properties, giving unitholders direct exposure to the Australian and New Zealand real estate markets via the JSE. The Fund's portfolio has grown 7.7x since listing in October 2013 and now comprises 27 properties with a gross lettable area of 285 146m² valued at AUD 1 006mn*.

11.1%

NAV growth

3.0%

Full year pre-WHT distribution growth

AUD 1 006mn*

Portfolio value

* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

About us and key highlights

(continued)

The Fund's performance is underpinned by stable underlying net property income supported by active asset management.

Acquisitions concluded

AUD 153.6mn*

Quality enhancing properties

Equity raised

AUD 60mn

By way of placement

Conservative balance sheet management

35.8%*

Gearing

Active interest rate management

3.68% all-in funding rate

87% hedged

6.2 year swap expiry*

Spread of approximately 400 basis points between funding rate and property yields

* Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.

2018 was a milestone year for the Fund, reaching AUD 1bn of asset value as a result of acquisitions concluded during the year and revaluation uplift across the portfolio. The Fund completed its first acquisition in New Zealand with the purchase of The Majestic Centre in Wellington, and increased its exposure to the Melbourne industrial market with two acquisitions in the popular south east industrial corridor. The Fund continues to seek out and create value for unitholders, whether in the context of exploring new markets, such as Wellington, making acquisitions that represent relative value compared to other available opportunities or by improving the quality of the underlying portfolio through active asset management.

Key performance metrics

7.7x

Portfolio growth since listing

60.0%

Total return in ZAR since listing

AUD 73.2mn

Valuation uplift

About us and key highlights

(continued)

The objective of the Fund is to grow and diversify its asset base and to deliver stable income and capital returns to unitholders over time. The Fund achieves this by basing investment decisions on sound underlying property fundamentals and acquiring the "right asset at the right price". In addition, the Fund aims to unlock value through an unwavering commitment to active asset management.

The Fund listed on the JSE in October 2013 as the first inward listed Australian real estate investment trust. The Fund offers investors direct access to the Australian and New Zealand property markets via the JSE.

While the Fund is independently listed, it shares a common ethos and ethical foundation with the Investec Group. A common brand and culture provide the foundation for governance principles adopted by the Fund. The Fund is a managed investment scheme registered with the ASIC and is operated by IPL as responsible entity.

Since listing the Fund has grown the property portfolio value by over 7.7 times, despite the competitive nature of the market where asset pricing remains strong off the back of continued flows of foreign capital, particularly from Asia. In addition, the Fund has delivered consistent distribution and net asset value growth, achieving a total return since listing of 60% in ZAR.

The case for investing in good quality properties located in Australia and New Zealand remains attractive for South African investors given the region's favourable macro-economic conditions, property yield spreads over historically low funding costs and income returns in a hard currency. The Fund's current equity yield represents value for South African investors relative to the Fund's direct peer set in the Australian listed market.

The Fund has now entered into a more normalised growth environment for the developed market in which it operates. The Fund's future growth will be dependent on contractual rental escalations, maintaining an appropriate level of gearing and identifying opportunities to enhance yield through active asset management.

Operational KPIs

	2018	2017
Number of properties	27*	24
Value of properties	AUD 1 006mn*	AUD 779mn
Gross lettable area	285 146m²*	230 864m²
Weighted average lease expiry	5.2 years*	4.6 years
Weighted average escalations	3.3%*	3.4%
Occupancy rate (by revenue)	98.5%*	94.6%

* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

Our property landscape

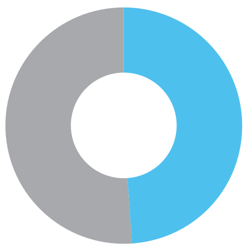
		Office properties	Industrial properties
1	Victoria	x2	x3*
2	South Australia		x1
3	New South Wales	x5	x4
4	Queensland	x3	x2
5	ACT	x1	x4
6	Western Australia		x1
7	New Zealand	x1	

Property key

Office properties | Industrial properties

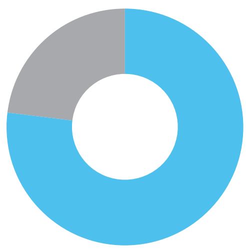
Sectoral spread*

GLA



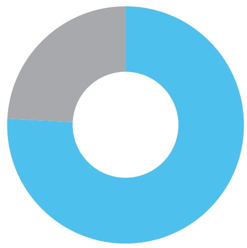
Office	49%
Industrial	51%

Asset value



Office	77%
Industrial	23%

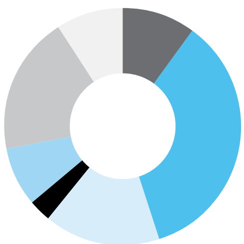
Revenue



Office	76%
Industrial	24%

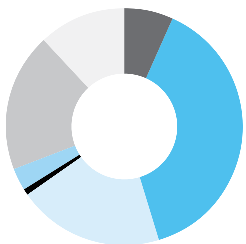
Geographic spread*

GLA



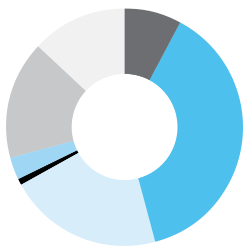
ACT	10%
NSW	35%
QLD	16%
SA	3%
WA	8%
VIC	19%
NZ	9%

Asset value



ACT	7%
NSW	38%
QLD	20%
SA	1%
WA	3%
VIC	19%
NZ	12%

Revenue



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

* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

Executive reports

Chairman's report

The board of IPL, the responsible entity of the Fund, is pleased to announce a full year distribution of 10.03 cents per unit pre-withholding tax (2017: 9.74), representing growth for the full year of 3.0% (2017: 6.2%).

The Fund is also reporting a post-withholding tax full year distribution of 9.29 cents per unit (2017: 9.24 cents), representing growth for the full year of 0.6% post-withholding tax (2017: 3.6%).

Portfolio growth

During the year the Fund completed AUD 153.6mn* of property acquisitions, contributing to the increase in the portfolio value to AUD 1 006mn*. This represents portfolio growth of 7.7x since listing in October 2013 and is a milestone achievement for the Fund.

The Fund continues to seek out value and focus its efforts on properties in established office or industrial precincts supported by key infrastructure and where management can optimise returns through active asset management.

The Fund completed the acquisition of its first property located in New Zealand in December 2017. The Majestic Centre is an iconic office building located in the heart of the Wellington CBD.

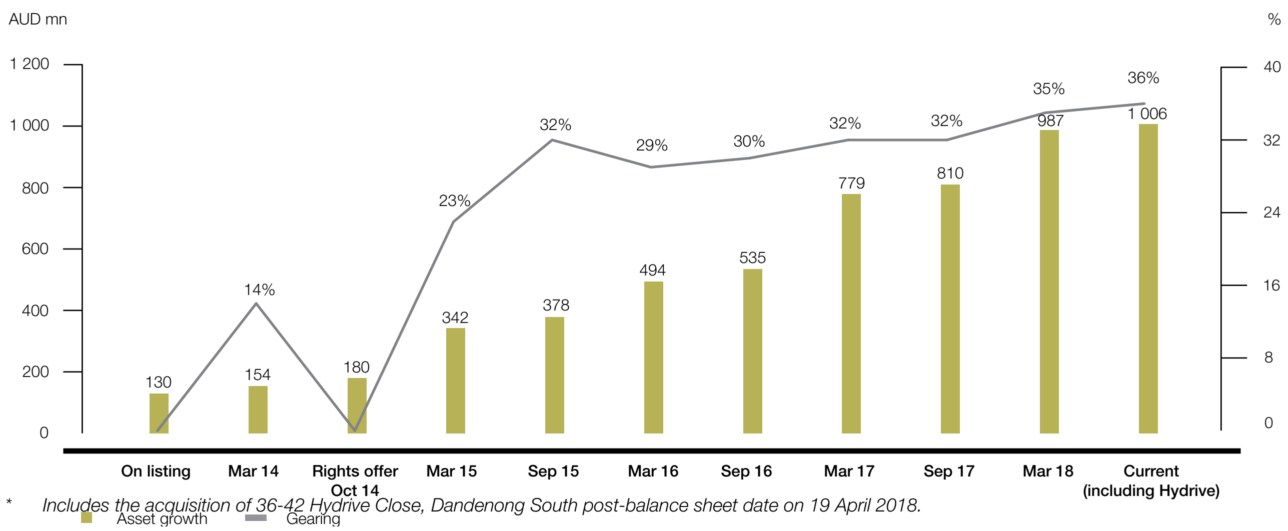
ASX listing

The Fund is continuing to explore the possibility of an ASX listing, subject to favourable market conditions. A non-deal roadshow to selected Australian institutional investors was conducted in early 2018, with positive feedback received. Management will keep the market informed on progress with the ASX listing.

Financial KPIs

	2018	2017
Distribution per unit pre-WHT	10.03	9.74
Distribution per unit post-WHT	9.29	9.24
All in cost of funds	3.68%*	3.71%
Gearing	35.8%*	32.0%

Asset and gearing growth



* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

Balance sheet strength

The Fund's balance sheet is well placed to support further growth and the debt book is reaching the level of scale to explore alternate sources of funding.

The Fund is currently geared to 35.8%. At the Fund's target gearing ratio of up to 40% this gives the Fund up to AUD 43.0mn in debt capacity to continue to pursue attractive acquisition opportunities.*

The Fund's current all in cost of funding is 3.68% hedged to 87%* (2017: 3.71% hedged to 99%) resulting in a spread between the Fund's funding costs and headline property yield of approximately of 400 basis points. The Fund continually reviews its fixed borrowing costs and has taken advantage of falling interest rates in Australia by locking in lower, longer dated forward rates during the year. The Fund now has a debt and swap maturity profile of 3.2 years (2017: 3.7 years) and 6.2 years* (2017: 7.7 years) respectively.

Governance

As set out on pages 29 to 32 in this report, the board of IPL and the Fund's management team are committed to upholding the requirements of disclosure and transparency prescribed by applicable rules, guidelines, regulations and statutes, including the JSE Listings Requirements and King IV. During the period a significant amount of work has been undertaken to ensure the Fund complies with those aspects of King IV applicable to it. This has resulted in an increased focus on ethics and culture and the adoption of a Board Charter that formally recognises the codes of corporate practice and conduct under which the board of IPL operate. In this regard, I am pleased to report that the board of IPL is satisfied that it has fulfilled its responsibilities under the Board Charter for the reporting period.

The Fund is a registered managed investment scheme under the Act and is operated by IPL as responsible entity. Under Australian law the responsible entity has the primary responsibility for the governance and operation of the Fund and is statutorily obliged to act in the best interest of unitholders. IPL has entered into a management agreement with IPML, under which IPML performs asset management and property management services for the Fund.

Sustainability

The board of IPL acknowledges its responsibility to its stakeholders, the environment and the community at large and focuses on continual improvement of our business and environmental sustainability. During the year, management has undertaken a number of initiatives to improve the energy efficiency and environmental impact of the Fund's properties. Refer to page 26 for further details on sustainability.

Community engagement

During the period the Fund committed to supporting two worthy causes. Cystic Fibrosis Australia is a tenant at the Fund's property at 2 Richardson Place in Sydney. The Fund provides Cystic Fibrosis Australia with space for its head office free of charge and assists the organisation in promoting awareness of the disease through involvement in a number of initiatives. The Fund has also made available The Majestic Centre in Wellington for the Dean Gifford Stair Climb in support of the Child Cancer Foundation. Refer to page 27 for further details on community engagement.

Changes to the board of IPL

There were no changes to the board of IPL during the year.

Prospects

Distribution growth in FY2019 is expected to be between 2.0% and 2.5% pre-withholding tax and 0.0% and 0.5% post-withholding tax. This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no tenant failures will occur and budgeted renewals will be concluded. Budgeted rental income is based on in force leases, contractual escalations and market related renewals.

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

The independent auditor's review report does not report on all of the information contained in this report. Any reference to future financial information included in this report has not been reviewed or reported on by the Fund's independent auditors.

Financial KPIs

	2018	2017
Funding costs	3.68%*	3.71%
Weighted average debt expiry	3.2 years*	3.7 years
Weighted average swap expiry	6.2 years*	7.7 years
Hedged position	87%*	99%

* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

Acknowledgements

My appreciation is extended to the board of IPL for their commitment, support and active contribution to the growth of the Fund in the last 12 months. I would also like to thank the management team who have been fundamental to the strong performance of the Fund.

Thank you for your support of the Fund.

RA Longes
Chairman

* *Adjusted for debt to be drawn to fund the final distribution for FY2018.*

Chief executive officer's report

The Fund has built a valuable portfolio of 27 properties valued over AUD 1bn and continues to deliver on its strategic objectives. The Fund has continued to deliver distribution and net asset value growth, achieving a total return since listing of 60%^ in ZAR.

Introduction

The Fund has delivered another solid set of results for the year ended 31 March 2018, underpinned by:

- active property management delivering yield enhancing returns and value uplift; and
- efficient management of the balance sheet and interest rates.

The Fund's portfolio is in a sound position with a strong lease expiry profile, low vacancy and good quality tenants.

Management believes the case for investing in the Fund remains attractive for South African investors given the Fund's current equity yield coupled with favourable macroeconomic conditions in Australia and New Zealand, property yield spread over historically low funding costs locked in and income returns in a hard currency.

Market commentary

Australia's population growth continues to underpin a resilient economy displaying solid fundamentals. Low interest rates, consumption growth, high levels of infrastructure investment, employment and trade growth together with access to the populous Asia markets have contributed to GDP growth of 2.25% for 2017. The Reserve Bank of Australia has maintained the cash rate at 1.50% for the 19th consecutive month and in its commentary has noted that growth for 2018 and 2019 should pick up to average over 3%. Business conditions are positive and non-mining investment is increasing. The economy created 403 100 new jobs in 2017 with the unemployment rate tightening to 5.5%. This positive employment growth has resulted in positive leasing enquiry and declining vacancy rates due to increased demand for space.

The strong economic conditions in NSW and Victoria are expected to continue in the short term off the back of significant infrastructure spending particularly around road and rail networks. The resource based markets are starting to see a gradual recovery with a return to positive effective rental growth although incentives remain high. There was over AUD 16bn of office transactions recorded in 2017 with offshore capital responsible for over half the volume with new entrants emerging from Japan and the US. While the majority of capital was focused on the Sydney and Melbourne markets attracted by positive rent reversion and growth in white collar employment, the Brisbane and Perth markets saw increased liquidity for those seeking a counter-cyclical play.

There is significant capital chasing assets in the industrial and logistics market and the share of offshore investors in this sector has increased over the last five years. The impact of large scale infrastructure projects and the consequence of stock withdrawals for residential conversion and infrastructure projects together with a lack of stock have seen strong price growth in the Sydney market. The Melbourne market is also benefitting from above average population growth and a major upgrade of the road network.

The economic outlook in New Zealand remains positive despite a change of government with GDP growth forecast to be close to 3%. In Wellington, where the Fund acquired The Majestic Centre, the supply and demand dynamics following the 2016 earthquake have resulted in a reduction in vacancy and increased pressure on rentals. There is an elevated demand for occupiers and investors in the market and this has attracted fresh offshore capital leading to increases in capital values.

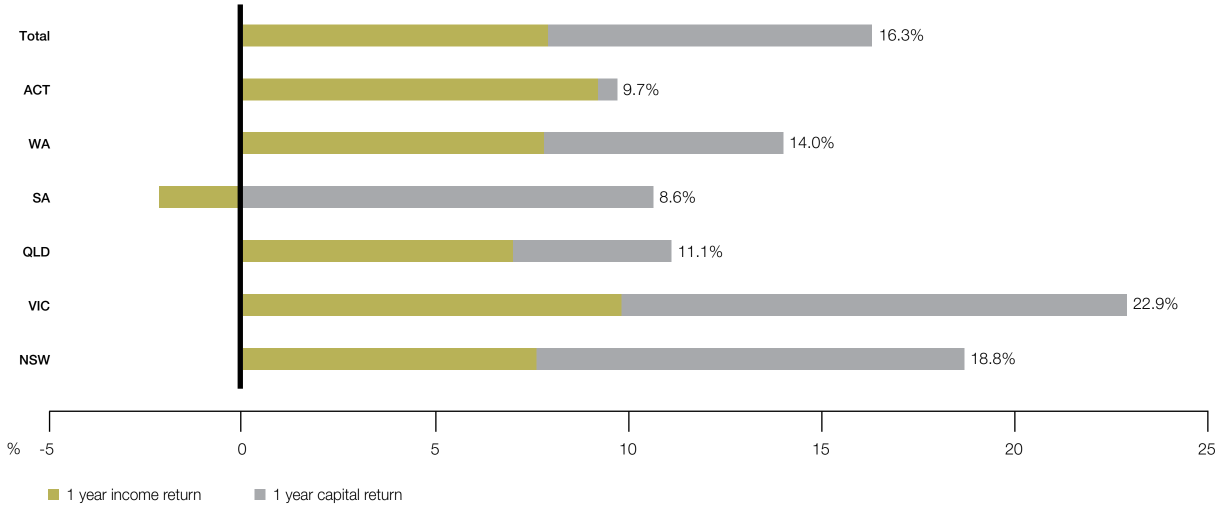
Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.

^ *Based on spot rate of 9.50659 for the H2 distribution as disclosed in the distribution update published on Tuesday, 29 May 2018.*

Operational KPIs

	2018	2017
Number of properties	27*	24
Value of properties	AUD 1 006mn*	AUD 779mn
Gross lettable area	285 146m²*	230 864m²
Weighted average lease expiry	5.2 years*	4.6 years
Weighted average escalations	3.3%*	3.4%
Occupancy rate	98.5%*	94.6%
Units in issue	478 802 454	435 587 842

Portfolio performance



Financial results

The financial results for FY2018 are underpinned by the performance of the base portfolio, active asset management and the quality acquisitions concluded during the period.

A strong valuation result contributed AUD 73.2mn to the value of the portfolio, which represents an increase of 8.0%. This, along with the performance of the underlying property portfolio as a whole, has contributed to net asset value growth of 11.1% year on year.

Operational performance

Management maintains tight operational controls designed to de-risk the performance of the portfolio. This is reflected in the following key performance indicators:

- low vacancy of 1.5%;
- 97% of the portfolio is made up of large listed and national tenants;
- WALE of 5.2 years; and
- contracted escalations across the portfolio of approximately 3.3%.

The Fund has dedicated property specialists on the ground in each of its key markets of Sydney, Melbourne and Brisbane and utilises the skills of external consultants, property and facilities managers when appropriate. In early 2018, following a detailed tender process, the Fund moved the majority of its property and facilities management support to Knight Frank. Already there has been an improvement in tenant engagement and feedback and a more rigorous approach to systems and reporting. Knight Frank has also commenced a sustainability audit across the portfolio to identify opportunities to improve building efficiency, performance and environmental impact. Later in the year Knight Frank will also undertake a procurement review to identify cost saving opportunities in an effort to reduce occupancy expenses for tenants.

Property portfolio

The Fund has accumulated a quality portfolio of 27 office and industrial properties throughout Australia and New Zealand.

During the period management has been focused on improving the weighted average lease expiry of the portfolio. This has been achieved through the acquisition of properties with long dated lease expiries and through early engagement with tenants in an effort to understand their medium to long-term occupancy requirements, and where possible, agreeing lease extensions in advance of the contractual expiry dates. This process has been assisted by re-investment into the portfolio in the form of both offensive and defensive capital expenditure. Management is continually looking at ways to improve the tenant experience and amenity at the Fund's properties in order to retain and attract tenants and to drive revenue growth.

The performance of the underlying portfolio is reflected in year-on-year total portfolio return of 16.3%, comprised of the income return generated by the portfolio and the valuation uplift for the period. The Fund's properties located in NSW and Victoria, which comprise almost 60% of the value of the Fund, have been significant contributors to this result and validate the Fund's recent focus on increasing its exposure to the NSW and Victorian metropolitan office and industrial markets.

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

Conclusion

The Fund's performance for the year has been pleasing and the Fund is well positioned to continue to deliver on its strategic objective of delivering value to unitholders.

The Fund is now entering into a more normalised growth environment for the developed market in which it operates and future growth will be dependent on contracted rental escalations, maintaining an appropriate level of gearing and seeking to enhance yield through active asset management.

I wish to thank all of our service providers, suppliers and tenants for their contributions to the success of the Fund. I would also like to thank our dedicated team and the board of IPL for their invaluable contributions to the growth in our capital base and portfolio during the year.

GA Katz
Chief executive officer

Directorate

Directors of the responsible entity

Non-executive directors

Richard Longes (73)

Appointed: 28 May 2005

Chairman

Committees: Audit and risk committee

BA (Sydney University); LLB (Sydney University); MBA (University of NSW); Solicitor (non-practicing)

Richard has been a director of Investec Group companies in Australia since March 2001. Richard is currently chairman of Investec Australia Limited and Investa Office Fund. He was a co-founder of Investec Wentworth (Pty) Ltd (formerly Wentworth Associates) and was previously a partner in the law firm, Freehills. He holds, or has held, positions with government advisory boards, including the review of the National Museum and the Fund's Management Committee for the IIF programme, and non-profit organisations. Richard was previously chairman of MLC Limited and GPT Group and a non-executive director of Metcash Ltd, Boral Limited and Lend Lease Corporation Limited.

Stephen Koseff (66)

Appointed: 7 July 2014

BCom (Hons), Dip Acc, CA(SA)

Stephen is chief executive officer of the Investec Group which has dual listing on both the London Stock Exchange and the JSE. Stephen has been with the company for 38 years in various capacities and has been in his current role as chief executive officer since 1996. Stephen is a qualified chartered accountant and holds a Masters Degree in Business Administration and a Higher Diploma in Business Data Processing. In 2017 Stephen was awarded an Honorary Doctor of Commerce Degree by the University of Witwatersrand. In addition to his directorships of Investec Ltd and Investec plc and various other Investec subsidiaries, he is a non-executive director the South African Banking Association. He is a current board member of Business Leadership South Africa and a non-executive director of Bid Corporation Limited. He is a director of Youth Employment Services NPC. He is a former chairman of the South African Banking Association, a former non-executive director of The Bidvest Group Limited and former director of the JSE, former member of the Financial Markets Advisory Board, and former chairman of the Independent Bankers Association.

Sam Leon (68)

Appointed: 24 July 2013

LLB (London)

Sam has 40 years of experience across all sectors of the property industry with 26 years at the Investec Property, firstly as a director, then managing director and currently as deputy chairman. He was instrumental in the transformation of Growthpoint into South Africa's largest listed property REIT and was a director until the Investec Group sold its interest in October 2007. Sam also served for 2 years as a board member of SAPOA (the South African Property Industry body). He is currently deputy chairman of Investec Property Fund, a JSE listed REIT, having relinquished his role as CEO effective 31 March 2015 which he held since the fund listed in April 2011 and a board member of the Investec GLL Global Special Opportunity Fund, a Luxembourg based fund for investment in global real estate.

Sally Herman (61)

Appointed: 24 July 2013

Committees: Audit and risk committee (Chairperson)

BA (UNSW), GAICD

Sally has had a long career in financial services in both Australia and the US. In late 2010, she transitioned from an executive career to expand her non-executive portfolio. Prior to that, she had spent 16 years with the Westpac Group, running business units in most operating divisions of the Westpac Group, including the Institutional Bank, Wealth Management (BT Financial) and the Retail and business Banking division.

Sally is now a non-executive director and consultant, sitting on both for profit and not for profit boards and is actively involved in the community, with a particular interest in disability, education and the arts. Her commercial boards are in the property, financial services and retail sectors and include three publically listed companies, Premier Investments Limited, Breville Group Limited and Suncorp Limited. Sally is also a member of Chief Executive Women.

Hugh Martin (70)

Appointed: 30 September 2014

Committees: Audit and risk committee

Bachelor of Business, Finance and Accounting, CPA and MAICD

Hugh has enjoyed a successful career at director and senior executive level with over 40 years experience in major public and private institutions in the finance and property industry, internationally and domestically. He commenced his career as an accountant in South Africa before relocating to Australia. Hugh was formerly an executive director of the apartments business of Lend Lease Limited. From 1997 to 2001, Hugh was CEO of the joint venture between Mirvac and Lend Lease for the development, construction and sale of the Olympic Village, now known as the suburb of Newington in Sydney. Hugh's previous positions have been as finance director of Baulderstone Hornibrook, director of property investments with the State Authorities Superannuation Board of NSW (now Dexus), managing director of Leda Holdings, chief general manager of Homebush Bay Development Corporation, City West and Honeysuckle Corporations, general manager of special projects at Westfield Holdings Limited, project director for Lend Lease Group and national general manager for the apartments development division at Stockland Corporation. Hugh is now a non-executive director, advisory board member and consultant on a number of both profit and non-profit boards.

Executive director

Graeme Katz (54)

Appointed: 31 March 2009

Chief executive officer

Bachelor of Social Science (Economics) Rhodes University; Industrial Relations Development Programme University of Stellenbosch Business School.

Graeme joined the Investec Group to head up the property team in Australia in 2006. Prior to that he was general manager of investment sales at Mirvac Group where he was the key person and responsible officer for the Mirvac real estate licence dealing with their registered and unregistered schemes. Graeme is a director of a number of companies within the Investec Group. He was previously a director of the Property Investors Association of Australia.

Business review and strategy

Strategic focus

Investec Australia Property Fund is focused on delivering stable revenue and capital uplift from a quality portfolio of assets exposed to the favourable macro-economic conditions in Australia and New Zealand. The Fund is continually exploring ways to identify and create value for unitholders.

Out of the ordinary

Focused property fundamentals

- Sustainable revenue stream
- Long-term focus
- Location and quality of buildings
- Strong tenants
- Defensive portfolio

Quality acquisitions

- Purchasing quality assets
- "Right asset at the right price"
- Focus on properties that deliver affordable occupancy solutions for tenants
- Focus on properties located near critical infrastructure

Active asset management

- Active hands-on asset management
- Track record of letting activity
- High level of service to tenant base
- Early engagement with tenants to improve portfolio WALE
- Capex projects focused on achieving capital value uplift or income generating improvements

Balance sheet

- Conservative but opportunistic balance sheet management
- Hedging strategy in place to mitigate downside risk
- Decrease cost of funding

Management team

- Specialists in local market
- Leverage off the Investec network
- Strong relationships with key stakeholders
- Passionate and driven
- Extensive industry experience

Our current strategy

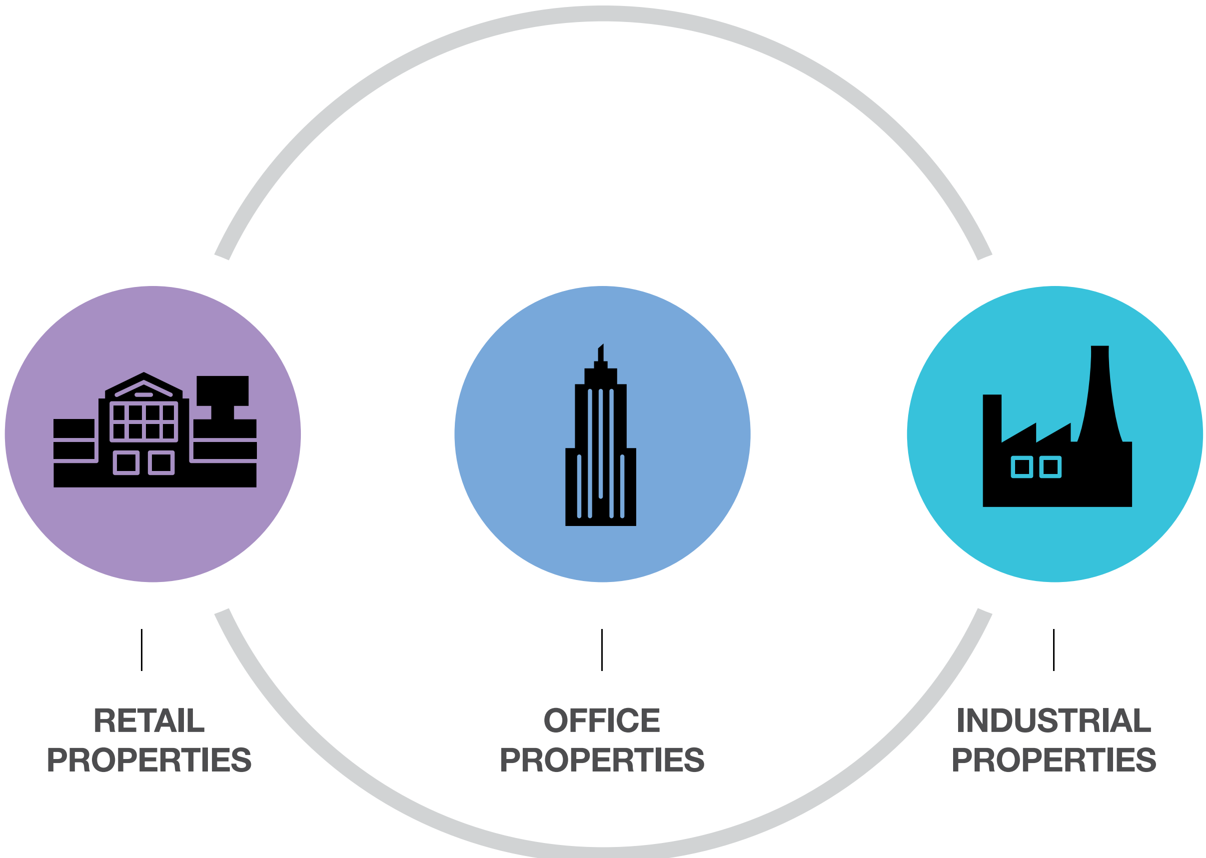
The Fund's strategy is to invest in high quality office, industrial and retail properties that are well located in major metropolitan cities or established commercial precincts.

The objectives of the Fund are to:

- grow and diversify the Fund's asset base
- provide stable growth in income and capital appreciation
- maintain a strong corporate governance framework

To achieve these objectives the Fund will:

- focus on property fundamentals
- acquire good quality properties that are well located with strong tenant covenants
- leverage off the Investec network
- maximise property performance and enhance income and capital appreciation through active asset management
- implement appropriate debt and equity funding strategies and adopt an appropriate interest rate hedging policy
- take on a manageable level of risk to extract additional value



Focused property fundamentals

Property portfolio review

During the year the Fund concluded AUD 153.6mn* of quality enhancing acquisitions, bringing the total portfolio value to AUD 1006mn*. Net asset value increased by 11.1%, largely driven by strong valuation uplift on the underlying portfolio. The Fund has built a valuable platform comprising 27* properties supported by strong underlying property fundamentals and an established track record of delivering on strategic objectives.

8.0%

Valuation uplift across portfolio

11.1%

NAV growth

KPIs

	2018*	2017
Number of properties	**27**	24
Asset value	**AUD1 006mn**	AUD779mn
GLA	**285 146m²**	230 864m²
WALE (by revenue)	**5.2 years**	4.6 years
Weighted average escalations	**3.3%**	3.4%
Occupancy (by revenue)	**98.5%**	94.6%

Since listing in October 2013, the Fund has grown the property portfolio by over 7.7 times in a highly competitive market with significant domestic and offshore capital chasing a limited number of opportunities.

The Fund's strategy of acquiring properties with manageable risk, such as vacancy and/or capital expenditure requirements, has allowed the Fund to extract additional value for unitholders through active asset management.

* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

Focused property fundamentals

(continued)

Property	Geography	GLA (m^2)	Acquisition date	Book value (AUD)	Weighting (%)	Cap rate (%)	WALE (years by revenue)	Value (per m^2)
Industrial Portfolio		**145 597**		**235 225 000**				
47 Sawmill Circuit	Hume ACT	5 535	Dec-12	10 575 000	1.1	7.25	8.3	1 911
57 Sawmill Circuit	Hume ACT	7 079	Dec-12	9 950 000	1.0	7.75	3.3	1 406
24 Sawmill Circuit	Hume ACT	6 300	Dec-12	9 700 000	1.0	8.00	1.7	1 540
44 Sawmill Circuit	Hume ACT	4 639	Dec-12	11 000 000	1.1	7.75	4.5	2 371
2-8 Mirage Road	Direk SA	6 762	Dec-12	9 400 000	0.9	8.25	4.5	1 390
30-48 Kellar Street	Berrinba QLD	4 102	Oct-14	8 100 000	0.8	7.00	1.6	1 975
165 Newton Road	Wetherill Park NSW	12 529	Dec-14	23 250 000	2.3	6.00	12.8	1 856
24 Spit Island Close	Newcastle NSW	5 257	Dec-14	9 600 000	1.0	7.50	12.8	1 826
67 Calarco Drive	Derrimut VIC	7 150	Dec-14	9 600 000	1.0	6.50	4.6	1 343
66 Glendenning Road	Glendenning NSW	16 461	Apr-15	24 000 000	2.4	6.50	1.6	1 458
85 Radius Drive	Larapinta QLD	10 088	Aug-15	18 250 000	1.8	7.25	3.7	1 809
54 Miguel Road	Bibra Lake WA	22 358	Oct-15	29 000 000	2.9	7.25	9.5	1 297
24 Rodborough Road	Frenchs Forest NSW	7 198	Mar-17	21 000 000	2.1	8.00	6.1	2 917
6-8 and 11 Siddons Way	Hallam VIC	15 504	Jul-17	22 350 000	2.2	6.00	7.2	1 442
36-42 Hydrive Close	Dandenong South VIC	14 635	Apr-18	19 450 000	1.9	6.00	7.1	1 329
Office Portfolio		**139 550**		**770 921 000**				
449 Punt Road	Cremorne VIC	6 384	Oct-13	53 000 000	5.3	5.75	6.5	8 303
35-49 Elizabeth Street	Richmond VIC	11 917	Oct-13	82 750 000	8.2	5.75	2.5	6 944
2404 Logan Road	Eight Mile Plains QLD	3 637	Mar-14	20 500 000	2.0	8.00	3.0	5 637
186 Reed Street	Greenway ACT	5 407	May-14	28 400 000	2.8	7.00	4.9	5 252
757 Ann Street	Fortitude Valley QLD	9 358	Nov-14	85 000 000	8.4	6.25	5.7	9 083
21-23 Solent Circuit	Baulkham Hills NSW	10 819	Mar-15	58 000 000	5.8	7.00	3.7	5 361
266 King Street	Newcastle NSW	13 868	Feb-16	75 000 000	7.5	7.00	5.7	5 408
113 Wicks Road	Macquarie Park NSW	6 247	Jul-16	26 500 000	2.6	6.50	2.4	4 242
324 Queen Street	Brisbane QLD	19 413	Dec-16	71 300 000	7.1	6.50	4.4	3 673
20 Rodborough Road	Frenchs Forest NSW	12 856	Mar-17	61 000 000	6.1	6.75	6.2	4 745
2 Richardson Place	North Ryde NSW	15 205	Mar-17	90 000 000	8.9	6.50	3.4	5 919
100 Willis Street	Wellington NZ	24 440	Dec-17	119 471 000*	11.9	7.13	6.3	4 888
Total		**285 146**		**1 006 146 000**				

* *AUD equivalent of NZD 127 000 000 converted at a rate of 1.0630 on 31 March 2018.*

Property features

449 Punt Road Cremorne VIC

Major tenant | Carsales

19.1% Increase in valuation

	Mar 2018	Mar 2017
Occupancy	100%	100%
WALE	6.5 years	2.5 years
Yield	5.75%	6.25%
Valuation (AUD)	**53 000 000**	**44 500 000**

Significant value uplift as a result of leasing renewal

449 Punt Road is located approximately 2.5 kilometres south-east of Melbourne's CBD within the city fringe suburb of Cremorne and is 100% leased to Carsales.

With 2.5 years remaining on the lease, management engaged with the tenant to understand their long-term occupancy requirements.

As a result of this process, Carsales agreed to extend the lease to October 2024 and will be making a significant investment into the building to create a fun, collaborative and innovative workplace for its staff.

The property has enjoyed significant capital uplift of 19% for the year, partly supported by the successful leasing deal.

165 Newton Road Wetherill Park NSW

24 Spit Island Mayfield West NSW

Major tenant | Horan Steel

15.5% Increase in valuation

165 Newton Road
Wetherill Park NSW

	Mar 2018	Mar 2017
Occupancy	100%	100%
WALE	12.8 years	8.8 years
Yield	6.00%	6.75%
Valuation (AUD)	**23 250 000**	**20 000 000**

24 Spit Island
Mayfield West NSW

	Mar 2018	Mar 2017
Occupancy	100%	100%
WALE	12.8 years	3.8 years
Yield	7.50%	8.00%
Valuation (AUD)	**9 600 000**	**8 450 000**

Long-term commitment to 2031

165 Newton Road is located 34 kilometres from the Sydney CBD and had 8.8 years remaining on the lease with an option for a further five years.

24 Spit Island Close is located five kilometres from the Port of Newcastle and 10 kilometres from the Newcastle CBD. The lease expired in January 2021 with an option for a further 10 years.

Through proactive asset management, management has agreed with the tenant to exercise the options early resulting in new expiry dates in January 2031. This has contributed to a valuation increase of 15.5% across the two properties.

Acquisitions

The portfolio has grown 7.7x since listing, from eight assets valued at AUD 130mn to 27 assets valued at AUD 1 006.1mn^. The Fund has focused on identifying acquisitions that represent value compared to other opportunities, that are located in precincts supported by significant infrastructure and where management can utilise its in-house asset management skills to enhance yield and add value.

During the year the Fund acquired the following properties:

Property name	Geography	Effective date	Sector	Value* (000)	GLA (m^2)	Yield (%)	WALE (years by revenue)
6 – 8 and 11 Siddons Way	Melbourne, VIC	18/10/2017	Industrial	AUD22 000	15 504	6.3	7.8
100 Willis Street	Wellington, NZ	11/12/2017	Office	NZD123 175	24 440	7.1	6.6
36 – 42 Hydrive Close	Melbourne, VIC	19/04/2018	Industrial	AUD19 450	14 635	6.3	7.1

* *Excludes transaction costs.*

Despite the market remaining competitive, the Fund has completed the acquisition of three quality properties since 31 March 2017.

In December 2017 the Fund completed the acquisition of its first property located in New Zealand. The Majestic Centre is an iconic office building located in the heart of the Wellington CBD. The business case for acquiring the property was compelling, in particular:

- The purchase price (NZD 5 000/m^2) was significantly below replacement cost and compares very favourably to equivalent properties in Australian CBD locations
- There is no stamp duty payable on acquisition in New Zealand
- 98% leased to good quality tenants, including Ernst & Young, Cigna Life Insurance, Opus International and New Zealand Trade and Enterprise
- Less than 1% vacancy in premium and prime grade office in Wellington with no uncommitted supply coming into the market
- Low incentives of 7-8%

The Fund acquired two Melbourne industrial properties in the neighbouring suburbs of Hallam and Dandenong South, approximately 30 kilometers south east of the Melbourne CBD. Both properties provide long term sustainable income for the Fund with lease expiries in excess of 7 years and are well positioned to take advantage of significant infrastructure projects either underway or planned.

* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

100 Willis Street Wellington NZ

Major tenants | NZTE, Ernst & Young, Opus International, Cigna Life Insurance

Acquisition date December 2017
Occupancy 98.0%

GLA 24 440m²
Purchase yield 7.1%

Purchase price NZD 123 175 000

36 – 42 Hydrive Close Dandenong South VIC

Tenant | Brickwood

Acquisition date
April 2018
Occupancy
100%

GLA
14 635m²
Purchase yield
6.3%

Purchase price
AUD 19 450 000

6 – 8 and 11 Siddons Way Hallam VIC

Tenant | Focus on Furniture

Acquisition date
October 2017
Occupancy
100%

GLA
15 504m²
Purchase yield
6.3%

Purchase price
AUD 22 000 000

Valuations

The Fund recorded a strong valuation result for the year, with an 8.0% increase in value across the whole portfolio. This was primarily driven by the office portfolio off the back of positive leasing activity and a re-rating of the Sydney and Melbourne metropolitan office markets.

For the period ended 31 March 2018, the Fund obtained external valuations for all properties.

	Book value			Cap rate	
Property	**31 Mar 18 (AUD)**	**31 Mar 17 (AUD)**	**Movement (%)**	**31 Mar 18 (%)**	**31 Mar 17 (%)**
47 Sawmill Circuit, Hume ACT	**10 575 000**	10 500 000	0.7	**7.25**	7.25
57 Sawmill Circuit, Hume ACT	**9 950 000**	9 850 000	1.0	**7.75**	7.75
24 Sawmill Circuit, Hume ACT	**9 700 000**	9 750 000	(0.5)	**8.00**	8.00
44 Sawmill Circuit, Hume ACT	**11 000 000**	10 800 000	1.9	**7.75**	7.75
2-8 Mirage Road, Direk SA	**9 400 000**	9 600 000	(2.1)	**8.25**	8.25
30-48 Kellar Street, Berrinba QLD	**8 100 000**	8 500 000	(4.7)	**7.00**	7.50
165 Newton Road, Wetherill Park NSW	**23 250 000**	20 000 000	16.3	**6.00**	6.75
24 Spit Island Close, Newcastle NSW	**9 600 000**	8 450 000	13.6	**7.50**	8.00
67 Calarco Drive, Derrimut VIC	**9 600 000**	9 500 000	1.1	**6.50**	6.75
66 Glendenning Road, Glendenning, NSW	**24 000 000**	20 800 000	15.4	**6.50**	7.50
85 Radius Drive, Larapinta QLD	**18 250 000**	18 150 000	0.6	**7.25**	7.00
54 Miguel Road, Bibra Lake WA	**29 000 000**	27 300 000	6.2	**7.25**	7.50
24 Rodborough Road, Frenchs Forest NSW	**21 000 000**	19 000 000	10.5	**8.00**	8.25
449 Punt Road, Cremorne VIC	**53 000 000**	44 500 000	19.1	**5.75**	6.25
35-49 Elizabeth Street, Richmond VIC	**82 750 000**	74 500 000	11.1	**5.75**	6.50
2404 Logan Road, Eight Mile Plains QLD	**20 500 000**	20 500 000	0.0	**8.00**	8.00
186 Reed Street, Greenway ACT	**28 400 000**	28 400 000	0.0	**7.00**	7.00
757 Ann Street, Fortitude Valley QLD	**85 000 000**	82 000 000	3.7	**6.25**	6.75
21-23 Solent Circuit, Baulkham Hills NSW	**58 000 000**	48 500 000	19.6	**7.00**	7.75
266 King Street, Newcastle NSW	**75 000 000**	67 000 000	11.9	**7.00**	7.75
113 Wicks Road, Macquarie Park NSW	**26 500 000**	24 750 000	7.1	**6.50**	6.75
324 Queen Street, Brisbane QLD	**71 300 000**	66 000 000	8.0	**6.50**	7.50
20 Rodborough Road, Frenchs Forest NSW	**61 000 000**	56 000 000	8.9	**6.75**	7.75
2 Richardson Place, North Ryde NSW	**90 000 000**	85 000 000	5.9	**6.50**	7.00
6-8 and 11 Siddons Way, Hallam	**22 350 000**	n/a	n/a	**6.00**	n/a
100 Willis Street, Wellington	**119 471 000**	n/a	n/a	**7.13**	n/a
	986 696 000	779 350 000	8.0%		

Whilst there has been further compression in cap rates during the 12 months to 31 March 2018 which has contributed in part to the valuation uplift, the Fund's active asset management success during the period, for example, extending the lease to Carsales at 449 Punt Road in Melbourne and the leases to Horan Steel at 165 Newton Road in Sydney and 24 Spit Island Close in Newcastle, has unlocked additional value by further de-risking future revenue.

Revaluations contributed AUD 73.2mn to the value of the portfolio, which represents an increase of 8.0% for the 12 months since 31 March 2017. The majority of this uplift was attributable to the Fund's metropolitan office properties, which validates the Fund's strategy to increase its exposure to these markets, particularly in Sydney and Melbourne.

Net asset value growth of 11.1% was achieved for the 12 months to 31 March 2018, largely attributable to the revaluation of the Fund's properties.

Leasing activity

The Fund has limited vacancy and very manageable near term expiries, the majority of which are in New South Wales which is Australia's best performing economy and where there is positive net effective rental growth.

At the date of this report, the portfolio is 98.5% occupied by revenue, an improvement from 94.6% at 31 March 2017. The current vacancy largely comprises acquired vacancy at 324 Queen Street in Brisbane and 20 Rodborough Road in Sydney, both of which have taken longer than expected to lease.

Since 31 March 2017, the Fund has been actively engaging with tenants to understand their medium to long term occupancy requirements. This has resulted in approximately 16% of Fund's portfolio by GLA being contracted since 31 March 2017 (46 393m²), notwithstanding that less than 6% of the Fund's portfolio by GLA was either vacant or expiring during the period. As at the date of this report only 3 035m² remains vacant.

Leasing activity of particular note since 31 March 2017 includes:

- The extension of the lease to Carsales over 6 370m² at 449 Punt Road in Melbourne, with a new expiry date of October 2024
- The leasing of 3 742m² at 35-49 Elizabeth Street in Melbourne, which became vacant in March 2017 as a result of the previous tenant being placed in liquidation
- The extension of the lease to Allianz over 3 769m² at 324 Queen Street in Brisbane, with a new expiry date of September 2027
- The extension of the leases to Horan Steel at 165 Newton Road in Sydney and 24 Spit Island Close in Newcastle, with new expiry dates of January 2031
- The extension of the lease to Kentucky Fried Chicken over 3 000m² at 20 Rodborough Road in Sydney, with a new expiry date of July 2033, and the leasing of 2 083m² vacated by Kentucky Fried Chicken to Outotec with an expiry date of August 2023

A further 4 572m² is currently subject to signed heads of agreement which are expected to convert to signed leases. Of this space, 1 257m² relates to vacancy in FY2019, 2 345m² relates to vacancy in FY2020 and 969m² relates to vacancy in FY2021. Management is committed to managing upcoming vacancy and is actively engaged with all of the Fund's tenants on a regular basis in this regard.

Since 31 March 2017 the Fund has completed the following leasing transactions:

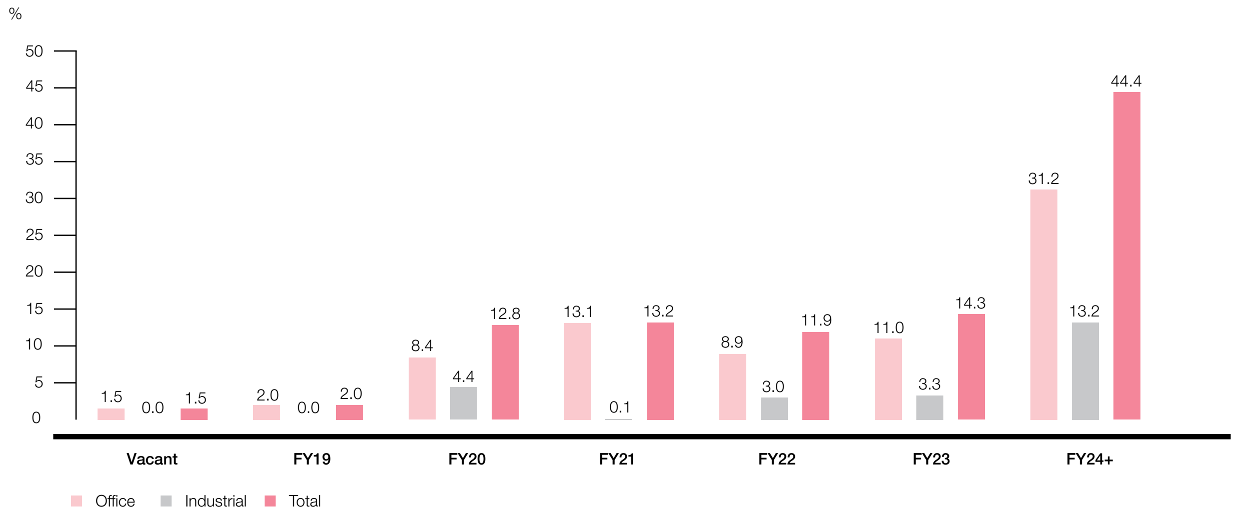
	GLA (m²)	WALE (years by revenue)	Escalations (%)
Replacement leases/renewals			
Office	21 541	7.2	3.56
Industrial	17 786	6.4	3.22
Letting of acquired vacancy			
Office	7 066	4.5	3.60
Total signed leases	**46 393**	**6.5**	**3.51**

Leasing activity

(continued)

The Fund's lease expiry profile remains very strong with a WALE of 5.2 years* with 44%* of leases expiring after five years. The lease expiry profile reflects the quality and sustainability of the Fund's net property income. The WALE has improved year-on-year as a result of strong leasing activity and the acquisitions made during the period.

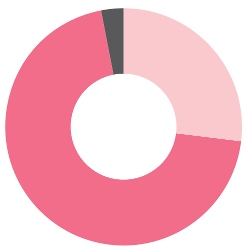
Expiry profile by revenue*



The portfolio is underpinned by quality tenants with 97% of tenants being either A- or B-grade and no tenant contributing more than 4% of the portfolio revenue.

Tenant composition*

97% A- and B-grade tenants



Large, international, listed, large professional, government and major franchises	70%
National, small listed, local government and medium professional firms	27%
Other	3%

Diversification of tenant mix*

Rank	Tenant	% of portfolio
1	Carsales.com Limited	4
2	ABB Enterprise Software Pty Ltd	4
3	Ricoh Australia Pty Ltd	4
4	Toll Transport Pty Ltd	4
5	Australian Taxation Office	4
6	Honeywell Limited	3
7	Commonwealth of Australia	3
8	State Government of Victoria	3
9	Horan Steel Holdings Pty Ltd	3
10	CTI Freight Systems Pty Ltd	3
	Total	**35**
	Other	**65**

* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

Capital management

	31 March 2018*	31 March 2017
Investments	**AUD 1 006mn**	AUD 779mn
Total debt	**AUD 360mn**	AUD 248mn
Gearing (%)	**35.8**	32.0
All in cost of funding (%)	**3.68**	3.71
Hedge position (%)	**87**	99
Expiry profiles		
– Debt	**3.2 years**	3.7 years
– Swaps	**6.2 years**	7.7 years

Highlights

35.8%*
Gearing

3.68%*
All in funding rate

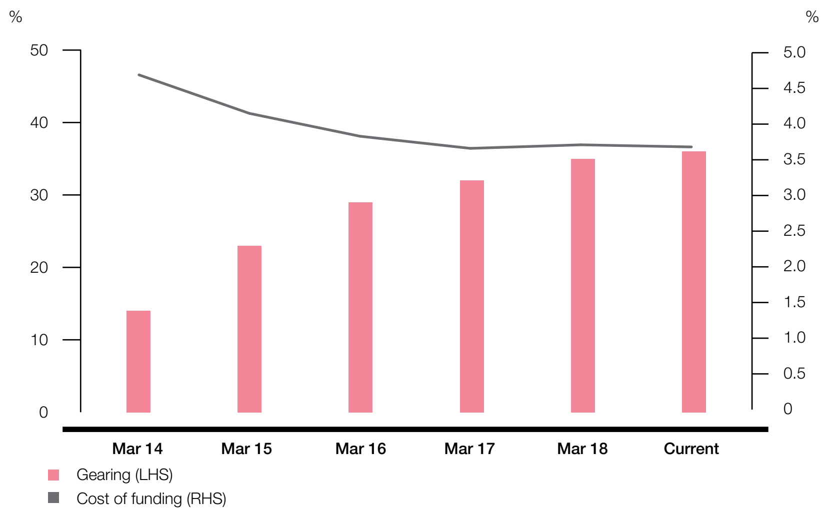
87%*
Hedged for 6.2 years

Balance sheet

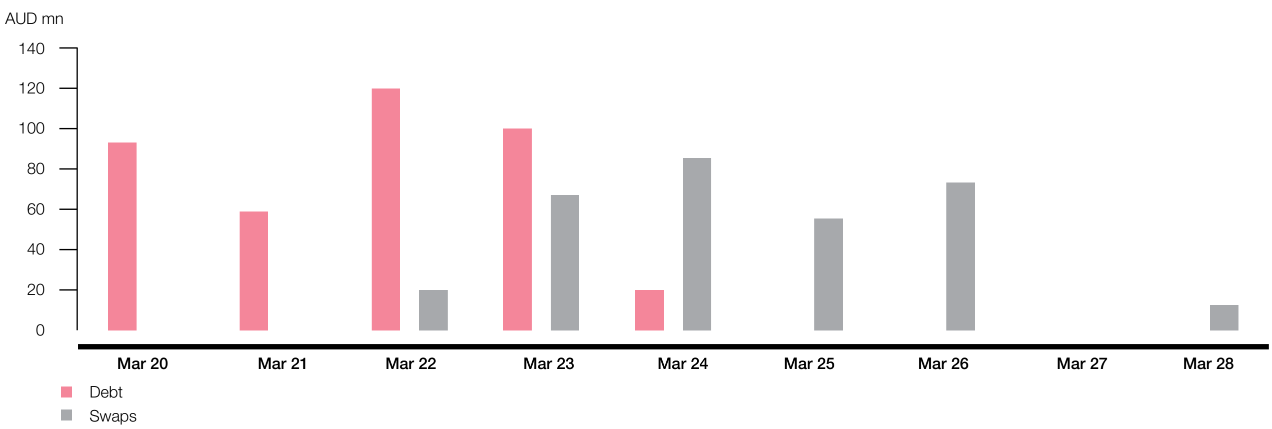
The Fund's balance sheet is well placed to support further growth. The Fund's debt book is reaching the level of scale to explore alternate sources of long-term funding.

The Fund's all in cost of funding of 3.68%* with 87%* of debt hedged for 6.2 years* and gearing of 36%* supports the stability of funding costs, allowing the Fund to take advantage of attractive acquisition opportunities.

Gearing and cost of funding*



Debt and swap maturity profile*



* *Includes the acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date on 19 April 2018.*

Sustainability

The Fund is committed to driving improvements in the way buildings are leased, managed and occupied in an effect to improve the overall sustainability of the portfolio.

Objectives and initiatives

Our key objectives are to:

- provide energy-efficient buildings that reduce operating costs and increase customer profitability;
- meet and exceed recognised sustainable development standards to deliver projects that enable more efficient customer operations; and
- engage customers to reduce energy, water and waste in ways that enhance profitability and reduce our environmental footprint.

Sustainable initiatives that we implemented during the year include the following:

- New end of trip facilities comprising 8 showers, 92 lockers and 20 bike racks were constructed at 324 Queen Street in Brisbane. These are designated places that support cyclists, joggers and walkers in using alternative ways to travel to work other than driving or taking public transport. These types of facilities also benefit people who exercise during the day.
- The Fund has engaged Knight Frank sustainability team to review all base building lighting and solar opportunities in the office and industrial portfolio to further improve the energy efficiency of each asset and reduce their carbon emissions.

NABERS

NABERS is a national rating system that measure the environmental performance of buildings, tenancies and homes. NABERS measures the energy efficiency, water usage, waste management and indoor air quality of a building or tenancy and its impact on the environment. It does this by using measured and verified performance information, such as utility bills, and converting them into an easy to understand star rating scale from one to six stars.

Nine of the 12 office buildings in the Fund's portfolio require a NABERS rating. The average NABERS rating across the portfolio is 4.1 star energy rating and 3.6 star water rating. The Fund's challenge is to identify energy and water saving opportunities that will ultimately benefit tenants by lowering their outgoings and improve sustainability across the portfolio.

Building	Energy rating	Water rating
35-49 Elizabeth Street, Richmond VIC	3.0	4.5
186 Reed Street, Greenway ACT	5.5	n/a
449 Punt Road, Cremorne VIC	4.5	4.5
21-23 Solent Circuit, Baulkham Hills NSW	4.5	3.5
757 Ann Street, Brisbane QLD	4.5	2.5
2 Richardson Place North Ryde NSW	4.5	3.0
266 King Street, Newcastle NSW	5.0	4.5
324 Queen Street, Brisbane QLD	3.0	3.5
20 Rodborough Road, Frenchs Forest NSW	2.5	3.0
2404 Logan Road, Eight Mile Plains QLD	n/a	n/a
100 Willis Street, Wellington NZ	n/a	n/a
113 Wicks Road, Macquarie Park NSW	n/a	n/a
Average rating	**4.1**	**3.6**

Our Community

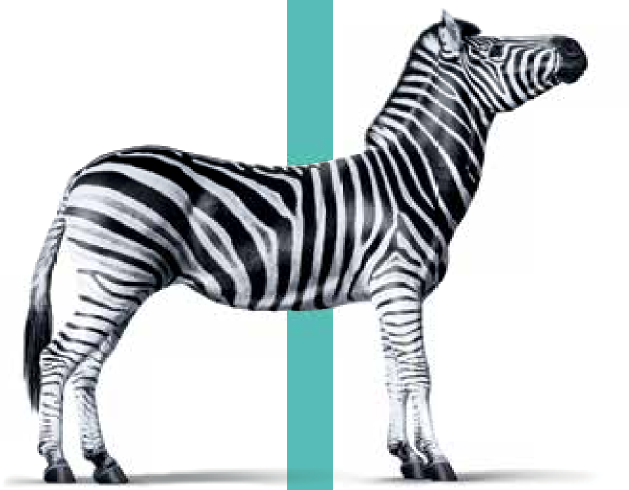
As a highly trusted organisation, the Fund aims to create a meaningful social and economic impact to help sustain the communities we are part of.

The Fund has committed to support Cystic Fibrosis Australia (CFA) by providing rent free accommodation at 2 Richardson Place in Sydney for their national head office. From this space CFA delivers a range of programs and services to individuals and families living with cystic fibrosis in Australia. The Fund recently hosted CFA's smart phone app launch. The app helps patients suffering from cystic fibrosis by promoting healthy habits to assist people living with this chronic disease.

The Fund has made The Majestic Centre in Wellington available to host the Dean Gifford Stair Climb fundraising event. It is a timed race up 621 stairs, in either teams or singles. The event is a fundraiser for the Child Cancer Foundation, and the main participants are the Fire, Police and Ambulance staff of the Wellington community.

Within the wider Investec group in Australia, the Corporate Social Investment (CSI) committee focuses on a small number of ongoing philanthropic sponsorship and volunteering initiatives through partnerships with local entrepreneurial organisations.

The committee's work focuses on education, entrepreneurships and environmental activities which include internal and external initiatives working to improve the local communities' experience of their environment by minimising our impact on the environment as an organisation.



4

Corporate governance and risk management

Code of corporate practice and conduct

The Fund and the RE are committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business and affairs.

The RE is fully committed to the principles of the Code of Corporate Practices and Conduct set out in the King IV report on corporate governance for South Africa, 2016 (King IV), the JSE Listings Requirements and the Act.

In so doing, the directors recognise the need to conduct the business of the Fund with integrity and provide effective leadership based on an ethical foundation. This includes timely, relevant and meaningful reporting to unitholders and other stakeholders providing a proper and objective perspective of the Fund and its activities, direct the strategy and operations of the Fund to build a sustainable business and consider short and long-term impacts of the strategy on the economy, society and the environment. The board oversees the implementation of the corporate governance policies provided below.

The formal steps taken by the directors are summarised below.

1. Board of directors and board sub-committees

In terms of the JSE Listings Requirements, the minimum number of directors required is four. This is contrary to the Articles of the RE, which allows for a minimum of three directors. The board currently consists of six directors, one executive and five non-executive, of whom three directors are considered independent. The chairman (Richard Longes) is an independent non-executive director, and Sally Herman is the lead independent director. This achieves compliance with the King IV as the majority of the board comprises non-executive directors and the majority of non-executive directors are independent. The appointed non-executive directors, representing both South Africa and Australia, have a diverse and wide range of expertise, financial and commercial experience and property industry knowledge and other skills that enable them to bring independent judgement to board deliberations and decisions. The board ensures that there is an appropriate balance of power and authority, such that no one individual or block of individuals can dominate the board's decision making.

The board continually strives to give strategic direction to the Fund for the benefit of its unitholders and has set values and ethical standards to which it will adhere in all aspects of managing the business of the Fund. The board ensures that each director adheres to the duties of a director and will act in the best interests of unitholders. The board is ultimately responsible for the day-to-day management of the Fund's business, strategy and key policies. The executive director is an employee of IAL and, via the RE and Manager, is intimately involved in the day-to-day business activities of the Fund. The executive director is responsible for ensuring that the decisions of the board are implemented in accordance with the mandates given by the board. The board is also responsible for approving the Fund's financial objectives and targets and ensuring the integrity of financial reporting.

The board has adopted a compliance plan (Compliance Plan), as required by the Act, setting out its responsibilities for monitoring operational performance and management of the Fund, determination of policy and processes to ensure the integrity of the RE's risk management and internal controls, communication policy and evaluation of personnel.

The board has appointed a CEO (Graeme Katz) and has established a framework for delegation of authority and ensures that the CEO's performance is evaluated against specified criteria.

The positions of chairman and CEO are separately held with a clear division of duties.

The information needs of the board are reviewed annually and directors have unrestricted access to all information, records, documents and property to enable them to discharge their responsibilities sufficiently. Efficient and timely methods of informing and briefing board members prior to board meetings has been developed and in this regard steps have been taken to identify and monitor key risk areas, key performance areas and non-financial aspects relevant to the company. In this context, the directors are afforded information in respect of key performance indicators, variance reports and industry trends.

The board has established an orientation programme to familiarise incoming directors with the Fund's operations, senior management and its business environment, and to inform them of their fiduciary duties and responsibilities.

Directors have a working understanding of applicable laws. New directors with no or limited board experience will receive development and education to inform them of their duties, responsibilities, powers and potential liabilities. Per the Compliance Plan, performance review of all officers and employees of the RE is conducted annually.

The RE is appointed by unitholders. Members of the board are appointed by the shareholder of the RE, being IAPHPL. Appointments to the board occur by way of board resolution and are formal and transparent and a matter for the board as a whole. Directors have been and will be nominated based on their competency, credibility, knowledge, experience, impact they are expected to have time and attention they can devote to the role.

Directors hold office until they resign or are removed from office.

Directors may convene a meeting of the board whenever a director thinks fit.

Board meetings are held at least quarterly with additional meetings convened when circumstances necessitate. The board has established and delegated certain functions to an audit and risk committee, to give detailed attention to certain of its responsibilities which will operate within defined, written terms of reference.

External advisors and executive directors who are not members of specific committees attend committee meetings by invitation, if deemed appropriate by the relevant committees.

The board and individual directors have their overall performance reviewed annually in order to identify areas for improvement in the discharge of individual director's and the board's functions on an annual basis. This review is undertaken by the chairman and, if so determined by the board, an independent service provider.

The annual performance review has been carried out and the chairman and the board were satisfied with the outcome of the process. The performance review of the chairman will be carried out by the lead independent.

In respect of the directors that are only directors of the RE and not employed within the Investec Group, a director may be employed in any other capacity in the Fund or as a director or employee of another entity that is controlled by a subsidiary of the Fund. In this event, their appointment and remuneration in respect of this other office will be determined by a disinterested quorum of directors. This does not apply to the executive directors who are employed by IAL as their remuneration is determined by the remuneration committee of IAL and not by the directors.

Board meetings

The board meets at least four times annually. Five board meetings were held during the reporting period.

The chairman is responsible for setting the agenda for each meeting, in consultation with the CEO and the company secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of meetings.

Directors		Independent	Board	Audit and risk committee
Richard Longes	Chairman and independent non-executive director	Yes	5 (5)	5 (5)
Stephen Koseff	Non-executive director	No	5 (5)	
Sam Leon	Non-executive director	No	5 (4)	
Graeme Katz	Executive director	No	5 (5)	
Sally Herman	Lead independent non-executive director	Yes	5 (5)	5 (5)
Hugh Martin	Independent non-executive director	Yes	5 (5)	5 (5)

2. Terms of employment of directors

The directors who are employees or directors of IAL or another entity within the Investec Group are not remunerated for their services as directors of the RE. An objective quorum of directors determine the remuneration of the non-executive directors, which is limited to the reimbursement of reasonable expenses incurred by such person for purposes of attending board meetings and the appropriate director's fees.

The directors have been appointed by way of an engagement letter and no service contract has been concluded with them. The termination of their engagement will therefore be subject to the relevant notice period as determined by any applicable labour law from time-to-time. The directors are appointed for indefinite periods subject to applicable law and the provisions of the RE's memorandum and articles of association. Directors hold office until they are removed or resign.

Directors have an obligation to attend and to actively participate in meetings of the board and board committees on which they serve, to spend the time required and to meet as frequently as necessary to discharge their duties and responsibilities with due care. They are also expected to attend the annual general meeting of unitholders.

3. Company secretary of the RE

The board is satisfied that a suitably qualified, competent and experienced company secretary (Paul Lam-Po-Tang) has been appointed and is appropriately empowered to fulfil duties with regards to assistance to the board. In arriving at this appointment, the directors evaluated Mr Lam-Po-Tang's qualifications and experience.

The company secretary together with the Fund's sponsor provide the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the Fund. The company secretary provides a central source of guidance and advice to the board, and within the Fund, on matters of ethics and good corporate governance and will assist with the appointment of directors. The company secretary, together with the assistance of the Fund's sponsor, ensures that the Fund complies with applicable laws and JSE Listings Requirements. In addition, the company secretary, together with the Fund's sponsors, will be subjected to an annual evaluation by the board. Directors have access to the services and advice of the company secretary. The company secretary is not a director of the RE and has an arm's length relationship with the board, who can also remove him from office.

4. Audit and risk committee

The audit and risk committee is comprised of three independent non-executive directors as set out below:

- Sally Herman, lead independent non-executive director (chairperson);
- Hugh Martin, independent non-executive director; and
- Richard Longes, independent non-executive director.

All members of the audit and risk committee are financially literate. The committee's primary objective is to provide the board with additional assurance regarding the efficacy and reliability of the financial information used by the directors, to assist them in the discharge of their duties.

The audit and risk committee is required to provide satisfaction to the board that adequate and appropriate financial and operating controls are in place, that significant business, financial and other risks have been identified and are suitably managed, and that satisfactory standards of governance, reporting and compliance are in operation.

Furthermore, the audit and risk committee oversees and reports on the sustainability issues, reviews the integrated report to ensure that the information contained therein is reliable and does not contradict the financial aspects of the report. The audit and risk committee reviews the content of the Fund's results and engages external auditors to provide assurance on the summarised financial information.

Within this context, the board is responsible for the Fund's systems of internal, financial and operational control. The executive director is charged with the responsibility of determining the adequacy, extent and operation of these systems.

Comprehensive reviews and testing of the effectiveness of the internal control systems in operation will be performed by external practitioners, whose work will be overseen by the Manager and reported to the audit and risk committee.

The audit and risk committee has considered and satisfied itself as to the appropriateness of the expertise and experience of the financial function being the CFO, Kristie Lenton.

The audit and risk committee has nominated the external auditor for appointment and has approved the terms of engagement and remuneration for the external audit engagement.

KPMG have been appointed as external auditors of the Fund.

As the Fund is a registered managed investment scheme under the Act it has Australian reporting obligations. The Fund is required to lodge audited financial statements with ASIC. KPMG Australia have been appointed to perform the audit over the Australian audited financial statements.

KPMG Inc. in South Africa have been appointed to perform the audit over systems the South African audited financial statements which are required to be lodged with the JSE.

The audit and risk committee meets at least four times a year. Executives of the RE and the Manager with financial expertise are also in attendance.

The audit and risk committee also meets with the external auditors, KPMG, outside of meetings, as frequently as is necessary.

The audit and risk committee will report at the Fund's annual general meeting and in the annual report how it has discharged its duties during the relevant financial year.

The audit and risk committee and members have their overall performance reviewed annually in order to identify areas for improvement of both individual members and the committee as a whole.

The audit and risk committee's key areas of focus for this year were:

- Implementation of King IV
- Implementation of the risk register

The key areas of focus for the coming year are:

- Continued implementation of King IV
- Continued commitment to the Fund's code of corporate practice and conduct
- Audit quality and auditor independence
- WHS
- Internal audit of the risk register
- Continued focus on the adequacy of management processes.

5. Remuneration committee

A remuneration committee is not required given that the Fund has no employees. The executive director is an employee of and paid by IAL and will not be remunerated for their services as a director of the Fund. The board determines the remuneration of the non-executive directors.

6. Investment committee

The board has not appointed a separate investment committee as this function is performed by the board as a whole.

The board's role is to consider investment proposals put forward by the Manager and develop appropriate investment strategies and guidelines to ensure that IAPF's investments are in line with its investment policy and overall strategy and vision. The board considers acquisitions and disposal of assets in line with the Fund's overall strategy, ensures appropriate investment of unitholder funds, effects disposals within approved investment policy and authority limits and ensures that appropriate due diligence procedures are followed when acquiring or disposing of assets.

7. Risk management and internal control systems

The objective of risk management is to identify, assess, manage and monitor the risks to which the Fund is exposed, including but not limited to strategic risk, operational risk, investment risk, liquidity risk and ethical risk. It is the responsibility of the board, through the audit and risk committee, to determine policies and processes to ensure the integrity of the Fund's risk management and internal controls.

The Fund has outsourced the asset management and property management services to the Manager who is responsible for the implementation of risk management and internal control processes on a continual basis subject to oversight of the audit and risk committee. The audit and risk committee participates in management's process of setting risk tolerance levels, formulating and implementing the risk management plan and reports on the plan adopted by management to the board.

With assistance from the manager (or if considered appropriate, external expert risk consultants), risks are assessed and appropriate insurance cover purchased for all material risks above pre-determined self-insured limits. Levels of cover are re-assessed annually in light of claims experiences and events affecting the Fund, internally and externally.

To enable the directors to meet these responsibilities, the audit and risk committee has set standards and implemented, through the Manager, systems of internal control and an effective risk-based internal audit, comprising policies, procedures, operational systems and information to assist in:

- safeguarding of assets and reducing risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting;
- the timely preparation of reliable financial statements and information in compliance with relevant legislation; and
- increasing the probability of anticipating unpredictable risk.

The board ensures that management considers and implements the appropriate risk responses and has established a risk register to actively monitor risks and the management thereof.

8. Directors' dealings and professional advice

The directors' report as set out on pages 39 to 42 contains details of units in the Fund held by directors of the RE

The Fund operates a policy incorporating the terms of the JSE Listings Requirements and the Act of prohibiting dealings by directors and employees of the RE and Manager in periods preceding the announcement of its interim and year-end financial results and at any other time deemed necessary by the board.

The board has established a procedure for directors, in furtherance of their duties, to take independent professional advice, if necessary, at the Fund's expense.

All directors will have access to the advice and services of the company secretary.

9. Communication

The Fund maintains contact regularly with institutional unitholders, private investors and investment analysts, and provides presentations on the Fund and its performance.

The board appreciates that unitholder perceptions affect the Fund's reputation and in this regard has established policies for the engagement of all the Fund's stakeholders, particular in light of the Australian domiciled nature of the Fund. The board encourages unitholders to attend annual general meetings.

10. Integrated reporting

The Fund reports to its unitholders at least annually by preparing an annual report that includes reviews of the Fund, together with a detailed review of the financial results and financing positions. In this way the board seeks to present a balanced and understandable assessment of the Fund's position and prospects.

The Manager is responsible for establishing comprehensive management reporting disciplines in respect of the Fund, which include the preparation of management accounts, detailed budgets and forecasts.

Sustainability reporting and disclosure is integrated with the Fund's financial reporting. The board ensures the integrity of the Fund's integrated report.

11. Business rescue

The board will consider business rescue proceedings or other turnaround mechanisms if the Fund becomes financially distressed. In this regard the board will ensure the Fund's solvency and liquidity is continuously monitored, a suitable practitioner will be appointed in the event that business rescue is adopted and the practitioner will be required to provide security for the value of the assets of the Fund.

12. King IV

The majority of the principles of King IV are being applied and this is evidenced in the various sections of this report, including pages 79 to 80 where the Fund's compliance with the principles of King IV can be found.

Risk management

The board is responsible for the entire risk management process and the systems of internal control. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls.

The audit and risk committee, accountable to the board, is responsible for establishing, reviewing and monitoring the process of risk management.

Philosophy and approach

The RE's comprehensive risk management process involves identifying, assessing, managing and mitigating the risks associated with the business. Risk awareness, control and compliance are embedded in the RE's day-to-day activities. Risk exposure is monitored and controlled through operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping to pursue controlled growth across the business. Risk management objectives are to:

- ensure the business operates within the board stated risk appetite;
- support long-term sustainability by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk;
- set, approve and monitor adherence to risk parameters and limits and ensure they are implemented and adhered to consistently;
- aggregate and monitor exposure across risk classes;
- coordinate risk management activities across the business;
- give the board reasonable assurance that the risks the business is exposed to are identified and, to the best extent possible, managed and controlled; and
- establish appropriate risk committees, as mandated by the board.

The risks set out in the table below, which may result in reduction of earnings and/or loss of value should they materialise, are of primary importance:

Risk	Impact	Mitigation
Strategic		
• Reputational • Fund tax status	• Investor uncertainty • Customer uncertainty	• Manager management meetings • Quarterly audit and risk committee and board reporting • Budgeting and forecasting process • Crisis management control
Governance		
• Fund governance • Investment • Negative tax implications to investors	• Financial loss • Reputational damage • Investor detriment • Potential regulatory sanctions	• Board comprising independent, external directors • Board sign-off of investments • External audit and biannual review • External tax review on biannual distributions • Related party disclosure • JSE disclosure requirements • Fund sponsor oversight
Operational		
• Legal and regulatory • Technology • People • Outsourcing • Fraud • Conduct	• Breach of regulation • ASIC sanctions/undertaking • Potential loss of licence • Financial loss • Reputational damage • Inefficient business processing • Internal and external fraud • Workplace health and safety	• Quarterly audit and risk committee and board reporting • External audit and biannual review • Investec internal audit reviews • Investec Group systems and IT support • SLAs for external technology providers • BCP/disaster recovery testing • Controls in place for payments and role segregation • Manager employee training • Manager policies

Risk	Impact	Mitigation
Market/investment		
• Occupancy • Valuations and pricing • Product selection and oversight • Counterparty risk	• Reduction in income • Reduction in portfolio value • Breach of covenants • Loss of investors	• Lease documentation (contractual requirements) • Due diligence on tenant financials • Security under the leases (bank guarantees) • Arrears reporting • Biannual fair value assessment of portfolio against industry benchmarks • Requirement for external valuations every 24 months
Liquidity		
	• Failure to meet constitutional requirements • Unable to pay debts when they fall due • Default on loans • Potential default under leases • Inability to pay distributions	• Monthly cash flow forecasting • Covenant reporting • Adherence of board mandated gearing levels

Internal audit

The Investec Plc internal audit function is engaged to perform the internal assurance function for the Fund. A risk-based audit approach is followed and the audit and risk committee approves audit plans. The head of internal audit reports back to the audit and risk committee and the CFO. Internal audit conducts a formal risk assessment periodically to formulate a comprehensive risk-based audit plan.

The assessment and programme are approved by the audit Investec Plc and risk committee.

Internal audit conducted a review of the Fund in May 2018 and concluded that there were no material findings.

Internal audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The audit plan is reviewed to ensure it remains relevant and responsive, given changes in the operating environment.

External audit

KPMG are the external auditors of the Fund.

The independence of the external auditor is reviewed by the audit and risk committee each year. The audit and risk committee meets with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters. The external auditors are invited to attend audit and risk committee meetings and have access to the chairperson of the audit and risk committee.

Compliance

The Fund endeavours to comply with the highest professional standards of integrity and behaviour, always keeping the interests of our tenants and unitholders at the forefront of the corporate agenda. We also seek to establish high standards of compliance practice to build trust and promote the quality of service to our colleagues and clients.

Compliance risk is managed through internal policies and procedures, which include legal, regulatory and operational requirements relevant to the business. In addition to monitoring compliance with the provisions prescribed by the respective regulatory authorities. The Fund has a compliance plan which outlines its obligations as a registered management scheme established in accordance with the requirements of the Act. This plan is audited annually. The IAL compliance function is engaged to provide independent oversight of the Manager's adherence to its regulatory obligations.

The key areas of focus for the year were:

- Conduct and culture
- Cyber security and resilience
- Training and competency

The key areas of focus for the next year are:

- Regulatory change
- Ongoing training and competency
- Ongoing conduct and culture
- Ongoing cyber security and resilience

Diversity

The Manager is committed to a workplace culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills of all staff and directors. The board Diversity Policy has been implemented to comply with the JSE Listings Requirements and King IV acknowledging the unique nature of the Fund in a South African context.

Under this policy the board's composition will be reviewed annually to ensure alignment to the strategic needs of the business and the environment in which it operates, as well as all aspects of diversity, specifically its gender balance, without compromising the calibre of the directors. The board maintains that appointments to the board should be based on merit as well as complementing the skills, knowledge and experience of the board as a whole.

Communication, public disclosure obligations and stakeholder relations

The board recognises that effective communication is integral to building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders.

The aim is to enable stakeholders to make meaningful assessments and informed investment decisions about the Fund.

The Fund endeavours to present a balanced and understandable assessment of its position by addressing material matters of significant interest and concern. The Fund seeks to highlight the key risks to which it considers itself exposed and responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of the Fund's activities in order to achieve a comprehensive and fair account of its performance.

The Fund complies with the disclosure obligations contained in the JSE Listings Requirements and with any public disclosure obligations required by the Regulators. The Fund also complies with disclosure requirements under the Act.

The key stakeholders in the Fund include:

- Unitholders
- Government
- Regulatory bodies in South Africa and Australia
- Tenants
- Suppliers
- Media
- Communities
- Industry equity and debt analysts

Goal	Processes to ensure compliance with public disclosure		
To comply with the disclosure obligations contained in the applicable JSE Listings Requirements	• Significant announcements are released directly to the market primarily via the services offered by the JSE. Documents are also published on the Fund’s website. • Maintenance of a comprehensive investor relations component to the Fund’s website. • Executive management meet with the key unitholders at least twice a year, after the release of interim and year-end results.	• Unitholders are encouraged to attend the annual general meeting and to raise issues and participate in discussions. • The chairperson of the audit and risk committee as well as the chairman, attend the annual general meeting to respond to relevant questions. • All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all unitholders.	• Separate resolutions are posed on each substantially separate issue and resolutions are not bundled together inappropriately. • The chairperson and the non-executive directors are committed to communicating with unitholder representative bodies, to help develop a balanced understanding of their issues and concerns.

Annual financial statements

Directors' responsibility statement

The directors of IPL are responsible for the preparation and fair presentation of the consolidated annual financial statements of IAPF (also referred to as the Fund or Group).

The consolidated annual financial statements comprise the:

- Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018
- Consolidated statement of financial position at 31 March 2018
- Consolidated statement of changes in equity for the year ended 31 March 2018
- Consolidated statement of cash flows for the year ended 31 March 2018
- Notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes
- Directors' report

in accordance with IFRS, the constitution of the Fund, the JSE Listings Requirements and the requirements of the Act.

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

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

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

Approval of the Fund's consolidated annual financial statements

The consolidated annual financial statements of the Fund, as identified in the first paragraph, were approved under authority of the board of IPL on 19 June 2018 and are signed on their behalf by:

RA Longes Chairman	**GA Katz** Chief executive officer
Dated at Sydney 19 June 2018	Dated at Sydney 19 June 2018

Report of the audit and risk committee

The audit and risk committee of the Fund has pleasure in submitting this report to unitholders as recommended by King IV.

The activities of the audit and risk committee (the committee), which comprises three independent non-executive directors, are determined by its charter and mandate as set out on page 30.

The committee is satisfied that it has considered and discharged its responsibilities in terms of its mandate and charter, King IV and the Act.

As the Fund is a registered managed investment scheme under the Act it has Australian reporting obligations. The Fund is required to lodge audited financial statements with the ASIC. This is in addition to the Fund's reporting obligations in South Africa. The committee is satisfied that the Fund has discharged all of its reporting obligations in Australia and South Africa.

The committee carried out its duties by inter alia, reviewing the following:

- financial management reports;
- external audit reports;
- management's risk assessment; and
- compliance reports.

Significant matters the committee has considered this year in relation to the financial statements are:

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

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

The committee is satisfied:

- its members have the requisite financial skills and experience to contribute to its deliberations;
- with the independence and effectiveness of the external auditor, including the provision on non-audit services and compliance with the Fund's policy in this regard;
- the RE has complied with the JSE Listings Requirements and the principles of King IV applicable to the Fund;
- it considered and approved that audit fee payable to the external auditors in respect of the audit for the year ended 31 March 2018 as well as their terms of engagement and scope of the audit;
- that the appointment of the external auditor is in compliance with the Act and the JSE Listings Requirements;
- with the effectiveness of the internal audit function and that the system of internal financial control in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements; and
- with the expertise and experience of the chief financial officer and the overall adequacy and appropriateness of the finance function.

The committee, having fulfilled the oversight role regarding the reporting process and the integrated report, recommends for approval by the board of directors of IPL, the integrated report and the annual financial statements for the year ended 31 March 2018.

Sally Herman
Chairperson
Audit and risk committee

Sydney
19 June 2018

The directors of IPL, the RE of the Fund, present their report together with the consolidated financial statements of the Group comprising the Fund and its controlled entities, for the year ended 31 March 2018 and the auditor's report thereon.

The Fund is an Australian-domiciled REIT which is registered as a managed investment scheme in Australia under the Act and is subject to regulatory oversight by ASIC.

The Fund was listed on the JSE on 23 October 2013 under the 'Real Estate Holdings and Development' sector of the JSE under share code: IAP and ISIN: AU60INL0018.

Perpetual Corporate Trust Limited is the custodian of the Fund.

Issued unit capital

The unit capital of the Fund is 478 802 454 ordinary units. The Fund's ordinary units are listed on the JSE. Details of the unit capital are set out in note 13 to the financial statements.

Responsible entity

The registered office and principal place of business of IPL and the Fund is Level 23, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

The directors of IPL during or since the end of the financial period are set out in the table below:

Full name	Capacity
Richard Anthony Longes (Australian)	Chairman and independent non-executive director
Stephen Koseff (South African)	Non-executive director
Samuel Ronald Leon (South African)	Non-executive director
Graeme Anthony Katz (Australian)	Executive director
Sally Herman (Australian)	Lead independent non-executive director
Hugh Martin (Australian)	Independent non-executive director

Details on directors' experience is set out in the Directorate section of this report. Details of board meetings are set out in the Corporate Governance section of this report.

Principal activities

The principal activities of the Fund are to invest in high quality commercial real estate assets to derive rental income and capital growth.

The Fund did not have any employees during the year.

Review of operations

A detailed review of operations is included in the CEO report.

Results

The net profit of the Fund is presented in the statement of profit or loss and other comprehensive income. The net profit for the year ended 31 March 2018 is AUD 108 205 434.

The net assets of the Fund are AUD 617 363 203 at 31 March 2018. This equates to a net asset value of AUD 1.29 per unit.

Distributions

Unitholders were given notice of a final distribution declaration number 9 of:

- 5.08 AUD cents per unit pre-withholding tax
- 4.65 AUD cents per unit post-withholding tax

for the six months ended 31 March 2018. Withholding tax of 0.43270 AUD cents per unit will be withheld from the distribution paid to non-Australian unitholders. This is regarded as a foreign distribution for South African unitholders.

Performance

The above distributions equate to full year distribution growth of 3.0% pre-withholding tax and 0.6% post-withholding tax.

The full year distribution includes the antecedent distribution of AUD 3.2mn associated with the unit placement relating to the H2 distribution. The antecedent distribution is not subject to withholding tax in Australia.

The effective tax rate for the year is 7.95895% compared to 6.13532% for the prior year which has impacted the lower growth rate in the post-WHT distribution. The effective tax rate has been impacted by a reduction in the depreciation shield, from 45% in FY17 to 39% in FY18 along with the antecedent distribution in FY17 being a larger component of the total distribution than the antecedent distribution in FY18.

The performance of the Fund is a result of the successful implementation of the Fund's strategy, namely:

- delivering stable income growth;
- engaging in active property management; and
- efficiently managing the balance sheet and interest rates.

Directors' report

(continued)

Interests of IPL

IPL has delegated the management of the Fund to IPML. IPL was not paid any fees during the period. The following fees were paid to IPML during the period:

AUD	2018	2017
Asset management fee	5 119 830	3 690 218
Property management fee*	1 281 754	1 087 156

* *IPML has been contracted to perform property management services. IPML has sub-contracted certain of these services to third party property managers who receive a fee from IPML.*

Significant changes in the state of affairs

There have been no significant changes in the nature of the Fund's activities during the period.

Likely developments

The Fund will continue to pursue its strategy of investing in high quality commercial real estate assets that are well located in major metropolitan cities or established commercial precincts in Australia. In pursuing this strategy IPL intends to fulfil the objectives of the fund being:

- to grow and diversify the Fund's asset base with further investments offering attractive income and capital growth profiles which will also spread investment risk;
- to offer unitholders growth in income and capital appreciation across a sectorally diversified portfolio; and
- to maintain a strong corporate governance framework to ensure the interests of unitholders are protected.

To achieve these objectives, IPL intends to pursue the following strategies:

- focus on property fundamentals;
  - acquire quality commercial real estate with the following characteristics:
  - medium to long-term lease profiles;
  - situated in well-located commercial precincts;
  - limited or no short-term capex requirements;
  - contracted rental growth; and
  - sustainable income supported by strong tenant covenants;
- leverage off IPL's on-the-ground presence in Australia and existing relationships with key players in the industry to source growth opportunities;
- maximise property performance through pro-active asset management, property management and leasing; and
- implement appropriate debt and equity funding strategies and adopt a prudent interest rate hedging policy.

Directors' interests in units

The directors' interest in units is set out in note 17 of the financial report on page 66.

Directors' remuneration

No fees are paid by the Fund to the directors or officers of IPML.

Employees or directors of other entities within the Investec Group are not remunerated for their services as directors. The remuneration of any independent, non-associated and non-executive director appointed to the board of IPL is limited to the reimbursement of reasonable expenses incurred by such person for purposes of attending board meetings and the appropriate director's fees, unless the RE determines otherwise. In respect of the independent, non-associated and non-executive directors, fees and expenses are reimbursed out of the Fund.

Accordingly, directors' remuneration for the year to 31 March 2018 was as follows:

For the period to 31 March 2018 AUD'000	Salary (including emoluments paid by IAL)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[1]	–	37	–	–	–	37
Stephen Koseff[2]	–	13	–	–	–	13
Sam Leon[2]	–	19	–	–	–	19
Graeme Katz[3]	155	–	–	–	–	155
Sally Herman[4]	–	56	–	–	–	56
Hugh Martin[4]	–	45	–	–	–	45
Total	**155**	**170**	–	–	–	**325**

[1] *Apportionment of directors' fees paid by IAL that are attributable to the Fund. Richard Longes is not separately remunerated for his services as a director of IPL as he is remunerated by IAL for his services as a director of IAL. An estimate of attributable fees has been provided based on market related non- executive director and chairman fees and proportion of time allocated to IAPF. Mr Longes is not remunerated out of the Fund.*

[2] *Stephen Koseff and Sam Leon receive salaries as employees of Investec Group subsidiaries and are not separately remunerated for their services as directors of IPL. An estimate of attributable fees has been provided based on market related non-executive directors' fees and proportion of time allocated to the Fund, however these directors are not remunerated out of the Fund.*

[3] *Graeme Katz is not separately remunerated for his services as chief executive officer and director of IPL as he is remunerated by IAL. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of IPL but is not a cost to the Fund.*

[4] *Sally Herman and Hugh Martin are independent, non-associated and non-executive directors of IPL and their remuneration is apportioned between all funds managed by IPL based on gross asset value. Ms. Herman is also remunerated for her role as chairperson of the audit and risk committee.*

Directors' remuneration for the year to 31 March 2017 was as follows:

For the period to 31 March 2017 AUD'000	Salary (including emoluments paid by IAL)	Directors' fees	Fees for other services	Provident pension fund and medical aid contributions	Bonuses	Total
Directors						
Richard Longes[1]	–	36	–	–	–	36
Stephen Koseff[2]	–	13	–	–	–	13
Sam Leon[2]	–	18	–	–	–	18
Graeme Katz[3]	150	–	–	–	–	150
Sally Herman[4]	–	41	–	–	–	41
Hugh Martin[4]	–	35	–	–	–	35
Total	**150**	**143**	–	–	–	**293**

[1] *Apportionment of directors' fees paid by IAL that are attributable to the Fund. Richard Longes is not separately remunerated for his services as a director of IPL as he is remunerated by IAL for his services as a director of IAL. An estimate of attributable fees has been provided based on market related non- executive director and chairman fees and proportion of time allocated to IAPF. Mr Longes is not remunerated out of the Fund.*

[2] *Stephen Koseff and Sam Leon receive salaries as employees of Investec Group subsidiaries and are not separately remunerated for their services as directors of IPL. An estimate of attributable fees has been provided based on market related non-executive directors' fees and proportion of time allocated to the Fund, however these directors are not remunerated out of the Fund.*

[3] *Graeme Katz is not separately remunerated for his services as chief executive officer and director of IPL as he is remunerated by IAL. The amount disclosed represents an allocation of his remuneration commensurate with his role as an executive director of IPL but is not a cost to the Fund.*

[4] *Sally Herman and Hugh Martin are independent, non-associated and non-executive directors of IPL and their remuneration is apportioned between all funds managed by IPL based on gross asset value. Ms. Herman is also remunerated for her role as chairperson of the audit and risk committee.*

Directors' report

(continued)

Corporate governance

The Fund's corporate governance board statement and governance framework are set out on page 29.

Audit and risk committee

The audit and risk committee comprising independent non-executive directors meets regularly with the senior management of IPML and the external auditors to consider the nature and scope of the assurance activities and the effectiveness of the risk and control systems.

Further details on the role and responsibility of the audit and risk committee are set out on page 30.

Auditors

KPMG have been appointed by IPL as auditors of the Fund.

Contracts

The Fund does not have any contracts with directors of IPL.

Subsidiaries

The Fund has a number of wholly owned trusts which hold the Fund's property assets. Details of subsidiaries are set out in note 18 of the financial statements.

Major unitholders

The largest unitholders of the Fund are set out on page 77.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable Australian law and IFRS.

These policies are set out in note 1 of the financial report on page 53.

Financial instruments

Detailed information on the Fund's risk management process and policy can be found in the risk management report on page 33.

Information on the Fund's use of derivatives can be found in note 22 of the financial report on page 68.

Management and administration

The Fund is managed by IPML which is a wholly owned subsidiary of IAPHPL. IPML provides fund management services and property management services to the Fund under the terms of a management agreement. IPML has in turn outsourced certain of the property management services to property management companies, namely Knight Frank Australia Pty Ltd, CBRE Pty Limited, MaxiServ Pty Limited, Norwest Commercial and Industrial Real Estate Pty Limited, Honeywell Limited and Abacus Property Group.

Environmental regulation

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

Events subsequent to reporting date

On 19 April 2018 the Fund completed the acquisition of 36-42 Hydrive Close, Dandenong South. The acquisition was funded with debt using the Fund's existing debt facilities. The acquisition increased the portfolio value to AUD 1 006.1mn and gearing to 36.1%.

There is no other item, transaction or event of a material and unusual nature likely, in the opinion of the RE, to affect significantly the operations of the Fund, the results of these operations, or the state of affairs of the Fund, in future financial years.

Indemnities and insurance premiums for officers or auditors

Indemnification

Under the Fund constitution IPL, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or fights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

Insurance premiums

No insurance premiums are paid out of the Fund's assets in relation to insurance cover for the RE, its officers and employees or the auditors of the Fund.

Lead auditor independence declaration

The lead auditor's independence declaration is set out on page 44 and forms part of the directors' report for the year ended 31 March 2018.

Rounding off

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

This report is made with a resolution of the directors of IPL.

RA Longes

Sydney
19 June 2018

GA Katz

Sydney
19 June 2018

Directors' declaration

1. In the opinion of the directors of Investec Property Limited, the Responsible Entity of Investec Australia Property Fund:

    (a) the consolidated financial statements and notes that are set out on pages 35 to 70 are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Group's financial position as at 31 March 2018 and of its performance, for the financial period ended on that date; and

    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

    (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The directors draw attention to Note 1.1 to the consolidated financial statement, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Investec Property Limited:

Dated at Sydney this 19th day of June 2018.

(please include richard's signature)

RA Longes
Chairman

Independent auditor's report to the unitholders of Investec Australia Property Fund

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Investec Australia Property Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Investec Australia Property Fund for the financial year ended 31 March 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Nigel Virgo
Partner

Sydney
19 June 2018

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March AUD'000	Notes	2018	2017
Revenue, excluding straight-line rental revenue adjustment		75 451	51 705
Straight-line rental revenue adjustment		2 146	2 793
Revenue	2	**77 597**	**54 498**
Property expenses	3	(13 897)	(8 408)
Net property income		**63 700**	**46 090**
Other operating expenses	4	(6 177)	(4 319)
Operating profit		**57 523**	**41 771**
Fair value adjustments	5	61 225	13 645
Finance costs	6	(10 700)	(7 100)
Finance income	7	117	106
Other income		40	320
Total profit and other comprehensive income for the period		**108 205**	**48 742**
Basic and diluted earnings per unit (cents)	9	24.04	15.07

The notes on pages 58 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March AUD'000	Notes	2018	2017
Assets			
Non-current assets		**987 663**	**781 751**
Investment property	10	986 696	779 350
Financial instruments held at fair value	22	967	2 401
Current assets		**10 976**	**5 906**
Cash and cash equivalents	12	7 218	4 116
Trade and other receivables	11	3 758	1 790
Total assets		**998 639**	**787 657**
Equity and liabilities			
Unitholders' interest		**617 363**	**505 668**
Contributed equity	13	515 203	466 879
Retained earnings		102 160	38 789
Total unitholders' interest		**617 363**	**505 668**
Non-current liabilities		**350 614**	**257 001**
Long-term borrowings	14	342 431	248 005
Trade and other payables	15	6 187	7 871
Financial instruments held at fair value	22	1 996	1 125
Current liabilities		**30 662**	**24 988**
Trade and other payables	15	6 335	3 532
Distributions payable	8	24 327	21 456
Total equity and liabilities		**998 639**	**787 657**
Units in issue ('000)		478 802	435 588
Net asset value per unit (cents)		128.94	116.09

The notes on pages 58 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 March AUD'000	Contributed equity	Retained earnings	Total unitholders' interest
Balance at 1 April 2016	**310 136**	**22 351**	**332 487**
Total comprehensive income attributable to unitholders	–	48 742	48 742
Issue of ordinary units	161 403	–	161 403
Distributions paid/payable to ordinary unitholders	(4 660)	(32 304)	(36 964)
Balance at 31 March 2017	**466 879**	**38 789**	**505 668**
Total comprehensive income attributable to unitholders	–	108 205	108 205
Issue of ordinary units	51 540	–	51 540
Distributions paid/payable to ordinary unitholders	(3 216)	(44 834)	(48 050)
Balance at 31 March 2018	**515 203**	**102 160**	**617 363**

The notes on pages 58 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March AUD'000	Notes	2018	2017
Cash flows from operating activities			
Rental income received		73 395	51 529
Property expenses		(14 166)	(6 834)
Fund expenses		(6 177)	(4 319)
Security deposits		(798)	–
Cash generated from operations		**52 254**	**40 376**
Finance income received		117	106
Finance costs paid		(10 443)	(6 589)
Distribution paid to unitholders		(45 179)	(29 977)
Net cash inflow (used in)/from operating activities	16	**(3 251)**	**3 916**
Cash flows used in investing activities			
Investment property acquired		(134 920)	(268 453)
Acquisition cost and capital expenditure		(4 379)	–
Net cash outflow used in investing activities		**(139 299)**	**(268 453)**
Cash flows financing activities			
Borrowings raised		109 313	112 143
Repayment of loans		(15 200)	(6 000)
Proceeds from issue of units		52 054	162 580
Payment of transaction costs related to the issue of units		(515)	(1 178)
Net cash inflow from financing activities		**145 652**	**267 545**
Net increase in cash and cash equivalents		3 102	3 008
Cash and cash equivalents at beginning of the year		4 116	1 108
Cash and cash equivalents at end of the year	12	**7 218**	**4 116**

The notes on pages 58 to 75 are an integral part of these consolidated financial statements.

Notes to the financial statements

Corporate information

The financial report of IAPF for the year ended 31 March 2018 was authorised for issue in accordance with a resolution of the directors of IPL (the RE) on 19 June 2018.

IAPF is domiciled in Australia. The RE is incorporated and domiciled in Australia.

The nature of the operations and principal activities of IAPF are described in the Director's Report.

The registered office of IAPF is located at:
Level 23
The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

Reporting entity

IAPF is an Australian registered managed investment scheme under the Act. IAPF is a for profit entity. The consolidated financial statements of the Fund as at and for the year ended 31 March 2018 comprise the Fund and its subsidiaries (together referred to as 'the Group').

Working capital management

The Fund utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Fund will draw this cash back from the debt facility in order to pay its final distribution in June 2018. This results in the most efficient use of the Fund's strong cash flows. The current undrawn facility limit is AUD 28.1mn and the Fund has the ability to draw on this unconditionally.

1. Accounting policies

1.1 Basis of preparation

1.1.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

1.1.2 Basis of measurement

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

- derivative financial instruments are me assured at fair value; and
- investment property is measured at fair value.

The financial statements are prepared on the going concern basis and the accounting policies set out below have been applied consistently by the Fund.

1.1.3 Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is IAPF's functional currency.

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

1.1.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The key area in which estimates are applied relates to the valuation of investment properties. Refer to note 10 for information on best estimates used in the valuation of investment properties.

1.2 Basis of consolidation

1.2.1 Controlled entities

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

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

1.2.2 Transactions eliminated on consolidation

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

1.3 Segmental reporting

Determination and presentation of operating segments

The Group has the following operating segments:

- office properties; and
- industrial properties.

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

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

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

1.4 Revenue recognition

Revenue consists of rental income measured at the fair value of consideration received or receivable.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the Group.

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

1.5 Lease incentives and commissions

Any lease incentives provided to a tenant under the terms of a lease such as fit-outs or rent free periods are recognised as an expense or reduction in revenue on a straight-line basis over the term of the lease.

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

1.6 Finance income

Finance income includes:

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

1.7 Finance costs

Finance costs include:

- interest expense and other borrowing costs which are recognised in the profit or loss on an accrual basis using the effective interest method; and
- net gain and losses on financial instruments measured at fair value through profit or loss.

1.8 Earnings per unit

Basic earnings per unit is determined by dividing the profit or loss of the group by the weighted average number of units outstanding during the financial year.

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

Headline earnings is profit for the period adjusted for certain remeasurements such as investment property fair value adjustments. As required by the JSE Listings Requirements headline earnings per unit is calculated using Circular 2/2015.

1.9 Financial instruments

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

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

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

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability. The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

1.9.1 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any impairment losses or reversals on trade and other receivables are recognised in profit or loss. An estimate is made for impairment losses based on a review of all outstanding amounts at the year end. Impairment losses are recognised when there is objective evidence that a loss event has occurred. Objective evidence that a loss event has occurred includes:

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

1.9.2 Cash and cash equivalents

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

1.9.3 Trade and other payables

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

1.9.4 Derivative financial instruments

The Group utilises derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities. The Fund does not hold or issue derivative financial instruments for trading purposes. Derivatives are not designated as hedges for accounting purposes and are accounted for at fair value. After initial recognition, all derivative instruments are subsequently recorded in the statement of financial position at fair value, with gains and losses recognised in profit or loss.

1.9.5 Borrowings

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

1.9.6 Offset

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

1.10 Investment property

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

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

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

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

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

The directors value the remaining properties that have not been independently valued annually on an open market basis. Directors' valuations are prepared by considering the aggregate of the net annual rental receivable from the properties and where relevant, associated costs, using the discounted cash flow method and the capitalisation method. The directors are confident that their valuations accurately represent the fair value.

Gains or losses on subsequent measurement or disposals of investment properties are recognised in profit or loss. Such gains or losses are excluded from the calculation and determination of distributable earnings.

1.11 Rental agreements

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

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

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

Notes to the financial statements

(continued)

1.12 Provisions, contingent liabilities and contingent assets

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

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

1.13 Taxation

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

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

A 'tax deferred distribution' is the excess of cash distributed over the investors' proportionate share of the Australian taxable income of the Fund.

As an Attribution Managed Investment Trust the RE will be required to withhold tax in Australia at 10% on Australian sourced interest income and 15% on other Australian sourced income to investors in South Africa.

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

1.14 Unit capital

1.14.1 Ordinary unit capital

Units are classified as equity when the units are redeemable only at the RE's option, and any distributions are discretionary. The issued unit capital represents the amount of consideration received for units issued by IAPF. Transaction costs of an equity transaction are accounted for as a deduction from equity. All units are fully paid. The unitholders are entitled to receive distributions as declared from time-to-time and are entitled to one vote per unit at the annual general meeting of IAPF. All units rank equally with regard to IAPF's residual assets.

1.15 Standards and interpretations applicable to the group not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 – *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard includes changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an 'incurred loss' model from IAS 39 to an 'expected credit loss' model.

Impairment of financial assets will change to be assessed under an 'expected credit loss' model. This model will apply to financial assets not measured as fair value through profit or loss ('FVTPL'). We do not expect that the adoption of AASB 9 will have a significant impact in IAPF due to the low value of fiancial assets held.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, it replaces existing revenue recognition guidance, including IAS 18 *Revenue from Contracts with Customers*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

AASB 15 applies to all revenue that is not accounted for in accordance with other accounting standards. With the main revenue stream earned by the Funds being from leases, this is accounted for in accordance with AASB117 and AASB 16. Therefore, we would anticipate a minimal impact to IAPF upon adoption of AASB 15.

IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether and Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transaction Involving the Legal Form of a Lease*.

The standard is effective for annual period beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application IFRS 16.

The IASB's new leases standard requires entities to bring most leases on-balance sheet, recognising new assets and liabilities. As a lessor, IAPF is unlikely to be significantly impacted by this standard.

1.16 Changes in accounting policy

The Group has consistently applied the accounting policies set out in note 1 to all periods presented in these consolidated financial statements.

There is no new standards and amendments to standards, including any consequential amendments to other standards has been adopted by the Group.

Notes to the financial statements

(continued)

For the period ended 31 March AUD'000	2018	2017
2. Revenue		
Contracted rental income	65 665	44 908
Recoverable outgoings	9 786	6 797
Revenue, excluding straight-line rental revenue adjustment	75 451	51 705
Straight-line rental revenue adjustment	2 146	2 793
	77 597	**54 498**

For the period ended 31 March AUD'000	2018	2017
3. Property expenses		
Recoverable expenses		
Statutory expenses	(3 405)	(2 619)
Electricity	(1 771)	(754)
Insurance	(549)	(272)
Cleaning	(1 005)	(617)
Building management	(1 979)	(1 261)
Repairs and maintenance	(733)	(400)
Amortisation of fitout expenses	(922)	(887)
Tenant rechargable expenditure	(815)	(366)
Air-conditioning	(626)	(288)
Fire protection	(401)	(176)
Lift and escalators	(358)	(152)
Leasing fee	(345)	(64)
Other property expenses	(988)	(552)
	(13 897)	**(8 408)**

For the period ended 31 March AUD'000	2018	2017
4. Other operating expenses		
Asset management fee	(5 120)	(3 690)
Fund operating costs		
Auditors' remuneration*:	(303)	(264)
Audit fee	(210)	(199)
Tax compliance fees	(93)	(65)
Directors' fees	(101)	(76)
Legal fees	(180)	(36)
Other fund expenses	(473)	(253)
	(6 177)	**(4 319)**

* *All audit and tax services were provided by KPMG.*

For the period ended 31 March AUD'000	2018	2017
5. Fair value adjustments		
Fair value adjustments – investment property	61 269	11 419
Fair value adjustments – interest rate swaps	(2 305)	2 226
Fair value adjustments – foreign currency revaluation	2 261	–
Total fair value adjustment	**61 225**	**13 645**

For the period ended 31 March AUD'000	2018	2017
6. Finance costs		
Interest paid on borrowings	(10 700)	(7 100)
Total finance costs	**(10 700)**	**(7 100)**

Refer to note 14 for details on borrowings.

For the period ended 31 March AUD'000	2018	2017
7. Finance income		
Interest received from banks	117	106
Total finance income	**117**	**106**

For the period ended 31 March AUD'000	2018	2017
8. Distribution per unit		
Profit for the period	**108 205**	**48 742**
Less: Straight-line rental revenue adjustment	(2 146)	(2 793)
Fair value adjustments	(61 225)	(11 419)
Antecedent distribution	3 216	4 660
Distributable earnings	**48 050**	**36 964**
Reconciliation of distribution per unit		
Final distribution for the year to 31 March		
Distributable earnings	48 050	36 964
Less: interim distribution paid	(23 723)	(15 508)
Final distribution (pre withholding tax)	**24 327**	**21 456**
Withholding tax paid/payable to the Australian Taxation Office	(1 705)	(1 435)
Income tax paid/payable to the New Zealand Inland Revenue Office	(366)	–
Final distribution (post withholding tax)	**22 256**	**20 020**
Units in issue at 31 March ('000)	478 802	435 588
Final distribution per unit (cents) (pre withholding tax)	5.08	4.93
Interim distribution per unit (cents) (pre withholding tax)	4.95	4.81
Total distribution per unit (cents) (pre withholding tax)	**10.03**	**9.74**
Final distribution per unit (cents) (post withholding tax)	4.65	4.60
Interim distribution per unit (cents) (post withholding tax)	4.64	4.64
Total distribution per unit (cents) (post withholding tax)	**9.29**	**9.24**

Withholding tax

The blended withholding tax rate for the total distribution is 7.95895%.

Antecedent distribution

On 16 November 2017, the Fund completed an unit placement where 49.5mn bookbuild units were raised at a price of AUD 1.223 (ZAR 13.20) per unit. The full year distribution includes the antecedent distribution of AUD 3.2mn associated with unit placement. The antecedent distribution is not subject to withholding tax in Australia.

For the period ended 31 March AUD'000	2018	2017
9. Earnings per unit		
Reconciliation of basic earnings to headline earnings		
Profit for the period	**108 205**	**48 743**
Less: Net fair value adjustment – investment property	(61 269)	(11 419)
Headline earnings attributable to unitholders	**46 936**	**37 323**
Basic and diluted earnings per unit (cents)	24.04	15.07
Basic and diluted headline earnings per unit (cents)	10.43	11.54
Units in issue at the end of the year ('000)	478 802	435 588
Weighted average number of units in issue ('000)	450 084	323 342
Reconciliation of weighted average number of units in issue:		
Units at the beginning of the year ('000)	435 588	312 541
Share buy back ('000)	(2 124)	–
Rights offer ('000)	16 620	10 801

On 16 November 2017, the Fund completed an unit placement where 49.5mn bookbuild units were raised at a price of AUD 1.223 (ZAR 13.20) per unit. A total of AUD 60.0mn was raised.

Headline earnings is profit for the period adjusted for fair value adjustments on investment property. Headline earnings are a measure of the Fund's earnings based solely on operational activities and in the case of the Fund will exclude fair value adjustments and profits or losses on sale of properties. As required by the JSE Listing Requirements headline earnings per unit is calculated using Circular 2/2015.

For the period ended 31 March AUD'000	2018	2017
10. Investment property		
Cost	881 779	737 858
Accumulated fair value adjustment – refer to note 5	95 256	33 978
Investment properties	977 035	771 836
Straight-line rental revenue receivable	9 661	7 514
Carrying value	**986 696**	**779 350**
Movement in investment properties		
Balance at beginning of year	779 350	493 850
Acquisitions	134 137	249 255
Foreign currency revaluation on purchase	3 745	–
Acquisition costs and capital expenditure	6 049	22 033
Fair value adjustment on revaluation of investment properties (refer to note 5)	61 269	11 419
Straight-line rental revenue adjustment	2 146	2 793
Carrying value at reporting date	**986 696**	**779 350**

Property to the value of AUD 986.7mn is held as security under the Westpac debt facility currently drawn down to a value of AUD 342.4mn.

All of the investment properties located in New South Wales, Victoria, South Australia and Queensland are held under freehold interests. All of the properties located in the Australian Capital Territory are held under leasehold interests terminating in 2101. These are classified as operating leases.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to AUD 61.3mn and are presented in profit and loss in the line item 'fair value adjustment'.

Refer to note 22.3 for further disclosure regarding the fair value of investment property.

Property portfolio for the period ended 31 March AUD'000	Latest external valuation Date	Latest external valuation Valuation	Consolidated carrying value 2018
10. Investment property *(continued)*			
Industrial Portfolio			
47 Sawmill Circuit, Hume ACT	31 March 2018	10 575	10 575
57 Sawmill Circuit, Hume ACT	31 March 2018	9 950	9 950
24 Sawmill Circuit, Hume ACT	31 March 2018	9 700	9 700
44 Sawmill Circuit, Hume ACT	31 March 2018	11 000	11 000
2-8 Mirage Road, Direk SA	31 March 2018	9 400	9 400
30-48 Kellar Street, Berrinba QLD	31 March 2018	8 100	8 100
165 Newton Road, Wetherill Park NSW	31 March 2018	23 250	23 250
24 Spit Island Close, Newcastle NSW	31 March 2018	9 600	9 600
67 Calarco Drive, Derrimut VIC	31 March 2018	9 600	9 600
66 Glendenning Road, Glendenning NSW	31 March 2018	24 000	24 000
85 Radius Drive, Larapinta QLD	31 March 2018	18 250	18 250
54 Miguel Road, Bibra Lake WA	31 March 2018	29 000	29 000
24 Rodborough Road, Frenchs Forest NSW	31 March 2018	21 000	21 000
6-8 and 11 Siddons Way, Hallam VIC		22 350	22 350
Office portfolio			
449 Punt Road, Cremorne VIC	31 March 2018	53 000	53 000
35-49 Elizabeth Street, Richmond VIC	31 March 2018	82 750	82 750
2404 Logan Road, Eight Mile Plains QLD	31 March 2018	20 500	20 500
186 Reed Street, Greenway ACT	31 March 2018	28 400	28 400
757 Ann Street, Fortitude Valley QLD	31 March 2018	85 000	85 000
21-23 Solent Circuit, Baulkham Hills NSW	31 March 2018	58 000	58 000
266 King Street, Newcastle NSW	31 March 2018	75 000	75 000
113 Wicks Road, Macquarie Park NSW	31 March 2018	26 500	26 500
324 Queen Street, Brisbane QLD	31 March 2018	71 300	71 300
20 Rodborough Road, Frenchs Forest NSW	31 March 2018	61 000	61 000
2 Richardson Place, Frenchs Forest NSW	31 March 2018	90 000	90 000
100 Willis Street, Wellington NZ	31 March 2018	119 471*	119 471*
Total investment properties			**986 696**

Refer to property selection and property portfolio disclosed on pages 16 to 19 for further details of investment properties held.

(A) Valuation basis

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

External valuations were conducted for all of the properties in the portfolio during the year. External valuations were conducted by Colliers International, Urbis, Savills, Knight Frank, Janes Lang LaSalle, LandMark White and CBRE who are all registered as Certified Practising Valuers with the Australian Property Institute.

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

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

* *AUD equivalent of NZD 127 000.*

Notes to the financial statements

(continued)

10. Investment property *(continued)*

The key assumptions used are as follows:

%	2018	2017
Capitalisation rate	6.70	7.23
Discount rate	7.62	7.98
Rental growth rate	3.18	3.08

The above are weighted average rates based on fair value.

(B) Uncertainty around property valuations

The fair value of investment property has been assessed to reflect market conditions at the end of the reporting period. While this represents the best estimate of fair value as at the reporting date, future changes in key assumptions may mean that if investment property is sold in the future the prices achieved may be higher or lower than the most recent valuations.

(C) Contractual obligations/capital commitments

At 31 March 2018 there were no significant contractual obligations or capital commitments relating to investment property (31 March 2017: Nil).

(D) Leasing arrangements

AUD	2018	2017
The Fund leases office and industrial properties under operating leases.		
Contractual amounts due in terms of operating lease agreements		
Less than 1 year	82 399	50 861
Between 1 and 5 years	240 112	166 018
More than 5 years	79 281	59 578
	401 792	**276 457**

Investment property comprises a number of commercial properties and industrial that are leased to third parties. All leases are subject to annual rent reviews that are fixed or indexed to consumer prices. Subsequent renewals are negotiated with the lessee and historically, the average renewal period is 5 years. No contingent rents are charged.

(E) Direct operating expenses

During the year, all direct operating expenses related to income generating properties.

For the period ended 31 March AUD'000	2018	2017
11. Trade and other receivables		
Prepaid expenses	2 176	1 298
Capitalised incentives and leasing fees	212	293
Sundry debtors	1 370	199
	3 758	**1 790**

For the period ended 31 March AUD'000	2018	2017
12. Cash and cash equivalents		
Cash held on call account	7 218	4 116
Total cash and cash equivalents	**7 218**	**4 116**

For the period ended 31 March AUD'000	2018	2017
13. Contributed equity		
Issued		
On establishment – 22 000 000 fully paid ordinary units	22 000	22 000
On listing – 112 685 000 fully paid ordinary units	112 685	112 685
On completion of renounceable rights offer Oct 2014 – 111 896 298 fully paid ordinary units	121 501	121 501
On completion of renounceable rights offer Feb 2016 – 59 566 747 fully paid ordinary units	59 964	59 964
On completion of renounceable rights offer Mar 2017 – 108 637 405 fully paid ordinary units	143 462	143 462
Distribution re-investment plan Dec 2015 – 6 393 331 fully paid ordinary units	6 815	6 815
Distribution re-investment plan Jun 2016 – 9 818 121 fully paid ordinary units	12 008	12 008
Distribution re-investment plan Dec 2016 – 5 223 526 fully paid ordinary units	7 111	7 111
Share buy back – 6 330 842 fully paid ordinary units	(8 000)	–
On completion of unit placement offer Nov 2017 – 49 545 454 fully paid ordinary units	60 055	–
Fund establishment costs capitalised to contributed equity	(7 211)	(6 696)
Antecedent distributions paid	(15 187)	(11 971)
In issue at year end	**515 203**	**466 879**

Refer to unitholder analysis included on pages 77 and 78 for further details on unitholders.

For the period ended 31 March AUD'000	Tranche expiry date	Interest rate	2018	2017
14. Borrowings				
Loans – secured – bank debt				
Westpac Facility – Tranche A	10 December 2019	BBSY + 1.275%*	48 240	48 240
Westpac Facility – Tranche B	31 March 2020	BBSY + 1.275%*	45 000	45 000
Westpac Facility – Tranche C	29 April 2020	BBSY + 1.275%*	15 000	15 000
Westpac Facility – Tranche D	20 August 2020	BBSY + 1.275%*	15 500	15 500
Westpac Facility – Tranche E	16 October 2020	BBSY + 1.275%*	28 000	28 000
ANZ Facility – Tranche G	30 June 2021	BBSY + 1.350%*	20 000	14 492
ANZ Facility – Tranche H	01 December 2021	BBSY + 1.350%*	75 000	71 000
ANZ Facility – Tranche I	07 March 2022	BBSY + 1.450%*	21 000	11 775
ANZ and Westpac Facility – Tranche J	18 October 2022	BBSY + 1.450%*	30 000	–
ANZ and Westpac Facility – Tranche K	07 December 2022	BBSY + 1.500%*	45 880	–
Total			**343 620**	**249 007**
Capitalised loan establishment costs			(1 189)	(1 002)
Total value of interest-bearing borrowings			**342 431**	**248 005**

* *Varies based on gearing levels.*

The Fund's loan to value ratio was 34.83% as at 31 March 2018 (31 March 2017: 31.95%).

At 31 March 2018 the approved facility limit of the loan facility was AUD 371.74mn with AUD 28.12mn undrawn.

The Fund's policy is to hedge at least 75% of interest rate risk. At year end, 91.4% of borrowings were hedged using interest rate swaps, locking in a blended rate (including margin and line fees) of 3.71% for a weighted average 6.2 year term.

Notes to the financial statements

(continued)

For the period ended 31 March AUD'000	2018	2017
15. Trade and other payables		
Security deposits	640	471
Income received in advance	3 514	4 919
Other payables	2 033	2 481
Trade and other payables – non current	**6 187**	**7 871**
Accrued expenses	1 750	1 006
Trade creditors	554	–
Income received in advance	1 080	1 475
GST payable	1 407	1 051
Other payables	1 544	–
Trade and other payables – current	**6 335**	**3 532**

For the period ended 31 March AUD'000	2018	2017
16. Reconciliation of cash flows from operating activities		
Profit for the period	108 205	48 743
Adjusted for:		
Fair value adjustments – investment property	(61 269)	(11 419)
Fair value adjustments – derivatives	2 305	(2 226)
Fair value adjustments – foreign currency revaluation	(2 261)	(2 793)
Straight-line rental revenue adjustment	(2 146)	–
Working capital movement:		
Change in trade and other receivables	(1 268)	(284)
Change in trade and other payables	(1 638)	985
Change in Capital expenses	–	887
Distributions paid	(45 179)	(29 977)
Net cash from operating activities	**(3 251)**	**3 916**

17. Related party transactions

Responsible entity

The RE of the Fund is IPL. IPL is a wholly owned subsidiary of IAPHPL.

Manager

The manager of the Fund is IPML. IPML is a wholly owned subsidiary of IAPHPL. IPML provides fund management services and property management services to the Fund.

IPL's and IPML's ultimate Australian parent entity is IAPHPL. Its ultimate parent is Investec plc, incorporated in the United Kingdom.

Investec plc and Investec Limited and their subsidiary companies together comprise the Investec group of companies (referred to as the Investec Group).

From time to time, the Fund enters into transactions or arrangements with Investec Group. These transactions are described below. These are entered into on normal commercial terms.

Transactions with related parties

For the period ended 31 March AUD'000	2018	2017
Payments to Investec Group and its subsidiaries:		
Investec Property Management Pty Limited – subsidiary		
Asset management fee	5 120	3 690
Property management fee*	1 282	1 087
Leasing fee	494	–
Investec Bank Limited – parent company		
Sponsor fee	29	25
Capital raising fees and listing costs	473	287
Investec Property Fund Limited – subsidiary		
Underwriting fees	–	731
Investec Bank plc – parent company		
Interest on swaps	896	863
Investec Australia Limited – subsidiary		
Interest on swaps	393	–

Amounts owing to related parties

For the period ended 31 March AUD'000	2018	2017
Investec Property Management Pty Limited – subsidiary		
Asset management fee payable	433	982

* *IPML has been contracted to perform property management services. IPML has sub-contracted certain of these services to third party property managers who receive a fee from IPML.*

Notes to the financial statements

(continued)

17. Related party transactions *(continued)*

Key management personnel (KMP)

IAPF does not employ any personnel in its own right. However it is required to have an incorporated RE to manage its activities. The RE is considered the KMP of the Fund. Furthermore the RE has sub-contracted the management of IAPF to the Manager which is also considered KMP. The directors of the RE are Richard Longes (Chairman), Sam Leon, Stephen Koseff, Graeme Katz, Sally Herman and Hugh Martin. The directors of the Manager are Graeme Katz, Sam Leon, Zach McHerron and Kristie Lenton.

KMP compensation

Employees or directors of entities within the Investec Group are not remunerated for their services as directors of the RE. The remuneration of any independent, non-associated and non-executive director appointed to the board is limited to the reimbursement of reasonable expenses incurred by such person for purposes of attending board meetings and the appropriate director's fees, unless the RE determines otherwise. In respect of the independent, non-associated and non-executive directors, fees and expenses are reimbursed out of the Fund.

Individual directors' compensation disclosures

Information regarding individual directors' compensation disclosure is provided in the Directors' Report.

Movements in securities

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

	Held at 31 Mar 2017	Purchases	Sales	Held at 31 Mar 2018
Directors				
Sam Leon	4 000 000	–	–	4 000 000
Graeme Katz	229 296	–	–	229 296

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

18. Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1.2.

IAPF enters into transactions with its wholly owned trusts. These transactions mainly involve the payment of distributions between trusts and lending of funds between the trusts. Inter-trust loans are repayable upon demand, unsecured and non-interest-bearing.

Name of entity	Country of incorporation	Class of units	Equity holding
Investec Australia Hold Trust No. 1	Australia	Ordinary	100%
Investec Australia Sub Trust No. 1	Australia	Ordinary	100%
Investec Australia Sub Trust No. 2	Australia	Ordinary	100%
Investec Australia Sub Trust No. 3	Australia	Ordinary	100%
Investec Australia Sub Trust No. 4	Australia	Ordinary	100%
Investec Australia Sub Trust No. 5	Australia	Ordinary	100%
Investec Australia Sub Trust No. 6	Australia	Ordinary	100%
Investec Australia Sub Trust No. 7	Australia	Ordinary	100%
Investec Australia Sub Trust No. 8	Australia	Ordinary	100%
Investec Australia Sub Trust No. 9	Australia	Ordinary	100%
Investec Australia Sub Trust No. 10	Australia	Ordinary	100%
Investec Australia Sub Trust No. 11	Australia	Ordinary	100%
Investec Australia Sub Trust No. 12	Australia	Ordinary	100%
Investec Australia Sub Trust No. 13	Australia	Ordinary	100%
Investec Australia Sub Trust No. 14	Australia	Ordinary	100%
Investec Australia Sub Trust No. 15	Australia	Ordinary	100%
Investec Australia Sub Trust No. 16	Australia	Ordinary	100%
Investec Australia Sub Trust No. 18	Australia	Ordinary	100%
Investec Australia Sub Trust No. 19	Australia	Ordinary	100%

All subsidiaries are controlled by the Group with no restrictions.

For the period ended 31 March AUD'000	2018	2017
19. Parent entity disclosures		
As at, and throughout the period ending 31 March 2018, the parent of the Group was Investec Australia Property Fund.		
Result of parent entity		
Profit for the period	49 660	32 305
Other comprehensive income	–	–
Total comprehensive income for the period	**44 835**	**32 305**
Financial position of parent entity at period end		
Current assets	918	13 215
Total assets	**589 516**	**466 879**
Current liabilities	1 485	–
Total liabilities	**71 009**	**–**
Net assets	**518 507**	**466 879**
Total equity of parent entity comprising of:		
Contributed equity	515 203	466 879
Retained earnings	3 304	–
Total equity	**518 507**	**466 879**

Notes to the financial statements

(continued)

For the period ended 31 March AUD'000	2018	2017
20. Net asset value		
Units in issue at the end of the year	478 802	435 588
Net asset value per unit (cents)	128.94	116.09

Net asset value per unit is calculated by dividing the net asset value (being total assets minus total liabilities) by the units in issue at year end.

21. Subsequent events

On 19 April 2018 the Fund completed the acquisition of 36-42 Hydrive Close, Dandenong South. The acquisition was funded with debt using the Fund's existing debt facilities. The acquisition increased the portfolio value to AUD 1 006.1mn and gearing to 36.1%.

There is no other item, transaction or event of a material and unusual nature likely, in the opinion of the RE, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

22. Financial risk and capital management

22.1 Total financial and non-financial assets and liabilities

The table below sets out the Fund's accounting classification of each class of financial and non-financial asset and liability and their fair values at 31 March 2018

As at 31 March 2018 AUD'000	Measured at fair value	Non-financial instruments	Amortised cost	Total
ASSETS				
Non-current assets				
Investment property	–	986 696	–	986 696
Financial instrument held at fair value	967	–	–	967
Current assets				
Cash and cash equivalents	–	–	7 218	7 218
Trade and other receivables	–	–	3 758	3 758
Total assets		**987 663**	**10 976**	**998 639**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	342 431	342 431
Financial instruments held at fair value	1 996	–	–	1 996
Trade and other payables			6 187	6 187
Current liabilities				
Trade and other payables	–	–	6 335	6 335
Unitholders for distributions	–	–	24 327	24 327
Total liabilities	**1 996**	**–**	**379 280**	**381 276**

22. Financial risk and capital management

(continued)

22.1 Total financial and non-financial assets and liabilities

The table below sets out the Fund's accounting classification of each class of financial and non-financial asset and liability and their fair values at 31 March 2017

As at 31 March 2017 AUD'000	Measured at fair value	Non-financial instruments	Amortised cost	Total
ASSETS				
Non-current assets				
Investment property	–	779 350	–	779 350
Financial instruments held at fair value	2 401	–	–	2 401
Current assets				
Cash and cash equivalents	–	–	4 116	4 116
Trade and other receivables	–	–	1 790	1 790
Total assets	**2 401**	**779 350**	**5 906**	**787 657**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	248 005	248 005
Trade and other payables	–	–	7 871	7 871
Financial instruments held at fair value	1 125	–	–	1 125
Current liabilities				
Trade and other payables	–	–	3 532	3 532
Unitholders for distributions	–	–	21 456	21 456
Total liabilities	**1 125**	**–**	**280 864**	**281 989**

In all cases the amortised cost approximates fair value on the basis that:
– the amortised cost reflects known credit risk; or
– credit risk is not significant and the financial assets and financial liabilities are either short term or subject to market based variable interest.

22. Financial risk and capital management *(continued)*

22.2 Fair value hierarchy – financial instruments

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

a. The fair value of "long term borrowings at amortised cost" has been estimated by discounting the effective interest rate at each year end.

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

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

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

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

		Fair value			
Fair value and carrying amount AUD'000	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
For the year ended 31 March 2018					
Non-current assets					
Financial instruments held at fair value	**967**	**–**	**967**	**–**	**967**
Non-current liabilities					
Financial instruments held at fair value	1 996	–	1 996	–	1 996
Long-term borrowings at amortised cost	342 431	–	327 983	–	327 983
	344 427	**–**	**329 979**	**–**	**329 979**
For the year ended 31 March 2017					
Non current assets					
Financial instruments held at fair value	**2 401**	**–**	**2 401**	**–**	**2 401**
Non-current liabilities					
Financial instruments held at fair value	1 125	–	1 125	–	1 125
Long term borrowings at amortised cost	248 005	–	239 438	–	239 438
	249 103	**–**	**240 563**	**–**	**240 563**

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

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

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

22. Financial risk and capital management *(continued)*

22.3 Fair value hierarchy – investment property

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

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

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

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

Valuation techniques used to derive level 3 fair values

For all classes of investment property the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

Significant unobservable inputs	Relationship between unobservable inputs and fair value measurement
Net passing rent	Increases/(decreases) in net passing rent would increase/(decrease) estimated fair value
Gross market rent	Increases/(decreases) in gross market rent would increase/(decrease) estimated fair value
Net market rent	Increases/(decreases) in net market rent would increase/(decrease) estimated fair value
Capitalisation rate	Increases/(decreases) in the capitalisation rate would (decrease)/increase estimated fair value
Discount rate	Increases/(decreases) in the discount rate would (decrease)/increase estimated fair value
Terminal yield	Increases/(decreases) in the terminal yield would result in (decreases)/increases in the estimated fair value
The table above includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:	
Net passing rent	The contracted amount for which a property or space within a property is leased at the time of the valuation. In a net rent, the owner recovers outgoings from the tenant on a *pro rata* basis (where applicable)
Gross market rent	The gross rent at which space could be let in the market conditions prevailing at the date of valuation
Net market rent	The net rent at which space could be let in the market conditions prevailing at the date of valuation. In a net rent, the owner recovers outgoings from the tenant on a *pro rata* basis (where applicable)
Capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence
Terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence

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

a. Expected market rental growth weighted average 3.1%.

b. Void periods average six months after the end of each lease.

c. Rent free periods six months on new leases.

d. Weighted average cap rate of 6.7%.

Notes to the financial statements

(continued)

22. Financial risk and capital management *(continued)*

22.3 Fair value hierarchy – investment property *(continued)*

Generally, a change in the assumption made for the capitalisation rate is accompanied by a directionally similar change in the terminal yield. The capitalisation rate forms part of the income capitalisation approach and the terminal yield forms part of the DCF approach.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value.

When assessing a DCF, the discount rate and terminal yield have a strong interrelationship in deriving at a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

	Measured at fair value			
For the year ended 31 March 2018 AUD'000	**Level 1**	**Level 2**	**Level 3**	**Total gain or (loss) in the period in profit or loss**
Total assets				
Investment property				
Office	–	–	770 922	51 190
Industrial	–	–	215 774	10 079
Total non-financial assets	**–**	**–**	**986 696**	**61 269**

	Measured at fair value			
For the year ended 31 March 2017 AUD'000	**Level 1**	**Level 2**	**Level 3**	**Total gain or (loss) in the period in profit or loss**
Total assets				
Investment property				
Office	–	–	597 151	7 853
Industrial	–	–	182 199	3 566
Total non-financial assets	**–**	**–**	**779 350**	**11 419**

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

b. Significant transfers between level 1, level 2 and level 3
There have been no transfers between hierarchy levels.

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

Refer to the reconciliation of investment property provided under note 10 which facilitates full IFRS 13 compliance in combination with the disclosure in this note.

22. Financial risk and capital management *(continued)*

22.4 Other financial risk management considerations

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

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

- credit risk
- liquidity risk
- market risk.

The board has overall responsibility for the establishment and oversight of the Fund's risk management framework. The board has established the audit and risk committee, which is responsible for developing and monitoring the Fund's risk management policies. The audit and risk committee reports regularly to the board on its activities.

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

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

22.5 Credit risk

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

a. Exposure to credit risk

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

There are no financial assets at the reporting date that are post due or impaired.

22.6 Market risk

a. Interest rate risk

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

At 31 March 2018, 91.4% of the Fund's interest rate exposure was hedged. Therefore, for the year ended 31 March 2018, a 1% increase/decrease in interest rates on the variable rate borrowings would have an immaterial impact on the Fund's profit, assuming all other variables remain constant.

22. Financial risk and capital management *(continued)*

b. Liquidity risk

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

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

For the year ended 31 March 2018 AUD'000	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying value
Long-term borrowings[1]	11 103	103 880	264 408	–	379 391	342 431
Trade and other payables	6 335	2 148	1 773	2 266	12 522	12 522
Distributions payable	24 327	–	–	–	24 327	24 327
Total liabilities	**41 765**	**106 028**	**266 181**	**2 266**	**416 240**	**379 280**

For the year ended 31 March 2017 AUD'000	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying value
Long-term borrowings[1]	7 430	7 430	262 017	–	276 877	248 005
Trade and other payables	3 532	3 680	3 378	813	11 403	11 403
Distributions payable	21 456	–	–	–	21 456	21 456
Total liabilities	**32 418**	**11 110**	**265 395**	**813**	**309 736**	**280 864**

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

Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the funding requirements of the Fund. Subsequent to year-end in terms of covenants with its lenders, the nominal value of interest-bearing borrowings may not exceed 50% of the value of investment property (including investment property reclassified as held-for-sale).

22. Financial risk and capital management *(continued)*

For the year ended 31 March AUD'000	2018	2017
Value of investment property	986 696	779 350
Carrying value of interest-bearing borrowing	342 431	248 005
Current ratio of interest-bearing borrowings to value of investment property (%)	34.7	32.0

22.7 Derivatives

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

Financial institution	Amount AUD'000	Start date	End date	Fixed rate %
31 March 2018				
Investec Australia Limited	30 435	25 June 2016	25 February 2024	2.44
Investec Australia Limited	60 870	25 June 2016	25 February 2026	2.57
Investec Australia Limited	30 435	25 June 2016	25 February 2025	2.51
Investec Australia Limited	55 000	01 December 2016	25 December 2023	2.18
Westpac Banking Corporation	20 000	01 March 2017	01 March 2022	2.35
Australia and New Zealand Banking Group	25 000	20 October 2017	20 October 2024	2.46
Australia and New Zealand Banking Group	12 500	20 October 2017	20 October 2025	2.54
Australia and New Zealand Banking Group	12 500	20 October 2017	20 October 2027	2.68
Westpac Banking Corporation	67 303	11 December 2017	12 December 2022	2.37

22.8 Capital management

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

In terms of its covenants entered into during the year, the Group is committed to a maximum value of external borrowings of 55% of the value of investment property and investment assets. In practice, the Group aims to keep gearing levels between 30% and 40% over the long-term. At 31 March 2018, the nominal value of borrowings was equal to 34.7% of the value of investment property.

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

An extra long section heading can run over two lines

(continued)

For the year ended 31 March 2018 AUD'000	Office	Industrial	Total
23. Segmental analysis			
Statement of profit or loss and other comprehensive income 2018			
Revenue from external customers, excluding straight-line rental revenue adjustment	57 453	17 998	75 451
Straight-line rental revenue adjustment	2 279	(133)	2 146
Property expenses	(11 814)	(2 083)	(13 897)
Net property income	**47 918**	**15 782**	**63 700**
Straight-line rental revenue adjustment	(2 279)	133	(2 146)
Acquisition costs and capital expenditure	(4 420)	(1 629)	(6 049)
Net investment property revaluation	57 889	11 575	69 464
Total segment results	**99 108**	**25 861**	**124 969**
Other operating expenses			(6 177)
Fair value adjustment on interest rate swap derivatives			(2 305)
Fair value adjustment on foreign currency			2 261
Finance costs			(10 700)
Finance income			117
Other income			40
Profit for the period			**108 205**
Statement of financial position extracts at 31 March 2018			
Investment property balance at 1 April 2017	597 151	182 199	779 350
Acquisitions	112 137	22 000	134 137
Foreign currency revaluation on purchase	3 745	–	3 745
Acquisition costs and capital expenditure	4 420	1 629	6 049
Straight-line rental revenue receivable	2 279	(133)	2 146
Fair value adjustments	51 190	10 079	61 269
Investment property at 31 March 2018	**770 922**	**215 774**	**986 696**
Other assets not managed on a segmental basis			11 943
Total assets as at 31 March 2018			**998 639**

For the year ended 31 March 2018 AUD'000	Victoria	Queensland	South Australia	Western Australia	New South Wales	Australian Capital Territory	New Zealand	Total
23. Segmental analysis *(continued)*								
Statement of profit or loss and other comprehensive income 2018								
Revenue from external customers, excluding straight-line rental revenue adjustment	11 741	17 580	996	2 398	32 519	6 708	3 509	75 451
Straight-line rental revenue adjustment	51	702	8	286	1 162	(219)	156	2 146
Property expenses	(2 140)	(3 674)	(66)	(264)	(5 818)	(975)	(960)	(13 897)
Segment results	**9 652**	**14 608**	**938**	**2 420**	**27 863**	**5 514**	**2 705**	**63 700**
Total fair value adjustment on total investment property	**14 622**	**5 182**	**(208)**	**1 370**	**36 641**	**544**	**3 118**	**61 269**
Statement of financial position extracts at 31 March 2018								
Investment property balance at 1 April 2017	128 500	195 150	9 601	27 300	349 501	69 298	–	779 350
Acquisitions	22 000	–	–	–	–	–	112 137	134 137
Foreign currency revaluation on purchase	–	–	–	–	–	–	3 745	3 745
Acquisition costs and capital expenditure	2 527	2 116	–	44	1 047	–	315	6 049
Straight-line rental revenue receivable	51	702	8	286	1 162	(219)	156	2 146
Fair value adjustments	14 622	5 182	(208)	1 370	36 641	544	3 118	61 269
Investment property at 31 March 2018	**167 700**	**203 150**	**9 401**	**29 000**	**388 351**	**69 623**	**119 471**	**986 696**
Other assets not managed on a segmental basis								11 943
Total assets as at 31 March 2018								**998 639**

For the year ended 31 March 2017 AUD'000	Office	Industrial	Total
23. Segmental analysis *(continued)*			
Statement of profit or loss and other comprehensive income 2017			
Revenue from external customers, excluding straight-line rental revenue adjustment	36 979	14 726	51 705
Straight-line rental revenue adjustment	1 866	927	2 793
Property expenses	(6 690)	(1 718)	(8 408)
Net property income	**32 155**	**13 935**	**46 090**
Net investment property revaluation	7 853	3 566	11 419
Total segment results	**40 008**	**17 501**	**57 509**
Other operating expenses			(4 319)
Fair value adjustment on interest rate swap derivatives			2 226
Finance costs			(7 100)
Finance income			106
Other income			320
Profit for the period			**48 742**
Statement of financial position extracts at 31 March 2017			
Investment property balance at 1 April 2016	336 250	157 600	493 850
Acquisitions	230 256	18 999	249 255
Acquisition costs and capital expenditure	20 927	1 106	22 033
Straight-line rental revenue receivable	1 866	927	2 793
Fair value adjustments	7 853	3 566	11 419
Investment property at 31 March 2017	**597 151**	**182 199**	**779 350**
Other assets not managed on a segmental basis			8 307
Total assets as at 31 March 2017			**787 657**

For the year ended 31 March 2017 AUD'000	Victoria	Queensland	South Australia	Western Australia	New South Wales	Australian Capital Territory	Total
23. Segmental analysis *(continued)*							
Statement of profit or loss and other comprehensive income 2017							
Revenue from external customers, excluding straight-line rental revenue adjustment	10 500	12 944	978	2 363	18 509	6 411	51 705
Straight-line rental revenue adjustment	144	734	38	349	1 196	332	2 793
Property expenses	(1 851)	(1 877)	(75)	(271)	(3 426)	(908)	(8 408)
Segment results	**8 793**	**11 801**	**941**	**2 441**	**16 279**	**5 835**	**46 090**
Total fair value adjustment on total investment property	**5 158**	**(900)**	**(238)**	**942**	**3 291**	**3 166**	**11 419**
Statement of financial position extracts at 31 March 2017							
Investment property balance at 1 April 2016	122 650	122 000	9 801	26 000	147 600	65 799	493 850
Acquisitions	–	66 000	–	–	183 255	–	249 255
Acquisition costs and capital expenditure	548	7 315	–	9	14 158	3	22 033
Straight-line rental revenue receivable	144	734	38	349	1 196	332	2 793
Fair value adjustments	5 158	(900)	(238)	942	3 291	3 166	11 419
Investment property at 31 March 2017	**128 500**	**195 149**	**9 601**	**27 300**	**349 500**	**69 300**	**779 350**
Other assets not managed on a segmental basis							8 307
Total assets as at 31 March 2017							**787 657**

The notes on pages 58 to 75 are an integral part of these consolidated financial statements.

Unitholder information

As at 31 March 2018 the Fund had 478 802 454 units in issue (2017: 435 587 842 million).

Spread of unitholders as at 31 March 2018

Holdings	Number of unitholders	% of total unitholders	Number of units in issue	% of issued capital
1 – 10 000	2 990	61	12 117 808	3
10 001 – 50 000	1 276	26	28 600 987	6
50 001 – 100 000	244	5	17 832 803	4
100 001 units and over	374	8	420 250 856	87
Total	**4 884**	**100**	**478 802 454**	**100**

Top 10 unitholders as at 31 March 2018

	Number of units held	% holding
Investec Property Fund Limited	100 147 030	21
Investec Bank Limited	72 172 172	15
Sanlam	16 088 912	3
Coronation Fund Managers	15 653 275	3
STANLIB	15 576 303	3
Old Mutual	13 976 494	3
NPV Holdings (Pty) Ltd	12 911 928	3
Prescient	11 460 561	2
MMI Holdings Ltd	8 317 497	2
Rezco Asset Management	8 180 778	2
Total	**274 484 950**	**57**

Directors' interests in units

	Balance at 31 March 2018	Balance at 31 March 2017
Executive director		
Graeme Anthony Katz	229 296	229 296
Non-executive director		
Samuel Ronald Leon	4 000 000	4 000 000
Total	**4 229 296**	**4 229 296**

Unitholder classification as at 31 March 2018

Public/non-public unitholders	Number of unitholdings	%	Number of units	%
Non-public shareholders	**4**	**0.08**	**176 548 498**	**37**
Director holdings	2	0.04	4 229 296	1
Holding 10% or more	2	0.04	172 319 202	36
Public Unitholders	**4 880**	**99.92**	**302 253 956**	**63**
Total	**4 884**	**100.00**	**478 802 454**	**100**

Unitholder information

(continued)

Unit statistics

	2018	2017
Closing market price (ZAR)		
– Year-end	10.50	12.96
– High	14.00	15.59
– Low	10.00	12.60
Market capitalisation (million)	5 027.43	5 645.22
Daily average volume of units traded	193 687	128 600
Units in issue (million)	478.80	435.59

Unitholder diary

Financial year-end	31 March 2018
Publication of financial results	15 May 2018
Final distribution paid to unitholders	11 June 2018
Annual report posted to unitholders	30 June 2018
Annual general meeting	15 August 2018

Distributions

Unitholders were given notice of a final distribution declaration number 9 of:

- 5.08073 AUD cents per unit pre WHT; and
- 4.64803 AUD cents per unit WHT,

for the six months ended 31 March 2018. Tax of 0.43270 AUD cents or 8.51655% per unit will be withheld from the distribution paid to non-Australian unitholders.

King IV principles

Introduction

The new King Code IV (King IV) must be applied by all JSE listed entities in respect of financial years commencing on or after 1 April 2017. King IV, which replaces King III in its entirety reflects the significant regulatory and corporate governance changes that have been seen locally in the South African market and internationally.

The board is committed to the continued application and monitoring of the principles prescribed by King IV and recognises it sets the tone for the management of the Fund through transparent and ethical leadership. The principles are applied to the extent applicable, whilst acknowledging the unique nature of the Fund in a South African context. The board will continue to analyse the Fund's practices to further support and apply the various principles and outcomes in terms of King IV.

The below table sets out the 16 applicable principles of King IV and explains the application of these principles to the Fund.

Leadership, Ethics and Corporate Citizenship	
PRINCIPLE 1: The governing body should lead ethically and effectively. **PRINCIPLE 2:** The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. **PRINCIPLE 3:** The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The board is committed to cultivating a strong ethical culture this is applied through the Fund and the wider Investec codes of ethics and conduct, which guide and hold management and the directors responsible for their conduct. The Board Charter also sets the tone for the board in terms of ethical leadership with the following key objectives noted: • approve the strategy of the RE and the Fund; • act as a focal point for, and custodian of, corporate governance; • provide effective and ethical leadership; • ensure the RE and the Fund are responsible corporate citizens; • be responsible for the high-level review of risk, including that of information and technology; and • ensure that the RE and the Fund comply with all the applicable laws and adhere to non-binding rules and standards. The board has a standing agenda item at board meetings to address ethics, social impact and good corporate citizenship in the conduct of its business.

King IV Principles

(continued)

Strategy, Performance and Reporting	
PRINCIPAL 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. **PRINCIPLE 5:** The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The board and management set the strategy of the fund through a focused annual strategy session and continued dialogue and review of success throughout the year. The board ensures that there are robust processes in place to make sure that meaningful and timely reporting is provided to investors, enabling informed assessment and investment decisions based on accurate and transparent information provided. The Fund's annual report goes through a thorough review process by the board and its audit and risk committee before being published.

Governing Structures and Delegation	
PRINCIPLE 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation. **PRINCIPLE 7:** The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. **PRINCIPLE 8:** The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties. **PRINCIPLE 9:** The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness. **PRINCIPLE 10:** The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The board's commitment to good corporate governance is applied through its Board Charter which adheres to the principles set out in King IV, the JSE Listing Requirements and the Act. The Board Charter does this by setting the tone for conduct, details the board's role and objectives along with clear description of the delegation framework. The composition of the board of directors and its audit and risk committee reflects a wide range of expertise and knowledge, the composition of both is contemplated in more detail in the Corporate Governance section of this report. Both the board and the audit and risk committee are committed to adherence of their responsibilities as set out in their respective charters. The performance of the board, its audit and risk committee and that of the company secretary are reviewed annually to ensure continued effectiveness and in the case of the company secretary that they continue to have an at arm's length relationship with the board.

Governance Functional Areas	
PRINCIPLE 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives. **PRINCIPLE 12:** The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. **PRINCIPLE 13:** The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen. **PRINCIPLE 14:** The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. **PRINCIPLE 15:** The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The board is responsible for the overall governance of risk this is delegated to the audit and risk committee and management who have in place mitigation processes and controls and a comprehensive risk register which is reviewed quarterly. The audit and risk committee reports quarterly to the board on the risk status of the Fund. The management of information and technology is outsourced to the external manager and utilises the wider Investec IT framework and policies. The IT focus during the year and for the year coming is: • IT risk and cyber security; • business continuity There were no material or repeated regulatory penalties, sanction or fines for contravention of, or non-compliance with, statutory obligations imposed on the board or the Fund. The Fund has no employees and therefore matters of remuneration are managed by the remuneration committee of the external manager, Investec. The remuneration of the non-executive directors is determined by the board. Representation from external audit, management and compliance at the audit and risk committee enables an effective internal control environment to support the integrity of information used for internal decision-making and support the integrity of external reports. A combined assurance framework includes both coverage of significant risks and reporting of any issues raised relating these risks.

Stakeholder Relations	
PRINCIPLE 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	The board is committed to providing meaningful and transparent communication to stakeholder. Are of focus in the coming year will be • active tenant engagement; • ongoing community engagement and support; and • continued social and ethical engagement in the communities we are a part of. See the sustainability and our community section for more details.

Notice of annual general meeting

Investec Australia Property Fund

Incorporated and registered in Australia in terms of ASIC (ARSN 162 067 736)
Registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No. 45 of 2003
Operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909)
(the Responsible Entity)
Share code: IAP/ISIN: AU60INL00018
(the Fund)

Directors of the Responsible Entity

Richard Longes (independent non-executive chairman)
Graeme Katz (chief executive officer)
Sally Herman (lead independent non-executive)
Hugh Martin (independent non-executive)
Sam Leon (non-executive)
Stephen Koseff (non-executive)

Notice is given that the annual general meeting of unitholders of the Fund (the Meeting) will be held at:

Time: 17:00 (Sydney)/09:00 (Johannesburg)

Date: Wednesday, 29 August 2018

Place:
- Boardroom, Level 23, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia; and
- 2nd Floor, Executive Boardroom, 100 Grayston Drive, Sandown, Sandton 2196, South Africa.

The chairperson will be in Australia and the Meeting will be broadcast via video conference to South Africa. Unitholders at either location will be able to participate in the Meeting, including to ask questions.

Business of the Meeting

Ordinary Business

Item 1 Directors' report and financial statements

To receive and consider the annual financial report, directors' report, the report of the audit and risk committee and the auditor's report in relation to the Fund for the period from 1 April 2017 to 31 March 2018.

Item 2 Resolutions

Resolution 1 Special Resolution No. 1: On-market repurchase or buy-back of units

To consider and, if thought fit, pass the following resolution as a special resolution of the Fund:

RESOLVED THAT the Responsible Entity is authorised by way of a general authority to repurchase or buy-back units in the Fund (Units) from any person at any time before the anniversary of the passing of this resolution, upon such terms and conditions and in such number as the Responsible Entity determines, where such repurchase or buy-back is permitted under, and undertaken in compliance with, the constitution of the Fund (Constitution), the Corporations Act 2001 (Cth) Cth Australia (Act) (including as modified by Instrument 13-0380), and other applicable requirements and the Listings Requirements of the JSE Limited (JSE Listings Requirements). Any such repurchase or buy-back of Units will not in aggregate before the anniversary of the passing of this resolution exceed 20% (twenty percent) of the Fund's issued unit capital of that class in any 1 (one) financial year.

The Responsible Entity considers it beneficial to obtain the authority to enable the Fund to take advantage of any business opportunity that may arise in future. Unitholders should note that the current authorisation under which the Fund is able to buy back units, will expire on 15 August 2018.

This resolution is a special resolution. To be passed, it must be approved by at least 75% (seventy-five percent) of the votes cast by unitholders entitled to vote on the resolution (including unitholders who are voting by proxy).

Recommendation

The board of the Responsible Entity has duly considered the implications of the resolution and is satisfied that it is in the best interests of unitholders as a whole and recommends that unitholders vote in favour of the resolution.

By order of the board of Investec Property Limited as responsible entity of the Investec Australia Property Fund.

P. Lam-Po-Tang

PKY Lam-Po-Tang

Company secretary

Sydney

19 June 2018

Voting entitlement

The board of the Responsible Entity have determined that for the purposes of determining voting entitlement at the Meeting, Units will be taken to be held by persons who are registered as unitholders on Wednesday, 15 August 2018 at 17:00 (Sydney time)/09:00 (Johannesburg time).

In accordance with section 253E of the Corporations Act 2001 (Cth), if the Responsible Entity or its associates have an interest in the resolutions other than as unitholder, the Responsible Entity and its associates may not vote on the resolution.

How do you exercise your right to vote?

The vote on each resolution will be decided on a show of hands or a poll as determined by the chairman subject to any requirements of the Act, the Constitution and, to the extent that it is not inconsistent with the Act, the JSE Listings Requirements.

In a resolution of the Fund determined by a show of hands, each unitholder present in person or by proxy has one vote. If your Units are jointly held, only one of the joint unitholders is entitled to vote on a show of hands.

In a resolution of the Fund determined by poll, each unitholder present in person or by proxy has one vote for every dollar of the total interest they have. The value of a unitholder's total interest in the Fund will be calculated by reference to the last sale price of the Units on the Johannesburg Stock Exchange on Wednesday, 15 August 2018.

Voting as a proxy

If a person is acting as a proxy, in a resolution of the Fund determined by a show of hands, the person is entitled to vote in the following way:

- If, on a poll, the person would have cast all votes in the same voting direction, the person is entitled to one vote only.
- If, on a poll, the person would have cast votes in different directions, the person is entitled to one vote in each direction.

Jointly held Units

If your Units are jointly held, only one of the joint unitholders is entitled to vote. If more than one unitholder votes in respect of jointly held Units, only the vote of the unitholder whose name appears first in the register will be counted.

Attorney

Where a unitholder appoints an attorney to act on his or her behalf at the Meeting, such appointment must be made by a duly executed power of attorney. The power of attorney must be received by the Responsible Entity at its registered office by 17:00 (Sydney time) on Monday, 27 August 2018 or by Computershare Investor Services Proprietary Limited by 09:00 (Johannesburg time) on Monday, 27 August 2018, being 48 hours before the Meeting.

If you plan to attend the Meeting, we ask that you arrive 15 minutes prior to the time designated for the Meeting so that we may check the value of your Units against the register of unitholders and note your attendance.

Corporations

Where a corporation that is a unitholder appoints a person to act as its representative, the appointment must comply with section 253B (for the meeting of the Fund) of the Act. The appointment must be received by the Responsible Entity by 17:00 (Sydney time) on Monday, 27 August 2018 or by Computershare Investor Services Proprietary Limited by 09:00 (Johannesburg time) on Monday, 27 August 2018, being 48 hours before the Meeting. Alternatively, the representative must bring to the Meeting satisfactory evidence of his or her appointment, including any authority under which it was signed.

Voting by proxy

If you cannot or do not wish to attend the Meeting, you may appoint a proxy to attend and vote for you. The proxy does not need to be a unitholder. If you appoint two or more proxies, you must specify the proportion or number of votes that each proxy is entitled to exercise. If you do not, each will be entitled to vote half your votes. Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.

A proxy form must be signed by the unitholder or their attorney or, in the case of a corporation, executed in under its common seal, by any two (2) directors or a director and secretary, or if it is a company that has a sole director who is also the sole secretary (or has no secretary), by that director, or signed by an authorised officer or attorney. If the proxy form is signed by an attorney or by an authorised officer of a corporation, the original or a notarised copy of the power of attorney or other authority (document of appointment) must accompany the proxy form unless it has previously been provided to the Responsible Entity.

Where a unitholder appoints a body corporate as proxy, that body corporate will need to ensure that:

- it appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 253B of the Act; and
- the instrument appointing the corporate representative is received by the Responsible Entity at its registered office by 17:00 (Sydney time) on Monday, 27 August 2018 or by Computershare Investor Services Proprietary Limited by 09:00 (Johannesburg time) on Monday, 27 August 2018, being 48 hours before the Meeting.

A body corporate may appoint an individual as a representative to exercise all or any of its powers at a meeting of a registered scheme's members. The appointment may be a standing one.

Notes relating to voting

The appointment must set out what the representative is appointed to do and may set out restrictions on the representative's powers. If the appointment is to be by reference to a position held, the appointment must identify the position.

A body corporate may appoint more than one (1) representative but only one (1) representative may exercise the body's powers at any one time.

Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution.

Proxy forms along with any document of appointment should be completed and returned by no later than 17:00 (Sydney time) on Monday, 27 August 2018 or 09:00 (Johannesburg time) on Monday, 27 August 2018, being 48 hours before the Meeting.

To ensure that all unitholders can exercise their right to vote on the resolutions, a proxy form is enclosed together with a reply paid envelope. You can lodge the proxy form by sending it in the reply paid envelope or otherwise posting, delivering to:

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

PO Box 61051
Marshalltown 2107
South Africa

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the Proxy Form. If, in respect of any of the items of business, you do not direct your proxy how to vote, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions. If you mark the abstain box for a particular item you are directing your proxy not to vote on your behalf and your Units will not be counted in computing the required majority on a poll. Please refer to the proxy form for further instructions.

The chairman of the Meeting is deemed to be appointed where a signed proxy form is returned which does not contain the name of a proxy. In addition, if you direct your proxy how to vote and your nominated proxy does not attend, or attends but does not vote, on a poll on a resolution, the chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions.

If the chairman of the Meeting is your proxy, you can direct the chairman of the Meeting to vote for or against, or to abstain from voting on a resolution by marking the appropriate box opposite the relevant item on the proxy form.

The chairman intends to vote available undirected proxies in favour of all resolutions.

If you have any questions or would like a copy of the Constitution, please contact Investor Relations by e-mail (investorrelations@investec.com).

Investec Australia Property Fund

ARSN 162 067 736

Investec
Australia Property Fund

I/We (full name in BLOCK LETTERS) ______________________________

of (full address) ______________________________

being **a unitholder/unitholders** of Investec Australia Property Fund ARSN 162 067 736 (the Fund) and entitled to attend and vote, appoint

(full name in BLOCK LETTERS) ______________________________

of (full address) ______________________________

(or, in his/her absence, or if no person is named, the chair of the meeting) as my/our proxy to vote for me/us on my/our behalf at the general meeting of the Fund to be held on Wednesday, 29 August 2018 and at any adjournment of the meeting and to demand a poll.

If two (2) proxies are appointed, the proportion or number of votes this proxy is appointed to represent is:

Proportion of votes ____________ % or Number of votes ____________ (see note 2 overleaf).

If you wish to instruct your proxy how to vote, please tick or otherwise mark the appropriate box opposite each item. Unless instructed to the contrary, proxies in favour of the chair will be used in support of the specific matters set out in the notice of meeting.

		For	Against	Abstain
1.	On-market repurchase or buy-back of Units			

PLEASE SIGN

	Individual or Member 1	**Member 2**	**Member 3**
Sign here ➤			
	Individual/Sole Director and Sole Company Secretary *(delete whichever does not apply)*	Director	Company Secretary/Director *(delete whichever does not apply)*

Date ______________________________

Please read the notes that follow.

Notes to the proxy form

1. Any instrument appointing a proxy in which the name of the appointee is not filled is regarded as given in favour of the chairman.
2. A unitholder entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote instead of the unitholder. An additional proxy form will be supplied by the Fund on request. Where two (2) proxies are appointed, both forms should be completed with the nominated proportion or number of votes each proxy may exercise. Otherwise each proxy may exercise half of the votes.
3. A proxy need not be a unitholder of the Fund.
4. Proxy forms must be signed by a unitholder or the unitholder's attorney or, if the unitholder is a corporation, must be under its common seal, or if it does not have one, by two (2) directors or by a director and a secretary, or if it is a company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer. If the proxy form is signed by a person who is not the registered holder of units in the Fund, then the relevant authority must be enclosed with the proxy form unless it has previously been provided to the Fund.
5. The proxy form and authority (if any) under which it is signed must be deposited at:

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

   PO Box 61051
   Marshalltown 2107
   South Africa

   not less than 48 hours before the time for holding the Meeting. Unless this is done the proxy will not be treated as valid.

Investec Australia Property Fund

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

Internet address

www.iapf.com.au

Directors of the Responsible Entity

Richard Longes[#] (Non-executive chairman)
Stephen Koseff (Non-executive)
Graeme Katz (Executive)
Sam Leon (Non-executive)
Sally Herman[#] (Non-executive)
Hugh Martin[#] (Non-executive)

[#] *Independent*

Directors of the Manager

Graeme Katz *(Executive)*
Zach McHerron *(Executive)*
Kristie Lenton *(Executive)*
Sam Leon *(Non-executive)*

Company Secretary of the Responsible Entity

Paul Lam-Po-Tang (BCom, LLB, GAICD)

Registered office, postal address of the Responsible Entity and date of establishment of the Fund

Australia:

Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Local representative office:

2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

Fund established on 12 December 2012 in Sydney, Australia. Registered as a Managed Investment Scheme with ASIC under the Corporations Act 2001 (Cth) on 6 February 2013. On 23 August 2013 the Registrar of Collective Investment Schemes authorised the Fund to solicit investments in the Fund from members of the public in the Republic of South Africa in terms of Section 65 of the Collective Investment Schemes Control Act No. 45 of 2003, as amended.

Responsible Entity

Investec Property Limited
(ACN 071 514 246 AFSL 290 909)
Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Manager

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

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196
(PO Box 61051 Marshalltown 2107)
South Africa

Sponsor

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

Custodian

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

For queries regarding information in this document.

Investor relations

Telephone +27 11 286 7070
E-mail: investorrelations@investec.com
Internet address: www.investec.com/en_za/#home/investor_relations.html

Preparer

This integrated annual report and financial statements have been prepared under the supervision of the chief financial officer Kristie Lenton CA.

Glossary of terms

Act	Corporations Act 2001 (Cth)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollars
DCF	Discounted cash flow
FRSC	Financial Reporting Standards Council
GLA	Gross lettable area
GST	Goods and services tax
IAL	Investec Australia Limited
IAPF or Fund	Investec Australia Property Fund
IAPHPL	Investec Australia Property Holdings Pty Limited
IFRS	International Financial Reporting Standards
IPL	Investec Property Limited
IPML or Manager	Investec Property Management Pty Limited
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance for South Africa 2016
KPI	Key performance indicators
NABERS	National Australia Building Environment Ratings System
NAV	Net asset value
NZD	New Zealand dollars
RE	Responsible entity
REIT	Real estate investment trust
WALE	Weighted average lease expiry
WHT	Withholding tax
ZAR	South African Rand

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Independent Auditor's Report

To the unit holders of Investec Australia Property Fund,

Opinion

We have audited the ***Consolidated Financial Report*** of Investec Australia Property Fund (the Fund).

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 March 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Consolidated Financial Report*** comprises:

- Consolidated statement of financial position as at 31 March 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Fund and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Investec Australia Property Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Investec Property Limited (Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

KPMG

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar7.pdf. This description forms part of our Auditor's Report.

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Nigel Virgo
Partner

Sydney
19 June 2018