IRONGATE

Annual Report 2022

Integrated annual report and consolidated financial statements

Irongate Group

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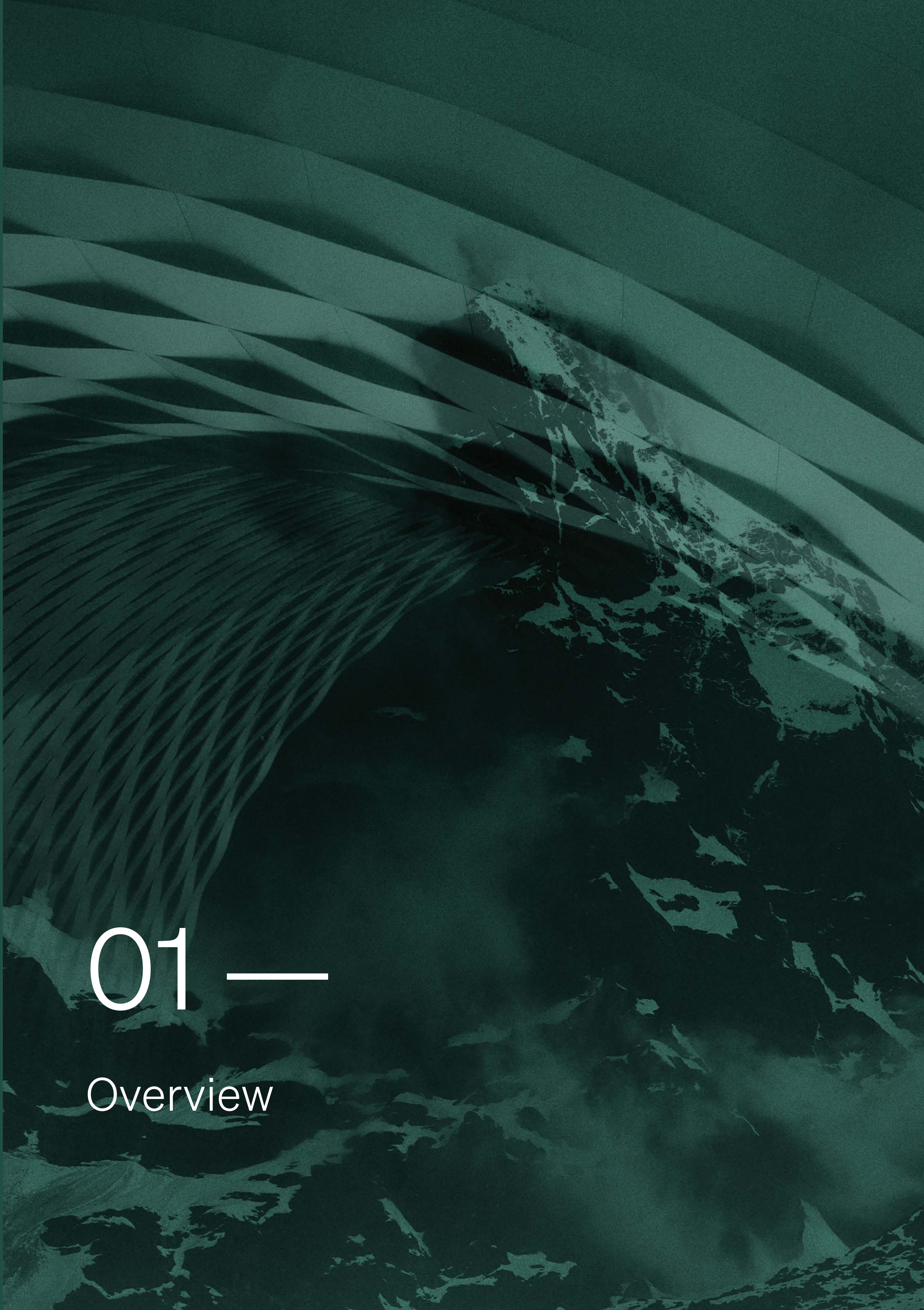

01 —

Overview

FY22 highlights

FFO

10.40 cps

Distributions

9.20 cps

Portfolio value

A$1.679b

NTA per security

A$1.74

Portfolio occupancy[1,2]

96.1%

Portfolio WALE[1,2]

4.9 years

Gearing

30.1%

Funding cost

2.95%

- Completed the acquisition of six properties for A$286 million
- Completed the sale of 24 Wormald Street, Symonston ACT for A$36 million, 18% above book value
- Undertook two institutional placements raising approximately A$100 million of new equity
- 49,627m² of space leased or subject to signed HoAs during the period
- Grew third party FUM and invested in landmark real estate opportunities
- Scheme implementation agreement entered into with Charter Hall managed partnership[3]—unanimously recommended by the Board[4]

1. Weighted by gross property income.
2. Excludes signed HoAs.
3. The partnership comprises Charter Hall (ASX:CHC) and Dutch pension fund PGGM.
4. Subject to no superior proposal emerging and an independent expert concluding that the proposal is fair and reasonable, and therefore in the best interests of, securityholders.

Introduction from the chairperson and the CEO

Over the past financial year IAP has continued to acquire good quality real estate in line with its stated strategy, achieved excellent leasing results through active asset management and has prudently managed the balance sheet. The third party funds management platform has also gained traction with significant new mandates secured to invest into landmark real estate opportunities.

Richard Longes
Independent non-executive chairperson

Graeme Katz
CEO

	FY22	FY21
Properties (#)	37	32
Portfolio value (A$b)	1.679	1.237
Area (m²)	396,593	345,787
Occupancy (%)[1,2]	96.1	97.5
WALE (years)[1,2]	4.9	4.7
WARR (%)[1,2]	3.3	3.4
WACR (%)[3]	5.27	6.02
WADE (years)	6.0	6.1
WASE (years)	6.8	7.0
Hedged position (%)	85.9	78.3

Year in review

IAP started the financial year with clarity and confidence in both our business and general market conditions, having navigated the initial impacts of the COVID-19 pandemic without any material disruption. As the second wave of restrictions associated with the COVID-19 pandemic took effect in the middle part of 2021, the resilience of the business was once again tested. The risk management systems established by the business, together with the quality of the property portfolio and underlying tenant base, meant that IAP was still able to operate efficiently and effectively and deliver a strong FY22 financial result for securityholders.

During the year, IAP was able to grow its balance sheet aided by two successful institutional placements, raising approximately A$100 million of additional equity. The Fund's portfolio now comprises 37 quality properties valued at A$1.679 billion across the office and industrial sectors in Australia and New Zealand. The balance sheet remains in a strong position with gearing at 30.1% and A$104.3 million of undrawn debt facilities available.

Third party FUM grew to A$423 million having secured new mandates from both domestic and foreign wholesale investors, and further investments were made into a number of significant real estate opportunities during the reporting period.

In January this year, IAP received a non-binding indicative proposal from a Charter Hall managed partnership (**Partnership**) to acquire all of the securities of IAP for A$1.90 cash per security (**Proposal**). In February this year the Board entered into a non-disclosure agreement with the Partnership providing it with a period of exclusivity of approximately six weeks, which culminated in IAP and the Partnership entering into a scheme implementation agreement on 30 March 2022. Securityholders will have an opportunity to approve the Proposal at a meeting of securityholders, which is currently scheduled to be held in late June 2022. The Board has unanimously recommended that securityholders vote in favour of the Proposal subject to no superior proposal emerging and an independent expert concluding that the Proposal is fair and reasonable, and therefore in the best interests of, securityholders.

1. Weighted by gross property income.
2. Excludes signed HoAs.
3. Weighted by property value.

Introduction from the chairperson and the CEO

Continued

Market commentary

The Australian industrial and logistics sector continued to see strong momentum in the occupier and investment markets with A$18.2 billion of industrial assets transacting during calendar year 2021—more than three and a half times the average annual transaction activity over the last ten years. Capital deployed into the sector exceeded the volumes invested in office and retail for the first time ever in 2021 as institutional groups (both domestic and offshore) struggled to increase their allocations, driving yields to record lows across all markets and grades.

The Australian office market also saw improvement over 2021, as the risks related to work from home trends and its impact on tenant demand appeared overstated. Conditions in the leasing market and investment market improved with $13.4 billion of office assets trading through 2021.

The outlook for the industrial sector remains favourable and outperformance is expected to persist given strong underlying occupier demand and continued market rental growth. Demand for office investment is also expected to grow, further accelerated by the opening of international borders and weight of unsatisfied capital.

Financial result

We are pleased to announce that IAP is delivering a final distribution of 4.67 cps for the six months ended 31 March 2022. This brings the total distribution for FY22 to 9.20 cps which is above the upper end of FY22 guidance given to the market.

IAP's portfolio has achieved significant valuation uplift over the past 12 months, particularly the industrial properties. This, combined with the acquisitions completed during the period, have resulted in a portfolio valuation of A$1.679 billion, up from A$1.237 billion at 31 March 2021. The WACR[1] has tightened to 5.27% from 6.02% at 31 March 2021 .

NTA has increased from A$1.43 per security at 31 March 2021 to A$1.74 per security at 31 March 2022. NAV has increased from A$1.49 per security at 31 March 2021 to A$1.79 per security at 31 March 2022. The increase in NTA is largely related to the valuation uplift in the property portfolio offset by the intangible asset related to the value of the management business.

The full year financial statements are available on the website at irongategroup.com.au.

Portfolio performance

Despite further lockdowns during the middle of 2021 associated with the COVID-19 pandemic, the portfolio continued to perform well, with the quality of the tenant base supporting high levels of rent collection. Over the year, 99.7% of rent was collected including rent support arrangements. We continue to support a very limited number of small tenants within the portfolio as they manage the ongoing impacts of the COVID-19 pandemic on their businesses.

Our active, hands-on approach to asset management has again delivered excellent leasing outcomes. Since 1 April 2021, 49,627m² of space has been leased or subject to signed HoAs. As a result of the leasing activity during the period, only 8,621m² of space remains vacant at the date of the annual report, the portfolio WALE is 4.9 years[2] and 39.9%[3] of leases expire after five years, an increase from 38.9% at 31 March 2021.

Since the beginning of the financial year, the Fund completed the acquisition of six properties for a combined value of A$286 million. The acquisitions were consistent with IAP's strategy of acquiring good quality properties with strong tenant covenants and long lease terms.

During the year the Fund also completed the sale of 24 Wormald Street, Symonston ACT for A$36 million, 18% above book value.

Third party funds management

A difficult global environment due to the COVID-19 pandemic made further capital raising in the ITAP Fund challenging, with the fund closing on 30 April 2022 with A$161 million of equity commitments. To compliment the ITAP Fund, new third party mandates were secured totalling A$230 million, bringing total third party FUM to A$423 million.

The acquisition of two landmark assets were secured during the period—the Yarraville residential project and the Younghusband commercial project, both in Melbourne's inner suburbs. Yarraville is yet another joint venture with our long-term partners, Frasers Property Australia. We were also pleased to secure one of Australia's leading alternative asset managers, Metrics Credit Partners, as a major investor in the project.

Younghusband is a joint venture with one of Australia's leading builders, Built. We were also pleased to secure a major investment from Ivanhoe Cambridge, one of the world's largest real estate investors.

Environment, social and governance

ESG continues to be an important consideration for all of the Fund's stakeholders, and the Board and management team take their responsibilities in this regard seriously. A copy of IAP's FY22 sustainability report is available on the website at irongategroup.com.au.

The Fund is committed to driving improvements in the way its properties are managed and occupied in an effort to improve the overall sustainability of the portfolio. We are about to commence the GRESB assessment process and expect to be able to publish our first GRESB score later this year. The Fund continues to make progress on achieving its target of net zero emissions by 2030. Six buildings in the office portfolio have now been classified as carbon neutral certified by Climate Active. IAP has also recently obtained ISO accreditation for Quality Management Systems (ISO 9001:2015), Environmental Management Systems (ISO 14001:2015) and Work Health and Safety Management Systems (ISO 45001:2015).

IAP has set certain diversity targets which are set out in the Fund's diversity policy, which is available on the website at irongategroup.com.au. The Fund continues to exceed its targets in respect of gender diversity across all levels of the business. The Fund will continue to review these targets to ensure it is adhering to accepted industry practices. The Fund also acknowledges its responsibility to the communities within which is operates. IAP is proud to continue its association with selected charitable organisations that have special meaning to IAP.

1. Weighted by property value.
2. Weighted by gross property income.
3. Weighted by gross property income.

The Board and 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 the King IV Code in South Africa and the ASX Listing Rules and the ASX Guidelines in Australia. The Board has adopted a corporate governance statement and a board charter which formally recognises the codes of corporate practice and conduct under which the Board operates. The Board is satisfied that it has fulfilled its responsibilities under the board charter for the reporting period.

Guidance

We are not providing guidance for FY23 at this time. However, if the Proposal does not proceed, we will provide further information to securityholders at that time.

Acknowledgements

We would like to thank the Board and management team who have delivered another strong result for securityholders this past year. We would also like to acknowledge the contribution of the whole IAP team in assisting the Board with progressing the Proposal, which they have done while still running the day-to-day business of IAP.

Richard Longes
Independent non-executive chairperson

Graeme Katz
CEO

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02 —

Business review

Strategy

The Fund's strategy is to invest in office, industrial and retail properties in major metropolitan cities or established commercial precincts in Australia and New Zealand and to grow its third party funds management platform

The objectives of the Fund are to:

- deliver income and capital returns to securityholders over time
- grow and diversify its asset base
- maintain a strong corporate governance framework

The Fund's investment philosophy, whether on balance sheet or for third party funds, focuses on making investment decisions based on sound underlying property fundamentals, enhancing the quality of the underlying real estate and identifying opportunities to unlock value through active asset management. The Fund adheres to this philosophy by utilising the skills of an experienced and well-connected management team with a presence in the Fund's key geographies of Sydney, Melbourne and Brisbane, and through a commitment to sound balance sheet management.

01 Focused property fundamentals

- Sustainable revenue stream
- Long-term focus
- Location and quality of real estate
- Strong tenants

02 Acquisition strategy

- 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

03 Active asset management

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

04 Trusted fund manager

- Track record in managing third party capital
- Providing investment opportunities through unlisted real estate private equity funds, joint ventures and managed accounts
- Skills and experience across multiple asset classes
- Co-investment to promote alignment of interest

05 Balance sheet

- Conservative but opportunistic balance sheet management
- Hedging strategy in place to mitigate downside risk
- Manage funding costs

06 Management team

- Specialists in local market
- Strong relationships with key stakeholders
- Passionate and driven
- Extensive industry experience

Portfolio overview

The Fund's portfolio has grown 13 times since listing on the JSE in October 2013 and now comprises 37 properties with an area of 396,593m² valued at A$1.679 billion

	TOTAL	OFFICE	INDUSTRIAL
Properties (#)	37	14	23
Valuation (A$m)	1,679	1,089	590
Area (m²)	396,593	163,768	232,825
Occupancy (%)[1,2]	96.1	94.4	100.0
WALE (years)[1,2]	4.9	4.3	6.3
Leases expiring after 5 years (%)[1,2]	39.9	31.4	59.5
WACR (%)[3]	5.27	5.53	4.80
WARR (%)[1,2]	3.3	3.4	3.2

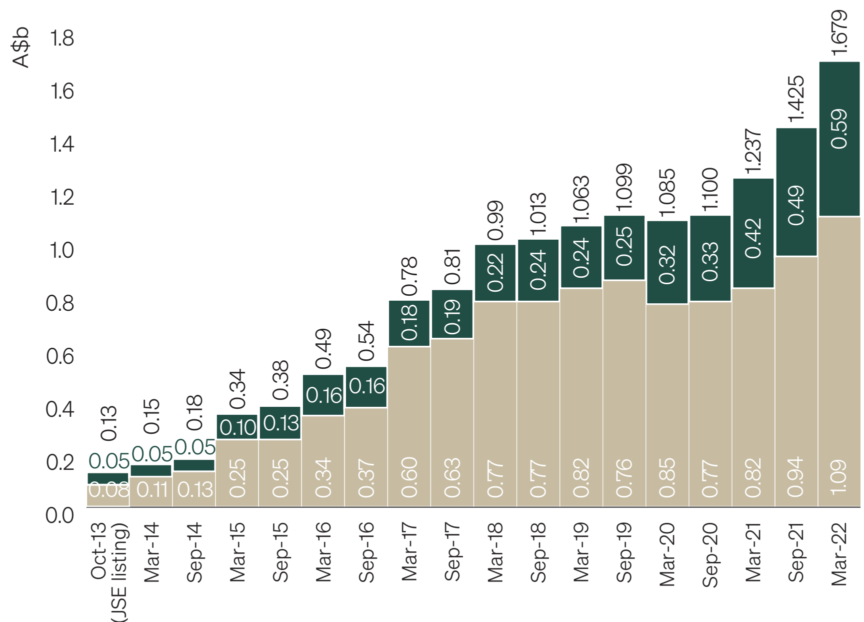
37
properties

396,593m²
area

A$1.679b
portfolio value

The Fund focuses on identifying properties that are located in precincts supported by significant existing or planned infrastructure that provide affordable occupancy costs for tenants and where management can utilise its asset management skills to enhance yield and/or add value. The management team has demonstrated an ability to adjust strategy and shift focus to take advantage of prevailing market conditions.

The Fund has taken a measured, disciplined and value-based approach to portfolio growth, and has a proven track record of completing acquisitions. The portfolio has grown in value by 13 times since the Fund listed on the JSE, demonstrating the management team's ability to identify and secure acquisitions.



Office	2	3	4	6	6	7	8	11	12	12	12	13	13	12	12	12	14	14
Industrial	6	6	6	10	12	12	12	13	13	14	15	15	18	18	18	20	22	23
Total # of properties	8	9	10	16	18	19	20	24	25	26	27	28	31	30	30	32	36	37

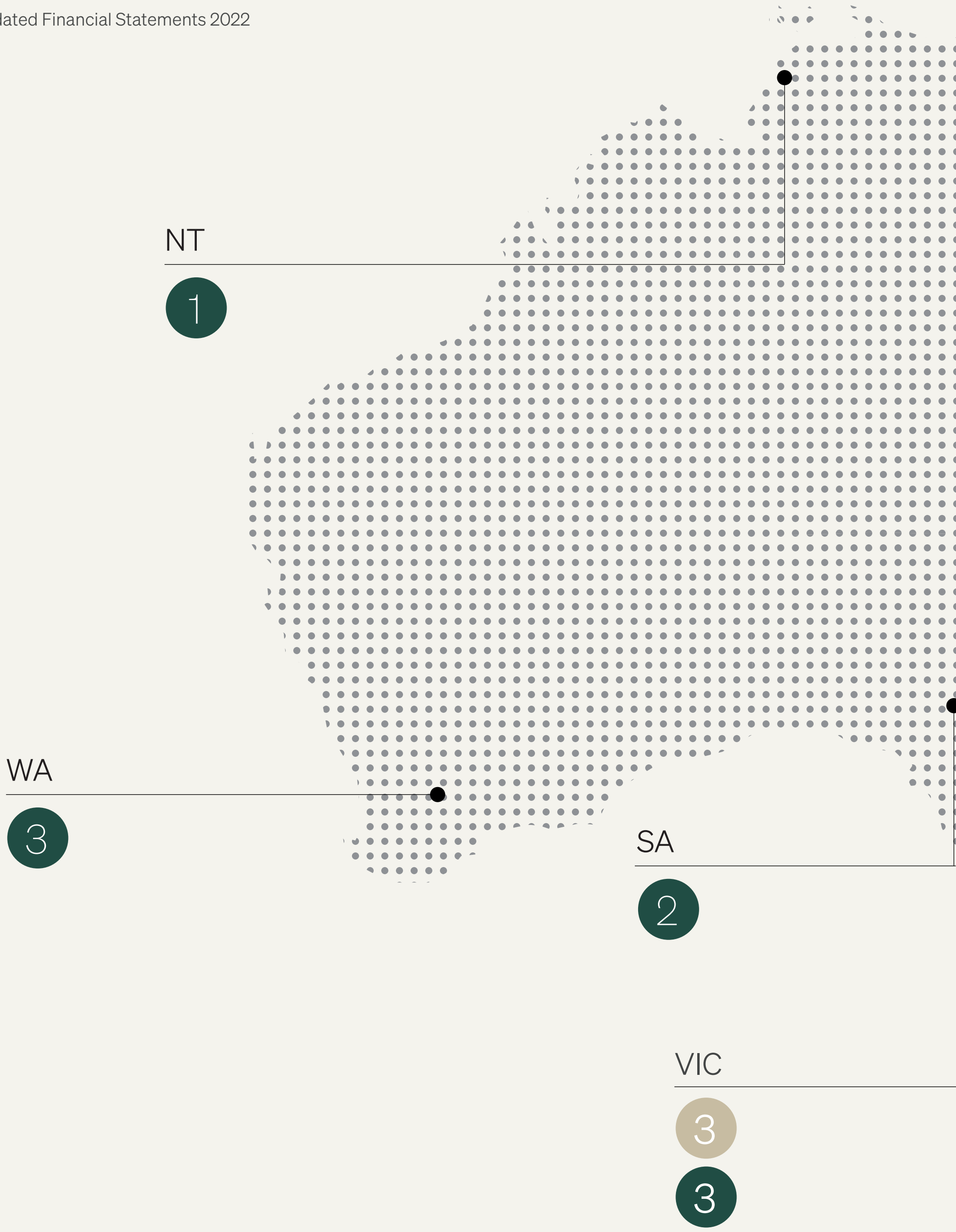
1. Weighted by gross property income.
2. Excludes signed HoAs.
3. Weighted by property value.

Portfolio overview

Continued

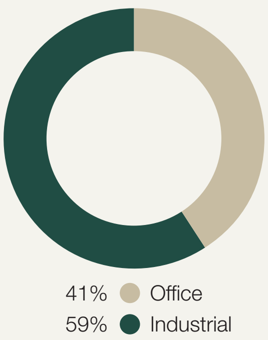
The portfolio comprises 37 properties sectorially and geographically diversified and currently valued at A$1.679 billion. The Fund has focused on constructing a portfolio with the following characteristics:

- strategically located industrial properties that typically provide longer term sustainable income
- suburban office properties located in close proximity to key infrastructure such as main arterial roads and railway stations with affordable occupancy costs for tenants
- CBD office properties in select markets with the opportunity to enhance income and/or capital value through active asset management

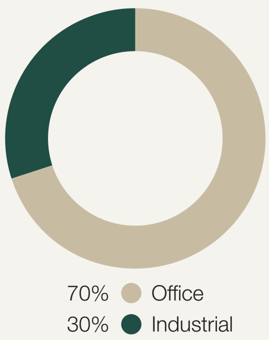


Sectoral spread

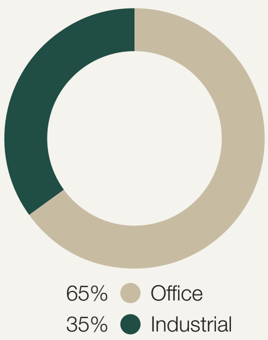
Area

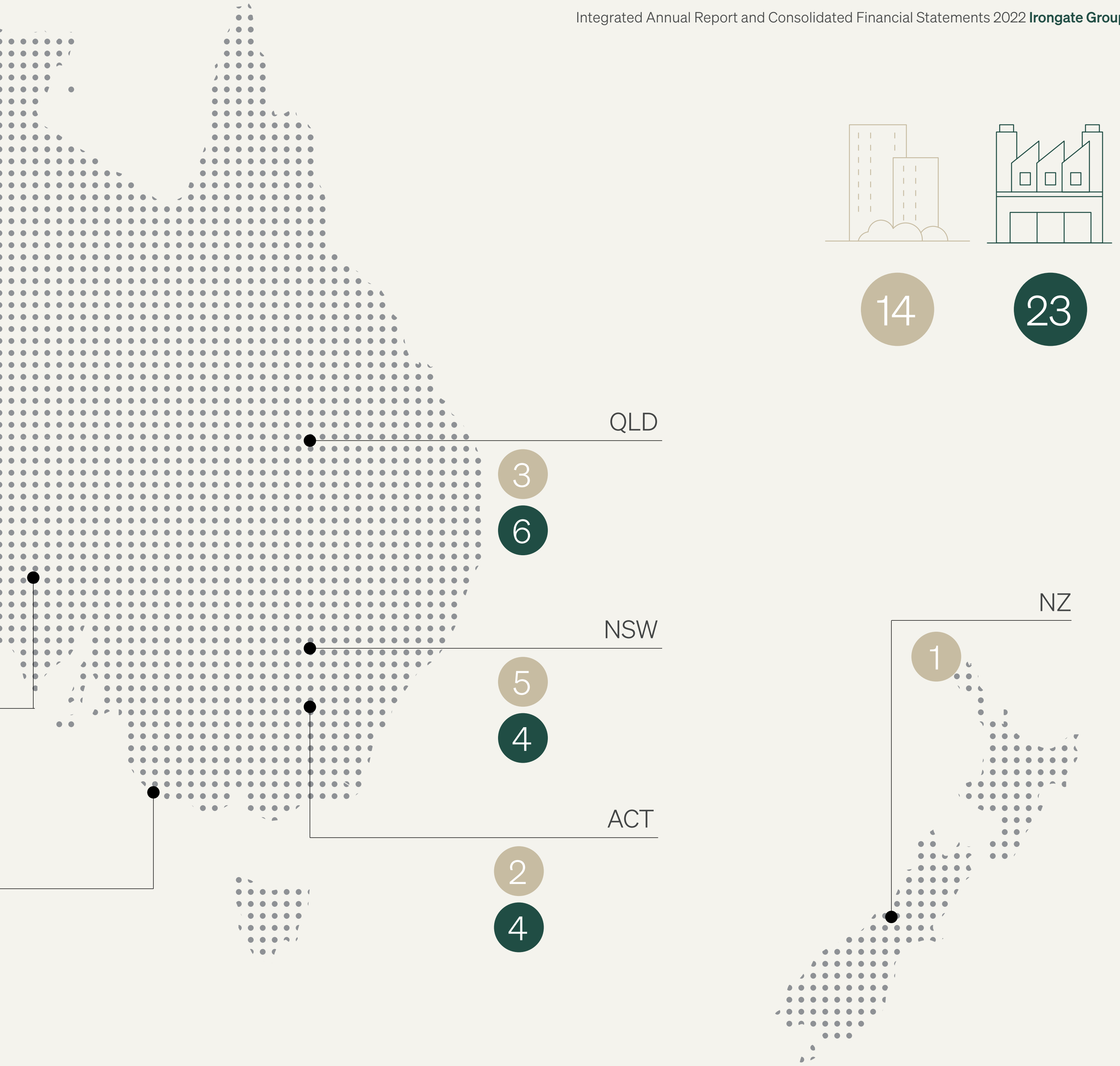


Income



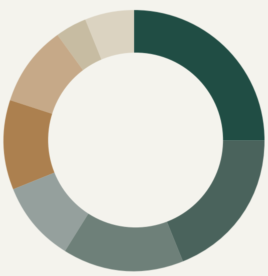
Valuation





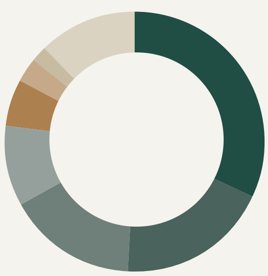
Geographic spread

Area



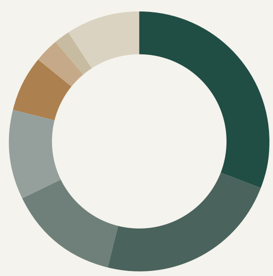
25% NSW
19% VIC
15% QLD
10% ACT
11% WA
10% SA
4% NT
6% NZ

Income



32% NSW
19% VIC
16% QLD
10% ACT
6% WA
3% SA
2% NT
12% NZ

Valuation



31% NSW
23% VIC
14% QLD
11% ACT
7% WA
3% SA
2% NT
9% NZ

Acquisitions and disposals

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 the management team can optimise returns through active asset management.

Since the beginning of the financial year the Fund has completed the acquisition of six properties for a combined value of A$286 million. The acquisitions were consistent with IAP's strategy of acquiring good quality properties with strong tenant covenants and long lease terms. The Fund also completed the sale of 24 Wormald Street, Symonston ACT for A$36 million, 18% above book value.

	57–83 MUDGEE ST, KINGSTON QLD	81 DUNHILL CRES, MORNINGSIDE QLD	38 SYDNEY AVE, FORREST ACT	34 SOUTHGATE AVE, CANNON HILL QLD	510 CHURCH ST, CREMORNE VIC	16 ASPIRATION CIRC, BIBRA LAKE WA
Purchase price (A$)	14,320,000[1]	5,932,000[2]	73,750,000	36,000,000[3]	130,000,000[4]	26,000,000
Initial yield (%)[5]	5.73	6.02	5.13	5.00	4.66	5.80
Book value (A$)[6]	15,494,230[7]	6,500,000	77,500,000	20,819,964[8]	133,500,000	30,500,000
Capitalisation rate (%)[6]	4.75	4.50	5.00	5.00	4.50	5.50
Area (m²)	5,520	1,016	8,901	3,520	19,798	16,861
Occupancy (%)[9]	100	100	100	100	76[10]	100
WALE at acquisition (years)[9]	8.8	10.0	8.5	10.0	7.5[11]	3.4
WARR (%)[9]	2.8	3.0	3.5	3.0	3.0	3.4
Key tenants	Construction Sciences, Waco Kwikform	3M	Australian National Audit Office, SRC	Michael Hill	Dentsu, Monash IVF, NDIS	Firesafe Group, Wheel Pros, Sparrow Services

510 CHURCH STREET, CREMORNE VIC

1. Represents "as if complete" value including land acquisition cost of A$3,050,000.
2. Represents "as if complete" value including land acquisition cost of A$1,252,000.
3. Represents "as if complete" value including land acquisition cost of A$3,897,000.
4. 50% share.
5. Pre transaction costs.
6. As at 31 March 2022
7. Represents "as is" value as at 31 March 2022. "As if complete" value as per the external valuation is A$17,200,000.
8. Represents "as is" value as at 31 March 2022. "As if complete" value as per the directors' valuation is A$36,000,000.
9. Weighted by gross property income.
10. The vacant space on acquisition was subject to a 12-month gross rent guarantee provided by the vendor, the majority of which becomes non-refundable if tenants have not been secured and rent payments have not commenced by 1 March 2022.
11. Includes 12-month gross rent guarantee provided by the vendor.

Leasing activity

At the date of the annual report, the portfolio is 96.1% occupied with a WALE of 4.9 years[1, 2]

Since 1 April 2021, 49,627m² of space has been contracted by way of signed leases or signed HoAs. At the date of the annual report only 8,621m² of space remains vacant, of which 1,763m² is subject to signed HoAs. The management team is committed to managing upcoming vacancy and is actively engaged with all of the Fund's tenants on a regular basis in this regard.

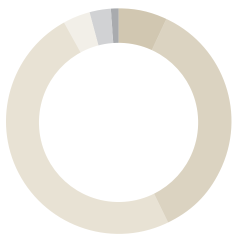
Since 1 April 2021 the Fund has completed the following leasing transactions:

SIGNED LEASES	COUNT (#)	AREA (M²)	WALE (YEARS)[1]	WARR (%)[1]
Office				
Renewal	11	3,874	3.8	3.18
New Tenant	15	8,035	6.7	3.25
Total Office	**26**	**11,909**	**5.8**	**3.22**
Industrial				
Renewal	2	21,707	8.3	3.13
New Tenant	1	7,350	15.0	3.00
Total Industrial	**3**	**29,057**	**9.4**	**3.11**
Total Lease Signed	**29**	**40,966**	**7.6**	**3.17**

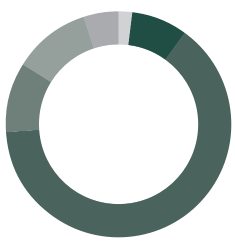
SIGNED HOAS	COUNT (#)	AREA (M²)	WALE (YEARS)[1]	WARR (%)[1]
Office				
Renewal	1	763	3.0	3.50
New Tenant	3	3,260	6.8	3.19
Total Office	**4**	**4,022**	**6.0**	**3.25**
Industrial				
Renewal	1	4,639	5.0	3.75
New Tenant	0	0	0.0	0.00
Total Industrial	**1**	**4,639**	**5.0**	**3.75**
Total HOA Signed	**5**	**8,661**	**5.6**	**3.47**
Total	**34**	**49,627**	**7.2**	**3.22**

Review type[1,2]

Office



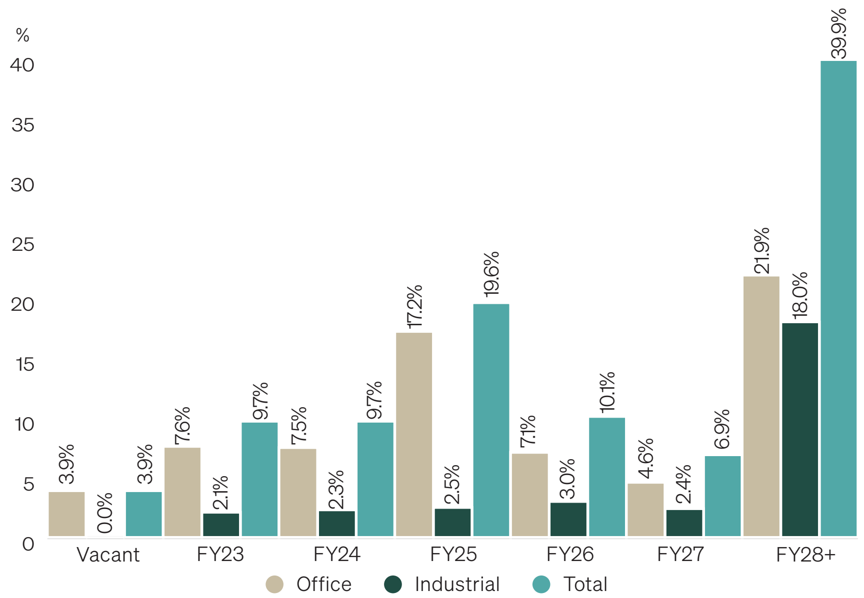
Industrial



Key expiries[1,2]

		%
FY23	Commonwealth of Australia	2.7
	Ernst & Young	1.5
FY24	Probe Operations	1.9
	Coil Steels	1.3
FY25	Carsales.com	3.8
	Commonwealth of Australia	3.0
FY26	State Government of Victoria	2.2
	Ricoh Australia	2.0
FY27	NZ Trade & Enterprise	1.2
	Allied Pickfords	1.0

Lease expiry profile[1, 2]



1. Weighted by gross property income.
2. Excludes signed HoAs.

Tenant base

The Fund has maintained a diversified tenant base across both industries and tenant types, with no single tenant (excluding government tenants) accounting for more than 3.9% of the Fund's income.

The Fund's limited exposure to tenants in the retail and consumer discretionary sectors, combined with a high proportion of the Fund's tenants being government, listed or multinationals, means that the Fund has been able to navigate the impacts of the COVID-19 pandemic with minimal disruption.

TOP 10 TENANTS[1,2]	TOTAL
Commonwealth of Australia	8.1%
Carsales.com	3.9%
Honeywell	2.9%
Vulcan Steel	2.6%
Michael Hill	2.6%
CTI Freight Systems	2.5%
Northline	2.4%
State Government of Victoria	2.3%
Pharmaxis	2.3%
Milne Agrigroup	2.2%
	31.9%

TENANT TYPE[1,2]	TOTAL	OFFICE	INDUSTRIAL
Australian Corporate	21.9%	14.5%	38.2%
Australian Listed	21.0%	17.1%	29.4%
Foreign Listed	20.3%	23.2%	14.2%
SME	8.4%	8.8%	7.5%
Federal Government	7.3%	10.6%	0.0%
Multinational	6.6%	6.1%	7.7%
State Government	6.0%	7.3%	3.0%
Foreign Government	4.3%	6.3%	0.0%
Other	2.4%	3.6%	0.0%
Not for Profit	1.8%	2.6%	0.0%
	100%	**100%**	**100%**

INDUSTRY TYPE[1,2]	TOTAL	OFFICE	INDUSTRIAL
Government	17.6%	24.2%	3.0%
Technology	16.5%	22.3%	4.0%
Industrials	14.2%	2.4%	39.9%
Health Care	12.8%	15.4%	7.2%
Financials/Professionals	12.3%	17.5%	1.1%
Consumer Discretionary	7.2%	6.5%	8.7%
Materials	6.6%	0.4%	20.3%
Consumer Staples	5.9%	1.7%	15.1%
Real Estate	3.3%	4.6%	0.6%
Other	1.4%	2.0%	0.2%
Retail	0.9%	1.4%	0.0%
Communication Services	0.5%	0.8%	0.0%
Energy	0.6%	0.9%	0.0%
	100%	**100%**	**100%**

1. Weighted by gross property income.
2. Excludes signed HoAs.

Valuations

During the year 34 properties were externally valued with all other properties subject to directors' valuations

Basis for valuation

The basis of valuation of investment properties is fair value. 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 balance date. IAP's policy is to value investment properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer (in compliance with IAP's debt facility). Where a property is not due for an independent valuation, internal valuations are undertaken at the end of reporting period. The valuation methods include the discounted cash flow method and income capitalisation method.

External valuations

External valuations were conducted for 34 properties in the portfolio for the second half of the year. External valuations were conducted by Colliers International, Urbis, Savills, Knight Frank and JLL who are all registered as Certified Practising Valuers with the Australian Property Institute.

Directors' valuations

At 31 March 2022, there were three properties where fair value was based on directors' valuations. At each reporting date, the directors update their assessment of the fair value of each property in accordance with the Fund's valuation policy.

Valuations

Continued

Valuation summary

The table below details the fair value movements of the Fund's properties from 31 March 2021 to 31 March 2022, including the valuations adopted at the interim reporting date on 30 September 2021.

							MOVEMENT (%)	
PROPERTY		FY22		HY22		FY21	FY22–HY22	FY22–FY21
47 Sawmill Circuit, Hume ACT	E	17,050,000	E	14,000,000	D	12,700,000	21.8%	34.3%
57 Sawmill Circuit, Hume ACT	E	18,400,000	E	15,400,000	E	13,900,000	19.5%	32.4%
24 Sawmill Circuit, Hume ACT	E	17,900,000	E	17,600,000	E	14,500,000	1.7%	23.4%
44 Sawmill Circuit, Hume ACT	E	19,600,000	E	15,500,000	D	10,500,000	26.5%	86.7%
2–8 Mirage Road, Direk SA	E	12,700,000	D	9,100,000	D	8,750,000	39.6%	45.1%
30–48 Kellar Street, Berrinba QLD	E	12,100,000	E	11,250,000	E	9,500,000	7.6%	27.4%
165 Newton Road, Wetherill Park NSW	E	38,500,000	E	36,750,000	E	33,500,000	4.8%	14.9%
24 Spit Island Close, Newcastle NSW	E	14,500,000	E	13,000,000	E	12,000,000	11.5%	20.8%
67 Calarco Drive, Derrimut VIC	E	15,300,000	E	14,400,000	E	12,300,000	6.3%	24.4%
66 Glendenning Road, Glendenning NSW	E	47,750,000	E	42,750,000	E	38,250,000	11.7%	24.8%
85 Radius Drive, Larapinta QLD	E	25,500,000	E	23,650,000	E	19,500,000	7.8%	30.8%
54 Miguel Road, Bibra Lake WA	E	44,250,000	E	36,000,000	E	33,000,000	22.9%	34.1%
24 Rodborough Road, Frenchs Forest NSW	E	29,000,000	E	26,750,000	E	24,500,000	8.4%	18.4%
6–8 and 11 Siddons Way, Hallam VIC	E	30,100,000	E	28,000,000	E	23,750,000	7.5%	26.7%
36–42 Hydrive Close, Dandenong South VIC	E	29,250,000	E	28,500,000	E	25,700,000	2.6%	13.8%
103 Welshpool Road, Welshpool WA	E	47,600,000	D	38,000,000	E	30,000,000	25.3%	58.7%
46–70 Grand Trunkway, Gillman SA	E	34,500,000	E	30,000,000	E	29,000,000	15.0%	19.0%
16 Dawson Street, East Arm NT	E	32,000,000	E	31,000,000	D	29,400,000	3.2%	8.8%
197 Belconnen Crescent, Brendale QLD	E	21,000,000	E	19,450,000	D	11,600,000	8.0%	81.0%
131–153 Main Beach Road, Pinkenba QLD	E	30,100,000	E	27,400,000	D	24,750,000	9.9%	21.6%
Acquisitions/developments during period								
57–83 Mudgee Street, Kingston QLD[1]	E	15,494,230	D	5,041,000				
81 Dunhill Crescent, Morningside QLD	E	6,500,000	D	2,800,000				
16 Aspiration Circuit, Bibra Lake WA	E	30,500,000						
Total Industrial		**589,594,230**		**486,341,000**		**417,100,000**	**21.23%**	**41.36%**
449 Punt Road, Cremorne VIC	E	72,500,000	E	64,000,000	E	61,500,000	13.3%	17.9%
35–49 Elizabeth Street, Richmond VIC	E	113,000,000	D	108,750,000	E	104,500,000	3.9%	8.1%
2404 Logan Road, Eight Mile Plains QLD	D	17,400,000	D	17,000,000	D	17,000,000	2.4%	2.4%
186 Reed Street, Greenway ACT	D	26,100,000	D	25,250,000	D	25,250,000	3.4%	3.4%
21–23 Solent Circuit, Baulkham Hills NSW	E	73,500,000	D	71,000,000	E	68,000,000	3.5%	8.1%
266 King Street, Newcastle NSW	E	88,000,000	D	83,500,000	D	81,500,000	5.4%	8.0%
113 Wicks Road, Macquarie Park NSW	E	36,000,000	E	35,000,000	E	33,000,000	2.9%	9.1%
324 Queen Street, Brisbane QLD	E	89,500,000	D	82,500,000	D	79,000,000	8.5%	13.3%
20 Rodborough Road, Frenchs Forest NSW	E	72,000,000	D	67,400,000	E	66,000,000	6.8%	9.1%
2 Richardson Place, North Ryde NSW	E	115,500,000	D	114,500,000	E	110,000,000	0.9%	5.0%
100 Willis Street, Wellington NZ[2]	E	153,753,645	D	153,700,000	E	143,605,774	0.0%	7.1%
Acquisitions/developments during period								
38 Sydney Avenue, Forrest ACT	E	77,500,000	D	75,600,000				
34 Southgate Avenue, Cannon Hill QLD[3]	D	20,819,964	D	10,280,000				
510 Church Street, Cremorne VIC	E	133,500,000						
Total Office		**1,089,073,609**		**908,480,000**		**789,355,774**	**19.88%**	**37.97%**
TOTAL PORTFOLIO		**1,678,667,839**		**1,394,821,000**		**1,206,455,774**	**20.35%**	**39.14%**

E External valuation **D** Directors' valuation

1. Represents "as is" value as at 31 March 2022. "As if complete" value as per the external valuation is A$17,200.000.
2. Converted at a sport rate of 1.0796 at 31 March 2022.
3. Represents "as is" value as at 31 March 2022. "As if complete" value as per the directors' valuation is A$36,000.000.

Third party funds management

IAP's third party funds management platform is focused on providing investment opportunities to wholesale investors through unlisted real estate private equity funds, joint ventures and separately managed accounts.

The management team has a long and successful track record in managing third party capital—both institutional and high net worth—with unlisted funds management capabilities dating back to 2006. Since that time, the management team has managed a number of wholesale funds, numerous joint ventures and separate mandates.

The management team has successfully deployed capital across a range of asset classes, including commercial office, industrial, residential, retail, hotel and self-storage as well as different strategies including core, value-add, opportunistic, development and both performing and distressed debt.

Investors in our wholesale funds as well as our joint venture partners benefit from:

- on-the-ground access with offices in Australia's three largest cities
- assets under management in all of Australia's main commercial centres and in New Zealand
- in-house property management, asset management and project management capabilities
- diverse team skillset including both direct and indirect real estate activities
- strong in-house legal, tax and execution skills

IAP currently manages A$161 million of equity in the unlisted ITAP Fund and an additional A$262 million of third party funds as detailed below:

	ITAP FUND	INVESTEC GROUP ASSETS
Type	Unlisted real estate opportunity fund	Third party management of real estate portfolio
FUM	A$161m	N/A
Co-investment	A$30m	nil
Start	December 2019	December 2020
Term	7–8 years	4 years
IAP role	Investment manager and asset manager	Asset manager
Fees to IAP	**Investment management fee** 0.38125% on equity under management **Performance fee** 20% over 8% hurdle (26.25% share) **Asset management fee** At market rates dependent on asset type	**Asset management fee** A$700,000 per annum

	THE GROVE	YARRAVILLE	YOUNGHUSBAND
Type	Single asset syndication	Single asset syndication	Single asset syndication
FUM	A$33m	A$83m	$146m
Co-investment	By ITAP Fund, excluded from FUM above	By ITAP Fund, excluded from FUM above	By ITAP Fund, excluded from FUM above
Start	June 2019	October 2021	April 2022
Term	6–7 years	6–7 years	10 years
IAP role	Investment manager	Manager	Development manager Asset manager Investment manager
Fees to IAP	Investment management fee	Management fee Performance fee	Development management fee Asset management fee Performance fee

Third party funds management

Continued

Assets under management

IAP manages six assets across the ITAP Fund and various single asset mandates, as detailed below:

Loganholme | Industrial | Self storage

Equity committed	A$3.0m
Equity source	ITAP Fund
Type	First mortgage
Description	Acquisition loan for self-storage development site
Location	Queensland

Phillip Street | Office | Value-add/Development

Equity committed	A$25.1m
Equity source	ITAP Fund
Type	Equity JV
Description	Current B-grade office building with future value-add or development strategy
Location	New South Wales

Rundle Place | Retail | Value-add

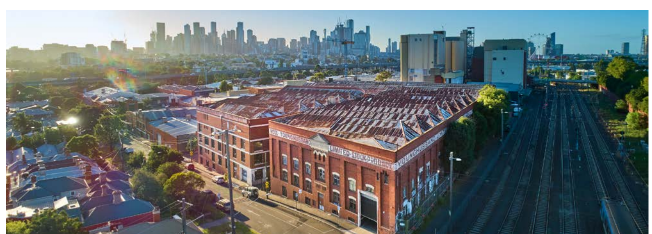
Equity committed	A$50.3m
Equity source	ITAP Fund
Type	Equity JV
Description	Repositioning of high quality retail centre in the Adelaide CBD
Location	South Australia

The Grove | Residential | Development

Equity committed	A$37.5m
Equity source	ITAP Fund and two third party mandates
Type	Equity JV
Description	Residential land development in Melbourne growth area
Location	Victoria

Yarraville | Residential | Development

Equity committed	A$107.5m
Equity source	ITAP Fund and two third party mandates
Type	Equity JV
Description	Multi-stage infill residential development of townhouses, apartments and neighbourhood activity centre
Location	Victoria



Younghusband | Office | Development

Equity committed	A$158.3m
Equity source	ITAP Fund and two third party mandates
Type	Equity JV
Description	Multi-stage office project comprising heritage refurbishment, new build and supporting retail
Location	Victoria

Investec Group assets

IAP provides asset management services to Investec Group in respect of certain real estate assets in which Investec Group has an interest for which IAP receives an annual fee of A$700,000.

03 —
Financial management

FY22 highlights

FFO
10.40 cps

AFFO
9.77 cps

Distributions
9.20 cps

NTA per security
A$1.74

WADE
6.0 years

WASE
6.8 years

Hedged
85.9%

Gearing
30.1%

Key metrics

	FY22	FY21
Investment property (A$b)	1.679	1.237
Investments (A$m)	21	6
Total debt (A$m)	521	342
Gearing (%)	30.1	27.8
Funding cost (%)	2.95	2.84
Hedge position (%)	85.9	78.3
% of debt fixed (%)	28.8	43.9
WADE (years)	6.0	6.1
WASE (years)	6.8	7.0
Annual interest cover ratio/covenant (times)	6.8/2.0	6.6/2.0
Loan to value ratio/covenant (%)	31.0	28.2

Balance sheet management

NTA increased from $1.43 to $1.74 at 31 March 2022. The increase in NTA is largely related to the revaluation of investment properties.

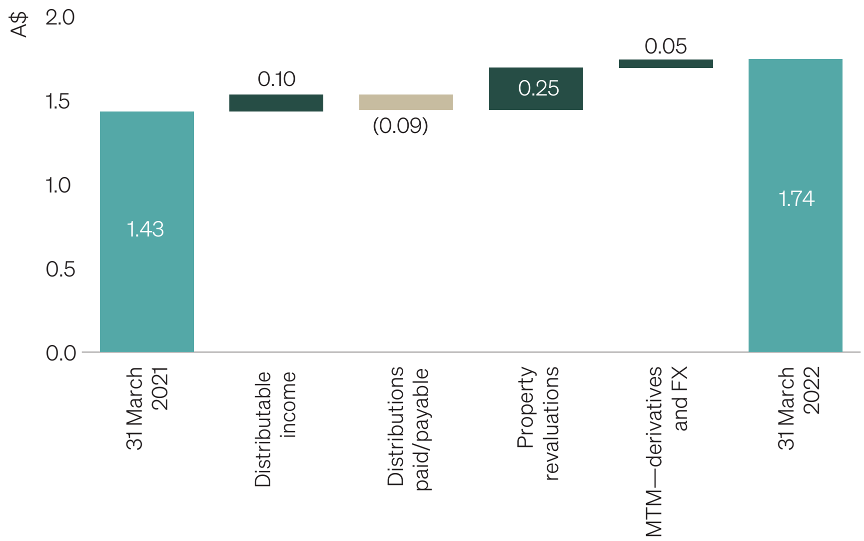
Gearing as at the reporting date is 30.1%, which is an increase of 2.3% since 31 March 2021.

NTA per security
A$1.74
(prior year A$1.43)
↑ 21.6%

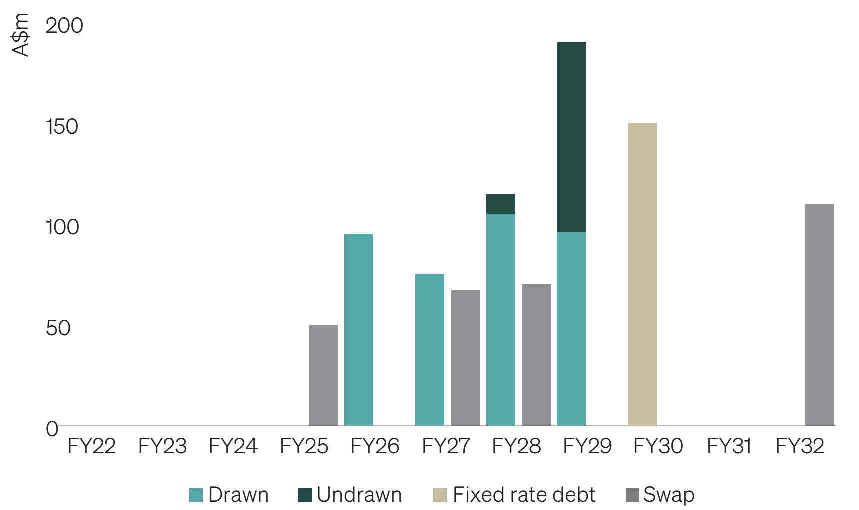
Gearing
30.1%
(prior year 27.8%)
↑ 2.3%

Funding cost
2.95%
(prior year 2.84%)
↑ 11bps

NTA bridge



Debt and swap expiry profile



Funds from operations

The Responsible Entity targets distributions of between 80% and 100% of the Fund's FFO each year, and will report distributions as a percentage of FFO and AFFO.

FFO is calculated in accordance with the Property Council Guidelines, determined by adjusting statutory net profit (under AAS) for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gain/loss on sale of investment properties, straightline rental revenue adjustments, non-FFO tax expenses/benefits and other unrealised and one-off items.

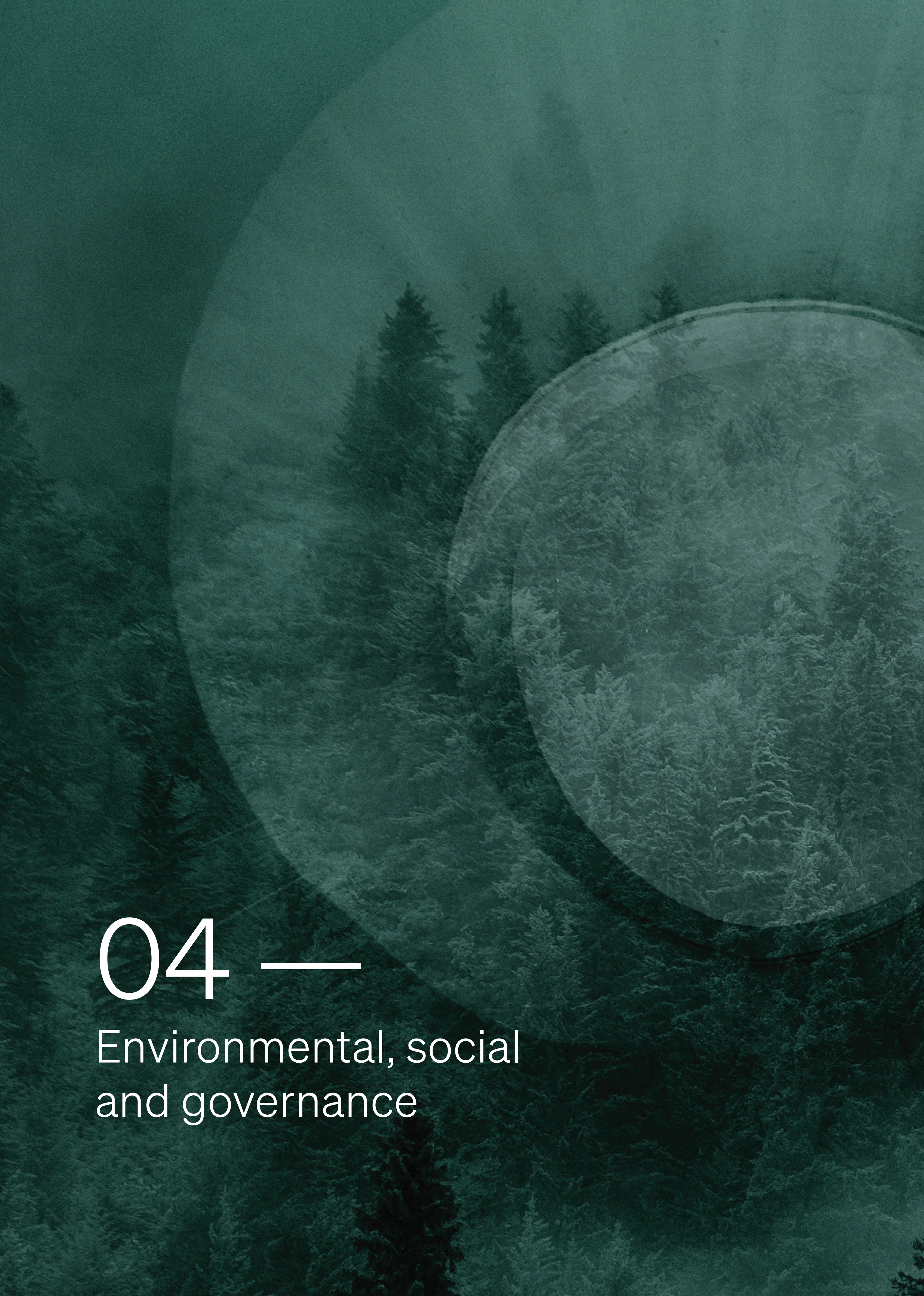
AFFO is calculated in accordance with the Property Council Guidelines, being FFO adjusted for maintenance capital expenditure, cash and cash equivalent incentives (including rent free incentives) given to tenants during the period and other one-off items which have not been adjusted in determining FFO.

A reconciliation of the statutory profit to FFO and AFFO is set out below for the years ended 31 March 2022 and 31 March 2021.

UNAUDITED A$,000	FY22	FY21
Profit after tax	266,324	110,739[1]
Adjusted for:		
IPF I interim results for the period to 30 September 2020	–	38,344[2]
IPF I profit for the period 1 October 2020 to 29 November 2020	–	10,315[3]
Total profit after tax	**266,324**	**159,398[4]**
Adjusted for		
Non-FFO tax	194	(2,957)
Fair value adjustments	(190,776)	(110,740)
Equity accounted adjustments	(2,995)	707
Straight-line rental revenue adjustments	(2,477)	(1,208)
Amortisation of incentives	1,631	1,376
(Profit)/Cost on sale of investment property	(4,942)	2,013
Other one-off items	330	8,045
FFO	**67,289**	**56,634**
Maintenance capital expenditure	(1,854)	(1,833)
Leasing fees and cash incentives	(2,234)	(2,004)
AFFO	**63,201**	**52,796**
Weighted average securities	647,220	611,298
Basic and diluted earnings per security (cps)	41.15	26.08
FFO (cps)	10.40	9.26
AFFO (cps)	9.77	8.64
Distributions paid or provided for during the year (cps)	9.20	8.92
Distribution as a percentage of FFO (%)	88.5	96.3
Distribution as a percentage of AFFO (%)	94.2	103.3

Details about distribution components under the AMIT regime (only relevant for the full year distribution) including "Fund Payment" amounts (only relevant for foreign holders) and AMIT cost base adjustments are included in the distribution announcements and will also be made available on the website at irongategroup.com.au on or before the relevant distribution date.

1. As per the consolidated statement of profit or loss and other comprehensive income.
2. IPF I (then known as Investec Australia Property Fund) reviewed interim results for the six months to 30 September 2020.
3. The results of IPF I for the period 1 October 2020 to 29 November 2020, prior to the internalisation transaction and consolidation of IPF II and IPF I.
4. The consolidated comprehensive income of IPF I and IPF II for the period 1 April 2020 to 31 March 2021.



04 —

Environmental, social and governance

FY22 highlights

As this is the Fund's first full reporting year since internalisation, our sustainability framework has seen substantial development. This work has resulted in a number of achievements, and we are pleased to present our key highlights for FY22.

MSCI ESG RATINGS

BBB

SUSTAINALYTICS
a Morningstar company

Low Risk

NEGL	LOW	MED	HIGH	SEVERE
0–10	10–20	20–30	30–40	40+

IAP's ESG report is available on the website at irongategroup.com.au

Environmental

906,377kg $CO2_e$
savings in Scope 1 and Scope 2 emissions

6 sites
Climate Active carbon neutral buildings

Climate Active Carbon Neutral BUILDING

2,438
analytic points monitoring HVAC, electricity and water consumption

net zero **2030** mapping

NABERS

21
NABERS ratings

663,345 kWh
generated from rooftop solar

Social

82% were very satisfied or satisfied with COVID-19 response

76 businesses surveyed representing **3,952** occupants

Indoor air quality assessments have commenced at properties under operational control with positive results being identified

85/100 average employee satisfaction rating

First employee wellness survey issued

100% of employees responded

BUSH HERITAGE AUSTRALIA

CYSTIC FIBROSIS

Continued to provide financial contributions to chosen charitable organisations

Governance

ISO **9001**
ISO **14001**
ISO **45001**

Obtained independent certification of:

- Quality Management System
- Environmental Management System
- Occupational Health and Safety System

Voluntary modern slavery statement made in **2021**

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

30 environmental risk audits carried out to align with the Task Force on Climate Related Disclosure

3 new policies implemented to support the ESG framework

10 tier 1 suppliers surveyed for sustainability awareness and education

Risk management

Philosophy and approach

The Board is responsible for the entire risk management process and the systems of internal control. The management team 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.

The Audit and Risk Committee participates in the management team's process of setting risk tolerance levels, formulating and implementing the risk management plan and reports on the plan adopted by the management team to the Board.

The 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
- 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	• Investor uncertainty • Customer uncertainty	• 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 directors • Board sign-off of investments • External audit and biannual review • External tax review on biannual distributions • Related party disclosure • JSE and ASX disclosure requirements • Sponsor oversight
OPERATIONAL • Legal and regulatory • Technology • People • Outsourcing • Fraud • Conduct • Workplace health and safety • Fund tax status	• 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 • Annual review of internal processes • Third party systems and IT support • SLAs for external technology providers • BCP/disaster recovery testing • Controls in place for payments and role segregation • Employee training • Policies and procedures • Review of tax and distribution calculations • Tax review as part of acquisition process
MARKET/INVESTMENT • Investment governance—product selection/oversight • Adverse market conditions • Counterparty risk (failure) • Investment governance—valuation and pricing • Funding 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 • Liquidity management—Responsible Entity level • Liquidity management—Fund level	• 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 Responsible Entity does not have an internal audit function however the Fund did engage an external consultant to conduct an internal audit as part of the ISO accreditation process. Further information on this process can be found in our Sustainability Report. The Audit and Risk Committee is responsible for establishing, reviewing and monitoring the process of risk management. The management team is responsible for the implementation of risk management and internal control processes on a continual basis and are subject to the oversight of the Audit and Risk Committee.

External audit

KPMG is the external auditor 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 auditor to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters. The external auditor is invited to attend Audit and Risk Committee meetings and have access to the chairperson of the Audit and Risk Committee.

Business rescue

The Board will consider business rescue procedures or other turnaround mechanisms if the Fund becomes financially distressed. In this regard the Board will ensure the Fund's solvency and liquidity are continuously monitored.

Compliance

Compliance risk is managed through internal policies and procedures, which include legal, regulatory and operational requirements relevant to the Fund. 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 Managed Investment Scheme established in accordance with the requirements of the Corporations Act. The compliance plan is audited annually.

The key areas of focus for the year were:

- conduct risk
- managing compliance risk brought about by the arrangements necessitated by the COVID-19 pandemic
- managing compliance risk brought about by regulatory change and other external influences
- training and competency

The key areas of focus for the next year are:

- conduct risk
- managing compliance risk brought about by regulatory change and other external influences
- training and competency
- ISO accreditation requirements of quality, environmental and work health and safety

Directors of the Responsible Entity

Richard Longes

Independent non-executive chairperson
Chairperson of the Nomination and Remuneration Committee

Appointed: 28 February 2005

Professional experience

Richard 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 funds management committee for the IIF programme, and not for profit organisations. Richard is chair of Liberty Financial Group and formerly chair of Investa Office Fund, MLC Limited, GPT Group and Investec Australia Limited and a non-executive director of Metcash Limited, Boral Limited and Lend Lease Corporation Limited.

Qualifications

Bachelor of Arts; Bachelor of Laws; Master of Business Administration

Graeme Katz

Executive director and CEO

Appointed: 31 March 2009

Professional experience

Graeme joined the Investec Group to head up the Australian property business 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 Group real estate licence dealing with their registered and unregistered schemes. Graeme is a director of a number of companies within the Irongate Group. He was previously a director of the Property Investors Association of Australia.

Qualifications

Bachelor of Social Science (Economics)

Sally Herman

Independent non-executive director
Chairperson of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee

Appointed: 24 July 2013

Professional experience

Sally has had a long career in financial services in both Australia and the United States. 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 and the retail and business banking division. Sally is currently a non-executive director, sitting on both for-profit and not-for-profit boards, and is actively involved in the community, with a particular interest in the arts, education and human rights . Her other commercial boards are in the financial services, manufacturing and retail sectors and include four publicly listed companies—Premier Investments Limited, Breville Group Limited and Suncorp Limited. Sally is also a member of Chief Executive Women.

Qualifications

Bachelor of Arts; Graduate of the Australian Institute of Company Directors

Georgina Lynch

Independent non-executive director
Member of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee

Appointed: 1 July 2019

Professional experience

Georgina has over 28 years' experience in the financial services and property industry. She is currently the non-executive chairperson of Cbus Property, an independent non-executive director and member of the audit and risk committee of Waypoint REIT and Chair of the remuneration and nomination committee and an independent non-executive director and member of the remuneration and nomination committee and Risk and Responsible Investment Committee of Tassal Group Limited. She is also a non-executive Director of Evolve Housing.

Georgina has significant global experience in corporate transactions, capital raisings, initial public offerings, funds management, corporate strategy and acquisitions and divestments.

Qualifications

Bachelor of Arts; Bachelor of Laws

Stephen Koseff

Independent non-executive director
Member of Audit and Risk Committee
Member of the Nomination and Remuneration Committee

Appointed: 7 July 2014

Professional experience

Stephen is the former chief executive officer of the Investec Group. Dual listed on the London Stock Exchange and the Johannesburg Stock Exchange. Stephen was with Investec for 39 years in various capacities and CEO from 1996 to 2018. In 2017, Stephen was awarded an Honorary Doctor of Commerce Degree by the University of the Witwatersrand. He is a former non-executive director of the South African Banking Association, The Bidvest Group Limited and the JSE limited, a former board member of Business Leadership South Africa, former non-executive director and chairman of the South African Banking Association, a former member of the Financial Markets Advisory Board and former chairman of the Independent Bankers Association. Stephen is the chairman of BidCorp Limited, Bud Group (Pty) Ltd, IEP Group (Pty) Ltd, Innovation Africa SA NPC, EDT Trust INL Investments (Pty) Ltd, co-chair of Youth Employment Service (YES), ArrowPoint Ltd (Australia) and a non-executive director of Investec Limited, Investec PLC, Irongate Funds Management Limited (Australia) and Bravo Transport Holdings Ltd.

Qualifications

Bachelor of Commerce (Chartered Accountant SA); Masters in Business Administration; Higher Diploma in Business Data Processing; Honorary Doctor of Commerce

Remuneration report

This Remuneration Report presents remuneration arrangements for KMP for the year ended 31 March 2022. The report has been prepared in accordance with the requirements of the ASX Listing Rules and the JSE Listings Requirements. The quantum and nature of the remuneration of directors and other KMP required under section 300A of the Corporations Act has been disclosed and will be subject to an advisory vote at the annual general meeting. Due to the structure of the Fund, the remuneration report is not required to be audited, and accordingly the Remuneration Report has not been audited.

Letter from the chairperson of the Nomination and Remuneration Committee

Dear securityholders,

On behalf of the Nomination and Remuneration Committee and the Board, I am pleased to present this Remuneration Report which provides an overview of our FY22 remuneration structure and the outcomes and approach to FY23.

FY22 has been a year of continued growth and success on delivering the Fund's strategy. FY22 is the first full financial year operating under an internalised management structure. The transition out of the Investec Group was a streamlined process, with many efficiencies being realised. As outlined in the FY21 Remuneration Report, following a comprehensive review of the Fund's remuneration policy, a more transparent reward framework aligned with best practice remuneration principles has been adopted and outlined in this Remuneration Report.

At the end of March 2022, the Fund announced that it had entered into a scheme implementation agreement with Charter Hall PGGM Industrial Partnership No. 2 (**CHPIP**) under which CHPIP would acquire 100% of the units in Irongate Property Fund I (**IPF I**) and Charter Hall Holdings Pty Limited or its subsidiary would acquire 100% of the units in Irongate Property Fund II (**IPF II**) (**Proposal**). The Proposal is expected to be completed by mid-July 2022, but remains subject to various conditions including approval by securityholders. The remuneration implications of the Proposal will be dealt with in a separate scheme booklet which is expected to be considered by securityholders at extraordinary general meetings of IPF I and IPF II currently expected to be held in late June 2022. This Remuneration Report relates to FY22 and should be reviewed in this manner.

The introduction of a market practice remuneration framework in FY22 has seen KMP being rewarded based on the performance of the Fund. The Fund's security price increased by 41.5% between 31 March 2021 and 31 March 2022 and FFO growth of 12.3% achieved for FY22 are two of the targets on which KMP STI reward outcomes have been based. The Board notes that the Fund materially exceeded each of these benchmarks for FY22 and distributions were restrained by the limits placed under the scheme implementation agreement entered into in connection with the Proposal. More detail on the FY22 STI reward outcomes can be found in section 4 of the Remuneration Report.

At our 2021 annual general meeting, we incurred a 'first strike' with 32.7% of votes cast against the adoption of the 2021 remuneration report. The Board takes this outcome very seriously, reviewing external feedback. This is addressed in section 5 of the Remuneration Report.

The Remuneration Report has been prepared having regard to FY22 performance and in consideration of the position of the business going into FY23. The Nomination and Remuneration Committee has taken into account that should the Proposal proceed, management involvement is essential in the transition and remuneration has been tailored for this process. In particular, the Board has recognised that the financial incentives which applied to FY22 are for this reason not applicable to FY23 and accordingly the incentives have been structured on a basis to encourage staff to assist in implementation of the Proposal and to retain their services during a disruptive period. In the event that the Proposal is not approved it is proposed to re-implement incentives along the lines applicable to FY22.

On behalf of the Board and Nomination and Remuneration Committee I hope you find this Remuneration Report informative.

Yours sincerely

Richard Longes
Chairperson, Nomination and Remuneration Committee

1. Key Management Personnel (KMP)

The KMP for FY22 were:

Graeme Katz—Chief Executive Officer (**CEO**)
Zach McHerron—Fund Manager
Kristie Lenton—Chief Financial Officer (**CFO**)

2. Principles of remuneration for Executive KMP

The Board recognises that the key to our ongoing success lies in retaining and attracting high performing people. Accordingly, following internalisation, the Nomination and Remuneration Committee undertook a comprehensive review of the Fund's remuneration policy and underlying executive remuneration, supported by input on market practice insights and trends in relation to executive remuneration approaches from an external remuneration consultant. This review was undertaken in consideration of the new internalised management structure and to ensure our remuneration framework is aligned with the best practice remuneration principles. No remuneration recommendations were made by the remuneration consultant and the advice provided represents just one of many inputs the Nomination and Remuneration Committee uses to make remuneration decisions.

It is important that there is good alignment between executive pay and securityholder value and that our remuneration framework is designed to link the Fund's strategy and performance with the remuneration outcomes for executive KMP.

Following its review of market practice and benchmarks, the Nomination and Remuneration Committee determined that adjustments to the structure of executive KMP remuneration, including the balance between fixed and 'at risk' pay components designed to encourage retention of executive KMP, were required to better align executive KMP with market benchmarks and securityholder expectations.

Our remuneration framework is designed to support IAP's strategy and is structured to link rewards to individual performance and the execution of the IAP's strategy to sustainably grow distributions and long-term capital growth. This leads to the creation of securityholder value.

Application of the remuneration framework for FY22

	PURPOSE AND LINK TO STRATEGY	PERFORMANCE MEASURES	DELIVERY
Total Fixed Remuneration (**TFR**)	Set at a level to attract and retain suitably qualified and experienced executives capable of leading and delivering the strategy	TFR is to be positioned between the 25th percentile to median of the REIT industry benchmark	Base salary, statutory superannuation and other benefits
Short-term incentives (**STI**)	Rewards the achievement of annual targets aligned to the delivery of sustainable stakeholder outcomes	A mix of financial outcome measures such as FFO and ROE balanced with measures of value drivers including customers, people and sustainability	A mix of cash and deferred securities
Long-term incentives (**LTI**)	Aligns executive outcomes with long-term securityholder returns	A mix of total return against an internal benchmark and total securityholder return versus ASX 300 A-REIT index	Performance rights to Irongate securities subject to a three-year performance period

Executive KMP are entitled to receive certain payments including the vesting of all unvested performance rights if the Fund decides to terminate a position without cause including through redundancy or takeover.

3. Executive remuneration policy and framework for FY22

To deliver the Fund's strategy, the executive remuneration framework reflects the desire to attract and retain the best people. IAP's executive remuneration framework is structured so that a substantial portion of remuneration is delivered as Irongate securities through STI and LTI.

		YEAR 1	YEAR 2	YEAR 3
Fixed Remuneration	100% cash	Base Salary, Superannuation and Other Benefits		
STI	67% cash	Cash		
	33% deferred Rights	Deferred Rights		
LTI	100% Performance Rights	50% subject to relative total securityholder returns (TSR) growth		
		50% subject to total return		

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Remuneration report

Continued

4. Executive KMP remuneration framework for FY22

Executive KMP remuneration is structured to link rewards to individual performance and the execution of the Fund's strategy to sustainably grow distributions and long-term capital growth. This leads to the creation of securityholder value.

Short-term incentives

Purpose	To reward the achievement of annual targets aligned to the delivery of sustainable stakeholder outcomes.		
Value	**% OF FIXED PAY**	**Target**	**Maximum**
	CEO	100%	100%
	Other executive KMP	50%	50%
	Individual STI awards are dependent on the Fund's and individual performance measures based on the STI Corporate Scorecard approach which the Board uses to set Key Performance Indicators (**KPIs**) that are aligned to overall business strategy and key priorities. The performance measures in the STI Corporate Scorecard in FY22 are shown below:		
	PERFORMANCE MEASURES		**REASONS FOR CHOOSING THIS MEASURE**
	Financial outcomes (70%)	FFO	Key measure of progress against the strategy of delivering sustainable growth in earnings
	Non-financial outcomes (30%)	• Execution of strategy • Organisational development • Culture • Engagement • Sustainability	Drives focus on the delivery of the Group's strategy whilst recognising that organisations with a diverse, inclusive and engaged workforce deliver superior returns
Performance assessment	Delivery of awards	Given the scheme proposal, 100% of the STI was delivered in cash.	
	Leaver provisions	On voluntary termination or termination with cause or due to poor performance, all awards are forfeited. In the circumstances of death, disability, retirement, redundancy, takeover or mutually agreed separation, the Board has the discretion to retain deferred awards.	

Long term incentives

Purpose	To align executive outcomes with long-term securityholder returns to build business accountability and ownership.			
Instrument	LTI awards are made in the form of performance rights to Irongate's securities granted under the Irongate Performance Rights Plan. A performance right is a right to acquire, at no cost to the executive, one fully-paid Irongate security subject to certain performance and service conditions. No distributions are paid on performance rights.			
Value	The maximum LTI opportunity for awards made to KMP in FY22 was 100% of TFR for the CEO and 50% for other executive KMP.			
Performance period	The performance period for the FY22 awards is 1 April 2021 to 31 March 2024			
Performance conditions	**RELATIVE TOTAL SECURITYHOLDER RETURN (rTSR)**		**TOTAL RETURN**	
	Total securityholder return is defined as growth in security price over the performance period, expressed as a percentage and factoring in distributions being reinvested. The position of IAP will be assessed against the ASX 300 A-REIT index (Comparator Group) over the performance period.		Total return means the change in NTA plus distributions over the performance period, divided by NTA at the commencement of the performance period. The Nomination and Remuneration Committee will have the ability to include or exclude certain items from the total return calculation where appropriate, to ensure there is no undue advantage, penalty or disincentive from undertaking certain activities.	
Vesting conditions	**Below 50th percentile**	0%	**Below target**	Nil
	At 50th percentile	50%	**Equal to target**	50%
	Between 50th percentile and 75th percentile	Straight line pro rata vesting between 50% and 75%	**Between target and stretch**	Straight line pro rata between target and stretch
	Above 75th percentile	100%	At or above stretch	100%
Leaver provisions	**Reason for termination**		**Treatment of unvested performance rights**	
	In the circumstances of death, disability, retirement, redundancy, takeover or mutually agreed separation		At the discretion of the Board, performance rights may be retained or early vested	
	All other circumstances		Forfeited	

Retention scheme established by the Investec Group

The KMP and a limited number of other employees participate in the retention scheme established by the Investec Group. An employee participating in the retention scheme is entitled to a retention payment which vests on two vesting dates, being 1 April 2022 and 1 April 2023. The payment under the retention scheme will be made in cash and will not involve the issue of securities in IAP or other financial products to the employees.

The Fund agreed to assume the obligations of the Investec Group under the retention scheme in respect of the retention payments vesting on 1 April 2022 and 1 April 2023 as outlined in the explanatory memorandum associated with the internalisation of the management function.

Generally, the employee must remain employed by the Fund as at each relevant vesting date, and satisfy the following performance conditions, for the retention payment to vest:

- no formal conduct issues having been raised in relation to the employee;
- IAP having maintained its brand and reputation within its target market; and
- in the case of the CEO only, succession plans being in place for key people within the team.

The Board has discretion to make a payment under the retention scheme in case of cessation of employment because of disability or death.

5. Our response to the first strike on the remuneration report

At the 2021 AGM, 32.7% of securityholders voted against the FY21 Remuneration Report (a 'First Strike').

The largest contributor to the votes against the FY21 Remuneration Report was from the largest securityholder, 360 Capital, who hold a 19.9% stake in IAP. Subsequent to the AGM, 360 Capital have made three non-binding indicative proposals to acquire all of the securities in IAP.

The Board have consulted with proxy advisers, institutional investors, equity analysts and other stakeholders. The feedback received has been valuable and has been incorporated into the remuneration framework and disclosure of outcomes.

6. Group performance and executive KMP remuneration outcomes

The table below summarises the Fund's financial performance for FY22.

MEASURE	FY22
Earnings per security (cents)	41.19
FFO (cents per security)	10.40
AFFO (cents per security)	9.77
Distributions per security (cents)	9.20
Closing security price at 31 March 2022 ($)	1.91

The STI provides executive KMP with the opportunity to receive cash and equity based on a one-year performance period following an assessment against specified financial and non-financial performance conditions. Performance criteria for FY22 are set out below.

MEASURE	FY22	RESULT	PERFORMANCE DETAIL
Financial			
FFO	70%	70%	FFO growth materially exceeded benchmark
Non-financial			
• Execution of strategy • Organisational development • Culture • Engagement • Sustainability	30%	30%	• 85% overall employee satisfaction rating • Six buildings achieved Carbon Neutral Certification during the reporting period • Published inaugural Modern Slavery Statement • Maintained a strong culture and kept entire team intact, despite corporate activity and remote working requirements

Remuneration report

Continued

6.1 FY22 STI scorecard outcomes

The table below shows the maximum in cash and short-term performance rights that each executive KMP could earn for FY22, and the actual results achieved.

	MAXIMUM FOR FY22			RESULT FOR FY22		
	TOTAL	CASH	SHORT TERM PERFORMANCE RIGHTS	TOTAL	CASH	SHORT TERM PERFORMANCE RIGHTS
NAMES	$	$	$	$	$	$
Graeme Katz—CEO	615,000	615,000	–	615,000	615,000	–
Zach McHerron—Fund Manager	205,000	205,000	–	205,000	205,000	–
Kristie Lenton—CFO	192,500	192,500	–	192,500	192,500	–
Total	**1,012,500**	**1,012,500**	**–**	**1,012,500**	**1,012,500**	**–**

6.2 FY22 long-term incentive outcomes

The Fund has had an Employee Securities Plan (**Plan**) in place for all employees and the CEO as outlined in the explanatory memorandum associated with the internalisation of the management function. The Plan is designed to link employees' remuneration with the long-term goals and performance of the Fund with the aim of consistently increasing total securityholder return. All securities or LTI performance rights issued under the LTI are issued on a zero-exercise price basis.

LTI performance measures

The performance measures for the LTI are reviewed in advance of each financial year by the Nomination and Remuneration Committee and the Board.

ASX Listing Rules

In accordance with ASX Listing Rule 10.14, the issue of any stapled securities or performance rights to the CEO is subject to securityholder approval. It is intended that approval for future issuances will be obtained at the Fund's annual general meeting each year and, if approved, stapled securities or performance rights will be issued shortly after the relevant meeting.

Hedging of performance rights by Executive KMP

Under IAP's Securities Trading Policy, persons eligible to be granted securities as part of their remuneration are prohibited from entering a transaction if the transaction effectively operates to hedge or limit the economic risk of securities allocated under the incentive plan during the period those securities remain unvested or subject to restrictions under the terms of the Plan.

7. Employment contracts and termination entitlements

Each executive KMP member, including the CEO, has a formal contract. These contracts are of a continuing nature and have no fixed terms of service.

There were no changes to the contracts for executive KMP in FY22.

The key terms of the contracts for the CEO and other executive KMP members are summarised below:

		NOTICE PERIOD		
	CONTRACT TERM	EMPLOYEE	GROUP	TERMINATION PAYMENT[1]
Graeme Katz	No fixed term	6 months	6 months	6 months
Other KMP	No fixed term	4 months	4 months	4 months

1. Payable if IAP terminates employee with notice, for reasons other than unsatisfactory performance.

8. Non-executive director fees

There are currently four non-executive directors. An aggregate pool of $1,000,000 is available for the remuneration of non-executive Directors. Any increase in this amount is required to be approved by securityholders.

The fees paid to non-executive directors for FY22 are set out below.

	A$
Richard Longes	125,000
Sally Herman	115,000
Georgina Lynch	100,000
Stephen Koseff	100,000
Total	**440,000**

8.1 Non-executive director securityholdings

The number of securities held during the year by each non-executive director of the Responsible Entity, including their personally related parties, are set out below.

	BALANCE 1 APRIL 2021	ON MARKET PURCHASES	ON MARKET DISPOSALS	OTHER	BALANCE 31 MARCH 2022
Richard Longes	121,819	–	–	–	121,819
Sally Herman	37,879	–	–	–	37,879
Georgina Lynch	67,493	–	–	–	67,493
Stephen Koseff	170,733	–	–	–	170,733

9. Statutory accounting tables

LTI performance rights

	BALANCE AS AT 1 APRIL 2021	RIGHTS GRANTED	RIGHTS LAPSED	RIGHTS VESTED	BALANCE AT 31 MARCH 2022	2022 KMP EXPENSES
Graeme Katz—CEO	–	415,540	–	–	415,540	28,063
Zach McHerron—Fund Manager	–	138,514	–	–	138,514	29,885
Kristie Lenton—CFO	–	130,068	–	–	130,068	89,665
Total	**–**	**684,122**	**–**	**–**	**684,122**	**147,603**

Total executive KMP remuneration

	BASE SALARY	STI CASH AWARD	ANNUAL LEAVE	SUPERANNUATION	LONG SERVICE LEAVE	TOTAL
Graeme Katz—CEO						
FY22	589,400	615,000	18,523	23,100	9,823	1,255,846
FY21	186,096	110,000	14,315	7,231	2,4020	320,044
Zach McHerron—Fund Manager						
FY22	384,400	205,000	13,616	23,100	6,457	632,573
FY21	125,871	95,000	6,811	7,231	1,551	236,463
Kristie Lenton—CFO						
FY22	356,067	192,500	17,501	23,100	6,126	595,294
FY21	105,647	95,000	8,127	7,231	1,364	217,368
Total						
FY22	1,329,868	1,012,500	49,640	69,299	22,405	2,483,713
FY21	417,614	300,000	29,253	21,693	5,317	773,875

There were no non-monetary benefits or vesting of deferred STI and LTI plans during the financial year ended 31 March 2022.

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Irongate Group consolidated financial statements prepared in accordance with the Corporations Act 2001 and ASX Listing Rules

Directors' report

The directors of Irongate Funds Management Limited (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Irongate Group (**IAP** or **the Group**), present their report together with the consolidated financial statements of the Group for the year ended 31 March 2022.

Irongate Group is a stapled group consisting of Irongate Property Fund I (**IPF I**) and Irongate Property Fund II (**IPF II**). The financial statements of the Group comprise IPF I, IPF II and their respective controlled entities.

IPF II was established on 3 September 2020 and stapled to IPF I on 27 November 2020. The implementation date of the management internalisation[1] was 30 November 2020 prior to which the Group was known as Investec Australia Property Fund. Effective 7 December 2020, Investec Australia Property Fund changed its name to IPF I and Investec Australia Property Fund II changed its name to IPF II.

IPF I was listed on the exchange operated by JSE Limited (**JSE**) on 23 October 2013, was listed on the exchange operated by ASX Limited (**ASX**) on 28 May 2019 and following this was dual primary listed on the ASX and JSE. Following the stapling of IPF I and IPF II, the Group continues to be dual primary listed on the ASX and JSE. The security code on both the JSE and the ASX is IAP and the ISIN is AU0000046005. Securities in IPF I and IPF II are quoted on both the JSE and the ASX and can be moved between the South African sub-register and the Australian sub-register. Securityholders can elect where their securities are traded by holding their security on either the South African sub-register or the Australian sub-register.

Directors of the Responsible Entity

The following persons were directors of the Responsible Entity during the period from 1 April 2021 up to the date of the annual report, unless otherwise stated:

Richard Longes	Independent non-executive chairperson
Sally Herman	Lead independent non-executive director and chairperson of the audit and risk committee of the board of the Responsible Entity (**Audit and Risk Committee**)
Georgina Lynch	Independent non-executive director
Stephen Koseff	Independent non-executive director
Graeme Katz	Executive director

Details of Board and Audit and Risk Committee meetings held during the year and directors' attendance are set out on page 24 of the Sustainability Report 2022.

Directors of the Manager

The following persons were directors of Irongate Property Management Pty Limited (**Manager**) during the period from 1 April 2021 up to the date of the annual report:

Graeme Katz	Executive director
Zach McHerron	Executive director
Kristie Lenton	Executive director

Company secretary

The company secretary for the period 1 April 2021 up to the date of the annual report was Lucy Spenceley.

Details on the appointment and evaluation of company secretary by the Board are set out on page 24 of the Sustainability Report 2022.

Principal activities

The principal activities of the Group are to invest in real estate assets and manage third-party capital and wholesale funds.

Group objectives and investment philosophy

The Group's strategy is to invest in office, industrial and retail properties in major metropolitan cities or established commercial precincts in Australia and New Zealand. As a result of the internalisation transaction, IPF II provides investment and asset management services as part of a combined economic group consolidated with IPF I. The Group also provides investment and asset management services in relation to TAP.

The objectives of the Group are to:

- deliver income and capital returns to securityholders over time
- grow and diversify its asset base
- maintain a strong corporate governance framework

The Group's investment philosophy, whether on balance sheet or for third party funds, focuses on making investment decisions based on sound underlying property fundamentals, enhancing the quality of the portfolio and identifying opportunities to unlock additional value through active asset management. The Group adheres to this philosophy by utilising the skills of an experienced and well-connected management team with a presence in the Group's key geographies of Sydney, Melbourne and Brisbane, and through a commitment to sound balance sheet management.

Review of operations

A detailed review of operations is included in the introduction from the chairperson and the CEO on page 3 of the annual report.

Financial result

For accounting purposes, IPF II has been identified as the parent of the consolidated group. IPF II was established on 3 September 2020 in preparation for the internalisation of the management function. IPF II was dormant between the date of establishment and the implementation date of 30 November 2020. The consolidation of IPF II and IPF I became effective on 30 November 2020 which is the implementation date of the internalisation transaction. The following table summarises the statutory profit for the year ended 31 March 2022 with the comparative result of prior year for period from 3 September 2020 to 31 March 2021.

A$'000	1 APRIL 2021 TO 31 MARCH 2022	3 SEPTEMBER 2020 TO 31 MARCH 2021
Total revenue and other income	122,277	32,224
Total expenses	(46,535)	(21,952)
Net operating income	**75,742**	**10,272**
Fair value adjustments	190,776	97,510
Profit before tax	**266,518**	**107,782**
Income tax benefits	(194)	2,957
Profit after tax	**266,324**	**110,739**

As at 31 March 2022, the Group's net tangible assets attributable to securityholders was A$1.74 (31 March 2021: A$1.43) per security.

1. A management internalisation is a transaction where a fund's unitholders acquire the externally owned responsible entity (and other related management entities) that operate and manage the fund.

Interests of the Responsible Entity

Prior to the internalisation transaction, the Responsible Entity had delegated the management of IPF I to the Manager, which was a wholly owned subsidiary of Investec Group (comprising Investec Limited and Investec plc, being the head entities of the dual listed companies structure, and each of their subsidiaries (**Investec Group**)). The Responsible Entity was not paid fees during the year. The following fees were paid to the Manager for the period from 1 April 2020 up to the date of the internalisation transaction on 30 November 2020:

These fees are not reflected in the statement of profit or loss and other comprehensive income but it is reflected in the net assets of IPF I upon the stapling. Following the internalisation, the fees are paid to a controlled entity of IPF II and are eliminated on consolidation of the Group.

A$	2022	2021
Asset management fee	–	3,808,008
Property management fee	–	1,135,884

Property portfolio

A detailed review of the property portfolio is included from page 10 of the annual report. Note 11 to the consolidated financial statements describes the basis for determining fair value of the Group's properties.

Outlook and guidance

On 30 March 2022 the Group entered into a Scheme Implementation Agreement (**SIA**) with Charter Hall PGGM Industrial Partnership No. 2 (**CHPIP**) under which CHPIP would acquire 100% of the units in IPF I and Charter Hall Holding Pty Limited or its subsidiary would acquire 100% of units in IPF II (**Proposal**). As such the Group will not be providing guidance for FY23 at this time. However, if the Proposal does not proceed, further information will be provided.

Subsequent events to reporting date

There is no item, transaction or event of a material or unusual nature likely that have arisen since the end of the financial year up until the date of the annual report which would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Significant changes in state of affairs

The Group entered into the SIA with CHPIP on 30 March 2022 in relation to the Proposal. The directors of the Responsible Entity have recommended the Proposal. The implementation of the Proposal is subject to IAP securityholders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

There were no other significant changes in the state of affairs of the Group that occurred during the period.

Directors' interest in securities

The directors' interest in securities is set out in Note 22 to the consolidated financial statements.

Directors' remuneration

Directors' remuneration is set out in the remuneration report on page 30 of the annual report, for the purpose of meeting the requirements of the ASX Listing Rules.

Contracts with directors

The Group has put in place contracts with the directors of the Responsible Entity and the employees of the Manager. The details are set out in the remuneration report (which has not been audited) on page 30 of the annual report.

Corporate governance

The Group's corporate governance framework is set out from page 24 of the annual report.

Audit and Risk Committee

The Audit and Risk Committee comprising independent non-executive directors meets regularly with the management team and the external auditor to consider the nature and scope of the assurance activities and the effectiveness of the risk and control systems.

Auditor

KPMG has been appointed by the Responsible Entity as auditor of the Group.

Subsidiaries

The Group has a number of wholly-owned trusts which hold the Group's property assets. Details of subsidiaries are set out in Note 23 to the consolidated financial statements.

Major securityholders

The Group's major securityholders are set out on page 140 of the annual report.

Insurance and indemnification of officers and auditors

The Group has paid premiums in respect of a contract insuring all directors and officers of the Group and its related entities against certain liabilities incurred in that capacity. The insurance policies cover former directors and officers of the Responsible Entity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

The Responsible Entity has entered a deed of indemnity with each of its directors, Graeme Katz (Chief Executive Officer), Kristie Lenton (Chief Financial Officer), Zach McHerron (Fund Manager), Adam Broder (Third Party Capital) and Lucy Spenceley (Company Secretary) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Group and its related entities. The deeds also require the Group to grant the indemnified person with access to certain Group documents and insure the indemnified persons.

In addition, the Group's and the Responsible Entity's constitutions provide for the indemnity of officers of the Group/Responsible Entity or its related bodies corporate from liability incurred by a person in that capacity.

Directors' report

Continued

No indemnity payment has been made under any of the documents referred to above during, or since the end of, the financial year.

The Group has not during or since the end of the financial year indemnified or agreed to indemnify an auditor of the Group or of any related body corporate against a liability incurred in their capacity as an auditor.

Provision for non-audit service by auditor

The Group may decide to employ the auditor, KPMG, on assignments in addition to their statutory audit duties. Details of the amounts paid to the auditor, which includes the amounts paid for non-audit services and other assurance services, are set out in Note 26 to the consolidated financial statements.

Directors have considered the non-audit services and other assurance services provided by the auditor during the financial year. In accordance with advice received from the Audit and Risk Committee, the directors are satisfied that the provision of non-audit services is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

Environmental regulation

As a landlord, the operations of the Group are subject to a range of environmental laws and regulations under Commonwealth, State and Territory law. However, the leases attaching to the majority of the properties owned by the Group require the tenant to use reasonable endeavours to prevent contamination at each site and indemnify the Group for any contamination caused by their operations.

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

Rounding off

The Group 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 consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 42 of the annual report.

Additional financial report

As a result of the Group being dual primary listed on both the JSE and ASX, the Group's financial report for the year ended 31 March 2022 is required to be audited by auditors in both Australia and South Africa to meet the regulatory requirements in both jurisdictions. Due to the varying reporting requirements in Australia and South Africa, two sets of consolidated financial statements have been prepared, where the differences in the two are largely presentation driven. Both copies of the consolidated financial statements are included in the annual report.

Signed in accordance with a resolution of the directors of the Responsible Entity.

Richard Longes Independent non-executive chairperson	**Graeme Katz** CEO
10 May 2022	10 May 2022

Directors' declaration

1. In the opinion of the directors of Irongate Funds Management Limited, the responsible entity of Irongate Property Fund I and Irongate Property Fund II:
   (a) the consolidated financial statements and notes that are set out on pages 43 to 83 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 2022 and of its performance, for the financial year 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 their debts as and when they become due and payable.
2. The directors draw attention to Note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Irongate Funds Management Limited:

Dated at Sydney this 10th day of May 2022.

Richard Longes
Independent non-executive chairperson

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

To the Directors of Irongate Funds Management Pty Ltd, the Responsible Entity of Irongate Group.

I declare that, to the best of my knowledge and belief, in relation to the audit of Irongate Group consisting of Irongate Property Fund II (as the deemed parent presenting the stapled security arrangement of the Irongate Group), Irongate Property Fund I and their respective controlled entities for the financial year ended 31 March 2022 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

KPMG

Paul Thomas

Partner

Sydney

10 May 2022

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2022

A$'000	NOTE	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Property revenue	3	108,840	31,692
Interest income		14	12
Other income		5,486	1,227
Equity accounted profit/(loss)		2,995	(707)
Total revenue and other income		**117,335**	**32,224**
Property expenses	4	(21,814)	(7,330)
Finance costs	8	(13,289)	(3,017)
Other operating expenses	5	(11,432)	(3,890)
Transaction costs	6	–	(7,715)
Total expenses		**(46,535)**	**(21,952)**
Fair value adjustments	7	190,776	97,510
Profit on sale of investment property		4,942	–
Profit before tax		**266,518**	**107,782**
Income tax (expense)/benefit	9	(194)	2,957
Profit after tax		**266,324**	**110,739**
Total comprehensive income attributable to:			
Owners of the Group		(1,600)	(7,395)
Non-controlling interests		267,924	118,134
Total comprehensive income attributable		**266,324**	**110,739**
Basic and diluted earnings per security—Group (cents)		41.15	18.12

The Notes on pages 47 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2022

A$'000	NOTES	2022	2021
ASSETS			
Non-current assets		**1,765,565**	**1,285,909**
Investment property	11	1,642,354	1,225,356
Investment property under development	12	36,314	11,600
Property, plant and equipment		753	661
Intangible assets	13	39,528	39,528
Equity accounted investments	14	20,579	5,807
Financial instruments held at fair value	25.6	23,274	–
Deferred tax assets	9	2,763	2,957
Current assets		**19,347**	**13,067**
Cash and cash equivalents	16	9,200	7,405
Receivables and other assets	15	10,147	5,662
Total assets		**1,784,912**	**1,298,976**
EQUITY AND LIABILITIES			
Equity		**1,216,114**	**913,033**
Contributed equity—owners of the group	17	95,445	46,723
Retained earning—owners of the group		(8,995)	(7,395)
Other reserves—owners of the group		179	–
Non-controlling interests	18	1,129,485	873,705
Non-current liabilities		**523,557**	**348,925**
Long-term borrowings	19	516,979	339,063
Trade and other payables	20	6,578	9,026
Financial instruments held at fair value	25.6	–	836
Current liabilities		**45,241**	**37,018**
Trade and other payables	20	13,598	9,322
Distributions payable	10	31,643	27,696
Total equity and liabilities		**1,784,912**	**1,298,976**
Number of securities in issue—Group ('000)		677,570	611,298
Weighted average number of securities in issue—Group ('000)		647,220	611,298
Net tangible asset value per security—Group (A$)[1]		1.74	1.43

The Notes on pages 47 to 83 are an integral part of these consolidated financial statements.

1. Net tangible asset value per security is calculated by dividing net tangible assets by the number of securities in issue.

Consolidated statement of changes in equity

For the year ended 31 March 2022

	OWNERS OF THE GROUP					
	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL
Balance as at 03 September 2020	–	–	–	**–**	–	**–**
Issue of capital	46,723	–	–	**46,723**	–	**46,723**
Net assets of IPF I on stapling to IPF II	–	–	–	**–**	783,267	**783,267**
Total comprehensive income attributable to securityholders 03 September 2020 to 31 March 2021	–	–	(7,395)	**(7,395)**	118,134	**110,739**
Distributions paid/payable to ordinary securityholders	–	–	–	**–**	(27,696)	**(27,696)**
Balance at 31 March 2021	**46,723**	–	**(7,395)**	**39,328**	**873,705**	**913,033**
Issue of capital	48,722	–	–	**48,722**	48,722	**97,444**
Total comprehensive income attributable to securityholders	–	–	(1,600)	**(1,600)**	267,924	**266,324**
Other reserves	–	179	–	**179**	–	**179**
Distributions paid/payable to ordinary securityholders	–	–	–	**–**	(60,866)	**(60,866)**
Balance at 31 March 2022	**95,445**	**179**	**(8,995)**	**86,629**	**1,129,485**	**1,216,114**

The Notes on pages 47 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2022

A$'000	NOTES	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Cash flows from operating activities			
Rental income received		120,849	31,414
Other income received		6,081	785
Property expenses		(33,087)	(5,479)
Operating expenses		(14,676)	(4,055)
Cash generated from operations		**79,167**	**22,665**
Finance income received		16	12
Finance costs paid		(14,840)	(3,923)
Distribution paid to securityholders		(56,919)	(26,832)
Net cash from/(used in) operating activities	21	**7,424**	**(8,078)**
Cash flows from investing activities			
Investment property acquired		(231,002)	(24,750)
Investment property held under development acquired		(6,947)	(3,886)
Acquisition costs and capital expenditure—Investment property		(39,143)	(4,369)
Acquisition costs and capital expenditure—Investment property held under development		(25,813)	(4,698)
Proceed on sale of investment property		35,442	–
Management right acquired		–	(40,000)
Transaction cost on internalisation		–	(7,715)
Cash balance of IPF I on stapling to IPF II		–	40,008
Equity accounted investment acquired		(11,777)	(6,514)
Refundable deposit paid		(3,000)	–
Net cash used in investing activities		**(282,240)**	**(51,924)**
Cash flows from financing activities			
Borrowings raised		221,168	71,907
Repayment of loans		(42,000)	(4,500)
Proceed from issue of securities		98,898	–
Payment related to capital raising		(1,455)	–
Net cash from financing activities		**276,611**	**67,407**
Net increase/(decrease) in cash and cash equivalents		1,795	7,405
Cash and cash equivalents at beginning of the year/period		7,405	–
Cash and cash equivalents at end of the period		**9,200**	**7,405**

The Notes on pages 47 to 83 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2022

Corporate information

Irongate Group was formed by stapling of two entities: Irongate Property Fund II (**IPF II**) and Irongate Property Fund I (**IPF I** or **the Trust**) which are collectively referred to as Irongate Group (**the Group** or **IAP**).

IPF II was established on 3 September 2020 and stapled to IPF I on 27 November 2020. The implementation date of the management internalisation was 30 November 2020 prior to which the Group was known as Investec Australia Property Fund. Effective 7 December 2020, Investec Australia Property Fund changed its name to IPF I and Investec Australia Property Fund II changed its name to IPF II.

The financial report of the Group for the year ended 31 March 2022 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 10 May 2022.

The Group is domiciled in Australia. The Responsible Entity is incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the directors' report.

The registered office of the Responsible Entity is located at:

Level 13, 95 Pitt Street
Sydney NSW 2000 Australia

Working capital management

The Group utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Group will draw this cash back from the debt facility in order to pay the final distribution in June 2022. This results in the most efficient use of the Group's cash flows.

Going concern

The financial statements have been prepared on a going concern basis. The Group has entered into the SIA with CHPIP in relation to the Proposal. The implementation of the Proposal is subject to IAP securityholders approving the Proposal by the requisite majorities at the meeting currently expected to be held in late June 2022.

The directors of the Responsible Entity are recommending securityholders vote in favour of the Proposal in the absence of a superior proposal and subject to the independent expert concluding that the Proposal is fair and reasonable, and therefore in the best interests of IAP securityholders.

If the Proposal is not successful, the Group will continue to operate on a going concern basis. Amongst a number of conditions under the Proposal, completion of the sale is subject to security holders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

Therefore as at 31 March 2022, there is no binding sale agreement in place or obligations under the Proposal identified by the Group. Accordingly no liability or provisions or contingent liabilities have been recognised in the financial statements.

The Group is in a net current liability position of A$25.9 million as at 31 March 2022 (31 March 2021: A$24.0 million). The net current liability position is principally due to the final distribution declared. It is anticipated that it will be paid from the undrawn debt under the current loan facility (refer to Note 19 *Borrowings*). The Group has prepared a cashflow forecast 15 months from issuance of the financial statements which indicates that the Group is expected to have positive ongoing cashflows. Therefore notwithstanding the current liability position at 31 March 2022, the Group considers the going concern assumption to be appropriate and is confident that the Group will be able to pay all liabilities as and when they become due and payable.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

1. Accounting policies and basis of preparation

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 (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standard (**IFRS**) adopted by the International Accounting Standards Board (**IASB**).

1.1.2 Cross stapling

A stapled security comprises one IPF I unit 'stapled' to one unit in IPF II to create a single listed security traded on the ASX and the JSE. The stapled securities cannot be traded or dealt with separately. The stapled security structure will cease to operate on the first of:

- IPF I or IPF II resolving by special resolution in a general meeting, and in accordance their respective constitutions, to terminate the stapled security structure; or
- IPF I or IPF II commencing winding up.

1.1.3 Reporting entity

In accordance with AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements*, one of the stapled entities is required to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, IPF II has been identified as the parent entity of the consolidated group and deemed acquirer of IPF I in the stapling arrangement. The financial report includes consolidated financial statements for IPF II comprising IPF II and its controlled entities and IPF I and its controlled entities, for the year ended 31 March 2022.

IPF I and IPF II are both Australian registered managed investment schemes under the *Corporations Act 2001*. Both IPF I and IPF II are for profit entities.

1.1.4 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 measured at fair value
- investment property is measured at fair value
- investments accounted as equity accounted investments

1.1.5 Functional and presentation currency

The consolidated financial statements are presented in AUD (A$), which is IPF's functional currency.

IPF 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 A$ has been rounded to the nearest thousand unless otherwise stated.

1.1.6 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the board of the Responsible Entity 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.

Intangible assets acquired by the Group, which have a indefinite life are recognised initially at cost. Subsequent to initial recognition the recoverable amount is estimated at each reporting date. Refer to Note 13 to the consolidated financial statements for the information on best estimates on the recoverable amount of intangible assets. Derivative financial instruments are valued based on broker quotes and are tested for reasonableness at each reporting date.

Estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year relates to the valuation of investment properties. Refer to Note 11 to the consolidated financial statements 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
- industrial properties
- properties by location
- property funds management

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 as well as the geographic property segments 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 comprise those assets 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

The Group recognises revenue that depict the transfer of promised good or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Rental income

Revenue from investment property in terms of leases comprises gross rental income and recoveries of operating costs, net of goods and services tax (**GST**). Rental income is recognised in profit or loss on a straightline 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 or inflationary measures, revenue is not straightlined and is recognised in accordance with lease terms applicable for the period.

Recoverable outgoings

Within the Group's lease arrangements, certain services are provided to tenants (such as utilities, cleaning and maintenance) which are accounted for within IFRS 15 *Revenues from contracts with customers*. As the Group has the primary responsibility in delivering these services revenues are recognised on a gross basis. A portion of the consideration within the lease arrangements are allocated to revenue for the provision of services based on the standalone selling method. The service revenue is recognised over time as services are provided and based on the annual estimates, with the estimates reconciled at least annually. These are invoiced monthly based on an annual estimates basis. The consideration is due 30 days from the invoiced date.

1.5 Foreign currency translation

Both the functional and presentation currency of IAP and its subsidiaries is Australian Dollars (**A$**). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences in the financial report are taken to profit or loss.

1.6 Lease incentives and commissions

Any lease incentives provided to a tenant under the terms of a lease such as fit-outs or cash incentives are first capitalised to investment property and then recognised as an expense or reduction in revenue on a straightline basis over the term of the lease.

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

1.7 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.

1.8 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.

1.9 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.

1.10 Financial instruments

The Group 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 Group 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 Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

1.10.1 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less any allowance under the expected credit loss (**ECL**) model.

At each reporting period, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred (as described below).

The Group recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The Group analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL, including:

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

The Group also incorporates forward-looking information by considering economic data and market outlook views by external valuers. Debts that are known to be uncollectable are written off when identified. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments (more than 90 days past due) are considered indicators that the trade receivable is impaired, given all these events would impact the estimated future cashflows of the Group's trade receivables. The Group may write off financial assets which are still subject to enforcement activity when there is no reasonable expectation of recovery.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

1.10.2 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.

1.10.3 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.

1.10.4 Derivative financial instruments

The Group utilises derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities.

The Group 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.

1.10.5 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.

1.11 Investment property

When the Group acquires property or a group of properties either directly or by obtaining control of entities that own investment properties, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or asset acquisitions of investment properties. An acquisition is not considered to be a business combination if at the date of the acquisition of the entity/property, it does not meet the definition of a business (i.e. inputs, processes and outputs). In particular where the integrated activities (i.e. processes) deemed necessary to generate outputs are not present.

Properties held by the Group which are held for rental income or capital appreciation 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 straightline 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.

An investment property is classified as held for sale as it will be recovered principally through a sale transaction rather than through continuing use. The asset is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets. Basis of valuation of property held for sale is conditional sales contract. The sale is considered to be highly probable and expected to settle within the next 12 months.

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 semi-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 rate method. The directors believe that their valuations accurately represent the fair value. Note 12 to the consolidated financial statements describes the basis for determining fair value of the Group's properties.

Gains or losses on subsequent measurement or disposals of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount) are recognised in profit or loss. Such gains or losses are excluded from the calculation and determination of distributable earnings.

Investment properties under development are stated at fair value at each balance date. Fair value is assessed with reference to reliable estimate future cash flows, status of the development and the associated risk profile. Finance costs incurred on properties undergoing development are included in the cost of the development.

1.12 Intangible assets

The management right acquired by the Group is accounted for as an intangible asset and are not amortised as they are assumed to have an indefinite life, given they are expected to be used beyond any foreseeable horizon where a platform of funds under management is being acquired which gives rise to contractual of other legal rights and they are routinely renewed at minimal cost and on broadly similar terms.

Intangible assets are initially measured at cost. Subsequent expenditure on intangible assets is capitalised only if it is probable that it will increase the future economic benefits associated with the specific asset.

Intangibles with an indefinite useful life are tested for impairment annually. After initial recognition, intangible assets are measured at cost less impairment losses, if any. Impairment losses are recognised to statement of profit or loss and other comprehensive income when incurred.

1.13 Investments accounted for using equity method

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence but not control over the financial and operating polices. The financial statements include the Group's share of income and expense of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. Investments in associates are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds its interest in an entity accounted investee, the carrying amount of that interest reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payment on behalf of the investee. Dividends from associates represent a return on the Group's investment and, as such, are applied as a reduction to the carrying value of the investment.

Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in associates' reserves are recognised directly in the Group's consolidated reserves.

1.14 Lease 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 lease agreements in the capacity as lessor of the investment properties. All agreements are operating leases.

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

Initial direct costs incurred in negotiating and arranging an operating lease are recognised in profit or loss over the term of the lease.

1.15 Lease agreements as lessee

All leases are accounted for by recognising a lease liability and corresponding right-of-use asset with the exception of low value asset leases and short-term leases that run for less than twelve months, which are expensed on a straightline basis in the consolidated statement of profit and loss and other comprehensive income.

Lease liabilities are initially measured at the present value of future lease payments, discounted using the interest rate of the Group's incremental borrowing rate. Lease liabilities are subsequently increased by interest expense on lease liabilities and reduced by the lease payments. Lease modifications also have impact on the carrying amount of lease liabilities.

Interest expense on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the consolidated statement of profit and loss and other comprehensive income in the period to which they relate.

Right-of-use assets are initially measured at cost less depreciation and impairment and subsequently adjusted for any remeasurement of the lease liability. Cost includes the amount of the initial lease liability, adjusted for any related lease prepayments or incentives received, any initial indirect costs incurred and make good costs.

Right-of-use assets that do not meet the definition of investment property are depreciated on a straightline basis from commencement date to the earlier of the end of lease term of its useful life. The lease term includes the periods of any options to extend only when considered reasonably certain to be exercised.

1.16 Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts in incurred.

Similarly, when each major inspection is performed. Its cost is recognised in the carrying amount of plant and equipment as replacement only if it is eligible for capitalisation.

Depreciation is provided on a prime cost value basis on all property, plant and equipment and is based on their useful lives.

	2022	2021
Office furniture and equipment	5 to 10 years	5 to 10 years
Computer equipment	3 to 5 years	3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, adjusted if appropriate, at each financial year end.

1.17 Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the Group 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.

1.18 Employee benefits

Short-term benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment arrangements

The fair value of share-based payment awards granted to employees and KMP is recognised as an employee benefit expense over the period during which the services are performed. For market-based performance rights, the fair value is independently valued using a Monte Carlo simulation model that takes into account the exercise price, the term of the rights, impact of dilution, stapled security price at grant date, expected price volatility of the underlying stapled security, expected dividend yield and the risk-free interest rate for the term of the rights and market vesting conditions. The impact of any non-market vesting conditions (for example, profitability, changes in net tangible assets) are excluded. For non-market-based performance rights, the fair value is independently valued using a Black-Scholes-Merton model. The amount recognised as an expense is adjusted to reflect the number of rights expected to vest.

Termination benefits

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, the are discounted to their present value.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

1.19 Taxation

Taxation of the Group

Securityholders may receive attribution managed investment trust (**AMIT**) distributions from the Group.

IPF I

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

Furthermore, IPF I and management arrangements are structured to meet the required criteria to be classified as an AMIT for Australian tax purposes. As an AMIT, IPF I 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 securityholders' proportionate share of the Australian taxable income of the IPF I.

As the IPF I is an AMIT, the Responsible Entity will be required to withhold tax in Australia at 10% on Australian sourced interest income.

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.

IPF II

IPF II is considered to be a public trading trust and therefore it is taxed as a company under current income tax legislation and taxed at the corporate tax rate of 30%. Corporate tax paid by IPF II will generate franking credits, which should be available to distribute to Australian resident and foreign resident securityholders by way of franked dividends. To the extent a dividend is unfranked, a final withholding tax of 15% would generally apply from dividends paid to individual investors in South Africa.

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they related to a business combination, or items recognised directly in equity or in other comprehensive income.

Current and deferred tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at reporting date, and any adjustment to tax payable in respect of prior year. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that have been enacted by balance date and are expected to apply when the related deferred income asset is realised, or the deferred income tax liability is settled.

Deferred income tax liabilities and assets—recognition

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all taxable temporary differences.

Net deferred tax assets or liabilities

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities, when the deferred tax balances related to the same taxation authority and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax relating to equity items

Current and deferred tax balances attributable to amount recognised directly in equity are recognised directly in equity.

GST

GST is a tax levied or imposed in Australia pursuant to the *GST Act 1999* or otherwise on a supply. Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the consolidated statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

1.20 Unit capital

Ordinary unit capital

Units are classified as equity when the units are redeemable only at the Responsible Entity's option, and any distributions are discretionary. The issued unit capital represents the amount of consideration received for units issued in IPF I and IPF II.

Transaction costs of an equity transaction are accounted for as a deduction from equity. All securities are fully paid. The securityholders are entitled to receive distributions as declared from time-to-time and are entitled to one vote per stapled security at the annual general meeting of IAP. All securities rank equally with regard to IAP's residual assets.

1.21 Impact of new standards, amendments and interpretations

No new accounting standards, amendments or interpretations have come into effect for the year ended 31 March 2022 that materially affect the Group's operations or reporting requirements.

1.22 Accounting standards applicable to the Group not yet effective

AASB 2020-1 Classification of liabilities as current or non-current (Amendments to AASB101)

Under existing AASB101 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The amendments are to be applied retrospectively from the effective date, 1 January 2023.

AASB 2021-2 Amendment to Australian Accounting Standards—Disclosure of accounting policies (Amendments to AASB 101 and IFRS Practice Statement 2)

Amendments to AASB 101 and an update to IFRS Practice Statement 2 helps companies provide useful accounting policy disclosures. Key amendments to AASB 101 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023 with earlier application permitted.

AASB 2021-2 Amendment to Australian Accounting Standards—Definition of Accounting Estimates (Amendments to AASB 108)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group applies the amendments.

AASB 2020-3 Amendments to Australian Accounting Standards—Annual Improvement 2018–2020 and Other Amendments

Amendments to existing accounting standard, particularly in relation to:

- AASB 9 *Financial instruments*—to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

The Group has assessed each of the new accounting standards disclosed, and it is expected that the implementation of these new accounting standards will have minimal impact to the Group.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

2. Segment information

The Group has determined the reportable segments to be on three separate segments, being office assets, industrial assets, and property funds management:

1. The Group's investment properties are made up of office and industrial assets. This is the first segment basis determined to be relevant to report and is consistent with the sectoral spread disclosure of the portfolio in the Group's property landscape (refer to Section 1 of the annual report—Overview).
2. The Group's investment properties are geographically spread over the states of Australia and New Zealand. These disclosures are consistent with the geographical spread disclosure of the portfolio in the Group's property landscape (refer to Section 1 of the annual report—Overview).
3. The property funds management segment comprises investment management services and property management services.

The primary measure of performance of each operating segment is net property and other income.

The Group's operating segment results are reported monthly to the Group's chief executive office, who is the chief operating decision maker.

A$'000	OFFICE	INDUSTRIAL	PROPERTY FUNDS MANAGEMENT	TOTAL
Statement of profit or loss and other comprehensive income for year ended 31 March 2022				
Revenue from external customers, excluding straightline rental revenue adjustment	74,078	32,285	–	106,363
Straightline rental revenue adjustment	1,082	1,395	–	2,477
Property revenue	**75,160**	**33,680**	**–**	**108,840**
Property expenses	(16,825)	(4,989)	–	(21,814)
Net property income	**58,335**	**28,691**	**–**	**87,026**
Fair value adjustments—investment properties	52,166	110,084	–	162,250
Fair value adjustments—Investment property held under development	–	3,554	–	3,554
Fair value adjustments—foreign currency revaluation	844	–	–	844
Share of equity accounted profit	–	–	2,995	2,995
Total segment results	**111,345**	**142,329**	**2,995**	**256,669**
Other expenses				(11,432)
Profit on sale of investment property				4,942
Fair value adjustment on interest rate swaps				24,110
Fair value adjustment on foreign currency				18
Finance costs				(13,289)
Finance income				14
Other income				5,486
Profit before tax				**266,518**
Income tax				(194)
Profit after tax for year ended 31 March 2022				**266,324**
Statement of financial position extracts at 31 March 2022				
Investment properties	1,068,254	574,100	–	1,642,354
Investment properties under development	–	36,314	–	36,314
Equity accounted investments	–	–	20,579	20,579
Intangible assets	–	–	39,528	39,528
Other assets not managed on a segmental basis				46,137
Total assets as at 31 March 2022				**1,784,912**

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Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

2. Segment information (continued)

A$'000	VICTORIA	QUEENSLAND	SOUTH AUSTRALIA	WESTERN AUSTRALIA
Statement of profit or loss and other comprehensive income for year ended 31 March 2022				
Revenue from external customers, excluding straightline rental revenue adjustment	17,392	13,679	3,214	5,341
Straightline rental revenue adjustment	776	372	(131)	586
Revenue	**18,168**	**14,051**	**3,083**	**5,927**
Property expenses	(2,912)	(3,278)	(341)	(1,046)
Net property income	**15,256**	**10,773**	**2,742**	**4,881**
Fair value adjustments—investment properties	24,931	26,037	9,580	26,474
Fair value adjustments—Investment property held under development	–	3,554	–	–
Fair value adjustments—foreign currency revaluation	–	–	–	–
Share of equity accounted profit	–	–	–	–
Total segment results	**40,187**	**40,364**	**12,322**	**31,355**
Other expenses				
Profit on sale of investment property				
Fair value adjustment on interest rate swaps				
Fair value adjustment on foreign currency				
Finance costs				
Finance income				
Other income				
Profit before tax				
Income tax				
Profit after tax for year ended 31 March 2022				
Statement of financial position extracts at 31 March 2022				
Investment properties	393,650	202,100	47,200	122,350
Investment properties under development	–	36,314	–	–
Equity accounted investments	–	–	–	–
Intangible assets	–	–	–	–
Other assets not managed on a segmental basis				
Total assets as at 31 March 2022				

NEW SOUTH WALES	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY	NEW ZEALAND	PROPERTY FUNDS MANAGEMENT	TOTAL
37,273	13,152	2,730	13,582	–	106,363
567	268	140	(101)	–	2,477
37,840	**13,420**	**2,870**	**13,481**	**–**	**108,840**
(7,867)	(1,757)	(223)	(4,390)	–	(21,814)
29,973	**11,663**	**2,647**	**9,091**	**–**	**87,026**
42,445	21,413	2,447	8,923	–	162,250
–	–	–	–	–	3,554
–	–	–	844	–	844
–	–	–	–	2,995	2,995
72,418	**33,076**	**5,094**	**18,858**	**2,995**	**256,669**
					(11,432)
					4,942
					24,110
					18
					(13,289)
					14
					5,486
					266,518
					(194)
					266,324
514,750	176,550	32,000	153,754	–	1,642,354
–	–	–	–	–	36,314
–	–	–	–	20,579	20,579
–	–	–	–	39,528	39,528
					46,137
					1,784,912

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

2. Segment information (continued)

A$'000	OFFICE	INDUSTRIAL	PROPERTY FUNDS MANAGEMENT	TOTAL
Statement of profit or loss and other comprehensive income for period 3 September to 31 March 2021				
Revenue from external customers, excluding straightline rental revenue adjustment	21,657	9,527	–	31,184
Straightline rental revenue adjustment	253	255	–	508
Property revenue	**21,910**	**9,782**	**–**	**31,692**
Property expenses	(5,946)	(1,384)	–	(7,330)
Net property income	**15,964**	**8,398**	**–**	**24,362**
Fair value adjustments—investment properties	45,255	49,104	–	94,359
Fair value adjustments—Investment property held under development	–	3,016	–	3,016
Fair value adjustments—foreign currency revaluation	(4,864)	–	–	(4,864)
Share of equity accounted profit	–	–	(707)	(707)
Total segment results	**56,355**	**60,518**	**(707)**	**116,166**
Other expenses				(3,890)
Profit on sale of investment property				(7,715)
Fair value adjustment on interest rate swaps				3,360
Fair value adjustment on foreign currency				1,639
Finance costs				(3,017)
Finance income				12
Other income				1,227
Profit before tax				**107,782**
Income tax				2,957
Profit after tax for year ended 31 March 2021				**110,739**
Statement of financial position extract at 31 March 2021				
Investment properties	819,856	405,500	–	1,225,356
Investment properties under development	–	11,600	–	11,600
Equity accounted investments	–	–	5,807	5,807
Intangible assets	–	–	39,528	39,528
Other assets not managed on a segmental basis				16,685
Total assets as at 31 March 2021				**1,298,976**

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Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

2. Segment information (continued)

A$'000	VICTORIA	QUEENSLAND	SOUTH AUSTRALIA	WESTERN AUSTRALIA
Statement of profit or loss and other comprehensive income for period 3 September to 31 March 2021				
Revenue from external customers, excluding straightline rental revenue adjustment	5,169	2,964	1,056	1,667
Straightline rental revenue adjustment	155	10	(37)	79
Property revenue	**5,324**	**2,974**	**1,019**	**1,746**
Property expenses	(1,098)	(1,261)	(98)	(276)
Net property income	**4,226**	**1,713**	**921**	**1,470**
Fair value adjustments—investment properties	22,529	117	3,387	5,318
Fair value adjustments—Investment property held under development	–	3,016	–	–
Fair value adjustments—foreign currency revaluation	–	–	–	–
Share of equity accounted profit				
Total segment results	**26,755**	**4,846**	**4,308**	**6,788**
Other expenses				
Profit on sale of investment property				
Fair value adjustment on interest rate swaps				
Fair value adjustment on foreign currency				
Finance costs				
Finance income				
Other income				
Profit before tax				
Income tax				
Profit after tax for year ended 31 March 2021				
Statement of financial position extracts at 31 March 2021				
Investment properties	227,750	149,750	37,750	63,000
Investment properties under development	–	11,600	–	–
Equity accounted investments	–	–	–	–
Intangible assets	–	–	–	–
Other assets not managed on a segmental basis				
Total assets as at 31 March 2021				

NEW SOUTH WALES	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY	NEW ZEALAND	PROPERTY FUNDS MANAGEMENT	TOTAL
12,100	3,112	902	4,214	–	31,184
273	(108)	62	74	–	508
12,373	**3,004**	**964**	**4,288**	**–**	**31,692**
(2,470)	(450)	(54)	(1,623)	–	(7,330)
9,903	**2,554**	**910**	**2,665**	**–**	**24,362**
40,580	9,950	238	12,240	–	94,359
–	–	–	–	–	3,016
–	–	–	(4,864)	–	(4,864)
				(707)	(707)
50,483	**12,504**	**1,148**	**10,041**	**(707)**	**116,166**
					(3,890)
					(7,715)
					3,360
					1,639
					(3,017)
					12
					1,227
					107,782
					2,957
					110,739
466,750	107,350	29,400	143,606	–	1,225,356
–	–	–	–	–	11,600
–	–	–	–	5,807	5,807
–	–	–	–	39,528	39,528
					16,685
					1,298,976

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Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

3. Property revenue

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Contracted rental income	92,820	27,198
Recoverable outgoings	13,543	3,986
Revenue, excluding straightline rental revenue adjustment	**106,363**	**31,184**
Straightline rental revenue adjustment	2,477	508
	108,840	**31,692**

4. Property expenses

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Statutory expenses	(7,019)	(2,600)
Electricity	(1,658)	(533)
Insurance	(2,326)	(988)
Cleaning	(1,374)	(421)
Building management	(2,249)	(770)
Repairs & Maintenance	(1,251)	(332)
Amortisation of fitout expenses	(1,141)	(259)
Tenant rechargeable expenditure	(476)	(173)
Air-conditioning	(875)	(189)
Fire protection	(617)	(132)
Lift and escalators	(458)	(177)
Emergency Generators	(399)	(145)
Leasing fee	(491)	(168)
Legal and marketing expenses	(323)	(146)
Non recoverable property expenses	(457)	(91)
Other property expenses	(700)	(206)
	(21,814)	**(7,330)**

5. Other operating expenses

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Depreciation expenses	(158)	(37)
Employee benefits expenses	(7,402)	(2,605)
Other expenses	(3,872)	(1,248)
	(11,432)	**(3,890)**

6. Transaction costs

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Transaction cost on management internalisation	–	(7,715)
Total transaction costs	**–**	**(7,715)**

7. Fair value adjustments

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Fair value adjustments—investment properties	162,250	94,359
Fair value adjustments—investment property under development	3,554	3,016
Fair value adjustments—interest rate swaps	24,110	3,360
Fair value adjustments—foreign currency revaluation	862	(3,225)
Total fair value adjustments	**190,776**	**97,510**

8. Finance costs

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Finance costs on borrowings and derivatives	(13,289)	(3,017)
Total finance costs	**(13,289)**	**(3,017)**

Refer to Note 19 for details on borrowings.

9. Income tax

The table below relates to income tax for the Group's income tax paying entities.

(a) Income tax (expenses)/benefit:

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Current tax expenses	–	–
Deferred tax (expense)/income	(194)	2,957
Income tax expense in the statement of comprehensive income	**(194)**	**2,957**

(b) Reconciliation of income tax expense to *prima facie* tax payable:

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Profit before income tax expense	266,518	107,782
Prima facie tax expenses/(benefits) at 30%	79,955	32,335
Less: IPF I profit not subject to tax	(77,879)	(35,440)
Tax effect of amounts not deductible/assessable in calculating income tax expense:		
Non-deductible entertainment expenses	5	2
Equity accounted profit	(899)	212
Employee benefit	(612)	(99)
Capital raising and set up cost	(466)	(96)
Others	90	129
Income tax expense/(benefits)	**194**	**(2,957)**

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

9. Income tax (continued)

(c) Current tax expense

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Current tax payable	–	–

(d) Deferred tax expense

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Deferred tax assets	(176)	2,965
Deferred tax (liabilities)	(18)	(8)
Net total	**(194)**	**2,957**

(e) Reconciliation of deferred tax expense

	OPENING BALANCE 01 APRIL 2021	RECOGNISED IN		BALANCE 31 MARCH 2022
		PROFIT OR LOSS	EQUITY	
Net deferred tax asset attributable to:				
Property, plant and equipment	2	7	–	9
Equity accounted investment	212	(37)	–	175
Accrued expenses	1,035	302	–	1,337
Transaction costs	1,689	(421)	–	1,268
Income tax loss carried forward	27	(27)	–	–
	2,965	**(176)**	**–**	**2,789**
Net deferred tax liabilities attributable to:				
Property, plant and equipment	(8)	(18)	–	(26)
	(8)	**(18)**	**–**	**(26)**
Net total	**2,957**	**(194)**	**–**	**2,763**

	OPENING BALANCE 03 SEPTEMBER 2020	RECOGNISED IN		BALANCE 31 MARCH 2021
		PROFIT OR LOSS	EQUITY	
Net deferred tax asset attributable to:				
Property, plant and equipment	–	2	–	2
Equity accounted investment	–	212	–	212
Accrued expenses	–	1,035	–	1,035
Transaction costs		1,689	–	1,689
Income tax loss carried forward	–	27	–	27
		2,965		**2,965**
Net deferred tax liabilities attributable to:				
Property, plant and equipment	–	(8)	–	(8)
	–	**(8)**	**–**	**(8)**
Net total	**–**	**2,957**	**–**	**2,957**

10. Distribution per security

PERIOD FOR DISTRIBUTION (A$'000)	TOTAL DISTRIBUTION (A$'000)	SECURITIES IN ISSUE ('000)	DISTRIBUTION PER SECURITY (A$ CENTS)
Half year to 30 September 2021	29,223	645,312	4.53
Half year to 31 March 2022	31,643	677,570	4.67
Total distribution for FY2022	**60,866**		**9.20**
3 September 2020 to 31 March 2021	27,696	611,298	4.53

11. Investment property

Investment properties held by the Group are accounted for as asset acquisitions when the integrated activities deemed necessary to generate outputs are not present at acquisition. The Group concluded that all the acquisition of properties in the current financial year were asset acquisitions.

For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within the fair value measurements are categorised in their entirety of level 3.

(a) Valuation basis

The basis of valuation of investment properties is fair value. 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 measurement date.

The Group's policy is to value properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer (in compliance with the Group's debt facility). Where a property is not due for an independent valuation, internal valuations are undertaken at the end of the reporting period. The valuation methods include the discounted cash flow (**DCF**) method and income capitalisation method. The mid-point is generally taken between the DCF and income capitalisation method.

(b) Fair value assessment results

External valuations

External valuations were conducted for 33 investment properties in the portfolio for the second half of the year. External valuations were conducted by Colliers International, Urbis, Savills, Knight Frank and JLL who are all registered as Certified Practising Valuers with the Australian Property Institute.

Director valuations

As at 31 March 2022 there were two investment properties where fair value was based on directors' valuations. At each reporting date, the directors update their assessment of the fair value of each property in accordance with the Group's valuation policy.

As at 31 March 2022, investment properties to the value of A$1,642.4 million (31 March 2021: A$1,225.4 million) is held as security under the syndicated facility agreement drawn down to a value of A$520.7 million (31 March 2021: A$341.5 million).

All of the investment properties located in New South Wales, Victoria, South Australia, Queensland, Western Australia, Northern Territory and New Zealand are held under freehold interests. All of the properties located in the Australian Capital Territory are held under leasehold interests with the earliest termination date in 2088 and no lease payment obligations.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to A$162.2 million (31 March 2021: A$94.4 million) and are presented in profit and loss in the line item 'fair value adjustment'.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

11. Investment property (continued)

PROPERTY PORTFOLIO A$'000	LATEST EXTERNAL VALUATION		CONSOLIDATED CARRYING VALUE	
	DATE	VALUATION	2022	2021
INDUSTRIAL PORTFOLIO				
47 Sawmill Circuit, Hume ACT	31-Mar-22	17,050	17,050	12,700
57 Sawmill Circuit, Hume ACT	31-Mar-22	18,400	18,400	13,900
24 Sawmill Circuit, Hume ACT	31-Mar-22	17,900	17,900	14,500
44 Sawmill Circuit, Hume ACT	31-Mar-22	19,600	19,600	10,500
2–8 Mirage Road, Direk SA	31-Mar-22	12,700	12,700	8,750
30–48 Kellar Street, Berrinba QLD	31-Mar-22	12,100	12,100	9,500
165 Newton Road, Wetherill Park NSW	31-Mar-22	38,500	38,500	33,500
24 Spit Island Close, Newcastle NSW	31-Mar-22	14,500	14,500	12,000
67 Calarco Drive, Derrimut VIC	31-Mar-22	15,300	15,300	12,300
66 Glendenning Road, Glendenning NSW	31-Mar-22	47,750	47,750	38,250
85 Radius Drive, Larapinta QLD	31-Mar-22	25,500	25,500	19,500
54 Miguel Road, Bibra Lake WA	31-Mar-22	44,250	44,250	33,000
24 Rodborough Road, Frenchs Forest NSW	31-Mar-22	29,000	29,000	24,500
6–8 and 11 Siddons Way, Hallam VIC	31-Mar-22	30,100	30,100	23,750
36–42 Hydrive Close, Dandenong South VIC	31-Mar-22	29,250	29,250	25,700
103 Welshpool Road, Welshpool WA	31-Mar-22	47,600	47,600	30,000
46–70 Grand Trunkway, Gillman SA	31-Mar-22	34,500	34,500	29,000
16 Dawson Street, East Arm NT	31-Mar-22	32,000	32,000	29,400
197 Belconnen Crescent, Brendale QLD	31-Mar-22	21,000	21,000	–
131–153 Main Beach Road, Pinkenba QLD	31-Mar-22	30,100	30,100	24,750
81 Dunhill Crescent, Morningside QLD	31-Mar-22	6,500	6,500	–
16 Aspiration Circuit, Bibra Lake WA	31-Mar-22	30,500	30,500	–
OFFICE PORTFOLIO				
449 Punt Road, Cremorne VIC	31-Mar-22	72,500	72,500	61,500
35–49 Elizabeth Street, Richmond VIC	31-Mar-22	113,000	113,000	104,500
2404 Logan Road, Eight Mile Plains QLD	30-Sep-20	17,500	17,400	17,000
186 Reed Street, Greenway ACT	30-Sep-20	25,750	26,100	25,250
21–23 Solent Circuit, Baulkham Hills NSW	31-Mar-22	73,500	73,500	68,000
266 King Street, Newcastle NSW	31-Mar-22	88,000	88,000	81,500
113 Wicks Road, Macquarie Park NSW	31-Mar-22	36,000	36,000	33,000
324 Queen Street, Brisbane QLD	31-Mar-22	89,500	89,500	79,000
20 Rodborough Road, Frenchs Forest NSW	31-Mar-22	72,000	72,000	66,000
2 Richardson Place, North Ryde NSW	31-Mar-22	115,500	115,500	110,000
100 Willis Street, Wellington NZ[1]	31-Mar-22	153,754	153,754	143,606
38 Sydney Avenue, Canberra ACT	31-Mar-22	77,500	77,500	–
510 Church Street, Cremorne VIC	31-Mar-22	133,500	133,500	–
24 Wormald Street, Symonston ACT[2]	31-Mar-21	30,500	–	30,500
Total Investment Properties			**1,642,354**	**1,225,356**

1. Converted at spot rate of 1.0796 at 31 March 2022.
2. Property disposed during the year.

(c) Movement in investment properties' carrying value

A$'000	2022	2021
Cost	1,234,107	985,813
Accumulated fair value adjustment	391,298	225,073
Investment properties	**1,625,405**	**1,210,886**
Straightline rental revenue receivable	16,949	14,470
Carrying value	**1,642,354**	**1,225,356**
Movement in investment properties		
Opening balance	1,225,356	–
IPF I balance on stapling to IPF II	–	1,104,909
Acquisitions	231,002	24,750
Completion of property under development	17,682	–
Property disposed	(30,500)	–
Foreign currency revaluation on property	844	(4,864)
Acquisition costs and capital expenditure	33,243	5,694
Fair value adjustment on revaluation of investment properties (refer to Note 7)	162,250	94,359
Straightline rental revenue adjustment	2,477	508
Carrying value at end of the year/period	**1,642,354**	**1,225,356**

(d) Valuation process

The fair value for all investment properties A$1,642.4 million (2021: A$1,225.4 million) has been undertaken under the Level 3 fair value hierarchy, where unobservable inputs have been utilised in the valuation techniques. For all investment property that are measured at fair value, the current use of the property is considered the highest and best use.

Valuation techniques used to derive Level 3 fair values

The Group 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.

Under the DCF approach, a property's fair value is estimated by projecting a series of cash flows over a specified time horizon (typically 10 years) and discounting this cash flow, including the projected exit or terminal value, at a market-derived discount rate. Projected cash flows are derived from contracted or expected market rents, operating costs, lease incentives, capital expenditure and future income on vacant space. The net present value of the discounted cash flow represents the fair value of the property.

The income capitalisation approach involves estimating the potential sustainable gross market income of a property from which annual outgoings are deducted to derive the net market income. Net market income is then capitalised in perpetuity at an appropriate market derived capitalisation rate (market yield). Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and general characteristics of the property.

At reporting date, the key assumptions used by the Group in determining fair value were as follows:

INDUSTRIAL	31 MARCH 2022	31 MARCH 2021
Capitalisation rate	3.75–7.25%	4.50–7.75%
Discount rate	5.00–7.50%	5.50–8.00%
Terminal yield	4.00–7.50%	4.75–8.00%
Rental growth rate	2.21–3.35%	1.95–3.29%

OFFICE	31 MARCH 2022	31 MARCH 2021
Capitalisation rate	4.50–7.75%	5.50–8.00%
Discount rate	5.75–7.75%	6.13–8.25%
Terminal yield	4.63–8.00%	5.75–8.13%
Rental growth rate	2.55–3.55%	2.15–3.51%

Capitalisation rates

Capitalisation rates are derived from the yields indicated by sales of comparable properties. It factors in risk with regard to a property's location, quality, strength of the tenant covenant and length of secured cashflows.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

11. Investment property (continued)

Industrial

The Australian industrial and logistics sector continued to see strong momentum in the occupier and investment markets as $18.2 billion of industrial assets transacted during calendar year 2021—more than three and a half times the average annual transaction activity for the last ten years. The large volume of sales activity experienced during the Group's financial period ended 31 March 2022 has demonstrated the strength of the industrial market and the main driver for taking all 22 of the Group's industrial properties for external valuation at 31 March 2022. At 31 March 2022, the weighted average capitalisation rate used in valuing the Group's industrial portfolio firmed 103 basis points to 4.80% when compared to 31 March 2021. The industrial terminal cap rate firmed 104 basis points to 5.14% when compared to 31 March 2021.

Office

2021 saw a rebound in investment activity as vendors and buyers were comforted by the greater certainty around tenant demand and leasing fundamentals. The increase in activity and depth of the buyer pool has seen yields continue to compress through 2021. The weighted average capitalisation rate used in valuing the Group's office portfolio firmed 58 basis points to 5.54% when compared to 31 March 2021. The office weighted average terminal cap rate firmed 36 basis points to 5.82% when compared to 31 March 2021.

Discount rates

At 31 March 2022 discount rates utilised in the valuation of the Group's property portfolio have tightened (i.e. lowered) by approximately 66 basis points to 6.09% when compared to 31 March 2021. The weighted average discount rate tightened 55 basis points to 6.22% for the office portfolio and 87 basis points to 5.84% for the industrial portfolio when compared to 31 March 2021.

Market rental growth

Market rental growth is the projected year on year change in market rent based on factors such as population growth, demand for space and expected supply and new developments within markets. A key driver of the DCF calculation outcome is market rental growth, where a property's projected cash flow comprises of actual rental income, speculative rental income, and rental income growth.

Market rent and rental growth have a material impact on the outcome of the terminal value calculation, as terminal market rent is a function of the current market rent and the 10 year CAGR. The terminal market rent is divided by the terminal capitalisation rate to determine the terminal value.

At 31 March 2022, the market rental growth (10-year CAGR) utilised in the valuation of the Group's property portfolio has increased by approximately 12 basis points to 3.11%, when compared to 31 March 2021.

Significant unobservable inputs

For all classes of investment property the significant unobservable inputs below are used to determine the fair value measurement of investment property at measurement date. Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. The higher the market rent or 10-year compound annual growth rate, the higher the fair value. The higher the capitalisation rate, terminal yield or discount rate, the lower the fair value.

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

Capitalisation rate	Increases/(decreases) in the capitalisation rate would (decrease)/increase estimated fair value	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	Increases/(decreases) in the discount rate would (decrease)/increase estimated fair value	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	Increases/(decreases) in the terminal yield would result in (decreases)/increases in the estimated fair value	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.
Market rent and rental growth	Increases/(decreases) in market rent and rental growth would increase/(decrease) estimated value	The rent at which a space could be let in the market including rental growth in future years at the date of valuation. Market rent includes gross rent and net rent. Gross rent is where outgoings are incorporated in the rent being paid. Net market rent is where the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

(e) Uncertainty around property valuations

The onset of COVID-19 saw real estate market activity in Australia impacted across many sectors resulting in limited transactional evidence from which to draw reliable valuation conclusions. 2021/2022 has seen investment activity across most Australian commercial markets recover to a substantial degree and the Group is satisfied that the available transactional evidence is adequately enables appropriate valuation analysis and conclusions. Despite this, markets continue to be heavily influenced by unprecedented global economic and political environments and in the event the impacts are more material or prolonged than anticipated, this may have further impact to the fair value of the Group's property portfolio, and the future price achieved if a property is sold.

(f) Contractual obligations/capital commitments

At 31 March 2022, the Group included forecast cost associated with the aluminium cladding panel assessment and remediation for two properties in the portfolio (31 March 2021: 2) within the valuation of these properties rather than a separate provision.

A$'000	2022	2021
449 Punt Road, Cremorne VIC	350	650
35–49 Elizabeth Street, Richmond VIC	350	1,200
	700	**1,850**

There were no other significant contractual obligations or capital commitments relating to investment property as at 31 March 2022 (31 March 2021: Nil).

(g) Leasing arrangements as lessor

The Group leases office and industrial properties under operating leases. Contractual amounts due in terms of operating lease agreements are receivable as follows:

	2022	2021
Minimus lease payments due to the Group under non-cancellable operating leases of investment property are receivable as follows:		
Less than 1 year	95,303	87,439
Between 1 and 2 years	85,496	81,900
Between 2 and 3 years	73,195	70,293
Between 3 and 4 years	52,177	60,497
Between 4 and 5 years	41,861	40,812
More than 5 years	177,036	105,973
	525,068	**446,914**

Investment property comprises a number of commercial properties and industrial that are leased to third parties. The significant majority of 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 five years. No contingent rents are charged.

12. Investment property held under development

A$'000	2022	2021
Opening balance	11,600	–
Acquisitions	6,947	3,886
Acquisition costs and capital expenditure	31,894	4,698
Completion of property under development	(17,681)	–
Fair value adjustment	3,554	3,016
	36,314	**11,600**

For the year ended 31 March 2022, the Group completed one development property (197 Belconnen Crescent, Brendale QLD) and held two investment properties (57–83 Mudgee Street, Kingston QLD and 34 Southgate Avenue, Cannon Hill QLD) for development. At the reporting date, the key assumptions (weighted average) used by the Group in determining fair value were as follows:

A$'000	OFFICE	INDUSTRIAL
Capitalisation rate	5.00%	4.75%
Discount rate	5.75%	5.75%
Terminal yield	5.50%	5.13%
Rental growth rate	2.90%	2.87%

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

13. Intangible asset

A$'000	2022	2021
Opening balance	39,528	–
Additions	–	39,528
Impairments	–	–
Net carrying amount at 31 March	**39,528**	**39,528**

Intangible assets represent the management right platform acquired by IPF II. The intangible asset acquired has been determined to have an indefinite useful life and required to be tested for impairment annually. As at 31 March 2022, indicators of impairment were considered under IAS 36. As the recoverable amount is considered to be the acquisition cost, the intangible asset is not impaired. The valuation basis of the intangible asset to assess the fair value of the management right is the forecast EBITDA of IPF II multiplied by a market multiple.

14. Equity accounted investment

The Group is committed to invest up to A$30 million in ITAP Fund (as at 31 March 2022, total committed equity is A$160.8 million (31 March 2021: A$140.0 million)). This represents 18.7% (31 March 2021: 21.4%) of the total equity of ITAP Fund and also the Group's shareholding interest at balance date. As at 31 March 2022, A$18.3 million (31 March 2021: A$6.5 million) has been contributed. ITAP Fund is an unlisted Australian opportunity fund which was launched in December 2019. ITAP Fund seeks to invest in opportunistic real estate transactions in Australia and New Zealand with a shorter-term investment horizon than more passive investments, including value add and real estate backed debt opportunities which require more active management. The Group has been contracted to perform investment and asset management services to ITAP Fund. As at 31 March 2022, total fee received or receivable from ITAP Fund is A$1.2 million (31 March 2021: Nil).

A$'000	2022	2021
Opening balance	5,807	–
Equity contributions	11,777	6,514
Share of equity accounted profit/loss	2,995	(707)
Net carrying amount	**20,579**	**5,807**

ITAP	2022	2021
Current assets	27,118	5,667
Non-current assets	90,999	28,766
Current liabilities	7,813	7,334
Non-current liabilities	24,388	8,685
Net assets	**85,916**	**18,414**
Shareholder loan	24,388	8,685
Net assets adjusted by shareholder loan	**110,304**	**27,099**
Revenue	19,634	215
Other comprehensive income	–	–
Net profit/(loss) for the year ended 31 March	16,050	(3,298)
% of ownership	18.66%	21.43%
Net assets attributable to IAP	20,579	5,807
Equity contribution by IAP	18,291	6,514
Share of equity accounted profit/(loss)	2,995	(707)

15. Receivables and other assets

During the year, the Group granted negligible rental relief to tenants in the form of rental waivers and rental deferrals as required for qualifying tenants under the National Cabinet's Mandatory Code of Conduct for SME commercial leasing principles during the COVID-19 pandemic which has been given effect by state and territory legislation. For non-qualifying tenants the principles of the code were taken into account in the consideration of deferral requests. Deferrals granted have been agreed with tenants to be repaid over periods between October 2020 and January 2023.

Consideration of the impact of COVID-19 on tenants has been incorporated into the assessment as at 31 March 2022 based on discussions held to date with each tenant and on any other information known about the tenant and/or their trading conditions. As at 31 March 2022, the Group had nil allowance for credit losses (31 March 2021: Nil).

A$'000	2022	2021
Prepaid expenses	4,955	3,303
Trade debtors	702	1,185
Other receivable	3,000	–
Sundry debtors	1,490	1,174
	10,147	**5,662**

Other receivable relates to refundable deposit paid for an office development in Melbourne VIC, an investment which the Group manages on behalf of ITAP Fund and other third parties. The deposit will be reimbursed on the settlement of the transaction.

16. Cash and cash equivalents

A$'000	2022	2021
Cash held on call account	9,200	7,405
Total cash and cash equivalents	**9,200**	**7,405**

17. Contributed equity

A$'000	2022	2021
Issued		
On establishment	46,723	46,723
On completion security placement offer June 2021—34,013,605 fully paid ordinary securities	24,391	–
On completion security placement offer December 2021—32,258,065 fully paid ordinary securities	24,331	–
In issue at year end	**95,445**	**46,723**
Weighted average number of securities in issue	82,645	27,800

IPF II was established by IPF I making a capital distribution to the holders of units in IPF I (equal to A$0.0764 per IPF I unit), with such distribution being mandatorily applied by holders of IPF I units to subscribe for new units in IPF II of A$46.7 million. Issued capital comprises of ordinary units fully paid.

The stapling of IPF I units to IPF II units in accordance with the IPF I and IPF II constitutions occurred on 27 November 2020.

A stapled security comprises one unit in IPF I and one unit in IPF II. Holders of stapled securities are entitled to receive distributions as declared from time to time and are entitled to one vote per security at securityholders' meetings. In the event of a winding up, securityholders rank after creditors and are fully entitled to any net proceeds of liquidation. The Group does not have authorised capital or par value in respect of the issued stapled securities.

Refer to securityholder analysis included on pages 142 to 143 for further details on securityholders.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

18. Non-controlling interest

Under AAS, stapled entities are required to separately identify equity attributable to the parent entity from equity attributable to other entities stapled to the parent. The equity attributable to other entities (IPF I) stapled to the parent (IPF II) is presented as non-controlling interests in the statement of financial position of the Group.

The following table summarises the information relating to IPF I that has material NCI.

IPF I (A$'000)	2022	2021
NCI percentage	**100%**	**100%**
Non-current assets	1,701,942	1,236,956
Current assets	11,974	10,393
Non-current liabilities	554,448	345,307
Current liabilities	29,983	28,337
Net assets	**1,129,485**	**873,705**
Issued capital	698,401	649,679
Retained earnings	431,084	224,026
Net assets attributable to NCI	**1,129,485**	**873,705**
Revenue	108,840	31,704
Profit	267,924	118,134
OCI	–	–
Total comprehensive income	**267,924**	**118,134**
Profit allocated to NCI	267,924	118,134
OCI allocated to NCI	–	–
Cash flows from operating activities	2,293	(7,487)
Cash flows from investment activities	(229,590)	(51,140)
Cash flow from financing activities	227,890	24,707
Net increase (decrease) in cash and cash equivalents	**593**	**(31,220)**

19. Borrowings

A$'000	TRANCHE EXPIRY DATE	INTEREST RATE	2022	2021
Loans—secured—bank debt				
ANZ Facility—Tranche G	01-Apr-27	BBSY + 1.5500%[1]	20,000	20,000
ANZ Facility—Tranche H	01-Sep-26	BBSY + 1.5500%[1]	75,000	75,000
ANZ Facility—Tranche I	31-Mar-26	BBSY + 1.5500%[1]	25,000	25,000
Westpac Facility—Tranche N	28-Mar-28	BBSY + 1.4500%[1]	55,000	55,000
Westpac Facility—Tranche P	30-Nov-27	BBSY + 1.7000%[1]	29,940	16,514
Westpac Facility—Tranche Q	31-Mar-26	BBSY + 1.5500%[1]	22,500	–
Westpac Facility—Tranche R	31-Mar-26	BBSY + 1.5500%[1]	47,500	–
Westpac Facility—Tranche S	29-Dec-28	BBSY + 1.6750%[1]	36,742	–
Westpac Facility—Tranche T	15-Dec-28	BBSY + 1.6750%[1]	59,000	–
Westpac Facility—PGIM	22-Dec-29	3.4%	150,000	150,000
Total long-term borrowings—secured			**520,682**	**341,514**
Capitalised loan establishment costs			(3,703)	(2,451)
Total value of interest-bearing borrowings			**516,979**	**339,063**

Movement in borrowings		
Opening balance	341,514	–
IPF I balance on stapling to IPF II	–	274,107
Interest charged	13,289	3,017
Interest paid	(13,289)	(3,017)
Additional borrowing acquired	221,168	71,907
Repayments	(42,000)	(4,500)
Closing balance at the end of the year	**520,682**	**341,514**

The Group's LVR[2] was 30.10% as at 31 March 2022. (31 March 2021: 26.88%)

At 31 March 2022 the approved facility limit of the loan facility was A$625.0 million (31 March 2021: A$435.0 million) with A$104.3 million undrawn, (31 March 2021: A$93.5 million)

The Group's policy is to hedge at least 75% of interest rate risk. At the balance date, 85.9% (31 March 2021: 78.3%) of borrowings were hedged using interest rate swaps, locking in a blended rate (including margin and line fees) of 2.95% (31 March 2021: 2.84%) for a weighted average term of 6.0 years, (31 March 2021: 6.1 years)

1. Varies based on gearing levels.
2. LVR is a non-IFRS measure.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

20. Trade and other payables

A$'000	2022	2021
Security deposits	1,212	581
Income received in advance	3,756	4,246
Lease liabilities	562	532
Employee entitlement	1,048	3,250
Other payables	–	417
Trade and other payables—non-current	**6,578**	**9,026**
Accrued expenses	1,488	3,502
Trade creditors	296	1,181
Lease liabilities	133	107
Income received in advance	4,967	2,924
GST payable	808	510
Employee entitlement	4,096	–
Other payables	1,810	1,098
Trade and other payables—current	**13,598**	**9,322**

21. Reconciliation of cash flows from operating activities

A$'000	2022	2021
Profit before tax for the period	266,518	107,782
Adjusted for:		
Fair value adjustments—investment properties	(162,250)	(94,359)
Fair value adjustments—investment property under development	(3,554)	(3,016)
Fair value adjustments—derivatives	(24,110)	(3,360)
Fair value adjustments—foreign currency revaluation	(862)	3,225
Straightline rental revenue adjustment	(2,477)	(508)
Profit on disposal of investment property	(4,942)	–
Working capital movement		
Change in trade and other receivables	166	(5,138)
Change in trade and other payables	593	7,746
Change in capital expenses	(1,744)	(2,040)
Transaction cost on management internalisation	–	7,715
Share of equity accounted (profit)/loss	(2,995)	707
Distributions paid	(56,919)	(26,832)
Net cash from operating activities	**7,424**	**(8,078)**

22. Key management personnel (KMP) compensation

A$'000	2022	2021
Short-term employee benefits	1,630	717
Other long-term employee benefits	72	35
Post-employment benefits	69	22
	1,771	**774**

Individual Directors' and KMP compensation disclosures

Information regarding individual Directors' and KMP compensation and equity instruments disclosure is provided in the remuneration report within the Annual Report.

Movements in securities

The movement during the reporting period in the number of ordinary securities in IAP held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	HELD AT 31 MARCH 2021	PURCHASES	SALES	HELD AT 31 MARCH 2022
Directors				
Graeme Katz	270,296	–	–	270,296
Richard Longes[1]	121,819	–	–	121,819
Sally Herman	37,879	–	–	37,879
Georgina Lynch[2]	67,493	–	–	67,493
Stephen Koseff[3]	170,733	–	–	170,733

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

The related party transaction in relation to the RE is set out in the Directors' report on page 39.

1. Through Gemnet Pty Ltd.
2. Through G Lynch Investments Pty Ltd.
3. Through Sheryl Koseff and SK Employee Trust.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

23. 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. All subsidiaries are established in Australia and are 100% owned trusts and controlled by the parent entity with no restrictions.

IPF I and IPF II enter into transactions with its wholly owned trusts. These transactions mainly involve the payment of distributions between trusts and lending of funds between the trusts. Intertrust loans are repayable upon demand, unsecured and non-interest bearing.

				INTERTRUST LOAN BALANCE	
NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF UNITS	EQUITY HOLDING	2022	2021
Held directly by IPF II					
Irongate Property Holdings Pty Limited	Australia	Ordinary	100%	–	–
Irongate Property Management Trust	Australia	Ordinary	100%	(48,196)	520
Irongate Funds Management Limited	Australia	Ordinary	100%	–	–
Irongate Property Management Pty Limited	Australia	Ordinary	100%	–	–
Irongate Property No.1 Pty Limited	Australia	Ordinary	100%	–	–
Irongate Property No.2 Pty Limited	Australia	Ordinary	100%	–	–
Irongate Templewater No.1 Pty Limited	Australia	Ordinary	100%	–	–
Irongate Templewater No.2 Pty Limited	Australia	Ordinary	100%	–	–
Held directly by IPF I					
Irongate Property Hold Trust No.1	Australia	Ordinary	100%	(73,640)	(54,003)
Irongate Property Sub Trust No.1	Australia	Ordinary	100%	3,439	3,848
Irongate Property Sub Trust No.2	Australia	Ordinary	100%	(6,299)	(5,503)
Irongate Property Sub Trust No.3	Australia	Ordinary	100%	(3,665)	(3,155)
Irongate Property Sub Trust No.4	Australia	Ordinary	100%	(1,521)	427
Irongate Property Sub Trust No.5	Australia	Ordinary	100%	(1,545)	(1,501)
Irongate Property Sub Trust No.6	Australia	Ordinary	100%	15,722	75,347
Irongate Property Sub Trust No.7	Australia	Ordinary	100%	77	87
Irongate Property Sub Trust No.8	Australia	Ordinary	100%	(420)	(110)
Irongate Property Sub Trust No.9	Australia	Ordinary	100%	(442)	(358)
Irongate Property Sub Trust No.10	Australia	Ordinary	100%	(3,775)	(2,697)
Irongate Property Sub Trust No.11	Australia	Ordinary	100%	(1,661)	(360)
Irongate Property Sub Trust No.12	Australia	Ordinary	100%	148	165
Irongate Property Sub Trust No.13	Australia	Ordinary	100%	(310)	(271)
Irongate Property Sub Trust No.14	Australia	Ordinary	100%	(2,009)	(2,258)
Irongate Property Sub Trust No.15	Australia	Ordinary	100%	(2,016)	(974)
Irongate Property Sub Trust No.16	Australia	Ordinary	100%	(6,137)	(3,706)
Irongate Property Sub Trust No.17	Australia	Ordinary	100%	393	506
Irongate Property Sub Trust No.18	Australia	Ordinary	100%	(5,645)	(4,228)
Irongate Property Sub Trust No.19	Australia	Ordinary	100%	(7,010)	(3,911)
Irongate Property Sub Trust No.20	Australia	Ordinary	100%	305	445
Irongate Property Sub Trust No.21	Australia	Ordinary	100%	35,508	242
Irongate Property Sub Trust No.22	Australia	Ordinary	100%	(4,727)	695
Irongate Property Sub Trust No.23	Australia	Ordinary	100%	(43)	31
Irongate Property Sub Trust No.24	Australia	Ordinary	100%	(5,352)	(5,361)
Irongate Property Sub Trust No.25	Australia	Ordinary	100%	1,466	1,759
Irongate Property Sub Trust No.26	Australia	Ordinary	100%	2,139	–

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF UNITS	EQUITY HOLDING	INTERTRUST LOAN BALANCE 2022	INTERTRUST LOAN BALANCE 2021
Irongate Property Sub Trust No.27	Australia	Ordinary	100%	15,192	–
Irongate Property Sub Trust No.28	Australia	Ordinary	100%	334	–
Irongate Property Sub Trust No.29	Australia	Ordinary	100%	143	–
Irongate Property Sub Trust No.30	Australia	Ordinary	100%	3,065	–
Irongate Property Sub Trust No.31	Australia	Ordinary	100%	(8,668)	–
Irongate Property Sub Trust No.32	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.33	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.34	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.35	Australia	Ordinary	100%	–	–

24. Parent entity disclosures

A$'000	2022	2021
The parent of the Group is Irongate Property Fund II		
Result of parent entity		
Net loss for the period	(449)	(5,998)
Other comprehensive income	–	–
Total comprehensive income for the period	**(449)**	**(5,998)**
Financial position of parent entity		
Current assets	6	–
Non-current assets	88,992	41,245
Total assets	**88,998**	**41,245**
Current liabilities	–	(520)
Non-current liabilities	–	–
Total liabilities	**–**	**(520)**
Net assets	**88,998**	**40,725**
Total equity of parent entity comprising of:		
Contributed equity	95,445	46,723
Retained earnings	(6,447)	(5,998)
Total equity	**88,998**	**40,725**

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

25. Financial Risk and capital management

25.1 Total financial and non-financial assets and liabilities

The table below sets out the Group's accounting classification of each class of financial and non-financial asset and liability and their fair values at 31 March 2022.

AS AT 31 MARCH 2022 A$'000	MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS	NON-FINANCIAL INSTRUMENTS	AMORTISED COST	TOTAL
ASSETS				
Non-current assets				
Investment property	1,642,354	–	–	1,642,354
Investment property under development	36,314	–	–	36,314
Property, plant and equipment	–	753	–	753
Intangible assets	–	39,528	–	39,528
Equity accounted investment	–	20,579	–	20,579
Deferred tax assets	–	2,763	–	2,763
Financial instruments held at fair value	23,274	–	–	23,274
Current assets				
Cash and cash equivalents	–	–	9,200	9,200
Trade and other receivables	–	–	10,147	10,147
Total assets	**1,701,942**	**63,623**	**19,347**	**1,784,912**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	516,979	516,979
Financial instruments held at fair value	–	–	–	–
Trade and other payables	–	–	6,578	6,578
Current liabilities				
Trade and other payables	–	–	13,598	13,598
Distribution payable	–	–	31,643	31,643
Total liabilities	**–**	**–**	**568,798**	**568,798**

AS AT 31 MARCH 2021 A$'000	MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS	NON-FINANCIAL INSTRUMENTS	AMORTISED COST	TOTAL
ASSETS				
Non-current assets				
Investment property	1,225,356	–	–	1,225,356
Investment property under development	11,600	–	–	11,600
Property, plant and equipment	–	661	–	661
Intangible assets	–	39,528	–	39,528
Equity accounted investment	–	5,807	–	5,807
Deferred tax assets	–	2,957	–	2,957
Current assets				
Cash and cash equivalents	–	–	7,405	7,405
Trade and other receivables	–	–	5,662	5,662
Total assets	**1,236,956**	**48,953**	**13,067**	**1,298,976**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	339,063	339,063
Financial instruments held at fair value	836	–	–	836
Trade and other payables	–	–	9,026	9,026
Current liabilities				
Trade and other payables	–	–	9,322	9,322
Distribution payable	–	–	27,696	27,696
Total liabilities	**836**	**–**	**385,107**	**385,943**

Cash and cash equivalents; trade and other receivables; trade and other payables are measured at amortised cost and approximate fair value. The fair value of " long term borrowings at amortised cost" has been estimated by market interest rate at each year end. Other non-financial instruments are tested for impairment on an annual basis.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

25.2 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 amoritsed cost" has been estimated by marketing interest rate at 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 A$'000	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 31 March 2022					
Financial assets not measured at fair value					
Cash and cash equivalents	9,200	–	–	–	–
Receivables and other assets	10,147	–	–	–	–
	19,347	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	20,176	–	–	–	–
Distribution payable	31,643	–	–	–	–
Long term borrowings	516,979	–	513,015	–	513,015
	568,798	**–**	**513,015**	**–**	**513,015**
Financial assets measured at fair value					
Interest rate swaps	23,274	–	23,274	–	23,274
	23,274	**–**	**23,274**	**–**	**23,274**

		FAIR VALUE			
FAIR VALUE AND CARRYING AMOUNT A$'000	CARRYING AMOUNT	LEVEL1	LEVEL2	LEVEL3	TOTAL
As at 31 March 2021					
Financial assets not measured at fair value					
Cash and cash equivalents	7,405	–	–	–	–
Receivables and other assets	5,662	–	–	–	–
	13,067	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	18,348	–	–	–	–
Distribution payable	27,696	–	–	–	–
Long term borrowings	339,063	–	352,018	–	352,018
	385,107	**–**	**352,018**	**–**	**352,018**
Financial liabilities measured at fair value					
Interest rate swaps	836	–	836	–	836
	836	**–**	**836**	**–**	**836**

b. Details of changes in valuation techniques

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

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

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

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.

25.3 Other financial risk management considerations

The financial instruments of the Group consist mainly of cash and cash equivalents, including deposits with banks, borrowings, derivative instruments, trade and other receivables and trade and other payables. The Group 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 Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of the Responsible Entity has overall responsibility for the establishment and oversight of the Group's risk management framework.

The board of the Responsible Entity has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Audit and Risk Committee reports regularly to the board of the Responsible Entity on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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.

25.4 Credit risk

Credit risk is the risk of financial loss to the Group 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.

Exposure to credit risk

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives.

AT 31 MARCH A$'000	2022	2021
Cash and cash equivalents	9,200	7,405
Receivables and other assets	10,147	5,662
Financial instruments—Interest rate swaps	23,274	–
Total on-balance sheet exposure	**42,621**	**13,067**
Contingent liabilities, committed facilities and others	–	–
Total gross credit exposures	**42,621**	**13,067**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group has derivative financial instruments held with major Australian banks, Westpac and ANZ, which are considered high quality financial institutions. The credit risk of financial instruments has not increased significantly since initial recognition.

The Group applies the lifetime ECL model to manage the credit risk of financial assets carried at amortised cost in accordance with the accounting policy described in Note 1.10.1 to the consolidated financial statements. Historical evidence suggests that there is an insignificant ECL, and there is no forward-looking information that indicates potential impairment of receivables. The Group has determined that no ECL is required to be recognised as at 31 March 2022. (31 March 2021: Nil).

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

25.5 Market risk

(a) Interest rate risk

The Group 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 Group 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.

The potential market risk to the Group arises from changes of interest rate. This relates to its floating debt facility. At 31 March 2022, 85.9% (31 March 2021: 78.3%) of the Group's interest rate exposure was hedged. The principle outstanding amount of floating debt facility is A$73.4 million (31 March 2021: A$144.7 million). Therefore, for the year ended 31 March 2022, a 1% increase/decrease in interest rates on the variable rate borrowings would have an immaterial impact on the Group's profit, assuming all other variables remain constant.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group seeks to borrow for as long as possible at the lowest acceptable cost. The Group 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 Group's financial liabilities based on the undiscounted contractual cash flows.

Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the funding requirements of the Group.

AS AT 31 MARCH 2022 A$'000	WITHIN 1 YEAR	1–2 YEARS	2–5 YEARS	OVER 5 YEARS	TOTAL	CARRYING VALUE
Long-term borrowings[1]	10,955	10,985	220,718	348,695	591,353	520,682
Trade and other payables	13,598	4,637	1,587	354	20,176	20,176
Distributions payable	31,643	–	–	–	31,643	31,643
Total liabilities	**56,196**	**15,622**	**222,305**	**349,049**	**643,172**	**572,501**

AS AT 31 MARCH 2021 A$'000	WITHIN 1 YEAR	1–2 YEARS	2–5 YEARS	OVER 5 YEARS	TOTAL	CARRYING VALUE
Long-term borrowings[1]	7,758	7,758	195,691	169,156	380,363	341,514
Trade and other payables	9,322	4,931	2,601	1,494	18,348	18,348
Distributions payable	27,696	–	–	–	27,696	27,696
Total liabilities	**44,776**	**12,689**	**198,292**	**170,650**	**426,407**	**387,558**

The table below outlines the Group's LVR[2] at the end of the period.

A$'000	2022	2021
Investment property	1,642,354	1,225,356
Investment property held under development	36,314	11,600
Equity accounted investment (**EAI**)	20,579	5,807
Total	**1,699,247**	**1,242,763**
Carrying value of interest bearing borrowing	520,682	341,514
Less: Cash and cash equivalents	(9,200)	(7,405)
Net value of borrowing	511,482	334,109
Current ratio of interest bearing borrowings to value of property and EAI (%)	**30.10**	**26.88**

1. Cash flows in relation to long term borrowings take into account interest payments and the effect of interest rate swaps.
2. LVR is a non-IFRS measure.

25.6 Derivatives

Derivative instruments are used to hedge the Group's exposure to any increases in interest rates on variable rate loans. Interest rate swap contracts are entered into whereby the Group 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	NOTIONAL AMOUNT $'000	FAIR VALUE $'000	START DATE	END DATE	FIXED RATE
31 March 2022					
Australia and New Zealand Banking Group	30,000	1,136	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	20,000	1,135	22-Mar-21	24-Mar-25	0.64%
Westpac Banking Corporation	67,303	5,030	11-Dec-17	12-Dec-26	2.58%
Westpac Banking Corporation	70,000	5,770	21-Jun-21	21-Jun-27	1.18%
Westpac Banking Corporation	110,000	10,203	15-Dec-21	15-Dec-31	1.92%
Total	**297,303**	**23,274**			

FINANCIAL INSTITUTION	NOTIONAL AMOUNT $'000	FAIR VALUE $'000	START DATE	END DATE	FIXED RATE
31 March 2021					
Australia and New Zealand Banking Group	30,000	(592)	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	20,000	(5)	22-Mar-21	24-Mar-25	0.64%
Westpac Banking Corporation	67,303	(239)	11-Dec-17	12-Dec-26	2.58%
Total	**117,303**	**(836)**			

25.7 Capital Management

In terms of its Constitution, the Group's gearing ratio must not exceed 60%. The Group 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 2022, the nominal value of borrowings less cash equivalents was equal to 30.09% (31 March 2021: 26.88%) of the value of investment properties and equity accounted investments.

The Board's policy is to maintain a strong capital base, comprising its securityholders' interest, so as to promote investor, creditor and market confidence and to sustain future development of the business. It is the Group'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 securityholders. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

26. Remuneration of auditors

The following fees were paid of payable for services provided by auditors of Group during the year. All audit and tax services were provided by KPMG.

A$	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2021 TO 31 MARCH 2021
Auditor's remuneration—audit fee	314,584	301,169
Auditor's remuneration—tax compliance	160,000	163,720
Non audit service cost for internalisation transaction	–	2,011,501
	474,584	**2,476,390**

27. Subsequent events

There is no other item, transaction or event of a material or unusual nature likely that have arisen since the end of the financial year up until the date of the annual report which would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Independent Auditor's Report

To the stapled securityholders of Irongate Group

Opinion

We have audited the ***Financial Report*** of Irongate Property Fund II (IPF II) as deemed parent presenting the stapled security arrangement of the Irongate Group (the Stapled Group Financial Report).

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

- giving a true and fair view of the ***Stapled Group***'s financial position as at 31 March 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 31 March 2022
- 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

  (collectively referred to as ***Financial Statements***)
- Directors' Declaration.

The ***Irongate Group*** (The ***Stapled Group***) consists of Irongate Property Fund II (IPF II), Irongate Property Fund I (IPF I) and the entities they 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 Stapled Group, Irongate Property Fund II, Irongate Funds Management Pty Limited (the Responsible Entity) 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment property ($1,642m)

Refer to accounting policy note 1.11 and note 11 of the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuation of investment property is a key audit matter as they are significant in value (being 92% of total assets). The properties being valued at fair value increased the judgement applied by us when evaluating evidence available in light of the COVID-19 pandemic. The Stapled Group approached the uncertainty risk using internal methodologies and the use of external valuation experts. We focused on the significant forward looking assumptions the Stapled Group applied in external and internal valuation models with considerations of the impact of COVID-19 including: • Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; • Capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and • Forecast cash flows including: market rental income and leasing assumptions.	Our procedures included: • Understanding the Stapled Group's process regarding the valuation of investment property, including specific considerations of the impact of COVID-19; • Assessing the Stapled Group's methodologies used in the valuations of investment property for consistency with accounting standards and Group policies; • Assessing the scope, competence and objectivity of external experts engaged by the Stapled Group and internal valuers; • For the total portfolio, taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates and market rental income through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the Stapled Group and historical performance of the investment properties; • Assessing the appropriateness of the Stapled Group's leasing assumptions against each property's actual rental income, weighted average lease expiry and actual vacancy levels; • Checking a sample of actual rental income, weighted average lease expiries and vacancy levels within both internal and external valuations to tenancy schedules as per lease agreements; and • Assessing the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standard requirements. This was considered in light of the impact of COVID-19 on the portfolio.

KPMG

Other Information

Other Information is financial and non-financial information in Irongate Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Irongate Funds Management Pty Ltd (the 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.

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 Stapled Group'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 Stapled Group 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 the 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Paul Thomas

Partner

Sydney

10 May 2022

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Irongate Group consolidated financial statements prepared in accordance with the regulatory requirements under JSE Listings Requirements

Directors' responsibility statement

The directors of Irongate Funds Management Limited (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Irongate Group (**IAP** or **the Group**) are responsible for the preparation and fair presentation of the consolidated financial statements of the Group.

The consolidated financial statements comprise the:

- consolidated statement of profit or loss and other comprehensive income for the year 01 April 2021 to 31 March 2022
- consolidated statement of financial position at 31 March 2022
- consolidated statement of changes in equity for the year 01 April 2021 to 31 March 2022
- consolidated statement of cash flows for the year 01 April 2021 to 31 March 2022
- notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes
- in accordance with International Financial Reporting Standards (**IFRS**), the constitution of the Funds, the JSE Listings Requirements and the requirements of the *Corporations Act 200*1 (Cth) (**Corporations Act**).

The directors of the Responsible Entity are also responsible for such internal controls as they determine necessary to enable the preparation of the consolidated 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 the Responsible Entity have made an assessment of the ability of the Group 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 consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated financial statements of the Group, as identified in the first paragraph, were approved under authority of the board of the Responsible Entity on 10 May 2022 and are signed on their behalf by:

Richard Longes
Independent
non-executive chairperson

Dated at Sydney
10 May 2022

Graeme Katz
CEO

Dated at Sydney
10 May 2022

Directors’ responsibility on financial controls

The directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 101 to 141, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having applied the combined assurance model pursuant to principle 15 of the King Code.

Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Signed by the CEO and the CFO

Graeme Katz
Chief Executive Officer

Dated at Sydney
10 May 2022

Kristie Lenton
Chief Financial Officer

Dated at Sydney
10 May 2022

Report of the audit and risk committee

The audit and risk committee of the board of the Responsible Entity (**Audit and Risk Committee**) has pleasure in submitting this report to securityholders as recommended by the King IV Report on Corporate Governance for South Africa 2016 (**King IV Code**).

The Audit and Risk Committee is satisfied that it has considered and discharged its responsibilities in terms of its mandate and charter, the King IV Code and the Corporations Act.

As the Group comprising Stapled Securities comprising Irongate Property Fund I and Irongate Property Fund II, who are both Australian registered managed investment schemes under the Corporations Act it has Australian reporting obligations. The Group is required to lodge audited Group consolidated financial statements and the consolidated financial statements of Irongate Property Fund I with the Australian Securities and Investments Commission. This is in addition to the Group's reporting obligations in South Africa. The Audit and Risk committee is satisfied that the Fund has discharged all of its reporting obligations in Australia and South Africa.

The Audit and Risk Committee carried out its duties by inter alia, reviewing the following:

- financial management reports
- external audit reports
- management's risk assessment
- compliance reports

Significant matters the Audit and Risk Committee has considered this year in relation to the consolidated financial statements are:

- audit quality
- audit independence
- valuation of investment properties
- related party transactions
- borrowing classifications, derivatives and debt covenants
- 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 Audit and Risk 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 Audit and Risk 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 Group's policy in this regard
- the Responsible Entity has complied with the JSE Listings Requirements and the principles of the King IV Code applicable to the Group
- it considered and approved that audit fee payable to the external auditors in respect of the audit for the year ended 31 March 2022 as well as their terms of engagement and scope of the audit
- that the appointment of the external auditor is in compliance with the Corporations 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 consolidated financial statements
- with the expertise and experience of the chief financial officer and the overall adequacy and appropriateness of the finance function

The Audit and Risk Committee, having fulfilled the oversight role regarding the reporting process and the annual report, recommends for approval by the board of the Responsible Entity, the annual report and the consolidated financial statements for the year ended 31 March 2022.

Sally Herman
Chairperson

Dated at Sydney
10 May 2022

Directors' report

The directors of Irongate Funds Management Limited (ABN 93 071 514 246), the responsible entity (**Responsible Entity**) of Irongate Group (**IAP** or **the Group**), present their report together with the consolidated financial statements of the Group for the year ended 31 March 2022.

Irongate Group is a stapled group consisting of Irongate Property Fund I (**IPF I**) and Irongate Property Fund II (**IPF II**). The financial statements of the Group comprise IPF I, IPF II and their respective controlled entities.

IPF II was established on 3 September 2020 and stapled to IPF I on 27 November 2020. The implementation date of the management internalisation[1] was 30 November 2020 prior to which the Group was known as Investec Australia Property Fund. Effective 7 December 2020, Investec Australia Property Fund changed its name to IPF I and Investec Australia Property Fund II changed its name to IPF II.

IPF I was listed on the exchange operated by JSE Limited (**JSE**) on 23 October 2013, was listed on the exchange operated by ASX Limited (**ASX**) on 28 May 2019 and following this was dual primary listed on the ASX and JSE. Following the stapling of IPF I and IPF II, the Group continues to be dual primary listed on the ASX and JSE. The security code on both the JSE and the ASX is IAP and the ISIN is AU0000046005. Securities in IPF I and IPF II are quoted on both the JSE and the ASX and can be moved between the South African sub-register and the Australian sub-register. Securityholders can elect where their securities are traded by holding their security on either the South African sub-register or the Australian sub-register.

Directors of the Responsible Entity

The following persons were directors of the Responsible Entity during the period from 1 April 2021 up to the date of the annual report, unless otherwise stated:

Richard Longes	Independent non-executive chairperson
Sally Herman	Lead independent non-executive director and chairperson of the audit and risk committee of the board of the Responsible Entity (**Audit and Risk Committee**)
Georgina Lynch	Independent non-executive director
Stephen Koseff	Independent non-executive director
Graeme Katz	Executive director

Details of Board and Audit and Risk Committee meetings held during the year and directors' attendance are set out on page 24 of the Sustainability Report 2022.

Directors of the Manager

The following persons were directors of Irongate Property Management Pty Limited (**Manager**) during the period from 1 April 2021 up to the date of the annual report:

Graeme Katz	Executive director
Zach McHerron	Executive director
Kristie Lenton	Executive director

Company secretary

The company secretary for the period 1 April 2021 up to the date of the annual report was Lucy Spenceley.

Details on the appointment and evaluation of company secretary by the Board are set out on page 24 of the Sustainability Report 2022.

Principal activities

The principal activities of the Group are to invest in real estate assets and manage third-party capital and wholesale funds.

Group objectives and investment philosophy

The Group's strategy is to invest in office, industrial and retail properties in major metropolitan cities or established commercial precincts in Australia and New Zealand. As a result of the internalisation transaction, IPF II provides investment and asset management services as part of a combined economic group consolidated with IPF I. The Group also provides investment and asset management services in relation to TAP.

The objectives of the Group are to:

- deliver income and capital returns to securityholders over time
- grow and diversify its asset base
- maintain a strong corporate governance framework

The Group's investment philosophy, whether on balance sheet or for third party funds, focuses on making investment decisions based on sound underlying property fundamentals, enhancing the quality of the portfolio and identifying opportunities to unlock additional value through active asset management. The Group adheres to this philosophy by utilising the skills of an experienced and well-connected management team with a presence in the Group's key geographies of Sydney, Melbourne and Brisbane, and through a commitment to sound balance sheet management.

Review of operations

A detailed review of operations is included in the introduction from the chairperson and the CEO on page 3 of the annual report.

Financial result

For accounting purposes, IPF II has been identified as the parent of the consolidated group. IPF II was established on 3 September 2020 in preparation for the internalisation of the management function. IPF II was dormant between the date of establishment and the implementation date of 30 November 2020. The consolidation of IPF II and IPF I became effective on 30 November 2020 which is the implementation date of the internalisation transaction. The following table summarises the statutory profit for the year ended 31 March 2022 with the comparative result of prior year for period from 3 September 2020 to 31 March 2021.

A$'000	1 APRIL 2021 TO 31 MARCH 2022	3 SEPTEMBER 2020 TO 31 MARCH 2021
Total revenue and other income	122,277	32,224
Total expenses	(46,535)	(21,952)
Net operating income	**75,742**	**10,272**
Fair value adjustments	190,776	97,510
Profit before tax	**266,518**	**107,782**
Income tax benefits	(194)	2,957
Profit after tax	**266,324**	**110,739**

As at 31 March 2022, the Group's net tangible assets attributable to securityholders was A$1.74 (31 March 2021: A$1.43) per security.

1. A management internalisation is a transaction where a fund's unitholders acquire the externally owned responsible entity (and other related management entities) that operate and manage the fund.

Directors' report

Continued

Interests of the Responsible Entity

Prior to the internalisation transaction, the Responsible Entity had delegated the management of IPF I to the Manager, which was a wholly owned subsidiary of Investec Group (comprising Investec Limited and Investec plc, being the head entities of the dual listed companies structure, and each of their subsidiaries (**Investec Group**)). The Responsible Entity was not paid fees during the year. The following fees were paid to the Manager for the period from 1 April 2020 up to the date of the internalisation transaction on 30 November 2020:

These fees are not reflected in the statement of profit or loss and other comprehensive income but it is reflected in the net assets of IPF I upon the stapling. Following the internalisation, the fees are paid to a controlled entity of IPF II and are eliminated on consolidation of the Group.

A$	2022	2021
Asset management fee	–	3,808,008
Property management fee	–	1,135,884

Property portfolio

A detailed review of the property portfolio is included from page 10 of the annual report. Note 11 to the consolidated financial statements describes the basis for determining fair value of the Group's properties.

Outlook and guidance

On 30 March 2022 the Group entered into a Scheme Implementation Agreement (**SIA**) with Charter Hall PGGM Industrial Partnership No. 2 (**CHPIP**) under which CHPIP would acquire 100% of the units in IPF I and Charter Hall Holding Pty Limited or its subsidiary would acquire 100% of units in IPF II (**Proposal**). As such the Group will not be providing guidance for FY23 at this time. However, if the Proposal does not proceed, further information will be provided.

Subsequent events to reporting date

There is no item, transaction or event of a material or unusual nature likely that have arisen since the end of the financial year up until the date of the annual report which would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Significant changes in state of affairs

The Group entered into the SIA with CHPIP on 30 March 2022 in relation to the Proposal. The directors of the Responsible Entity have recommended the Proposal. The implementation of the Proposal is subject to IAP securityholders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

There were no other significant changes in the state of affairs of the Group that occurred during the period.

Directors' interest in securities

The directors' interest in securities is set out in Note 22 to the consolidated financial statements.

Directors' remuneration

Directors' remuneration is set out in the remuneration report on page 30 of the annual report, for the purpose of meeting the requirements of the JSE Listings Requirements.

Contracts with directors

The Group has put in place contracts with the directors of the Responsible Entity and the employees of the Manager. The details are set out in the remuneration report (which has not been audited) on page 30 of the annual report.

Corporate governance

The Group's corporate governance framework is set out from page 24 of the annual report.

Audit and Risk Committee

The Audit and Risk Committee comprising independent non-executive directors meets regularly with the management team and the external auditor to consider the nature and scope of the assurance activities and the effectiveness of the risk and control systems.

Auditor

KPMG has been appointed by the Responsible Entity as auditor of the Group.

Subsidiaries

The Group has a number of wholly-owned trusts which hold the Group's property assets. Details of subsidiaries are set out in Note 23 to the consolidated financial statements.

Major securityholders

The Group's major securityholders are set out on page 140 of the annual report.

Insurance and indemnification of officers and auditors

The Group has paid premiums in respect of a contract insuring all directors and officers of the Group and its related entities against certain liabilities incurred in that capacity. The insurance policies cover former directors and officers of the Responsible Entity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

The Responsible Entity has entered a deed of indemnity with each of its directors, Graeme Katz (Chief Executive Officer), Kristie Lenton (Chief Financial Officer), Zach McHerron (Fund Manager), Adam Broder (Third Party Capital) and Lucy Spenceley (Company Secretary) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Group and its related entities. The deeds also require the Group to grant the indemnified person with access to certain Group documents and insure the indemnified persons.

In addition, the Group's and the Responsible Entity's constitutions provide for the indemnity of officers of the Group/Responsible Entity or its related bodies corporate from liability incurred by a person in that capacity.

No indemnity payment has been made under any of the documents referred to above during, or since the end of, the financial year.

The Group has not during or since the end of the financial year indemnified or agreed to indemnify an auditor of the Group or of any related body corporate against a liability incurred in their capacity as an auditor.

Provision for non-audit service by auditor

The Group may decide to employ the auditor, KPMG, on assignments in addition to their statutory audit duties. Details of the amounts paid to the auditor, which includes the amounts paid for non-audit services and other assurance services, are set out in Note 26 to the consolidated financial statements.

Directors have considered the non-audit services and other assurance services provided by the auditor during the financial year. In accordance with advice received from the Audit and Risk Committee, the directors are satisfied that the provision of non-audit services is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Environmental regulation

As a landlord, the operations of the Group are subject to a range of environmental laws and regulations under Commonwealth, State and Territory law. However, the leases attaching to the majority of the properties owned by the Group require the tenant to use reasonable endeavours to prevent contamination at each site and indemnify the Group for any contamination caused by their operations.

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

Rounding off

The Group 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 consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Additional financial report

As a result of the Group being dual primary listed on both the JSE and ASX, the Group's financial report for the year ended 31 March 2022 is required to be audited by auditors in both Australia and South Africa to meet the regulatory requirements in both jurisdictions. Due to the varying reporting requirements in Australia and South Africa, two sets of consolidated financial statements have been prepared, where the differences in the two are largely presentation driven. Both copies of the consolidated financial statements are included in the annual report.

Signed in accordance with a resolution of the directors of the Responsible Entity.

Richard Longes
Independent
non-executive chairperson

10 May 2022

Graeme Katz
CEO

10 May 2022

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Independent Auditor's Report

To the stapled securityholders of Irongate Group

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Irongate Group (the stapled group) set out on pages 101 to 141, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, segmental analysis and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Irongate Group as at 31 March 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the stapled group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property Refer to accounting policy note 1.11 and note 11 to the consolidated financial statements	
Key audit matter	How the matter was addressed in our audit
The valuation of investment property (A$1 642 million) is a key audit matter as investment property represents a significant asset on the consolidated statement of financial position at year end. The properties being valued at fair value increased the judgement applied by us when evaluating evidence available in light of the COVID-19 pandemic. The stapled group approached the uncertainty risk with regard to the determination of fair value by using internal methodologies and the use of external independent valuers. We focused on the significant forward looking assumptions the stapled group applied in external and internal valuation models with particular considerations to the impact of COVID-19 including: • discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; • capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and • forecast cash flows including market rental income and leasing assumptions.	Our audit procedures included the following: • We assessed the stapled group's process regarding the valuation of investment property, including specific considerations of the impact of COVID-19; • We assessed the stapled group's methodologies used in the valuations of investment property for consistency with accounting standards and the stapled group's policies; • We assessed the scope, competence and objectivity of the external independent valuers engaged by the stapled group and internal valuers; • For the total portfolio, taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates and market rental income through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the stapled group and historical performance of the investment properties; • We assessed the appropriateness of the stapled group's leasing assumptions against each property's actual rental income, weighted average lease expiry and actual vacancy levels; • We agreed a sample of actual rental income, weighted average lease expiries and vacancy levels within both internal and external valuations to tenancy schedules as per lease agreements;

Valuation of investment property Refer to accounting policy note 1.11 and note 11 to the consolidated financial statements	
Key audit matter	How the matter was addressed in our audit
Due to the significant judgement and assumptions applied by the directors, the involvement of external independent valuers, the significance of the balance and the work effort from the audit team, the valuation of investment property was considered a key audit matter.	• We assessed the disclosures in the consolidated financial statements including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standards requirements. This was considered in light of the impact of COVID-19 on the portfolio.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Irongate Group Annual Report 2022| Integrated annual report and consolidated financial statements". The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the stapled group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the stapled group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the stapled group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the stapled group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the stapled group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Irongate Group for two years. We also report that KPMG Inc. was previously the auditor of Investec Australia Property Fund for seven years.

KPMG Inc.
Registered Audit

TMiddlemiss

Per Tracy Middlemiss
Registered Auditor
Chartered Accountant (SA)
Director
10 May 2022

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2022

A$'000	NOTE	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Property revenue	2	108,840	31,692
Interest income		14	12
Other income		5,486	1,227
Equity accounted profit/(loss)		2,995	(707)
Total revenue and other income		**117,335**	**32,224**
Property expenses	3	(21,814)	(7,330)
Finance costs	7	(13,289)	(3,017)
Other expenses	4	(11,432)	(3,890)
Transaction costs	5	–	(7,715)
Total expenses		**(46,535)**	**(21,952)**
Fair value adjustments	6	190,776	97,510
Profit on sale of investment property		4,942	–
Profit before tax		**266,518**	**107,782**
Income tax (expense)/benefit	8	(194)	2,957
Profit after tax		**266,324**	**110,739**
Total comprehensive income attributable to:			
Owners of the Group		(1,600)	(7,395)
Non-controlling interests		267,924	118,134
Total comprehensive income attributable		**266,324**	**110,739**
Basic and diluted earnings per security—Group (cents)		41.15	18.12

The Notes on pages 108 to 139 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2022

A$'000	NOTES	2022	2021
ASSETS			
Non-current assets		**1,765,565**	**1,285,909**
Investment property	11	1,642,354	1,225,356
Investment property under development	12	36,314	11,600
Property, plant and equipment		753	661
Intangible assets	13	39,528	39,528
Equity accounted investments	14	20,579	5,807
Financial instruments held at fair value	25.6	23,274	–
Deferred tax assets	8	2,763	2,957
Current assets		**19,347**	**13,067**
Cash and cash equivalents	16	9,200	7,405
Receivables and other assets	15	10,147	5,662
Total assets		**1,784,912**	**1,298,976**
EQUITY AND LIABILITIES			
Equity		**1,216,114**	**913,033**
Contributed equity—owners of the group	17	95,445	46,723
Retained earning—owners of the group		(8,995)	(7,395)
Other reserves—owners of the group		179	–
Non-controlling interests	18	1,129,485	873,705
Non-current liabilities		**523,557**	**348,925**
Long-term borrowings	19	516,979	339,063
Trade and other payables	20	6,578	9,026
Financial instruments held at fair value	25.6	–	836
Current liabilities		**45,241**	**37,018**
Trade and other payables	20	13,598	9,322
Distributions payable	9	31,643	27,696
Total equity and liabilities		**1,784,912**	**1,298,976**
Number of securities in issue—Group ('000)		677,570	611,298
Weighted average number of securities in issue—Group ('000)		647,220	611,298
Net tangible asset value per security—Group (A$)[1]		1.74	1.43

The Notes on pages 108 to 139 are an integral part of these consolidated financial statements.

1. Net tangible asset value per security is calculated by dividing net tangible assets by the number of securities in issue.

Consolidated statement of changes in equity

For the year ended 31 March 2022

	OWNERS OF THE GROUP					
	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL
Balance as at 03 September 2020	–	–	–	**–**	–	**–**
Issue of capital	46,723	–	–	**46,723**	–	**46,723**
Net assets of IPF I on stapling to IPF II	–	–	–	**–**	783,267	**783,267**
Total comprehensive income attributable to securityholders 03 September 2020 to 31 March 2021	–	–	(7,395)	**(7,395)**	118,134	**110,739**
Distributions paid/payable to ordinary securityholders	–	–	–	**–**	(27,696)	**(27,696)**
Balance at 31 March 2021	**46,723**	–	**(7,395)**	**39,328**	**873,705**	**913,033**
Issue of capital	48,722	–	–	**48,722**	48,722	**97,444**
Total comprehensive income attributable to securityholders	–	–	(1,600)	**(1,600)**	267,924	**266,324**
Other reserves	–	179	–	**179**	–	**179**
Distributions paid/payable to ordinary securityholders	–	–	–	**–**	(60,866)	**(60,866)**
Balance at 31 March 2022	**95,445**	**179**	**(8,995)**	**86,629**	**1,129,485**	**1,216,114**

The Notes on pages 108 to 139 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2022

A$'000	NOTES	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Cash flows from operating activities			
Rental income received		120,849	31,414
Other income received		6,081	785
Property expenses		(33,087)	(5,479)
Operating expenses		(14,676)	(4,055)
Cash generated from operations		**79,167**	**22,665**
Finance income received		16	12
Finance costs paid		(14,840)	(3,923)
Distribution paid to securityholders		(56,919)	(26,832)
Net cash from/(used in) operating activities	21	**7,424**	**(8,078)**
Cash flows from investing activities			
Investment property acquired		(231,002)	(24,750)
Investment property held under development acquired		(6,947)	(3,886)
Acquisition costs and capital expenditure—Investment property		(39,143)	(4,369)
Acquisition costs and capital expenditure—Investment property held under development		(25,813)	(4,698)
Proceed on sale of investment property		35,442	–
Management right acquired		–	(40,000)
Transaction cost on internalisation		–	(7,715)
Cash balance of IPF I on stapling to IPF II		–	40,008
Equity accounted investment acquired		(11,777)	(6,514)
Refundable deposit paid		(3,000)	–
Net cash used in investing activities		**(282,240)**	**(51,924)**
Cash flows from financing activities			
Borrowings raised		221,168	71,907
Repayment of loans		(42,000)	(4,500)
Proceed from issue of securities		98,898	–
Payment related to capital raising		(1,455)	–
Net cash from financing activities		**276,611**	**67,407**
Net increase/(decrease) in cash and cash equivalents		1,795	7,405
Cash and cash equivalents at beginning of the year/period		7,405	–
Cash and cash equivalents at end of the period		**9,200**	**7,405**

The Notes on pages 108 to 139 are an integral part of these consolidated financial statements.

Segmental analysis

The Group has determined the reportable segments to be on three separate segments, being office assets, industrial assets, and property funds management:

1. The Group's investment properties are made up of office and industrial assets. This is the first segment basis determined to be relevant to report and is consistent with the sectoral spread disclosure of the portfolio in the Group's property landscape (refer to Section 1 of the annual report—Overview).
2. The Group's investment properties are geographically spread over the states of Australia and New Zealand. These disclosures are consistent with the geographical spread disclosure of the portfolio in the Group's property landscape (refer to Section 1 of the annual report—Overview).
3. The property funds management segment comprises investment management services and property management services.

The primary measure of performance of each operating segment is net property and other income.

The Group's operating segment results are reported monthly to the Group's chief executive office, who is the chief operating decision maker.

A$'000	OFFICE	INDUSTRIAL	PROPERTY FUNDS MANAGEMENT	TOTAL
Statement of profit or loss and other comprehensive income for year ended 31 March 2022				
Revenue from external customers, excluding straightline rental revenue adjustment	74,078	32,285	–	106,363
Straightline rental revenue adjustment	1,082	1,395	–	2,477
Property revenue	**75,160**	**33,680**	**–**	**108,840**
Property expenses	(16,825)	(4,989)	–	(21,814)
Net property income	**58,335**	**28,691**	**–**	**87,026**
Fair value adjustments—investment properties	52,166	110,084	–	162,250
Fair value adjustments—Investment property held under development	–	3,554	–	3,554
Fair value adjustments—foreign currency revaluation	844	–	–	844
Share of equity accounted profit	–	–	2,995	2,995
Total segment results	**111,345**	**142,329**	**2,995**	**256,669**
Other expenses				(11,432)
Profit on sale of investment property				4,942
Fair value adjustment on interest rate swaps				24,110
Fair value adjustment on foreign currency				18
Finance costs				(13,289)
Finance income				14
Other income				5,486
Profit before tax				**266,518**
Income tax				(194)
Profit after tax for year ended 31 March 2022				**266,324**
Statement of financial position extracts at 31 March 2022				
Investment properties	1,068,254	574,100	–	1,642,354
Investment properties under development	–	36,314	–	36,314
Equity accounted investments	–	–	20,579	20,579
Intangible assets	–	–	39,528	39,528
Other assets not managed on a segmental basis				46,137
Total assets as at 31 March 2022				**1,784,912**

Segmental analysis

Continued

A$'000	VICTORIA	QUEENSLAND	SOUTH AUSTRALIA	WESTERN AUSTRALIA
Statement of profit or loss and other comprehensive income for year ended 31 March 2022				
Revenue from external customers, excluding straightline rental revenue adjustment	17,392	13,679	3,214	5,341
Straightline rental revenue adjustment	776	372	(131)	586
Revenue	**18,168**	**14,051**	**3,083**	**5,927**
Property expenses	(2,912)	(3,278)	(341)	(1,046)
Net property income	**15,256**	**10,773**	**2,742**	**4,881**
Fair value adjustments—investment properties	24,931	26,037	9,580	26,474
Fair value adjustments—Investment property held under development	–	3,554	–	–
Fair value adjustments—foreign currency revaluation	–	–	–	–
Share of equity accounted profit	–	–	–	–
Total segment results	**40,187**	**40,364**	**12,322**	**31,355**
Other expenses				
Profit on sale of investment property				
Fair value adjustment on interest rate swaps				
Fair value adjustment on foreign currency				
Finance costs				
Finance income				
Other income				
Profit before tax				
Income tax				
Profit after tax for year ended 31 March 2022				
Statement of financial position extracts at 31 March 2022				
Investment properties	393,650	202,100	47,200	122,350
Investment properties under development	–	36,314	–	–
Equity accounted investments	–	–	–	–
Intangible assets	–	–	–	–
Other assets not managed on a segmental basis				
Total assets as at 31 March 2022				

NEW SOUTH WALES	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY	NEW ZEALAND	PROPERTY FUNDS MANAGEMENT	TOTAL
37,273	13,152	2,730	13,582	–	106,363
567	268	140	(101)	–	2,477
37,840	**13,420**	**2,870**	**13,481**	**–**	**108,840**
(7,867)	(1,757)	(223)	(4,390)	–	(21,814)
29,973	**11,663**	**2,647**	**9,091**	**–**	**87,026**
42,445	21,413	2,447	8,923	–	162,250
–	–	–	–	–	3,554
–	–	–	844	–	844
–	–	–	–	2,995	2,995
72,418	**33,076**	**5,094**	**18,858**	**2,995**	**256,669**
					(11,432)
					4,942
					24,110
					18
					(13,289)
					14
					5,486
					266,518
					(194)
					266,324
514,750	176,550	32,000	153,754	–	1,642,354
–	–	–	–	–	36,314
–	–	–	–	20,579	20,579
–	–	–	–	39,528	39,528
					46,137
					1,784,912

Segmental analysis

Continued

A$'000	OFFICE	INDUSTRIAL	PROPERTY FUNDS MANAGEMENT	TOTAL
Statement of profit or loss and other comprehensive income for period 3 September to 31 March 2021				
Revenue from external customers, excluding straightline rental revenue adjustment	21,657	9,527	–	31,184
Straightline rental revenue adjustment	253	255	–	508
Property revenue	**21,910**	**9,782**	**–**	**31,692**
Property expenses	(5,946)	(1,384)	–	(7,330)
Net property income	**15,964**	**8,398**	**–**	**24,362**
Fair value adjustments—investment properties	45,255	49,104	–	94,359
Fair value adjustments—Investment property held under development	–	3,016	–	3,016
Fair value adjustments—foreign currency revaluation	(4,864)	–	–	(4,864)
Share of equity accounted profit	–	–	(707)	(707)
Total segment results	**56,355**	**60,518**	**(707)**	**116,166**
Other expenses				(3,890)
Profit on sale of investment property				(7,715)
Fair value adjustment on interest rate swaps				3,360
Fair value adjustment on foreign currency				1,639
Finance costs				(3,017)
Finance income				12
Other income				1,227
Profit before tax				**107,782**
Income tax				2,957
Profit after tax for year ended 31 March 2021				**110,739**
Statement of financial position extract at 31 March 2021				
Investment properties	819,856	405,500	–	1,225,356
Investment properties under development	–	11,600	–	11,600
Equity accounted investments	–	–	5,807	5,807
Intangible assets	–	–	39,528	39,528
Other assets not managed on a segmental basis				16,685
Total assets as at 31 March 2021				**1,298,976**

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Segmental analysis

Continued

A$'000	VICTORIA	QUEENSLAND	SOUTH AUSTRALIA	WESTERN AUSTRALIA
Statement of profit or loss and other comprehensive income for period 3 September to 31 March 2021				
Revenue from external customers, excluding straightline rental revenue adjustment	5,169	2,964	1,056	1,667
Straightline rental revenue adjustment	155	10	(37)	79
Property revenue	**5,324**	**2,974**	**1,019**	**1,746**
Property expenses	(1,098)	(1,261)	(98)	(276)
Net property income	**4,226**	**1,713**	**921**	**1,470**
Fair value adjustments—investment properties	22,529	117	3,387	5,318
Fair value adjustments—Investment property held under development	–	3,016	–	–
Fair value adjustments—foreign currency revaluation	–	–	–	–
Share of equity accounted profit	–	–	–	–
Total segment results	**26,755**	**4,846**	**4,308**	**6,788**
Other expenses				
Profit on sale of investment property				
Fair value adjustment on interest rate swaps				
Fair value adjustment on foreign currency				
Finance costs				
Finance income				
Other income				
Profit before tax				
Income tax				
Profit after tax for year ended 31 March 2021				
Statement of financial position extracts at 31 March 2021				
Investment properties	227,750	149,750	37,750	63,000
Investment properties under development	–	11,600	–	–
Equity accounted investments	–	–	–	–
Intangible assets	–	–	–	–
Other assets not managed on a segmental basis				
Total assets as at 31 March 2021				

NEW SOUTH WALES	AUSTRALIAN CAPITAL TERRITORY	NORTHERN TERRITORY	NEW ZEALAND	PROPERTY FUNDS MANAGEMENT	TOTAL
12,100	3,112	902	4,214	–	31,184
273	(108)	62	74	–	508
12,373	**3,004**	**964**	**4,288**	**–**	**31,692**
(2,470)	(450)	(54)	(1,623)	–	(7,330)
9,903	**2,554**	**910**	**2,665**	**–**	**24,362**
40,580	9,950	238	12,240	–	94,359
–	–	–	–	–	3,016
–	–	–	(4,864)	–	(4,864)
–	–	–	–	(707)	(707)
50,483	**12,504**	**1,148**	**10,041**	**(707)**	**116,166**
					(3,890)
					(7,715)
					3,360
					1,639
					(3,017)
					12
					1,227
					107,782
					2,957
					110,739
466,750	107,350	29,400	143,606	–	1,225,356
–	–	–	–	–	11,600
–	–	–	–	5,807	5,807
–	–	–	–	39,528	39,528
					16,685
					1,298,976

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Notes to the consolidated financial statements

For the year ended 31 March 2022

Corporate information

Irongate Group was formed by stapling of two entities: Irongate Property Fund II (**IPF II**) and Irongate Property Fund I (**IPF I** or the Trust) which are collectively referred to as Irongate Group (the **Group** or **IAP**).

IPF II was established on 3 September 2020 and stapled to IPF I on 27 November 2020. The implementation date of the management internalisation was 30 November 2020 prior to which the Group was known as Investec Australia Property Fund. Effective 7 December 2020, Investec Australia Property Fund changed its name to IPF I and Investec Australia Property Fund II changed its name to IPF II.

The financial report of the Group for the year ended 31 March 2022 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 10 May 2022.

The Group is domiciled in Australia. The Responsible Entity is incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the directors' report.

The registered office of the Responsible Entity is located at:

Level 13, 95 Pitt Street
Sydney NSW 2000 Australia

Working capital management

The Group utilises its monthly cash flows to pay down its debt facility whilst maintaining the facility limit. The Group will draw this cash back from the debt facility in order to pay the final distribution in June 2022. This results in the most efficient use of the Group's cash flows.

Going concern

The financial statements have been prepared on a going concern basis. The Group has entered into the SIA with CHPIP in relation to the Proposal. The implementation of the Proposal is subject to IAP securityholders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

The directors of the Responsible Entity are recommending securityholders vote in favour of the Proposal in the absence of a superior proposal and subject to the independent expert concluding that the Proposal is fair and reasonable, and therefore in the best interests of IAP securityholders.

If the Proposal is not successful, the Group will continue to operate on a going concern basis. Amongst a number of conditions under the Proposal, completion of the sale is subject to security holders approving the Proposal by the requisite majorities at the meetings currently expected to be held in late June 2022.

Therefore as at 31 March 2022, there is no binding sale agreement in place or obligations under the Proposal identified by the Group. Accordingly no liability or provisions or contingent liabilities have been recognised in the financial statements.

The Group is in a net current liability position of A$25.9 million as at 31 March 2022 (31 March 2021: A$24.0 million). The net current liability position is principally due to the final distribution declared. It is anticipated that it will be paid from the undrawn debt under the current loan facility (refer to Note 19 *Borrowings*). The Group has prepared a cashflow forecast 15 months from issuance of the financial statements which indicates that the Group is expected to have positive ongoing cashflows. Therefore notwithstanding the current liability position at 31 March 2022, the Group considers the going concern assumption to be appropriate and is confident that the Group will be able to pay all liabilities as and when they become due and payable.

1. Accounting policies and basis of preparation

1.1 Basis of preparation

1.1.1 Statement of compliance

The annual financial statements are prepared in accordance with and compliance with International Financial Reporting Standards, as issued by the IASB, its interpretations adopted by the IASB, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial pronouncements as issued by Financial Reporting Standards Council and the JSE Listing Requirements.

1.1.2 Cross stapling

A stapled security comprises one IPF I unit 'stapled' to one unit in IPF II to create a single listed security traded on the ASX and the JSE. The stapled securities cannot be traded or dealt with separately. The stapled security structure will cease to operate on the first of:

- IPF I or IPF II resolving by special resolution in a general meeting, and in accordance their respective constitutions, to terminate the stapled security structure; or
- IPF I or IPF II commencing winding up.

1.1.3 Reporting entity

In accordance with IFRS 3 *Business Combinations* and IFRS 10 *Consolidated Financial Statements*, one of the stapled entities is required to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, IPF II has been identified as the parent entity of the consolidated group and deemed acquirer of IPF I in the stapling arrangement. The financial report includes consolidated financial statements for IPF II comprising IPF II and its controlled entities and IPF I and its controlled entities, for the year ended 31 March 2022.

IPF I and IPF II are both Australian registered managed investment schemes under the *Corporations Act 2001*. Both IPF I and IPF II are for profit entities.

1.1.4 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 measured at fair value
- investment property is measured at fair value
- investments accounted as equity accounted investments

1.1.5 Functional and presentation currency

The consolidated financial statements are presented in AUD (**A$**), which is IPF's functional currency.

IPF 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 A$ has been rounded to the nearest thousand unless otherwise stated.

1.1.6 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the board of the Responsible Entity 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.

Intangible assets acquired by the Group, which have a indefinite life are recognised initially at cost. Subsequent to initial recognition the recoverable amount is estimated at each reporting date. Refer to Note 13 to the consolidated financial statements for the information on best estimates on the recoverable amount of intangible assets. Derivative financial instruments are valued based on broker quotes and are tested for reasonableness at each reporting date.

Estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year relates to the valuation of investment properties. Refer to Note 11 to the consolidated financial statements 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.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

1.3 Segmental reporting

Determination and presentation of operating segments The Group has the following operating segments:

- office properties
- industrial properties
- properties by location
- property funds management

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 as well as the geographic property segments 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 comprise those assets 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

The Group recognises revenue that depict the transfer of promised good or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Rental income

Revenue from investment property in terms of leases comprises gross rental income and recoveries of operating costs, net of goods and services tax (**GST**). Rental income is recognised in profit or loss on a straightline 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 or inflationary measures, revenue is not straightlined and is recognised in accordance with lease terms applicable for the period.

Recoverable outgoings

Within the Group's lease arrangements, certain services are provided to tenants (such as utilities, cleaning and maintenance) which are accounted for within IFRS 15 *Revenues from contracts with customers*. As the Group has the primary responsibility in delivering these services revenues are recognised on a gross basis. A portion of the consideration within the lease arrangements are allocated to revenue for the provision of services based on the standalone selling method. The service revenue is recognised over time as services are provided and based on the annual estimates, with the estimates reconciled at least annually. These are invoiced monthly based on an annual estimates basis. The consideration is due 30 days from the invoiced date.

1.5 Foreign currency translation

Both the functional and presentation currency of IAP and its subsidiaries is Australian Dollars (**A$**). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences in the financial report are taken to profit or loss.

1.6 Lease incentives and commissions

Any lease incentives provided to a tenant under the terms of a lease such as fit-outs or cash incentives are first capitalised to investment property and then recognised as an expense or reduction in revenue on a straightline basis over the term of the lease.

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

1.7 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.

1.8 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.

1.9 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.

1.10 Financial instruments

The Group 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 Group 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 Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

1.10.1 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less any allowance under the expected credit loss (**ECL**) model.

At each reporting period, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred (as described below).

The Group recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The Group analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL, including:

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

The Group also incorporates forward-looking information by considering economic data and market outlook views by external valuers. Debts that are known to be uncollectable are written off when identified. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments (more than 90 days past due) are considered indicators that the trade receivable is impaired, given all these events would impact the estimated future cashflows of the Group's trade receivables. The Group may write off financial assets which are still subject to enforcement activity when there is no reasonable expectation of recovery.

1.10.2 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.

1.10.3 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.

1.10.4 Derivative financial instruments

The Group utilises derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities.

The Group 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.

1.10.5 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.

1.11 Investment property

When the Group acquires property or a group of properties either directly or by obtaining control of entities that own investment properties, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or asset acquisitions of investment properties. An acquisition is not considered to be a business combination if at the date of the acquisition of the entity/property, it does not meet the definition of a business (i.e. inputs, processes and outputs). In particular where the integrated activities (i.e. processes) deemed necessary to generate outputs are not present.

Properties held by the Group which are held for rental income or capital appreciation 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 straightline 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.

An investment property is classified as held for sale as it will be recovered principally through a sale transaction rather than through continuing use. The asset is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets. Basis of valuation of property held for sale is conditional sales contract. The sale is considered to be highly probable and expected to settle within the next 12 months.

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 semi-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 rate method. The directors believe that their valuations accurately represent the fair value. Note 12 to the consolidated financial statements describes the basis for determining fair value of the Group's properties.

Gains or losses on subsequent measurement or disposals of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount) are recognised in profit or loss. Such gains or losses are excluded from the calculation and determination of distributable earnings.

Investment properties under development are stated at fair value at each balance date. Fair value is assessed with reference to reliable estimate future cash flows, status of the development and the associated risk profile. Finance costs incurred on properties undergoing development are included in the cost of the development.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

1.12 Intangible assets

The management right acquired by the Group is accounted for as an intangible asset and are not amortised as they are assumed to have an indefinite life, given they are expected to be used beyond any foreseeable horizon where a platform of funds under management is being acquired which gives rise to contractual of other legal rights and they are routinely renewed at minimal cost and on broadly similar terms.

Intangible assets are initially measured at cost. Subsequent expenditure on intangible assets is capitalised only if it is probable that it will increase the future economic benefits associated with the specific asset.

Intangibles with an indefinite useful life are tested for impairment annually. After initial recognition, intangible assets are measured at cost less impairment losses, if any. Impairment losses are recognised to statement of profit or loss and other comprehensive income when incurred.

1.13 Investments accounted for using equity method

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence but not control over the financial and operating polices. The financial statements include the Group's share of income and expense of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. Investments in associates are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds its interest in an entity accounted investee, the carrying amount of that interest reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payment on behalf of the investee. Dividends from associates represent a return on the Group's investment and, as such, are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in associates' reserves are recognised directly in the Group's consolidated reserves.

1.14 Lease 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 lease agreements in the capacity as lessor of the investment properties. All agreements are operating leases.

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

Initial direct costs incurred in negotiating and arranging an operating lease are recognised in profit or loss over the term of the lease.

1.15 Lease agreements as lessee

All leases are accounted for by recognising a lease liability and corresponding right-of-use asset with the exception of low value asset leases and short-term leases that run for less than twelve months, which are expensed on a straightline basis in the consolidated statement of profit and loss and other comprehensive income.

Lease liabilities are initially measured at the present value of future lease payments, discounted using the interest rate of the Group's incremental borrowing rate. Lease liabilities are subsequently increased by interest expense on lease liabilities and reduced by the lease payments. Lease modifications also have impact on the carrying amount of lease liabilities.

Interest expense on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the consolidated statement of profit and loss and other comprehensive income in the period to which they relate.

Right-of-use assets are initially measured at cost less depreciation and impairment and subsequently adjusted for any remeasurement of the lease liability. Cost includes the amount of the initial lease liability, adjusted for any related lease prepayments or incentives received, any initial indirect costs incurred and make good costs.

Right-of-use assets that do not meet the definition of investment property are depreciated on a straightline basis from commencement date to the earlier of the end of lease term of its useful life. The lease term includes the periods of any options to extend only when considered reasonably certain to be exercised.

1.16 Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts in incurred.

Similarly, when each major inspection is performed. Its cost is recognised in the carrying amount of plant and equipment as replacement only if it is eligible for capitalisation.

Depreciation is provided on a prime cost value basis on all property, plant and equipment and is based on their useful lives.

	2022	2021
Office furniture and equipment	5 to 10 years	5 to 10 years
Computer equipment	3 to 5 years	3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, adjusted if appropriate, at each financial year end.

1.17 Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the Group 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.

1.18 Employee benefits

Short-term benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment arrangements

The fair value of share-based payment awards granted to employees and KMP is recognised as an employee benefit expense over the period during which the services are performed. For market-based performance rights, the fair value is independently valued using a Monte Carlo simulation model that takes into account the exercise price, the term of the rights, impact of dilution, stapled security price at grant date, expected price volatility of the underlying stapled security, expected dividend yield and the risk-free interest rate for the term of the rights and market vesting conditions. The impact of any non-market vesting conditions (for example, profitability, changes in net tangible assets) are excluded. For non-market-based performance rights, the fair value is independently valued using a Black-Scholes-Merton model. The amount recognised as an expense is adjusted to reflect the number of rights expected to vest.

Termination benefits

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, the are discounted to their present value.

1.19 Taxation

Taxation of the Group

Securityholders may receive attribution managed investment trust (**AMIT**) distributions from the Group.

IPF I

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

Furthermore, IPF I and management arrangements are structured to meet the required criteria to be classified as an AMIT for Australian tax purposes. As an AMIT, IPF I 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 securityholders' proportionate share of the Australian taxable income of the IPF I.

As the IPF I is an AMIT, the Responsible Entity will be required to withhold tax in Australia at 10% on Australian sourced interest income.

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.

IPF II

IPF II is considered to be a public trading trust and therefore it is taxed as a company under current income tax legislation and taxed at the corporate tax rate of 30%. Corporate tax paid by IPF II will generate franking credits, which should be available to distribute to Australian resident and foreign resident securityholders by way of franked dividends. To the extent a dividend is unfranked, a final withholding tax of 15% would generally apply from dividends paid to individual investors in South Africa.

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they related to a business combination, or items recognised directly in equity or in other comprehensive income.

Current and deferred tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at reporting date, and any adjustment to tax payable in respect of prior year. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that have been enacted by balance date and are expected to apply when the related deferred income asset is realised, or the deferred income tax liability is settled.

Deferred income tax liabilities and assets—recognition

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all taxable temporary differences.

Net deferred tax assets or liabilities

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities, when the deferred tax balances related to the same taxation authority and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

Tax relating to equity items

Current and deferred tax balances attributable to amount recognised directly in equity are recognised directly in equity.

GST

GST is a tax levied or imposed in Australia pursuant to the *GST Act 1999* or otherwise on a supply. Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the consolidated statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

1.20 Unit capital

Ordinary unit capital

Units are classified as equity when the units are redeemable only at the Responsible Entity's option, and any distributions are discretionary. The issued unit capital represents the amount of consideration received for units issued in IPF I and IPF II.

Transaction costs of an equity transaction are accounted for as a deduction from equity. All securities are fully paid. The securityholders are entitled to receive distributions as declared from time-to-time and are entitled to one vote per stapled security at the annual general meeting of IAP. All securities rank equally with regard to IAP's residual assets.

1.21 Impact of new standards, amendments and interpretations

No new accounting standards, amendments or interpretations have come into effect for the year ended 31 March 2022 that materially affect the Group's operations or reporting requirements.

1.22 Accounting standards applicable to the Group not yet effective

Classification of liabilities as current or non-current (Amendments to IAS1)

Under existing IAS1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The amendments are to be applied retrospectively from the effective date, 1 January 2023.

Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Amendments to IAS 1 and an update to IFRS Practice Statement 2 helps companies provide useful accounting policy disclosures. Key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023 with earlier application permitted.

Definition of accounting estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group applies the amendments.

Annual Improvements to IFRS Standards 2018–2020

Amendments to existing accounting standard, particularly in relation to:

- IFRS 9 *Financial instruments*—to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

The Group has assessed each of the new accounting standards disclosed, and it is expected that the implementation of these new accounting standards will have minimal impact to the Group.

2. Property revenue

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Contracted rental income	92,820	27,198
Recoverable outgoings	13,543	3,986
Revenue, excluding straightline rental revenue adjustment	**106,363**	**31,184**
Straightline rental revenue adjustment	2,477	508
	108,840	**31,692**

3. Property expenses

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Statutory expenses	(7,019)	(2,600)
Electricity	(1,658)	(533)
Insurance	(2,326)	(988)
Cleaning	(1,374)	(421)
Building management	(2,249)	(770)
Repairs & Maintenance	(1,251)	(332)
Amortisation of fitout expenses	(1,141)	(259)
Tenant rechargeable expenditure	(476)	(173)
Air-conditioning	(875)	(189)
Fire protection	(617)	(132)
Lift and escalators	(458)	(177)
Emergency Generators	(399)	(145)
Leasing fee	(491)	(168)
Legal and marketing expenses	(323)	(146)
Non recoverable property expenses	(457)	(91)
Other property expenses	(700)	(206)
	(21,814)	**(7,330)**

4. Other expenses

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Depreciation expenses	(158)	(37)
Employee benefits expenses	(7,402)	(2,605)
Other expenses	(3,872)	(1,248)
	(11,432)	**(3,890)**

5. Transaction costs

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Transaction cost on management internalisation	–	(7,715)
Total transaction costs	**–**	**(7,715)**

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

6. Fair value adjustments

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Fair value adjustments—investment property	162,250	94,359
Fair value adjustments—property held under development	3,554	3,016
Fair value adjustments—interest rate swaps	24,110	3,360
Fair value adjustments—foreign currency revaluation	862	(3,225)
Total fair value adjustments	**190,776**	**97,510**

7. Finance costs

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Finance costs on borrowings and derivatives	(13,289)	(3,017)
Total finance costs	**(13,289)**	**(3,017)**

Refer to Note 19 for details on borrowings

8. Income tax

The table below relates to income tax for the Group's income tax paying entities.

(a) Income tax (expense)/benefit:

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Current tax expenses	–	–
Deferred tax (expense)/income	(194)	2,957
Income tax benefits in the statement of comprehensive income	**(194)**	**2,957**

(b) Reconciliation of income tax expense to *prima facie* tax payable:

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Profit before income tax expense	266,518	107,782
Prima facie tax expenses/(benefits) at 30%	79,955	32,335
Less: IPF I profit not subject to tax	(77,879)	(35,440)
Tax effect of amounts not deductible/assessable in calculating income tax expense:		
Non-deductible entertainment expenses	5	2
Equity accounted profit	(899)	212
Employee benefit	(612)	(99)
Capital raising and set up cost	(466)	(96)
Others	90	129
Income tax expense/(benefits)	**194**	**(2,957)**

(c) Current tax expense

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Current tax payable	–	–

(d) Deferred tax expense

A$'000	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2020 TO 31 MARCH 2021
Deferred tax assets	(176)	2,965
Deferred tax (liabilities)	(18)	(8)
Net total	**(194)**	**2,957**

(e) Reconciliation of deferred tax expense

	OPENING BALANCE 01 APRIL 2021	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN EQUITY	BALANCE 31 MARCH 2022
Net deferred tax asset attributable to:				
Property, plant and equipment	2	7	–	9
Equity accounted investment	212	(37)	–	175
Accrued expenses	1,035	302	–	1,337
Transaction costs	1,689	(421)	–	1,268
Income tax loss carried forward	27	(27)	–	–
	2,965	**(176)**	**–**	**2,789**
Net deferred tax liabilities attributable to:				
Property, plant and equipment	(8)	(18)	–	(26)
	(8)	**(18)**	**–**	**(26)**
Net total	**2,957**	**(194)**	–	**2,763**

	OPENING BALANCE 03 SEPTEMBER 2020	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN EQUITY	BALANCE 31 MARCH 2021
Net deferred tax asset attributable to:				
Property, plant and equipment	–	2	–	2
Equity accounted investment	–	212	–	212
Accrued expenses	–	1,035	–	1,035
Transaction costs	–	1,689	–	1,689
Income tax loss carried forward	–	27	–	27
	–	**2,965**	**–**	**2,965**
Net deferred tax liabilities attributable to:				
Property, plant and equipment	–	(8)	–	(8)
	–	(8)	–	(8)
Net total	**–**	**2,957**	**–**	**2,957**

Notes to the consolidated financial statements

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9. Distribution per security

PERIOD FOR DISTRIBUTION (A$'000)	TOTAL DISTRIBUTION (A$'000)	SECURITIES IN ISSUE ('000)	DISTRIBUTION PER SECURITY (A$ CENTS)
Half year to 30 September 2021	29,223	645,312	4.53
Half year to 31 March 2022	31,643	677,570	4.67
Total distribution for FY2022	**60,866**		**9.20**
3 September 2020 to 31 March 2021	27,696	611,298	4.53

10. Basic and diluted earnings per security

A$'000	1 APRIL 2021 TO 31 MARCH 2022	01 APRIL 2021 TO 31 MARCH 2021
Reconciliation of basic earnings to headline earnings		
Profit for the period	266,324	110,739
Less: net fair value adjustment—investment property (refer to Note 6)	(162,250)	(94,358)
Less: net fair value adjustment—investment property held under development (refer to Note 6)	(3,554)	(3,016)
Less: Share of equity accounted profit/(loss)	2,995	(707)
Headline earnings attributable to securityholders	**103,515**	**12,658**
	Cents	**Cents**
Basic and diluted earnings per unit—Group	41.15	18.12
Basic and diluted headline earnings per unit—Group	15.28	2.07
Units in issue at the end of the year ('000)	677,570	611,298
Weighted average number of units in issue ('000)	647,220	611,298
Reconciliation of weighted average number of units in issue:		
Units at the beginning of the year	611,298	611,298
Weighted average number of unit in issue	647,220	611,298

Headline earnings is profit for the period adjusted for fair value adjustments on investment property. Headline earnings are a measure of the Group's earnings based solely on operational activities and in the case of the Group 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 1/2021.

11. Investment property

Investment properties held by the Group are accounted for as asset acquisitions when the integrated activities deemed necessary to generate outputs are not present at acquisition. The Group concluded that all the acquisition of properties in the current financial year were asset acquisitions.

For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within the fair value measurements are categorised in their entirety of level 3.

(a) Valuation basis

The basis of valuation of investment properties is fair value. 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 measurement date.

The Group's policy is to value properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer (in compliance with the Group's debt facility). Where a property is not due for an independent valuation, internal valuations are undertaken at the end of the reporting period. The valuation methods include the discounted cash flow (**DCF**) method and income capitalisation method. The mid-point is generally taken between the DCF and income capitalisation method.

(b) Fair value assessment results

External valuations

External valuations were conducted for 33 investment properties in the portfolio for the second half of the year. External valuations were conducted by Colliers International, Urbis, Savills, Knight Frank and JLL who are all registered as Certified Practising Valuers with the Australian Property Institute.

Director valuations

As at 31 March 2022 there were two investment properties where fair value was based on directors' valuations. At each reporting date, the directors update their assessment of the fair value of each property in accordance with the Group's valuation policy.

As at 31 March 2022, investment properties to the value of A$1,642.4 million (31 March 2021: A$1,225.4 million) is held as security under the syndicated facility agreement drawn down to a value of A$520.7 million (31 March 2021: A$341.5 million).

All of the investment properties located in New South Wales, Victoria, South Australia, Queensland, Western Australia, Northern Territory and New Zealand are held under freehold interests. All of the properties located in the Australian Capital Territory are held under leasehold interests with the earliest termination date in 2088 and no lease payment obligations.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to A$162.2 million (31 March 2021: A$94.4 million) and are presented in profit and loss in the line item 'fair value adjustment'.

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For the year ended 31 March 2022 continued

11. Investment property (continued)

PROPERTY PORTFOLIO A$'000	LATEST EXTERNAL VALUATION		CONSOLIDATED CARRYING VALUE	
	DATE	VALUATION	2022	2021
INDUSTRIAL PORTFOLIO				
47 Sawmill Circuit, Hume ACT	31-Mar-22	17,050	17,050	12,700
57 Sawmill Circuit, Hume ACT	31-Mar-22	18,400	18,400	13,900
24 Sawmill Circuit, Hume ACT	31-Mar-22	17,900	17,900	14,500
44 Sawmill Circuit, Hume ACT	31-Mar-22	19,600	19,600	10,500
2–8 Mirage Road, Direk SA	31-Mar-22	12,700	12,700	8,750
30–48 Kellar Street, Berrinba QLD	31-Mar-22	12,100	12,100	9,500
165 Newton Road, Wetherill Park NSW	31-Mar-22	38,500	38,500	33,500
24 Spit Island Close, Newcastle NSW	31-Mar-22	14,500	14,500	12,000
67 Calarco Drive, Derrimut VIC	31-Mar-22	15,300	15,300	12,300
66 Glendenning Road, Glendenning NSW	31-Mar-22	47,750	47,750	38,250
85 Radius Drive, Larapinta QLD	31-Mar-22	25,500	25,500	19,500
54 Miguel Road, Bibra Lake WA	31-Mar-22	44,250	44,250	33,000
24 Rodborough Road, Frenchs Forest NSW	31-Mar-22	29,000	29,000	24,500
6–8 and 11 Siddons Way, Hallam VIC	31-Mar-22	30,100	30,100	23,750
36–42 Hydrive Close, Dandenong South VIC	31-Mar-22	29,250	29,250	25,700
103 Welshpool Road, Welshpool WA	31-Mar-22	47,600	47,600	30,000
46–70 Grand Trunkway, Gillman SA	31-Mar-22	34,500	34,500	29,000
16 Dawson Street, East Arm NT	31-Mar-22	32,000	32,000	29,400
197 Belconnen Crescent, Brendale QLD	31-Mar-22	21,000	21,000	–
131–153 Main Beach Road, Pinkenba QLD	31-Mar-22	30,100	30,100	24,750
81 Dunhill Crescent, Morningside QLD	31-Mar-22	6,500	6,500	–
16 Aspiration Circuit, Bibra Lake WA	31-Mar-22	30,500	30,500	–
OFFICE PORTFOLIO				
449 Punt Road, Cremorne VIC	31-Mar-22	72,500	72,500	61,500
35–49 Elizabeth Street, Richmond VIC	31-Mar-22	113,000	113,000	104,500
2404 Logan Road, Eight Mile Plains QLD	30-Sep-20	17,500	17,400	17,000
186 Reed Street, Greenway ACT	30-Sep-20	25,750	26,100	25,250
21–23 Solent Circuit, Baulkham Hills NSW	31-Mar-22	73,500	73,500	68,000
266 King Street, Newcastle NSW	31-Mar-22	88,000	88,000	81,500
113 Wicks Road, Macquarie Park NSW	31-Mar-22	36,000	36,000	33,000
324 Queen Street, Brisbane QLD	31-Mar-22	89,500	89,500	79,000
20 Rodborough Road, Frenchs Forest NSW	31-Mar-22	72,000	72,000	66,000
2 Richardson Place, North Ryde NSW	31-Mar-22	115,500	115,500	110,000
100 Willis Street, Wellington NZ[1]	31-Mar-22	153,754	153,754	143,606
38 Sydney Avenue, Canberra ACT	31-Mar-22	77,500	77,500	–
510 Church Street, Cremorne VIC	31-Mar-22	133,500	133,500	–
24 Wormald Street, Symonston ACT[2]	31-Mar-21	30,500	–	30,500
Total Investment Properties			**1,642,354**	**1,225,356**

1. Converted at spot rate of 1.0796 at 31 March 2022.
2. Property disposed during the year.

(c) Movement in investment properties' carrying value

A$'000	2022	2021
Cost	1,234,107	985,813
Accumulated fair value adjustment	391,298	225,073
Investment properties	**1,625,405**	**1,210,886**
Straightline rental revenue receivable	16,949	14,470
Carrying value	**1,642,354**	**1,225,356**
Movement in investment properties		
Opening balance	1,225,356	–
IPF I balance on stapling to IPF II	–	1,104,909
Acquisitions	231,002	24,750
Completion of property under development	17,682	–
Property disposed	(30,500)	–
Foreign currency revaluation on property	844	(4,864)
Acquisition costs and capital expenditure	33,243	5,694
Fair value adjustment on revaluation of investment properties (refer to Note 6)	162,250	94,359
Straightline rental revenue adjustment	2,477	508
Carrying value at end of the year/period	**1,642,354**	**1,225,356**

(d) Valuation process

The fair value for all investment properties A$1,642.4 million (2021: A$1,225.4 million) has been undertaken under the Level 3 fair value hierarchy, where unobservable inputs have been utilised in the valuation techniques. For all investment property that are measured at fair value, the current use of the property is considered the highest and best use.

Valuation techniques used to derive Level 3 fair values

The Group 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.

Under the DCF approach, a property's fair value is estimated by projecting a series of cash flows over a specified time horizon (typically 10 years) and discounting this cash flow, including the projected exit or terminal value, at a market-derived discount rate. Projected cash flows are derived from contracted or expected market rents, operating costs, lease incentives, capital expenditure and future income on vacant space. The net present value of the discounted cash flow represents the fair value of the property.

The income capitalisation approach involves estimating the potential sustainable gross market income of a property from which annual outgoings are deducted to derive the net market income. Net market income is then capitalised in perpetuity at an appropriate market derived capitalisation rate (market yield). Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and general characteristics of the property.

At reporting date, the key assumptions used by the Group in determining fair value were as follows:

INDUSTRIAL	31 MARCH 2022	31 MARCH 2021
Capitalisation rate	3.75–7.25%	4.50–7.75%
Discount rate	5.00–7.50%	5.50–8.00%
Terminal yield	4.00–7.50%	4.75–8.00%
Rental growth rate	2.21–3.35%	1.95–3.29%

OFFICE	31 MARCH 2022	31 MARCH 2021
Capitalisation rate	4.50–7.75%	5.50–8.00%
Discount rate	5.75–7.75%	6.13–8.25%
Terminal yield	4.63–8.00%	5.75–8.13%
Rental growth rate	2.55–3.55%	2.15–3.51%

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11. Investment property (continued)

Capitalisation rates

Capitalisation rates are derived from the yields indicated by sales of comparable properties. It factors in risk with regard to a property's location, quality, strength of the tenant covenant and length of secured cashflows.

Industrial

The Australian industrial and logistics sector continued to see strong momentum in the occupier and investment markets as $18.2 billion of industrial assets transacted during calendar year 2021—more than three and a half times the average annual transaction activity for the last ten years. The large volume of sales activity experienced during the Group's financial period ended 31 March 2022 has demonstrated the strength of the industrial market and the main driver for taking all 22 of the Group's industrial properties for external valuation at 31 March 2022. At 31 March 2022, the weighted average capitalisation rate used in valuing the Group's industrial portfolio firmed 103 basis points to 4.80% when compared to 31 March 2021. The industrial terminal cap rate firmed 104 basis points to 5.14% when compared to 31 March 2021.

Office

2021 saw a rebound in investment activity as vendors and buyers were comforted by the greater certainty around tenant demand and leasing fundamentals. The increase in activity and depth of the buyer pool has seen yields continue to compress through 2021. The weighted average capitalisation rate used in valuing the Group's office portfolio firmed 58 basis points to 5.54% when compared to 31 March 2021. The office terminal cap rate firmed 36 basis points to 5.82% when compared to 31 March 2021.

Discount rates

At 31 March 2022 discount rates utilised in the valuation of the Group's property portfolio have tightened (i.e. lowered) by approximately 66 basis points to 6.09% when compared to 31 March 2021. The weighted average discount rate tightened 55 basis points to 6.22% for the office portfolio and 87 basis points to 5.84% for the industrial portfolio when compared to 31 March 2021.

Market rental growth

Market rental growth is the projected year on year change in market rent based on factors such as population growth, demand for space and expected supply and new developments within markets. A key driver of the DCF calculation outcome is market rental growth, where a property's projected cash flow comprises of actual rental income, speculative rental income, and rental income growth.

Market rent and rental growth have a material impact on the outcome of the terminal value calculation, as terminal market rent is a function of the current market rent and the 10 year CAGR. The terminal market rent is divided by the terminal capitalisation rate to determine the terminal value.

At 31 March 2022, the market rental growth (10-year CAGR) utilised in the valuation of the Group's property portfolio has increased by approximately 12 basis points to 3.11%, when compared to 31 March 2021.

Significant unobservable inputs

For all classes of investment property the significant unobservable inputs below are used to determine the fair value measurement of investment property at measurement date. Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. The higher the market rent or 10-year compound annual growth rate, the higher the fair value. The higher the capitalisation rate, terminal yield or discount rate, the lower the fair value.

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

Capitalisation rate	Increases/(decreases) in the capitalisation rate would (decrease)/increase estimated fair value	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	Increases/(decreases) in the discount rate would (decrease)/increase estimated fair value	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	Increases/(decreases) in the terminal yield would result in (decreases)/increases in the estimated fair value	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.
Market rent and rental growth	Increases/(decreases) in market rent and rental growth would increase/(decrease) estimated value	The rent at which a space could be let in the market including rental growth in future years at the date of valuation. Market rent includes gross rent and net rent. Gross rent is where outgoings are incorporated in the rent being paid. Net market rent is where the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

(e) Uncertainty around property valuations

The onset of COVID-19 saw real estate market activity in Australia impacted across many sectors resulting in limited transactional evidence from which to draw reliable valuation conclusions. 2021/2022 has seen investment activity across most Australian commercial markets recover to a substantial degree and the Group is satisfied that the available transactional evidence is adequately enables appropriate valuation analysis and conclusions. Despite this, markets continue to be heavily influenced by unprecedented global economic and political environments and in the event the impacts are more material or prolonged than anticipated, this may have further impact to the fair value of the Group's property portfolio, and the future price achieved if a property is sold.

(f) Contractual obligations/capital commitments

At 31 March 2022, the Group included forecast cost associated with the aluminium cladding panel assessment and remediation for two properties in the portfolio (31 March 2021: 2) within the valuation of these properties rather than a separate provision.

A$'000	2022	2021
449 Punt Road, Cremorne VIC	350	650
35–49 Elizabeth Street, Richmond VIC	350	1,200
	700	**1,850**

There were no other significant contractual obligations or capital commitments relating to investment property as at 31 March 2022 (31 March 2021: Nil)

(g) Leasing arrangements as lessor

The Group leases office and industrial properties under operating leases. Contractual amounts due in terms of operating lease agreements are receivable as follows:

	2022	2021
Minimus lease payments due to the Group under non-cancellable operating leases of investment property are receivable as follows:		
Less than 1 year	95,303	87,439
Between 1 and 2 years	85,496	81,900
Between 2 and 3 years	73,195	70,293
Between 3 and 4 years	52,177	60,497
Between 4 and 5 years	41,861	40,812
More than 5 years	177,036	105,973
	525,068	**446,914**

Investment property comprises a number of commercial properties and industrial that are leased to third parties. The significant majority of 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 five years. No contingent rents are charged.

12. Investment property under development

A$'000	2022	2021
Opening balance	11,600	–
Acquisitions	6,947	3,886
Acquisition costs and capital expenditure	31,894	4,698
Completion of property under development	(17,681)	–
Fair value adjustment	3,554	3,016
	36,314	**11,600**

For the year ended 31 March 2022, the Group completed one development property (197 Belconnen Crescent, Brendale QLD) and held two investment properties (57–83 Mudgee Street, Kingston QLD and 34 Southgate Avenue, Cannon Hill QLD) for development. At the reporting date, the key assumptions (weighted average) used by the Group in determining fair value were as follows:

A$'000	OFFICE	INDUSTRIAL
Capitalisation rate	5.00%	4.75%
Discount rate	5.75%	5.75%
Terminal yield	5.50%	5.13%
Rental growth rate	2.90%	2.87%

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For the year ended 31 March 2022 continued

13. Intangible asset

A$'000	2022	2021
Opening balance	39,528	–
Additions	–	39,528
Impairments	–	–
Net carrying amount at 31 March	**39,528**	**39,528**

Intangible assets represent the management right platform acquired by IPF II. The intangible asset acquired has been determined to have an indefinite useful life and required to be tested for impairment annually. As at 31 March 2022, indicators of impairment were considered under IAS 36. As the recoverable amount is considered to be the acquisition cost, the intangible asset is not impaired. The valuation basis of the intangible asset to assess the fair value of the management right is the forecast EBITDA of IPF II multiplied by a market multiple.

14. Equity accounted investment

The Group is committed to invest up to A$30 million in ITAP Fund (as at 31 March 2022, total committed equity is A$160.8 million (31 March 2021: A$140.0 million)). This represents 18.7% (31 March 2021: 21.4%) of the total equity of ITAP Fund and also the Group's shareholding interest at balance date. As at 31 March 2022, A$18.3 million (31 March 2021: A$6.5 million) has been contributed. ITAP Fund is an unlisted Australian opportunity fund which was launched in December 2019. ITAP Fund seeks to invest in opportunistic real estate transactions in Australia and New Zealand with a shorter-term investment horizon than more passive investments, including value add and real estate backed debt opportunities which require more active management. The Group has been contracted to perform investment and asset management services to ITAP Fund. As at 31 March 2022, total fee received or receivable from ITAP Fund is A$1.2 million (31 March 2021: Nil).

A$'000	2022	2021
Opening balance	**5,807**	**–**
Equity contributions	11,777	6,514
Share of equity accounted profit/loss	2,995	(707)
Net carrying amount	**20,579**	**5,807**

ITAP	2022	2021
Current assets	27,118	5,667
Non-current assets	90,999	28,766
Current liabilities	7,813	7,334
Non-current liabilities	24,388	8,685
Net assets	**85,916**	**18,414**
Shareholder loan	24,388	8,685
Net assets adjusted by shareholder loan	**110,304**	**27,099**
Revenue	19,634	215
Other comprehensive income	–	–
Net profit/loss for the year ended 31 March	16,050	(3,298)
% of ownership	18.66%	21.43%
Net assets attributable to IAP	20,579	5,807
Equity contribution by IAP	18,291	6,514
Share of equity accounted profit/(loss)	2,995	(707)

15. Receivables and other assets

During the year, the Group granted negligible rental relief to tenants in the form of rental waivers and rental deferrals as required for qualifying tenants under the National Cabinet's Mandatory Code of Conduct for SME commercial leasing principles during the COVID-19 pandemic which has been given effect by state and territory legislation. For non-qualifying tenants the principles of the code were taken into account in the consideration of deferral requests. Deferrals granted have been agreed with tenants to be repaid over periods between October 2020 and January 2023.

Consideration of the impact of COVID-19 on tenants has been incorporated into the assessment as at 31 March 2022 based on discussions held to date with each tenant and on any other information known about the tenant and/or their trading conditions. As at 31 March 2022, the Group had nil allowance for credit losses (31 March 2021: Nil).

A$'000	2022	2021
Prepaid expenses	4,955	3,303
Trade debtors	702	1,185
Other receivable	3,000	–
Sundry debtors	1,490	1,174
	10,147	**5,662**

Other receivable relates to refundable deposit paid for a office development in Melbourne VIC, an investment which the Group manages on behalf of ITAP Fund and other third parties. The deposit will be reimbursed on the settlement of transaction.

16. Cash and cash equivalents

A$'000	2022	2021
Cash held on call account	9,200	7,405
Total cash and cash equivalents	**9,200**	**7,405**

17. Contributed equity

A$'000	2022	2021
Issued		
On establishment	46,723	46,723
On completion security placement offer June 2021—34,013,605 fully paid ordinary securities	24,391	–
On completion security placement offer December 2021—32,258,065 fully paid ordinary securities	24,331	–
In issue at year end	**95,445**	**46,723**
Weighted average number of securities in issue	82,645	27,800

IPF II was established by IPF I making a capital distribution to the holders of units in IPF I (equal to A$0.0764 per IPF I unit), with such distribution being mandatorily applied by holders of IPF I units to subscribe for new units in IPF II of A$46.7 million. Issued capital comprises of ordinary units fully paid.

The stapling of IPF I units to IPF II units in accordance with the IPF I and IPF II constitutions occurred on 27 November 2020.

A stapled security comprises one unit in IPF I and one unit in IPF II. Holders of stapled securities are entitled to receive distributions as declared from time to time and are entitled to one vote per security at securityholders' meetings. In the event of a winding up, securityholders rank after creditors and are fully entitled to any net proceeds of liquidation. The Group does not have authorised capital or par value in respect of the issued stapled securities.

Refer to securityholder analysis included on pages 142 to 143 for further details on securityholders.

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18. Non-controlling interest

Under AAS, stapled entities are required to separately identify equity attributable to the parent entity from equity attributable to other entities stapled to the parent. The equity attributable to other entities (IPF I) stapled to the parent (IPF II) is presented as non-controlling interests in the statement of financial position of the Group.

The following table summarises the information relating to IPF I that has material NCI.

IPF I (A$'000)	2022	2021
NCI percentage	**100%**	**100%**
Non-current assets	1,701,942	1,236,956
Current assets	11,974	10,393
Non-current liabilities	554,448	345,307
Current liabilities	29,983	28,337
Net assets	**1,129,485**	**873,705**
Issued capital	698,401	649,679
Retained earnings	431,084	224,026
Net assets attributable to NCI	**1,129,485**	**873,705**
Revenue	108,840	31,704
Profit	267,924	118,134
OCI	–	–
Total comprehensive income	**267,924**	**118,134**
Profit allocated to NCI	267,924	118,134
OCI allocated to NCI	–	–
Cash flows from operating activities	2,293	(7,487)
Cash flows from investment activities	(229,590)	(51,140)
Cash flow from financing activities	227,890	24,707
Net increase (decrease) in cash and cash equivalents	**593**	**(31,220)**

19. Borrowings

A$'000	TRANCHE EXPIRY DATE	INTEREST RATE	2022	2021
Loans—secured—bank debt				
ANZ Facility—Tranche G	01-Apr-27	BBSY + 1.5500%[1]	20,000	20,000
ANZ Facility—Tranche H	01-Sep-26	BBSY + 1.5500%[1]	75,000	75,000
ANZ Facility—Tranche I	31-Mar-26	BBSY + 1.5500%[1]	25,000	25,000
Westpac Facility—Tranche N	28-Mar-28	BBSY + 1.4500%[1]	55,000	55,000
Westpac Facility—Tranche P	30-Nov-27	BBSY + 1.7000%[1]	29,940	16,514
Westpac Facility—Tranche Q	31-Mar-26	BBSY + 1.5500%[1]	22,500	–
Westpac Facility—Tranche R	31-Mar-26	BBSY + 1.5500%[1]	47,500	–
Westpac Facility—Tranche S	29-Dec-28	BBSY + 1.6750%[1]	36,742	–
Westpac Facility—Tranche T	15-Dec-28	BBSY + 1.6750%[1]	59,000	–
Westpac Facility—PGIM	22-Dec-29	3.4%	150,000	150,000
Total long-term borrowings—secured			**520,682**	**341,514**
Capitalised loan establishment costs			(3,703)	(2,451)
Total value of interest-bearing borrowings			**516,979**	**339,063**

Movement in borrowings		
Opening balance	341,514	–
IPF I balance on stapling to IPF II	–	274,107
Interest charged	13,289	3,017
Interest paid	(13,289)	(3,017)
Additional borrowing acquired	221,168	71,907
Repayments	(42,000)	(4,500)
Closing balance at the end of the year	**520,682**	**341,514**

The Group's LVR[2] was 30.10% as at 31 March 2022. (31 March 2021: 26.88%)

At 31 March 2022 the approved facility limit of the loan facility was A$625.0 million (31 March 2021: A$435.0 million) with A$104.3 million undrawn, (31 March 2021: A$ 93.5 million)

The Group's policy is to hedge at least 75% of interest rate risk. At the balance date, 85.9% (31 March 2021: 78.3%) of borrowings were hedged using interest rate swaps, locking in a blended rate (including margin and line fees) of 2.95% (31 March 2021: 2.84%) for a weighted average term of 6.0 years, (31 March 2021: 6.1 years).

1. Varies based on gearing levels.
2. LVR is a non-IFRS measure.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

20. Trade and other payables

A$'000	2022	2021
Security deposits	1,212	581
Income received in advance	3,756	4,246
Lease liabilities	562	532
Employee entitlement	1,048	3,250
Other payables	–	417
Trade and other payables—non-current	**6,578**	**9,026**
Accrued expenses	1,488	3,502
Trade creditors	296	1,181
Lease liabilities	133	107
Income received in advance	4,967	2,924
GST payable	808	510
Employee entitlement	4,096	–
Other payables	1,810	1,098
Trade and other payables—current	**13,598**	**9,322**

21. Reconciliation of cash flows from operating activities

A$'000	2022	2021
Profit before tax for the period	266,518	107,782
Adjusted for:		
Fair value adjustments—investment property	(162,250)	(94,359)
Fair value adjustments—investment property under development	(3,554)	(3,016)
Fair value adjustments—derivatives	(24,110)	(3,360)
Fair value adjustments—foreign currency revaluation	(862)	3,225
Straightline rental revenue adjustment	(2,477)	(508)
Profit on disposal of investment property	(4,942)	–
Working capital movement		
Change in trade and other receivables	166	(5,138)
Change in trade and other payables	593	7,746
Change in capital expenses	(1,744)	(2,040)
Transaction cost on management internalisation	–	7,715
Share of equity accounted (profit)/loss	(2,995)	707
Distributions paid	(56,919)	(26,832)
Net cash from operating activities	**7,424**	**(8,078)**

22. Key management personnel (KMP) compensation

A$'000	2022	2021
Short-term employee benefits	1,630	717
Other long-term employee benefits	72	35
Post-employment benefits	69	22
	1,771	**774**

Individual Directors' and KMP compensation disclosures

Information regarding individual Directors' and KMP compensation and equity instruments disclosure is provided in the remuneration report within the Annual Report.

Movements in securities

The movement during the reporting period in the number of ordinary securities in IAP held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	HELD AT 01 APRIL 2021	PURCHASES	SALES	HELD AT 31 MAR 2022
Directors				
Graeme Katz	270,296	–	–	270,296
Richard Longes[1]	121,819	–	–	121,819
Sally Herman	37,879	–	–	37,879
Georgina Lynch[2]	67,493	–	–	67,493
Stephen Koseff[3]	170,733	–	–	170,733

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

The related party transaction in relation to the RE is set out in the Directors' report on page 90.

1. Through Gemnet Pty Ltd.
2. Through G Lynch Investments Pty Ltd.
3. Through Sheryl Koseff and SK Employee Trust.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

23. 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. All subsidiaries are established in Australia and are 100% owned trusts and controlled by the parent entity with no restrictions.

IPF I and IPF II enter into transactions with its wholly owned trusts. These transactions mainly involve the payment of distributions between trusts and lending of funds between the trusts. Intertrust loans are repayable upon demand, unsecured and non-interest bearing.

				INTERTRUST LOAN BALANCE	
NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF UNITS	EQUITY HOLDING	2022	2021
Held directly by IPF II					
Irongate Property Holdings Pty Limited	Australia	Ordinary	100%	–	–
Irongate Property Management Trust	Australia	Ordinary	100%	(48,196)	520
Irongate Funds Management Limited	Australia	Ordinary	100%	–	–
Irongate Property Management Pty Limited	Australia	Ordinary	100%	–	–
Irongate Property No.1 Pty Limited	Australia	Ordinary	100%	–	–
Irongate Property No.2 Pty Limited	Australia	Ordinary	100%	–	–
Irongate Templewater No.1 Pty Limited	Australia	Ordinary	100%	–	–
Irongate Templewater No.2 Pty Limited	Australia	Ordinary	100%	–	–
Held directly by IPF I					
Irongate Property Hold Trust No.1	Australia	Ordinary	100%	(73,640)	(54,003)
Irongate Property Sub Trust No.1	Australia	Ordinary	100%	3,439	3,848
Irongate Property Sub Trust No.2	Australia	Ordinary	100%	(6,299)	(5,503)
Irongate Property Sub Trust No.3	Australia	Ordinary	100%	(3,665)	(3,155)
Irongate Property Sub Trust No.4	Australia	Ordinary	100%	(1,521)	427
Irongate Property Sub Trust No.5	Australia	Ordinary	100%	(1,545)	(1,501)
Irongate Property Sub Trust No.6	Australia	Ordinary	100%	15,722	75,347
Irongate Property Sub Trust No.7	Australia	Ordinary	100%	77	87
Irongate Property Sub Trust No.8	Australia	Ordinary	100%	(420)	(110)
Irongate Property Sub Trust No.9	Australia	Ordinary	100%	(442)	(358)
Irongate Property Sub Trust No.10	Australia	Ordinary	100%	(3,775)	(2,697)
Irongate Property Sub Trust No.11	Australia	Ordinary	100%	(1,661)	(360)
Irongate Property Sub Trust No.12	Australia	Ordinary	100%	148	165
Irongate Property Sub Trust No.13	Australia	Ordinary	100%	(310)	(271)
Irongate Property Sub Trust No.14	Australia	Ordinary	100%	(2,009)	(2,258)
Irongate Property Sub Trust No.15	Australia	Ordinary	100%	(2,016)	(974)
Irongate Property Sub Trust No.16	Australia	Ordinary	100%	(6,137)	(3,706)
Irongate Property Sub Trust No.17	Australia	Ordinary	100%	393	506
Irongate Property Sub Trust No.18	Australia	Ordinary	100%	(5,645)	(4,228)
Irongate Property Sub Trust No.19	Australia	Ordinary	100%	(7,010)	(3,911)
Irongate Property Sub Trust No.20	Australia	Ordinary	100%	305	445
Irongate Property Sub Trust No.21	Australia	Ordinary	100%	35,508	242
Irongate Property Sub Trust No.22	Australia	Ordinary	100%	(4,727)	695
Irongate Property Sub Trust No.23	Australia	Ordinary	100%	(43)	31
Irongate Property Sub Trust No.24	Australia	Ordinary	100%	(5,352)	(5,361)
Irongate Property Sub Trust No.25	Australia	Ordinary	100%	1,466	1,759
Irongate Property Sub Trust No.26	Australia	Ordinary	100%	2,139	–

23. Group entities (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF UNITS	EQUITY HOLDING	INTERTRUST LOAN BALANCE 2022	INTERTRUST LOAN BALANCE 2021
Irongate Property Sub Trust No.27	Australia	Ordinary	100%	15,192	–
Irongate Property Sub Trust No.28	Australia	Ordinary	100%	334	–
Irongate Property Sub Trust No.29	Australia	Ordinary	100%	143	–
Irongate Property Sub Trust No.30	Australia	Ordinary	100%	3,065	–
Irongate Property Sub Trust No.31	Australia	Ordinary	100%	(8,668)	–
Irongate Property Sub Trust No.32	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.33	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.34	Australia	Ordinary	100%	–	–
Irongate Property Sub Trust No.35	Australia	Ordinary	100%	–	–

24. Parent entity disclosures

A$'000	2022	2021
The parent of the Group is Irongate Property Fund II		
Result of parent entity		
Net loss for the period	(448)	(5,998)
Other comprehensive income	–	–
Total comprehensive income for the period	**(448)**	**(5,998)**
Financial position of parent entity		
Current assets	6	–
Non-current assets	88,992	41,245
Total assets	**88,998**	**41,245**
Current liabilities	–	(520)
Non-current liabilities	–	–
Total liabilities	**–**	**(520)**
Net assets	**88,998**	**40,725**
Total equity of parent entity comprising of:		
Contributed equity	95,445	46,723
Retained earnings	(6,447)	(5,999)
Total equity	**88,998**	**40,725**

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For the year ended 31 March 2022 continued

25. Financial risk and capital management

25.1 Total financial and non-financial assets and liabilities

The table below sets out the Group's accounting classification of each class of financial and non-financial asset and liability and their fair values at 31 March 2022

AS AT 31 MARCH 2022 (A$'000)	MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS	NON-FINANCIAL INSTRUMENTS	AMORTISED COST	TOTAL
ASSETS				
Non-current assets				
Investment property	1,642,354	–	–	1,642,354
Investment property under development	36,314	–	–	36,314
Property, plant and equipment	–	753	–	753
Intangible assets	–	39,528	–	39,528
Equity accounted investment	–	20,579	–	20,579
Financial instruments held at fair value	23,274	–	–	23,274
Deferred tax assets	–	2,763	–	2,763
Current assets				
Cash and cash equivalents	–	–	9,200	9,200
Trade and other receivables	–	–	10,147	10,147
Total assets	**1,701,942**	**63,623**	**19,347**	**1,784,912**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	516,979	516,979
Financial instruments held at fair value	–	–	–	–
Trade and other payables	–	–	6,578	6,578
Current liabilities				
Trade and other payables	–	–	13,598	13,598
Distribution payable	–	–	31,643	31,643
Total liabilities	**–**	**–**	**568,798**	**568,798**

AS AT 31 MARCH 2021 A$'000	MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS	NON-FINANCIAL INSTRUMENTS	AMORTISED COST	TOTAL
ASSETS				
Non-current assets				
Investment property	1,225,356	–	–	1,225,356
Investment property under development	11,600	–	–	11,600
Property, plant and equipment	–	661	–	661
Intangible assets	–	39,528	–	39,528
Equity accounted investment	–	5,807	–	5,807
Deferred tax assets	–	2,957	–	2,957
Current assets				
Cash and cash equivalents	–	–	7,405	7,405
Trade and other receivables	–	–	5,662	5,662
Total assets	**1,236,956**	**48,953**	**13,067**	**1,298,976**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	–	–	339,063	339,063
Financial instruments held at fair value	836	–	–	836
Trade and other payables	–	–	9,026	9,026
Current liabilities				
Trade and other payables	–	–	9,322	9,322
Distribution payable	–	–	27,696	27,696
Total liabilities	**836**	**–**	**385,107**	**385,943**

Cash and cash equivalents; trade and other receivables; trade and other payables are measured at amortised cost and approximate fair value. The fair value of "long term borrowings at amortised cost" has been estimated by market interest rate at each year end. Other non-financial instruments are tested for impairment on an annual basis.

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For the year ended 31 March 2022 continued

25.2 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 marketing interest rate at 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 AND CARRYING AMOUNT A$'000	CARRYING AMOUNT	FAIR VALUE LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 31 March 2022					
Financial assets not measured at fair value					
Cash and cash equivalents	9,200	–	–	–	–
Receivables and other assets	10,147	–	–	–	–
	19,347	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	20,176	–	–	–	–
Distribution payable	31,643	–	–	–	–
Long term borrowings	516,979	–	513,015	–	513,015
	568,798	–	**513,015**	–	**513,015**
Financial assets measured at fair value					
Interest rate swaps	23,274	–	23,274	–	23,274
	23,274	**–**	**23,274**	**–**	**23,274**

FAIR VALUE AND CARRYING AMOUNT A$'000	CARRYING AMOUNT	FAIR VALUE LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 31 March 2021					
Financial assets not measured at fair value					
Cash and cash equivalents	7,405	–	–	–	–
Receivables and other assets	5,662	–	–	–	–
	13,067	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value					
Trade and other payables	18,348	–	–	–	–
Distribution payable	27,696	–	–	–	–
Long term borrowings	339,063	–	352,018	–	352,018
	385,107	**–**	**352,018**	**–**	**352,018**
Financial liabilities measured at fair value					
Interest rate swaps	836	–	836	–	836
	836	**–**	**836**	**–**	**836**

25.3 Fair value hierarchy—financial instruments (continued)

b. Details of changes in valuation techniques

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

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

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

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.

25.3 Other financial risk management considerations

The financial instruments of the Group consist mainly of cash and cash equivalents, including deposits with banks, borrowings, derivative instruments, trade and other receivables and trade and other payables. The Group 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 Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of the Responsible Entity has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of the Responsible Entity has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Audit and Risk Committee reports regularly to the board of the Responsible Entity on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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.

25.4 Credit risk

Credit risk is the risk of financial loss to the Group 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.

Exposure to credit risk

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives.

AT 31 MARCH A$'000	2022	2021
Cash and cash equivalents	9,200	7,405
Receivables and other assets	10,147	5,662
Financial instruments—Interest rate swaps	23,274	–
Total on-balance sheet exposure	**42,621**	**13,067**
Contingent liabilities, committed facilities and others	–	–
Total gross credit exposures	**42,621**	**13,067**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group has derivative financial instruments held with major Australian banks, Westpac and ANZ, which are considered high quality financial institutions. The credit risk of financial instruments has not increased significantly since initial recognition.

The Group applies the lifetime ECL model to manage the credit risk of financial assets carried at amortised cost in accordance with the accounting policy described in Note 1.10.1 to the consolidated financial statements. Historical evidence suggests that there is an insignificant ECL amount, and there is no forward-looking information that indicates potential impairment of receivables. The Group has determined that no ECL is required to be recognised as at 31 March 2022. (31 March 2021: Nil)

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For the year ended 31 March 2022 continued

25.5 Market risk

(a) Interest rate risk

The Group 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 Group 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

The potential market risk to the Group arises from changes of interest rate. This relates to its floating debt facility. At 31 March 2022, 85.9% (31 March 2021: 78.3%) of the Group's interest rate exposure was hedged. The principle outstanding amount of floating debt facility is A$73.4 million (31 March 2021: A$144.7 million). Therefore, for the year ended 31 March 2022, a 1% increase/decrease in interest rates on the variable rate borrowings would have an immaterial impact on the Group's profit, assuming all other variables remain constant.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group seeks to borrow for as long as possible at the lowest acceptable cost. The Group 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 Group's financial liabilities based on the undiscounted contractual cash flows.

Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the funding requirement of the Group.

AS AT 31 MARCH 2022 (A$'000)	WITHIN 1 YEAR	1–2 YEARS	2–5 YEARS	OVER 5 YEARS	TOTAL	CARRYING VALUE
Long-term borrowings[1]	10,955	10,985	220,718	348,695	591,353	520,682
Trade and other payables	13,598	4,637	1,587	354	20,176	20,176
Distributions payable	31,643	–	–	–	31,643	31,643
Total liabilities	**56,196**	**15,622**	**222,305**	**349,049**	**643,172**	**572,501**

AS AT 31 MARCH 2021 (A$'000)	WITHIN 1 YEAR	1–2 YEARS	2–5 YEARS	OVER 5 YEARS	TOTAL	CARRYING VALUE
Long-term borrowings[1]	7,758	7,758	195,691	169,156	380,363	341,514
Trade and other payables	9,322	4,931	2,601	1,494	18,348	18,348
Distributions payable	27,696	–	–	–	27,696	27,696
Total liabilities	**44,776**	**12,689**	**198,292**	**170,650**	**426,407**	**387,558**

The table below outlines the Group's LVR[2] at the end of the period.

A$'000	2022	2021
Investment property	1,642,354	1,225,356
Investment property held under development	36,314	11,600
Equity accounted investment (**EAI**)	20,579	5,807
Total	**1,699,247**	**1,242,763**
Carrying value of interest bearing borrowing	520,682	341,514
Less: Cash and cash equivalents	(9,200)	(7,405)
Net value of borrowing	511,482	334,109
Current ratio of interest bearing borrowings to value of property and EAI (%)	**30.10**	**26.88**

1. Cash flows in relation to long term borrowings take into account interest payments and the effect of interest rate swaps.
2. LVR is a non-IFRS measure.

25.6 Derivatives

Derivative instruments are used to hedge the Group's exposure to any increases in interest rates on variable rate loans. Interest rate swap contracts are entered into whereby the Group 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	NOTIONAL AMOUNT $'000	FAIR VALUE $'000	START DATE	END DATE	FIXED RATE
31 March 2022					
Australia and New Zealand Banking Group	30,000	1,136	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	20,000	1,135	22-Mar-21	24-Mar-25	0.64%
Westpac Banking Corporation	67,303	5,030	11-Dec-17	12-Dec-26	2.58%
Westpac Banking Corporation	70,000	5,770	21-Jun-21	21-Jun-27	1.18%
Westpac Banking Corporation	110,000	10,203	15-Dec-21	15-Dec-31	1.92%
Total	**297,303**	**23,274**			

FINANCIAL INSTITUTION	NOTIONAL AMOUNT $'000	FAIR VALUE $'000	START DATE	END DATE	FIXED RATE
31 March 2021					
Australia and New Zealand Banking Group	30,000	(592)	24-Dec-19	24-Dec-24	1.06%
Westpac Banking Corporation	20,000	(5)	22-Mar-21	24-Mar-25	0.64%
Westpac Banking Corporation	67,303	(239)	11-Dec-17	12-Dec-26	2.58%
Total	**117,303**	**(836)**			

25.7 Capital Management

In terms of the constitutions of IPF I and IPF II, the Group's gearing ratio must not exceed 60%. The Group 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 2022, the nominal value of borrowings less cash equivalents was equal to 30.10% (31 March 2021: 26.88%) of the value of investment properties and equity accounted investments.

The board of the Responsible Entity is committed to maintaining a strong capital base, comprising its securityholders' interests, so as to promote investor, creditor and market confidence and to sustain future development of the business. It is the Group's stated purpose to deliver medium to long-term sustainable growth in distributions per security. Distributable income is distributed on a six monthly basis.

The board of the Responsible Entity monitors the level of distributions to securityholders. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

26. Remuneration of auditors

The following fees were paid of payable for services provided by auditors of Group during the year. All audit and tax services were provided by KPMG.

A$	1 APRIL 2021 TO 31 MARCH 2022	03 SEPTEMBER 2021 TO 31 MARCH 2021
Auditor's remuneration—audit fee	314,584	301,169
Auditor's remuneration—tax compliance	160,000	163,720
Non audit service cost for internalisation transaction	–	2,011,501
	474,584	**2,476,390**

27. Subsequent events

There is no other item, transaction or event of a material or unusual nature likely that have arisen since the end of the financial year up until the date of the annual report which would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Notes to the consolidated financial statements

For the year ended 31 March 2022 continued

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Other information

Securityholder information

Top 20 securityholders as at 22 April 2022

RANK	NAME	NUMBER OF SECURITIES HELD	% OF ISSUED CAPITAL
1	360 Capital IG Pty. Ltd.	135,417,787	19.99
2	Public Investment Corporation (SOC) Limited	54,553,770	8.05
3	Vanguard Investments Australia Ltd.	31,646,098	4.67
4	Martin Currie Australia	22,267,585	3.29
5	Sesfikile Capital (Pty) Ltd	20,373,311	3.01
6	J.P. Morgan Securities Australia Ltd.	17,586,987	2.60
7	Maso Capital Partners Limited	17,543,810	2.59
8	The Vanguard Group, Inc.	16,377,026	2.42
9	BlackRock Investment Management (Australia) Ltd.	12,398,149	1.83
10	First Sentier Investors	12,230,543	1.81
11	Millennium Capital Management (Singapore) Pte Ltd	11,905,779	1.76
12	BlackRock Institutional Trust Company, N.A.	11,859,465	1.75
13	Meago Asset Managers (Pty) Ltd.	10,976,166	1.62
14	State Street Global Advisors Australia Ltd.	9,267,533	1.37
15	Milford Asset Management Ltd.	8,916,323	1.32
16	Old Mutual Investment Group (South Africa) (Pty) Limited	8,249,319	1.22
17	J.P. Morgan Securities plc	7,315,003	1.08
18	Eskom Pension and Provident Fund	7,046,084	1.04
19	First Sentier Investors Realindex Pty Ltd.	6,706,745	0.99
20	Investec Wealth and Investment Management Pty Ltd	6,658,877	0.98
	Total	**429,296,360**	**63.36**
	Total remaining securityholders balance	**248,273,394**	**36.64**

Spread of securityholders as at 22 April 2022

SECURITYHOLDER SPREAD	NUMBER OF SECURITYHOLDINGS	% OF TOTAL SECURITYHOLDERS	NUMBER OF SECURITIES IN ISSUE	% OF ISSUED CAPITAL
1–5,000	2,218	48.70	3,312,793	0.49
5,001–10,000	679	14.91	5,225,779	0.77
10,001–50,000	1,144	25.12	26,601,753	3.93
50,001–100,000	213	4.68	15,525,185	2.29
100,001 securities and over	300	6.59	626,904,244	92.52
Total	**4,554**	**100**	**677,569,754**	**100**

Public/non-public securityholders as at 22 April 2022

	NUMBER OF SECURITYHOLDINGS	% OF TOTAL SECURITYHOLDERS	NUMBER OF SECURITIES IN ISSUE	% OF ISSUED CAPITAL
Non-Public Unitholdings	**7**	**0.15**	**138,168,563**	**20.39**
Director Holdings	6	0.13	2,750,776	0.41
Strategic Holder	1	0.02	135,417,787	19.99
Public Unitholders	**4,547**	**99.85**	**539,401,191**	**79.61**
Total	**4,554**	**100**	**677,569,754**	**100**

There is currently only one class of securities, being ordinary securities, and there are no securities currently held in escrow. All of the Fund's securities are quoted on the ASX and JSE and no other stock exchanges. The Fund does not currently have any security buy-back plans in place.

The number of securityholders holding less than a marketable parcel of 260 securities (based on the 22 April 2022 closing price of A$1.92) is detailed below. In accordance with the ASX Listing Rules, a "marketable parcel" is "...a parcel of securities of not less than A$500...".

OWNERSHIP OF LESS THAN A$500	NUMBER OF SECURITYHOLDINGS	NUMBER OF SECURITIES IN ISSUE	VALUE (A$)
ASX[1]	111	1,634	3,137
JSE[2]	724	21,060	40,225
Total			**43,362**

Directors' interest in securities

DIRECTORS' INTEREST IN SECURITIES	BALANCE AT 22 APRIL 2022	BALANCE AT 16 APRIL 2021
Executive director		
Graeme Anthony Katz	270,296	270,296
Non-executive directors		
Richard Longes[3]	121,819	121,819
Stephen Koseff[4]	170,733	170,733
Georgina Lynch[5]	67,493	67,493
Sally Herman	37,879	37,879
Samuel Ronald Leon (resigned 30 November 2020)	1,965,000	2,300,000
Total	**2,633,220**	**2,968,220**

There has been no change in directors' interests in securities since 22 April 2022 and the date of signing the annual report.

SECURITY STATISTICS	31 MARCH 2022	31 MARCH 2021
JSE		
Closing market price (ZAR)		
Year end	20.77	14.79
High	21.50	16.48
Low	14.21	11.66
Market capitalisation in ZAR	4,717,436,659	4,803,000,084
Daily average volume of securities traded	778,902	891,982
Securities in issue	**227,127,427**	**324,746,456**
ASX		
Closing market price (A$)		
Year end	1.91	1.35
High	1.94	1.44
Low	1.31	1.01
Market capitalisation in A$	860,344,845	386,844,698
Daily average volume of securities traded	931,832	1,034,301
Securities in issue	**450,442,327**	**286,551,628**
Total securities in issue	**677,569,754**	**611,298,084**

1. Closing price on ASX in A$ as at 22 April 2022.
2. Closing price on JSE in A$ as at 22 April 2022.
3. Through Gemnet Pty Ltd.
4. Through Sheryl Koseff and SK Employee Trust.
5. Through G Lynch Investments Pty Ltd.

Corporate information

Irongate Group

ISIN: AU0000046005

Irongate Property Fund I

Established on 12 December 2012 in Australia and registered on 6 February 2013 with ASIC as a Managed Investment Scheme (ARSN 162 067 736). Registered on 23 August 2013 as a foreign collective investment scheme authorised to solicit investments from members of the public in South Africa in terms of the Collective Investment Schemes Control Act 45 of 2002.

Irongate Property Fund II

Established on 3 September 2020 in Australia and registered on 9 September 2020 with ASIC as a Managed Investment Scheme (ARSN 644 081 309). On 12 October 2020, the Register of Collective Investment Schemes exempted Irongate Property Fund II from the requirement to obtain approval for solicitation of investments as a foreign collective investment scheme in terms of section 65(1) of the Collective Investment Schemes Control Act 45 of 2002.

Security code

JSE: IAP
ASX: IAP

Website address

www.irongategroup.com.au

Responsible Entity

Irongate Funds Management Limited
(ACN 071 514 246 AFSL 290 909)

Level 13
95 Pitt Street
Sydney NSW 2000
Australia

Directors of the Responsible Entity

Richard Longes# (Non-executive chairperson)
Sally Herman# (Non-executive lead independent)
Georgina Lynch# (Non-executive)
Stephen Koseff (Non-executive)
Graeme Katz (Executive)

 # Independent

Company secretary of the Responsible Entity

Lucy Spenceley (BA (Hons))

Registered office and postal address of the Responsible Entity

Level 13
95 Pitt Street
Sydney NSW 2000
Australia

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

Transfer secretaries

JSE

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

(PO Box 61051 Marshalltown 2107)
South Africa

ASX

Computershare Investor Services Pty Limited
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Phone (within Australia): 1300 850 505
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Email: webqueries@computershare.com.au

Sponsor

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(PO Box 785700 Sandton 2146)
South Africa

Custodian

Perpetual Corporate Trust Limited
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Investor relations

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Preparer

The annual report and consolidated financial statements have been prepared under the supervision of the CFO, Kristie Lenton CA.

Glossary of terms

A$	means Australian dollars.
AAS	means Australian Accounting Standards.
AFFO	means adjusted funds from operations, calculated in line with the Property Council Guidelines, being FFO adjusted for maintenance capital expenditure, cash and cash equivalent incentives (including rent free incentives) given to tenants during the period and other one-off items which have not been adjusted in determining FFO.
AMIT	means an attribution managed investment trust as defined in section 276-10 of the *Income Tax Assessment Act 1997* (Cth).
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited and, where applicable, the Australian securities exchange operated by ASX Limited.
ASX Guidelines	means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as amended from time to time.
ASX Listing Rules	means the listing rules of the ASX, and other rules of the ASX which are applicable to the Fund while the Fund is listed on the ASX, as amended from time to time.
Audit and Risk Committee	means the audit and risk committee of the Board.
Board	means the board of directors of the Responsible Entity.
bps	means basis points.
CBD	means central business district.
CEO	means chief executive officer.
CFO	means chief financial officer.
Corporations Act	means the *Corporations Act 2001* (Cth).
CPI	means the All Groups Consumer Price Index, as issued by the Australian Bureau of Statistics as a general indicator of the rate of change in prices paid for consumer goods and services.
cps	means cents per security.
ESG	means environmental, social and governance.
FFO	means funds from operations calculated in accordance with the Property Council Guidelines, determined by adjusting statutory net profit (under AAS) for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gain/loss on sale of investment properties, straightline rental revenue adjustments, non-FFO tax expenses/benefits and other unrealised one-off items.
FUM	means funds under management.
FY	means the financial year ending 31 March in the relevant year.
gearing	means interest bearing liabilities (excluding debt establishment costs) less cash divided by the total value of investment properties.
GRESB	means Global Real Estate Sustainability Benchmark for ESG performance.
HoA	means heads of agreement.
HY	means the half year ending 30 September in the relevant year.
IAP or Fund	means Irongate Group, comprising IPF I and IPF II.
Investec Group	means Investec Limited and Investec Plc, being the head entities of the dual listed companies structure comprising the Investec Group, and each of their subsidiaries.
IPF I	means Irongate Property Fund I (ARSN 162 067 736).
IPF II	means Irongate Property Fund II (ARSN 644 081 309).
ITAP Fund	means a fund comprised of Templewater Australia Property I L.P., Templewater Australia Property Fund I Head Trust and various sub trusts that have been established, or may be established, from time to time.

Glossary of terms

Continued

JSE	means JSE Limited and, where applicable, the exchange operated by JSE Limited in accordance with its licence under the Financial Markets Act, No. 19 of 2012 of South Africa.
JSE Listings Requirements	means the listings requirements of the JSE, as amended from time to time.
King IV Code	means the King IV Report on Corporate Governance for South Africa 2016.
KMP	means key management personnel.
LTI	means long term incentive.
m^2	means square metres.
Managed Investment Scheme	means a managed investment scheme that has been registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.
Manager	means Irongate Property Management Pty Limited.
MTM	means mark to market.
NABERS	means national Australian built environment rating system.
NAV	means net asset value.
Nomination and Remuneration Committee	means the nomination and remuneration committee of the Board.
NTA	means net tangible assets.
Property Council Guidelines	means version 2 of the Property Council of Australia's *Voluntary Best Practice Guidelines for Disclosing FFO and AFFO*, published in December 2017 and available at www.propertycouncil.com.au.
REIT	means real estate investment trust.
Remuneration Report	means the remuneration report on pages 30 to 35 of the annual report.
Responsible Entity	means the responsible entity of the Fund, being Irongate Funds Management Limited.
Sponsor	means Investec Bank Limited, a member of the Investec Group.
STI	means short term incentive.
WACR	means the average capitalisation rate across the Fund's portfolio or group of properties, weighted by property valuation.
WADE	means the weighted average expiry of the Fund's debt facilities.
WALE	means the average lease term remaining to expiry across the Fund's portfolio or a property or group of properties, weighted by gross property income.
WARR	means the average rent review across the Fund's portfolio or a property or group of properties, weighted by gross property income.
WASE	means the weighted average expiry of the Fund's interest rate swaps.
ZAR	means South African rand.

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