Investec
Property Fund

OUT OF THE ORDINARY

2022

Interim financial statements

Reviewed interim condensed consolidated financial statements

Investec Property Fund Limited

Key highlights

- **Strong portfolio metrics** in both regions
- Defensive SA portfolio **maintained strong growth momentum**
- Underlying PEL portfolio **continues to outperform**
- Achieved **2.7% DIPS growth**[1]
- **95% dividend payout** ratio
- **R5.3bn debt refinancing** nearing completion
- **Strong balance sheet** with limited refinancing risk
- **Debt rating reaffirmed** and **stable outlook** maintained
- ESG strategy **on track to meet targets**

Group metrics

DIPS of
53.78cps
+2.7% (Sep-21: 52.39cps)

Interim dividend of
51.09cps
+2.7% (Sep-21: 49.77cps)

NAV improved by
2.4%
to R17.36 (Mar-22: R16.96)

LTV maintained
38.3%
(Mar-22: 38.2%)

Unutilised cash/facilities of
R1.6bn
(Mar-22: R1.2bn)

Interest cover ratio
3.0x
remains conservative (Mar-22: 2.7x)

SA interest rate risk
90%
hedged with 2.4-year WASE (Mar-22: 84%)

PEL rate risk capped at
1.4%[2]
H2 to be adversely impacted by higher rates

South Africa

Resilient portfolio has weathered macroeconomic headwinds and achieved stability

LFL NPI
+8.3%
driven by strong letting and reduced vacancy

Vacancy at
7.1%[3]
at half-year (Mar-22: 4.5%)

Letting
88%
of expiring space let

Reversion of
(17.6%)
on new leases

Low incentives of
1.9%
on H1 letting

Portfolio WALE
3.0 years
with 3.9 years on new leases (Mar-22: 3.3 years)

Europe

Stable, defensive portfolio generating long-term cashflows and capturing strong rental growth

LFL NPI
+2.7%
driven by strong letting and positive reversion

Normalised DIPS
(21%)
down in EUR impacted by higher interest rates and costs

Vacancy at
1.2%
reduced since year end (Mar-22: 2.3%)

Letting
99%
of expiring space let

Reversion of
+6.7%
captured on new lettings

WALE to expiry
5.2 years
and 4.0 years to break (Mar-22: 5.3 years, 4.2 years)

1. 6.8% if normalised for excess rental guarantee in PEL in prior year
2. 7.1% at Sep-22 but reduced to 5.2% post letting concluded in October 2022.
3. Comprises €473m debt at 1.1% and €56m debt at 4%, hedged via interest rate cap. €59m bridge loan remains unhedged.

DISTRIBUTABLE EARNINGS RECONCILIATION

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

Half-year distributable earnings of 53.78cps (+2.7% yoy)

R'000	Notes	**Six months ended 30 September 2022**	Six months ended 30 September 2021	Year ended 31 March 2022
Profit after taxation		**745 019**	443 336	1 038 278
Adjusted for:				
Straight-line rental adjustment		**(2 646)**	9 802	25 857
Fair value adjustment on investment property[1]		**–**	109 840	390 981
Fair value adjustments and foreign exchange gains/(losses) on financial instruments[1]		**(301 643)**	(139 668)	(581 129)
Loss/(profit) on disposal of investment property		**6 987**	2 276	(3 101)
Izandla interest capitalised		**(3 072)**	(3 600)	(7 541)
Deferred taxation and capital gains taxation ('CGT')[2]		**(19 706)**	–	(6 164)
Equity accounted losses/(earnings) from associate[3]		**7 945**	(292)	8 987
Distributable earnings available for distribution		**432 884**	**421 694**	**866 168**
Available H1 Interim distributable earnings[4]		**432 884**	**421 694**	**421 694**
Available H2 distributable earnings		**–**	**–**	**444 474**
Number of shares				
Shares in issue		**804 918 444**	804 918 444	804 918 444
Weighted average number of shares in issue		**804 918 444**	804 918 444	804 918 444
Cents				
Total available distributable earnings per share[4]		**53.78**	**52.39**	**107.61**
Available H2 distributable earnings per share (cents)		**–**	–	55.22
Available H1 Interim distributable earnings per share (cents)		**53.78**	52.39	52.39

1 Fair value adjustments on investment property disaggregated from fair value and foreign exchange and other adjustments to further enhance the understandability of the financial statements. There was no fair value adjustment on investment property for the period under review. The R301 million relates to foreign exchange gains and losses on the PEL investment and foreign currency loans. Refer to note 2 for further detail.

2 Current period amount relates mainly to CGT refunded on the sale of the IAP investment.

3 The Fund equity accounts its investment in Izandla and only distributes earnings that are declared as a dividend. There have been no dividends declared by Izandla in the current period.

4 The Fund continued with a 95% payout ratio for the first half of the year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Notes	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
Revenue, before straight line rental adjustment		**788 863**	766 855	1 524 208
Straight-line rental adjustment		**2 646**	(9 802)	(25 857)
Revenue[1]		**791 509**	**757 053**	**1 498 351**
Property expenses		**(189 654)**	(183 728)	(366 152)
Expected credit losses[2]		**(15 719)**	(27 126)	(11 848)
Net property income		**586 136**	**546 199**	**1 120 351**
Other operating expenses		**(54 737)**	(55 828)	(114 435)
Operating profit		**531 399**	**490 371**	**1 005 916**
Fair value adjustment on investment property[3]	2	**–**	(109 840)	(390 981)
Fair value adjustments and foreign exchange gains/(losses) on financial instruments[3,4]	2	**301 643**	139 668	581 129
(Loss)/profit on disposal of investment property		**(6 987)**	(2 276)	3 101
Income from investments	4	**129 629**	203 387	372 180
Finance costs		**(252 631)**	(307 980)	(591 778)
Finance income[5]	5	**30 858**	29 714	61 534
Equity accounted (losses)/earnings from associate		**(7 945)**	292	(8 987)
Profit before taxation		**725 966**	**443 336**	**1 032 114**
Taxation	6	**19 053**	–	6 164
Profit after taxation		**745 019**	**443 336**	**1 038 278**
Total comprehensive income attributable to equity holders		**745 019**	**443 336**	**1 038 278**
Basic and diluted earnings per share (cents)[6]		**92.56**	55.08	128.99

1 Revenue positively impacted by a stable South African performance. The change in the straight-line rental adjustment is as a result of good letting activity and re-gearing of leases. Refer to the financial review section of the commentary for further details.

2 Expected credit losses on tenant receivables. Decrease in the current period is due to strong operational performance and recovery of bad debts.

3 Fair value adjustments on investment property disaggregated from fair value and foreign exchange and other adjustments to further enhance the understandability of the financial statements. There was no fair value adjustment on investment property for the period under review. The R301 million relates to foreign exchange gains and losses on the PEL investment and foreign currency loans. Refer to note 2 for further detail.

4 Increase mainly driven by foreign exchange gains on the PEL investment due to the weakening of the South African Rand against the Euro.

5 Calculated using the effective interest rate method.

6 Period-on-period increase due to the increase in net property income, significant reduction in interest expense, no fair value adjustments of South African properties and foreign exchange gains on investments.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Notes	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
ASSETS				
Non-current assets		**23 446 670**	**22 434 715**	**22 332 311**
Investment property	3	**13 882 692**	13 757 789	13 515 379
Straight-line rental adjustment		**368 015**	374 189	353 982
Derivative financial instruments	7.3	**350 844**	90 940	240 242
Equity accounted investment in associate and joint ventures	8	**–**	17 224	7 945
Other financial instruments	7.1	**8 845 119**	8 194 573	8 214 763
Current assets		**617 500**	**558 172**	**681 000**
Trade and other receivables		**330 541**	255 841	262 554
Cash and cash equivalents[1]		**145 800**	236 116	235 778
Current portion of derivative financial instruments	7.3	**141 159**	66 215	182 668
Non-current assets held for sale	9	**451 156**	1 020 789	1 026 187
Total assets		**24 515 326**	**24 013 676**	**24 039 498**
EQUITY AND LIABILITIES				
Shareholders' interest		**13 974 858**	**13 457 757**	**13 652 089**
Stated capital		**11 133 011**	11 133 011	11 133 011
Retained earnings		**2 841 847**	2 324 746	2 519 078
Non-current liabilities		**8 178 790**	**8 256 695**	**7 908 806**
Long-term borrowings	7.2	**8 045 379**	7 948 621	7 749 948
Derivative financial instruments	7.3	**133 411**	308 074	158 858
Current liabilities		**2 361 678**	**2 299 224**	**2 478 603**
Trade and other payables		**499 600**	462 967	511 777
Current portion of long-term borrowings[2]	7.2	**1 741 154**	1 717 840	1 884 117
Current portion of derivative financial instruments	7.3	**120 924**	118 417	82 709
Total equity and liabilities		**24 515 326**	**24 013 676**	**24 039 498**
Shares in issue		**804 918 444**	804 918 444	804 918 444

1 The cash balance includes cash relating to tenant deposits of R74 million (March 2022: R74 million) as well as revenue received in advance of R40 million (March 2022: R48 million).

2 The Fund is also close to finalising the refinancing of R3.9 billion ZAR and €80 million of debt for a further 3.3 years.

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
Cash generated from operations	**476 393**	626 676	1 170 188
Finance income received	**16 449**	18 723	51 289
Finance costs paid	**(240 824)**	(279 831)	(509 002)
Income from investments (net of tax)[1]	**–**	112 943	123 357
Capital gains tax refunded	**19 910**	–	6 164
Dividends paid to shareholders[2]	**(422 250)**	(742 349)	(1 142 958)
Net cash outflow from operating activities	**(150 322)**	(263 838)	(300 962)
Acquisitions of investment property and capital expenditure	**(166 049)**	(92 192)	(222 234)
Proceeds on disposal of investment property	**302 817**	32 504	117 798
Proceeds from sale of joint ventures and associates[3]	**–**	709 277	709 277
Proceeds from other financial instruments[4]	**–**	373 147	390 441
Net cash inflow from investing activities	**136 768**	1 022 736	995 282
Proceeds from borrowings[5]	**814 492**	2 551 209	1 490 000
Repayment of borrowings[5]	**(16 808)**	(25 018)	(25 018)
Derivatives settled	**(874 108)**	(3 274 563)	(2 149 114)
Net cash outflow from financing activities	**(76 424)**	(748 372)	(684 132)
Net (decrease)/increase in cash and cash equivalents	**(89 978)**	10 526	10 188
Cash and cash equivalents at the beginning of the year	**235 778**	225 590	225 590
Cash and cash equivalents at the end of the year	**145 800**	236 116	235 778

1 Distribution of €3.8 million received from the PEL investment post period end.
2 Relates to the final dividends paid for the March 2022 financial year.
3 Prior period relates to proceeds received in April 2021 from the sale of the UK investment completed in March 2021
4 Prior period relates mainly to proceeds received in May 2021 from the sale of the PELI investment.
5 The Fund makes use of revolving credit facilities to efficiently manage cash.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Retained earnings	Total equity
Balance at 31 March 2021	**11 133 011**	**2 265 393**	**13 398 404**
Total comprehensive income attributable to equity holders	–	443 336	443 336
Dividends declared and paid	–	(383 983)	(383 983)
Balance at 30 September 2021	**11 133 011**	**2 324 746**	**13 457 757**
Total comprehensive income attributable to equity holders	–	594 942	594 942
Dividends declared and paid	–	(400 610)	(400 610)
Balance at 31 March 2022	**11 133 011**	**2 519 078**	**13 652 089**
Total comprehensive income attributable to equity holders	–	745 019	745 019
Dividends declared and paid	–	(422 250)	(422 250)
Balance at 30 September 2022	**11 133 011**	**2 841 847**	**13 974 858**

SEGMENTAL ANALYSIS

The group determines and presents operating segments based on the information that is provided internally to the Executive Management Committee (EXCO), the group's operating decision-making forum. As at 30 September 2022, the group is comprised of five segments, namely Retail, Office, Industrial, Pan-European Logistics (PEL), and the South African investment portfolio - Izandla.
A segment's operating results are reviewed regularly by Exco to make decisions about balance sheet resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

<table>
<tr><th></th><th>Segment</th><th>Brief description of segment</th></tr>
<tr><td rowspan="4">South Africa</td><td>Retail</td><td>The retail portfolio consists of 21 properties, comprising shopping centres as well as retail warehouses, motor dealerships and high street properties.</td></tr>
<tr><td>Office</td><td>The office portfolio consists of 30 properties which includes P, A and B grade office space.</td></tr>
<tr><td>Industrial</td><td>The industrial portfolio consists of 31 properties which includes warehousing, standard units, high grade industrial, high-tech industrial and manufacturing.</td></tr>
<tr><td>Investment portfolio - Izandla</td><td>The local investment portfolio consists of a 35% share of an empowerment vehicle, Izandla valued at R0.3 billion.</td></tr>
<tr><td>Europe</td><td></td><td>An effective 65% investment into a PEL portfolio valued at R6.4 billion. This portfolio consists of 48 properties located in 7 jurisdictions across Europe.

A 25% investment into a PELI portfolio valued at R0.3 billion at 31 March 2021. The investment was sold in May 2021.</td></tr>
</table>

SEGMENTAL ANALYSIS CONTINUED

Profit or loss and assets and liabilities disclosure

	2022						
	South African property portfolio				Investment portfolio		
30 September 2022	**Office**	**Industrial**	**Retail**	**Total/fund level**	**Izandla**	**PEL**	**Total**
Material profit or loss disclosures							
Revenue, excluding straight-line rental revenue adjustment	322 558	178 811	287 494	**788 863**	–	–	**788 863**
Straight-line rental revenue adjustment	7 259	(6 042)	1 429	**2 646**	–	–	**2 646**
Revenue	329 817	172 769	288 923	**791 509**	–	–	**791 509**
Property expenses	(89 799)	(36 967)	(62 888)	**(189 654)**	–	–	**(189 654)**
Expected credit losses	(7 979)	(30)	(7 710)	**(15 719)**	–	–	**(15 719)**
Net property income	232 039	135 772	218 325	**586 136**	–	–	**586 136**
Other operating expenses	–	–	–	**(54 737)**	–	–	**(54 737)**
Operating profit	–	–	–	**531 399**	–	–	**531 399**
Fair value adjustments on derivative instruments	–	–	–	**184 798**	–	(165 144)	**19 654**
Fair value adjustments on investment property	–	–	–	**–**	–	–	**–**
Fair value adjustments and foreign exchange gains/(losses) on financial instruments	–	–	–	**–**	–	281 989	**281 989**
Loss on disposal of investment property	–	–	–	**(6 987)**	–	–	**(6 987)**
Income from investments	–	–	–	**–**	–	129 629	**129 629**
Finance costs	–	–	–	**(252 631)**	–	–	**(252 631)**
Finance income	–	–	–	**30 858**	–	–	**30 858**
Equity accounted earnings/(losses) from associate	–	–	–	**–**	(7 945)	–	**(7 945)**
Profit/(loss) for the year before taxation	–	–	–	**487 437**	(7 945)	246 474	**725 966**
30 September 2022	–	–	–	**–**	–	–	**–**
ASSETS	–	–	–	**–**	–	–	**–**
Investment property	5 492 696	3 018 326	5 371 670	**13 882 692**	–	–	**13 882 692**
Straight-line rental revenue adjustment	113 157	105 909	148 949	**368 015**	–	–	**368 015**
Equity accounted investment in associate	–	–	–	**–**	–	–	**–**
Other financial instruments	–	–	–	**–**	280 991	8 564 128	**8 845 119**
Derivative financial assets[1]	–	–	–	**227 677**	–	264 326	**492 003**
Trade and other receivables	–	–	–	**330 541**	–	–	**330 541**
Cash and cash equivalents	–	–	–	**145 800**	–	–	**145 800**
Non-current assets held for sale	–	121 696	329 460	**451 156**	–	–	**451 156**
Total assets	–	–	–	**15 405 881**	280 991	8 828 454	**24 515 326**
LIABILITIES	–	–	–	**–**	–	–	**–**
Long-term borrowings	–	–	–	**8 763 570**	–	1 022 963	**9 786 533**
Derivative financial liabilities	–	–	–	**135 451**	–	118 884	**254 335**
Trade and other payables	–	–	–	**499 600**	–	–	**499 600**
Total liabilities	–	–	–	**9 398 621**	–	1 141 847	**10 540 468**

SEGMENTAL ANALYSIS CONTINUED

	2021						
	South African property portfolio				Investment portfolio		
30 September 2021	**Office**	**Industrial**	**Retail**	**Total/fund level**	**Izandla**	**PEL**	**Total**
	303 209	169 096	294 550	766 855	–	–	766 855
	(22 926)	4 237	8 887	(9 802)	–	–	(9 802)
	280 283	**173 333**	**303 437**	**757 053**	–	**–**	**757 053**
	(72 690)	(36 499)	(74 539)	(183 728)	–	–	(183 728)
	(14 236)	(4 773)	(8 117)	(27 126)	–	–	(27 126)
	193 357	**132 061**	**220 781**	**546 199**	–	**–**	**546 199**
	–	–	–	(55 828)	–	–	(55 828)
				490 371	–	**–**	**490 371**
				297 097	–	(266 690)	30 407
				(109 840)			(109 840)
				(11 572)	–	120 833	109 261
				(2 276)	–	–	(2 276)
				–	–	203 387	203 387
				(307 980)	–	–	(307 980)
				29 714	–	–	29 714
				–	292	–	292
				385 514	**292**	**57 530**	**443 336**
31 March 2022							
	5 418 155	2 699 714	5 397 510	13 515 379	–	–	13 515 379
	105 897	98 476	149 609	353 982	–	–	353 982
				–	7 945	–	7 945
				–	258 048	7 956 715	8 214 763
				–	–	272 025	272 025
				262 554			262 554
				235 778			235 778
	–	481 687	544 500	1 026 187			1 026 187
				15 393 880	**265 993**	**8 228 740**	**23 888 613**
				8 683 495	–	950 570	9 634 065
				90 682	–	–	90 682
				511 777	–	–	511 777
				9 285 954	**–**	**950 570**	**10 236 524**

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS

R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
1 RECONCILIATION OF BASIC EARNINGS TO HEADLINE EARNINGS			
Basic and diluted profit attributable to ordinary equity holders of the parent	**745 019**	443 336	1 038 278
Adjusted for:			
IAS 40 Fair value adjustment on investment property	**–**	109 840	390 981
IAS 40 Loss on disposal of investment property	**6 987**	2 276	(3 101)
IAS 40 Fair value adjustment on investment property in associate[1]	**–**	2 707	6 147
IAS 40 Profit on disposal of investment property in associate	**211**	–	(731)
Headline earnings attributable to shareholders	**752 217**	**558 159**	**1 431 574**
Headline and diluted headline earnings per share (cents per share)[2]	**93.45**	69.34	177.85

[1] Includes fair value adjustment relating to the Izandla investment in the prior period.
[2] Period-on-period increase due to the increase in net property income, significant reduction in interest expense, no fair value adjustments of South African properties and foreign exchange gains on investments.

R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
2 FAIR VALUE AND FOREIGN EXCHANGE GAINS/(LOSSES)			
Fair value adjustments on derivative instruments[1]	**19 654**	30 407	475 078
Fair value adjustment on investment property	**–**	(109 840)	(390 981)
Fair value adjustments on loans to associates	**–**	14 995	27 900
Fair value adjustments and transaction costs on loans to joint ventures and long term borrowings at fair value[2]	**319 427**	109 166	54 884
Foreign exchange translation (losses)/gains on items not at fair value[3]	**(37 438)**	(14 900)	23 267
	301 643	**29 828**	**190 148**

[1] *Net mark-to-market (MTM) on derivatives driven by increasing interest rates on derivatives book, offset by losses as a result of the weakening of the South African Rand on cross currency swaps and forward exchange contracts.*
[2] Increase mainly driven by foreign exchange movements as a result of the weakening of the South African Rand against the Euro.
[3] The foreign exchange movements relate primarily to foreign currency borrowings.

3 FAIR VALUE OF INVESTMENT PROPERTY

The Fund's policy is to assess the valuation of investment properties at each reporting period. During the period ended 30 September 2022, the assessment resulted in no fair value adjustment in respect of the investment properties balance (September 2021: R109.8 million fair value loss). During the current period, the properties were internally valued by the directors. The directors' valuation method is the income capitalisation method which is a generally accepted methodology used in the industry. For the half-year valuation, rental income and capitalisation rates remained stable. Refer to note 7.4 for the relationship with each level 3 unobservable input.

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL RESULTS CONTINUED

	R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
4	**INCOME FROM INVESTMENTS**			
	Income from European platforms[1]	**129 629**	203 387	372 180
	Total	**129 629**	**203 387**	**372 180**

[1] Decrease in current period is mostly attributable to the absence of the rental guarantee as well as higher corporate costs, tax and interest

	R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
5	**FINANCE INCOME**			
	Interest income on loans to associates and joint ventures[1]	**24 706**	24 664	51 858
	Interest from banks	**6 152**	5 050	9 676
	Total interest	**30 858**	**29 714**	**61 534**

[1] Includes interest on bridge loan provided to the PEL platform and loans to Izandla.

	R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
6.1	**CAPITAL GAINS TAXATION**			**6 164**
	Sale of IAP and Ingenuity shares	**19 706**	–	6 164
6.2	**CURRENT TAXATION**			
	Tax on non-REIT entity	**(653)**	–	–
	TOTAL TAXATION CHARGE	**19 053**	**–**	**6 164**

[1] Refund of capital gains tax on IAP and Ingenuity (prior year)

7 FINANCIAL INSTRUMENTS

Financial instruments consists of:

- Derivative financial instruments to hedge interest rate and foreign exchange risk at fair value through profit or loss.
- Loans to associates and joint ventures and other loans at amortised cost.
- Long term borrowings at amortised cost.
- Cash and cash equivalents, trade and other receivables, trade and other payables and variable rate loans are at amortised cost.

Refer to note 7.4 for detail on the fair value disclosures of financial instruments.

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7.1 OTHER FINANCIAL INSTRUMENTS

	R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
	LOANS TO ASSOCIATES AND JOINT VENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS			
7.1.1	**PAN-EUROPEAN LOGISTICS INVESTMENT**			
	Finance income accrual	**119 131**	77 947	152 109
	75% Profit participating loan to PEL at fair value	**7 266 776**	6 687 066	6 721 432
	Total fair value	**7 385 907**	**6 765 013**	**6 873 541**
	Profit participating liability – effective 10% (refer note 7.2)	**(1 022 963)**	(940 209)	(950 570)
	IPFO Profit participating loans – effective 65%	**6 362 944**	**5 824 804**	**5 922 971**

IPF's investment into PEL is made via profit participating loans (PPL's). As at 30 September 2022, IPF holds 75% of the PEL platform (March 2022: 75%). IPF has joint control over the PEL portfolio, as a result of the contractual arrangement and unanimous consent required between IPF and the PEL Co-investor, and accounts for the investment as a joint venture. IPF is entitled to 75% of the net rental income earned on leasing the investment properties held by the underlying property companies held by PEL.

The PEL entities have an obligation to deliver all returns to IPF and its joint venture partner via PPL's. Therefore the investment is carried as a financial asset at fair value through profit or loss. The equity component of this joint venture is valued at nil.

During the 2021 financial year, the Fund disposed of an effective 10% of the 75% stake in the platform to Pan-European Logistics Property Holdings Limited. Due to the legal nature and structuring of the PPL's advanced by IPF to the PEL platform and PPL's assumed through the effective sale of its 10% share, the Fund recognises the gross 75% right to receive cashflows as a financial asset and the PPL to Pan-European Logistics Property Holdings Limited as a financial liability (see note 7.4 for disclosures relating to the financial asset and liability).

	R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
	LOANS AT AMORTISED COST			
7.1.2	**PAN-EUROPEAN LOGISTICS INVESTMENT**			
	Bridge loan to PEL	**1 035 180**	1 025 883	956 638
	Interest accrual	**11 550**	17 546	5 022
	Total bridge loan to PEL[1]	**1 046 730**	**1 043 429**	**961 660**

[1] IPF advanced a bridge loan to the PEL platform. €58.8 million (March 2022: €58.8 million) remains of the bridge loan at the end of the current year. The term of the loan is five years to February 2025 and interest is charged at Euribor (floored at 0) plus a margin of 2.1% (March 2022: 2.1%).

		Reviewed Six months ended 30 September 2022	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
7.1.3	**RECEIVABLE FROM PEL CO-INVESTOR**			
	Interest free receivable[1]	**131 491**	127 630	121 514

[1] The receivable from the PEL Co-investor of €8m is interest free and repayable in five years. The receivable is carried at amortised cost and the carrying amount approximates fair value. The receivable was a non-cash transaction as part of the proceeds from the sale of the Belgian properties were advanced to the PEL Co-investor as its portion of the reinvestment into PEL.

	Reviewed Six months ended 30 September 2022	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
Total bridge and interest free loans	**1 178 221**	**1 171 059**	**1 083 174**

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
7.1.4	**IZANDLA MEZZANINE LOANS**			
	Senior mezzanine[1]	**189 317**	197 950	195 134
	Junior mezzanine[2]	**63 428**	60 551	62 914
	Total carrying amount*	**252 745**	**258 501**	**258 048**

1 The senior mezzanine loans were provided to part fund the acquisition of the Izandla properties. The initial loans of R96 million were provided for a period of five years ending 28 February 2023 and interest is charged at prime plus 350 basis points. These initial loans are contractually due within the next 12 months but are expected to be extended beyond 12 months. The convertible loan of R99 million, which was converted to senior mezzanine, has terms of three years and interest is charged at prime plus 300 basis points.

2 The junior mezzanine loan was provided to part fund the acquisition of the Izandla properties. The loan is provided for a period of five years ending 28 February 2023. The loan is contractually due within the next 12 months but is expected to be extended beyond 12 months. Interest is charged at prime plus 550 basis points.

* The carrying amounts of these loans approximates their fair values.

7.1.5	**LOAN TO PROPERTY CO-INVESTOR**			
	Receivable from co-investor[1]	**28 246**	–	–

1 The Fund sold a 25% undivided share in a property for an amount of R25 million (plus any additional capital works). The Investor was granted a loan at prime + 1% and is repayable in full within 10 years.

	Total other financial assets	**8 845 119**	**8 194 573**	**8 214 763**
7.2	**BORROWINGS**			
	Long term borrowings	**(8 045 379)**	(7 948 621)	(7 749 948)
	Long term borrowings	**(6 984 855)**	(6 987 267)	(6 774 388)
	Profit Participating Loans (PPL) – effective 10% minority interest[1]	**(1 022 963)**	(940 209)	(950 570)
	Interest accrual on borrowings	**(49 002)**	(49 967)	(39 352)
	Capitalised fees	**11 441**	28 822	14 362
	Short term borrowings[2]	**(1 741 154)**	(1 717 840)	(1 884 117)
	Total borrowings	**(9 786 533)**	**9 666 461**	**(9 634 065)**

1 Relates to the 10% share of PE sold to Pan-European Logistics Property Holdings Limited in the 2021 financial year.

2 Short term borrowings are de-risked by the availability of R1.0 billion undrawn facilities and cash of R0.1 billion (March 2022 R1.2 billion and R0.2 billion respectively) and a refinance to be completed shortly.

7.3	**DERIVATIVES**	**237 670**	(1 032 855)	(311 706)

Derivative financial instruments hedge interest rate and foreign exchange risks. The movement in derivatives in the current period is as a result of increased mark to market on the interest rate book given increasing interest rates and the overall reduction in mark to market on cross currency swaps from the weakening of the South African Rand against the Euro. The total movement on interest derivatives and currency derivatives was R210 million gain and R190 million loss respectively for the period under review.

	R'000	**Carried at fair value**	**Level 1**	**Level 2**	**Level 3**	**Carried at amortised cost**
7.4	**FAIR VALUE HIERARCHY at 30 September 2022**					
	Assets					
	Investment property (including straight-line rental adjustment and non-current assets held for sale)	**14 701 863**	**–**	**–**	**14 701 863**	**–**
	Derivative financial instruments	**492 003**	**–**	**492 003**	**–**	**–**
	Other financial instruments	**7 385 907**	**–**	**–**	**7 385 907**	**1 459 212**
	Trade and other receivables[1]	**–**	**–**	**–**	**–**	**162 744**
	Cash and cash equivalents	**–**	**–**	**–**	**–**	**145 800**

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

R'000	Carried at fair value	Level 1	Level 2	Level 3	Carried at amortised cost
Total financial assets	**22 579 773**	**–**	**492 003**	**22 087 770**	**1 767 756**
Liabilities					
Derivative financial instruments	**254 335**	**–**	**254 335**	**–**	**–**
Long-term borrowings (including current)	**1 022 963**	**–**	**–**	**1 022 963**	**8 763 570**
Trade and other payables[2]	**–**	**–**	**–**	**–**	**442 108**
Total financial liabilities	**1 277 298**	**–**	**254 335**	**1 022 963**	**9 205 678**

R'000	Carried at fair value	Level 1	Level 2	Level 3	Carried at amortised cost
FAIR VALUE HIERARCHY at 31 March 2022					
Assets					
Investment property (including straight-line rental adjustment and non-current assets held for sale)	14 895 548	–	–	14 895 548	–
Derivative financial instruments	422 910	–	422 910	–	–
Other financial instruments	6 873 541	–	–	6 873 541	1 341 222
Trade and other receivables[1]	–	–	–	–	184 994
Cash and cash equivalents	–	–	–	–	235 778
Total financial assets	22 191 999	–	422 910	21 769 089	1 761 994
Liabilities					
Derivative financial instruments	241 567	–	241 567	–	–
Long-term borrowings (including current)	950 570	–	–	950 570	8 683 495
Trade and other payables[2]	–	–	–	–	464 079
Total financial liabilities	**1 192 137**	**–**	**241 567**	**950 570**	**9 147 574**

1 Trade and other receivables exclude prepayments and value added tax receivables which are non-financial instruments.
2 Trade and other payables exclude revenue received in advance and value added tax as these are non-financial instruments.

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

LEVEL 2 VALUATIONS

AT 30 SEPTEMBER 2022

LEVEL 3 VALUATIONS

AT 30 SEPTEMBER 2022

R'000 The level 3 valuations are reconciled as follows:	PEL	Long-term borrowings[2]
Balance at the beginning of the period	6 873 541	(950 570)
Net interest accrued	119 131	(19 101)
Fair value and foreign exchange gains and (losses)[1]	393 235	(53 292)
Balance at the end of the period	**7 385 907**	**(1 022 963)**

1 Increase mainly driven by a foreign exchange gain of R467 million relating to the PEL PPL's, as a result of the weakening of the South African Rand against the Euro, offset by fair value losses of the PPL's of R146m due to decrease in NAV with no change to the underlying portfolio valuations. An internal valuation of the portfolio was carried out at 30 September 2022. Refer below for relationship with each unobservable input.

2 Long-term borrowings includes other Euro Funding provided. The value of the loans are linked to the valuation of the underlying properties in the Pan-European portfolio (PEL and PELI). Refer below for relationship with each unobservable input.

LEVEL 3 VALUATIONS

AT 31 MARCH 2022

R'000 The level 3 valuations are reconciled as follows:	PEL	Pan-European light industrial investment	Long-term borrowings
Balance at the beginning of the period	6 553 816	358 152	(927 461)
Net interest accrued	152 109	4 433	(37 085)
Fair value and foreign exchange gains and (losses)	167 616	23 467	(9 949)
Derecognition on loan modification	–	(386 052)	23 925
Balance at the end of the period	**6 873 541**	**–**	**(950 570)**

Valuation techniques used to derive level 3 fair value

The significant unobservable inputs used to derive the fair value measurement are:
1. Fair value of underlying investment property
2. Contractual lease terms relating to the investment properties

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

LEVEL 3 VALUATIONS

AT 30 SEPTEMBER 2022

Valuation techniques used to derive level 3 fair value

The significant unobservable inputs used to derive the fair value measurements are those relating to the valuation of underlying investment properties. The table below includes the following definitions and relationship between the unobservable inputs and fair value measurement:

Expected rental value ('ERV')	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Capitalisation rate	The rate of return that is expected to be generated on the real estate investment property.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by the ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

	Description	**Equivalent Yield range**	**Weighted average cap rates**	**Long term vacancy rate**	**Change in FV ('000) from a 25bps increase/ decrease in cap rate**	**Change in FV ('000) from a 5% increase/ decrease in expected rental value**
South Africa	Across South African sectors ('R)	**7.5% - 12.0%**	**8.8%**	**1.5%**	**414 194**	**708 265**
	Retail ('R)	**7.5% - 12.0%**	**8.4%**	**1.5% - 2.5%**	**168 327**	**273 199**
	Industrial ('R)	**8.0% - 12.0%**	**9.4%**	**0.0%**	**85 991**	**157 788**
	Office ('R)	**7.8% - 12.0%**	**8.9%**	**1% - 5%**	**159 876**	**277 278**
Europe	Across European countries					
	PEL €[1]	**3.4% - 6.4%**	**4.1%**	**2.5%**	**56 916**	**68 813**

LEVEL 3 VALUATIONS

AT 31 MARCH 2022

	Description	Equivalent Yield range	Weighted average cap rates	Long term vacancy rate	Change in FV ('000) from a 0.25bp Increase/ decrease in cap rate	Change in FV '000) from a 5% increase/ decrease in expected rental value
South Africa	Across South African sectors ('R)	7.5% – 12.0%	8.8%	1.5%	407 913	696 145
	Retail ('R)	7.5% – 12.0%	8.4%	1.5% – 2.5%	171 124	277 738
	Industrial ('R)	8.0% – 12.0%	9.4%	0.0%	76 913	141 129
	Office ('R)	7.8% – 12.0%	8.9%	1% – 5%	159 876	277 278
Europe	Across European countries					
	PEL €[1]	3.4% – 6.4%	4.1%	2.5%	56 916	68 813

The fair value of the underlying property portfolio has been determined using the income capitalisation method.

[1] PEL properties are all industrial. The investment's future cash flows are based on the consolidated returns of a group of properties.

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
8 EQUITY ACCOUNTED INVESTMENT IN ASSOCIATE AND JOINT VENTURES			
8.1 IZANDLA			
Equity accounted investment (35%)	**–**	**17 224**	**7 945**
Opening balance	**7 945**	16 932	16 932
Share of profits/(losses)	**(7 945)**	292	(8 987)
Equity accounted investment in Associates and Joint Ventures	**–**	**1 043 932**	**16 932**

R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Reviewed Year ended 31 March 2022
9 NON-CURRENT ASSETS HELD-FOR-SALE			
Investment property			
Office	**–**	–	–
Industrial	**121 696**	473 163	481 687
Retail	**329 460**	547 626	544 500
Balance at the end of the year	**451 156**	**1 020 789**	**1 026 187**

Straight-line rental revenue adjustment

R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Reviewed Year ended 31 March 2022
10 CASH GENERATED FROM OPERATIONS			
Operating profit	**531 399**	490 371	927 540
Straight-line rental revenue adjustment	**(2 646)**	9 802	54 838
Non-cash items[1]	**47 042**	49 882	99 762
Working capital movement	**(99 402)**	76 621	(141 958)
Decrease/(Increase) in trade and other receivables	**(83 897)**	13 682	21 839
Increase/(Decrease) in trade and other payables	**(15 505)**	62 939	(163 797)
Cash generated from operations	**476 393**	**626 676**	**940 182**
1 Non-cash items			
Expected credit losses	**15 719**	27 126	51 984
Amortisation of tenant incentives	**14 906**	12 045	22 965
Amortisation of letting commission	**16 417**	10 711	24 813
Total non-cash items	**47 042**	**49 882**	**99 762**

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

R'000	**Reviewed Six months ended 30 September 2022**	Reviewed Six months ended 30 September 2021	Audited Year ended 31 March 2022
11 RELATED PARTIES			
The table below shows the transactions and balances (not disclosed elsewhere) that the Fund has with related parties:			
Investec Property Proprietary Limited[1]			
Asset management fees	**(37 740)**	(67 567)	(83 731)
Letting commissions and fees	**(11 717)**	(14 500)	(35 528)
Izandla Property Fund[3]			
Movement in equity investment	**(7 945)**	292	(8 987)
Movement in loans receivable (including convertible loan)	**(5 303)**	3 605	3 152
Finance income from associates	**16 119**	13 875	27 660
Pan-European logistics investment[4]			
Fair value of profit participating loans to PEL entities	**7 266 776**	6 687 066	6 721 432
Bridge loan to PEL entities	**1 178 221**	1 171 059	1 083 174
Finance income from joint venture	**119 131**	77 947	152 109
Pan-European light industrial investment[5]			
Finance income from associate	**–**	4 433	4 433
Investec Bank Limited Group[6]			
Cash and cash equivalents[7]	**83 023**	101 954	123 215
Borrowings	**(302 356)**	(351 817)	(151 365)
Fair value of derivative instruments[7]	**128 087**	(173 043)	52 653
Rentals received	**28 675**	33 875	63 562
Interest received	**4 602**	4 051	7 242
Sponsor fees paid	**–**	(270)	(270)
Corporate advisory and structuring fees paid	**(545)**	(1 508)	(11 081)
Interest paid on related party borrowings	**(17 823)**	(9 634)	(21 646)
Net interest received on cross currency swaps	**34 104**	48 830	98 847
Interest paid on interest rate swaps[8]	**29 648**	(45 245)	(87 802)

1 Fellow subsidiary and key management entity.
2 Equity accounted loss in prior year resulting from write down of investment property, negative mark to market on derivatives in associate and remeasurement to non-current asset held for sale.
3 Related party as Izandla is an associate of IPF. The finance income relates to mezzanine loans provided to Izandla. Interest not received of R7.5 million has been capitalised to the loans.
4 Related party as joint venture of IPF.
5 PELI is an associate of IPF.
6 Fellow subsidiary of IPF.
7 Included in carrying values as per the statement of financial position. The nominal values of swap derivatives and FEC's is (R2.9 billion) and (R4 million) respectively
8 Decrease in interest paid due to increase in 3 month JIBAR.

12 SUBSEQUENT EVENTS

- The Fund is also close to finalising the refinancing of R3.9 billion ZAR and €80m of debt for a further 3.3 years.

REIT BEST PRACTICE RATIOS

IPF presents the SA REIT best practice ratios in response to the second edition of the SA REIT Association's best practice recommendations issued in November 2019. The publication outlines consistent presentation and disclosure of relevant ratios in the SA REIT sector. This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector.

R'000	**Sep-22**		**Sep-21**	
SA REIT Funds from Operations (SA REIT FFO) per share	**REIT BPR**	**IPF Ratio**	**REIT BPR**	**IPF Ratio**
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**745 019**	**745 019**	443 336	443 336
Adjusted for:-				
Accounting/specific adjustments:-	**(341 779)**	**(341 779)**	(4 519)	(4 519)
Fair value adjustments to Investment property at fair value through profit or loss	**–**	**–**	109 840	109 840
Fair value adjustments to debt and equity instruments held at fair value through profit or loss	**(319 427)**	**(319 427)**	(124 161)	(124 161)
Deferred tax and capital gains tax movement recognised in profit or loss	**(19 706)**	**(19 706)**	–	–
Straight-lining operating lease adjustment	**(2 646)**	**(2 646)**	9 802	9 802
Adjustments arising from investing activities:-	**6 987**	**6 987**	2 276	2 276
Gains or losses on disposal of investment property and property, plant and equipment	**6 987**	**6 987**	2 276	2 276
Foreign exchange and hedging items:-	**17 784**	**17 784**	(15 507)	(15 507)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**(19 654)**	**(19 654)**	(30 407)	(30 407)
Foreign exchange gains or losses relating to capital items – realised and unrealised	**37 438**	**37 438**	14 900	14 900
Other adjustments:-	**7 945**	**7 945**	(292)	(292)
Adjustments made for equity-accounted entities	**7 945**	**7 945**	(292)	(292)
SA REIT Funds from Operations:	**435 956**	**435 956**	425 294	425 294
Number of shares outstanding at end of period (net of treasury shares '000)	**804 918**	**804 918**	804 918	804 918
SA REIT Funds from Operations per share:	**54.16**	**54.16**	52.84	52.84
Company-specific adjustments (cents per share)	**–**	**(0.38)**	–	(0.45)
Capitalised interest on loans to associates	**–**	**(3 072)**	–	(3 600)
Dividend per share (cents):	**54.16**	**53.78**	52.84	52.39

REIT BEST PRACTICE RATIOS CONTINUED

R'000	Sep-22		Sep-21	
SA REIT Net Asset Value (SA REIT NAV)	**REIT BPR**	**IPF Ratio**	**REIT BPR**	**IPF Ratio**
Reported NAV attributable to the parent	**13 974 858**	**13 974 858**	13 457 757	13 457 757
Adjustments:				
Dividend to be declared	**(411 240)**	**–**	(400 609)	–
SA REIT NAV:	**13 563 618**	**13 974 858**	13 057 148	13 457 757
Shares outstanding				
Number of shares in issue at period end (net of treasury shares)	**804 918 444**	**804 918 444**	804 918 444	804 918 444
Dilutive number of shares in issue	**804 918 444**	**804 918 444**	804 918 444	804 918 444
SA REIT NAV per share:	**1 685**	**1 736**	1 622	1 672

	Sep-22		Sep-21	
SA REIT loan-to-value	**REIT BPR**	**IPF ratio**	**REIT BPR**	**IPF ratio**
Gross debt	**(9 786 533)**	**(9 786 533)**	(9 666 461)	(9 666 461)
Less:				
Profit participating loans[1]	**–**	**1 022 963**	–	940 209
Cash and cash equivalents	**145 800**	**145 800**	236 116	236 116
Add:				
Derivative financial instruments[2]	**(254 335)**	**–**	(426 491)	–
Net debt	**(9 895 068)**	**(8 617 770)**	(9 856 836)	(8 490 136)
Total assets – per Statement of Financial Position	**24 515 326**	**24 515 326**	24 013 676	24 013 676
Less:				
Cash and cash equivalents	**(145 800)**	**(145 800)**	(236 116)	(236 116)
Derivative financial assets	**–**	**(492 003)**	–	(157 155)
Trade and other receivables	**(330 541)**	**(330 541)**	(255 841)	(255 841)
Profit participating loans[1]	**–**	**(1 022 963)**	–	(940 209)
Carrying amount of property-related assets	**24 038 985**	**22 524 019**	23 521 719	22 424 355
SA REIT loan-to-value ("SA REIT LTV")	**41.2%**	**38.3%**	41.9%	37.9%

1 IPF adjusts for profit participating loan liabilities representing the effective interest held by outside shareholders in PEL.
2 The REIT best practice recommendation ratios adjust net debt for the mark to market on derivative financial instruments.

REIT BEST PRACTICE RATIOS CONTINUED

	Sep-22		Sep-21	
SA REIT cost-to-income ratio	**REIT BPR**	**IPF**	**REIT BPR**	**IPF**
Expenses				
Operating expenses per IFRS income statement (includes municipal expenses)[1,2]	**302 316**	**168 378**	305 594	181 077
Operating costs	**302 316**	**168 378**	305 594	181 077
Rental income				
Contractual rental income per IFRS income statement (excluding straight-lining)[1,2]	**714 666**	**714 666**	761 888	761 888
Utility and operating recoveries per IFRS income statement	**133 938**	**–**	124 517	–
Gross rental income	**848 604**	**714 666**	886 405	761 888
SA REIT cost-to-income ratio	**35.6%**	**23.6%**	34.5%	23.8%

1 The REIT BPR and IPF ratios are calculated using base net property income (NPI) to ensure that the income and expenses are for a comparable period.
2 IPF calculates cost to income by netting off the recoveries against expenses and not grossing up rental income.

REIT BEST PRACTICE RATIOS CONTINUED

	Sep-22		Sep-21	
Cost of debt	**REIT BPR**	**IPF**	**REIT BPR**	**IPF**
Variable interest-rate borrowings				
Floating reference rate plus weighted average margin	**7.4%**	**7.4%**	5.4%	5.4%
Fixed interest-rate borrowings				
Weighted average fixed rate	**–**	**–**	–	–
Pre-adjusted weighted average cost of debt – CU:	**7.4%**	**7.4%**	5.4%	**5.4%**
Adjustments:				
Impact of interest rate derivatives	**1.5%**	**1.5%**	3.0%	3.0%
Impact of cross-currency interest rate swaps	**(3.6%)**	**(3.6%)**	(3.3%)	(3.3%)
All-in weighted average cost of debt – CU:	**5.3%**	**5.3%**	5.1%	**5.1%**

		Sep-22		Sep-21	
SA REIT GLA vacancy rate		**REIT BPR**	**IPF**	**REIT BPR**	**IPF**
Gross lettable area of vacant space[1]		**72 719**	**72 719**	101 446	101 446
Gross lettable area of total property portfolio		**1 020 616**	**1 020 616**	1 077 000	1 077 000
SA REIT GLA vacancy rate	**(A/B)**	**7.1%**	**7.1%**	9.4%	9.4%

1 81,906m^2 (September 2021 158,675m^2) is classified as held for sale.

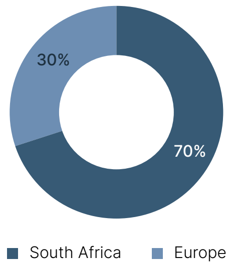
COMMENTARY

PROFILE

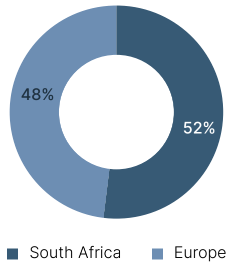
IPF is a globally focused REIT domiciled in South Africa and comprises a R22.5bn investment portfolio of direct and indirect real estate investments in South Africa and Europe.

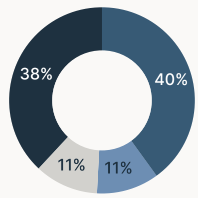
The Fund is externally managed and in both regions the Manager has a presence on-the-ground with significant in-country expertise.

IFRS balance sheet construct[1]



Proportionally consolidated



	South African direct property	Pan-European logistics
No. of properties	82	48
Ownership interest	100%	65%
Asset value (local currency)	R14.6bn	€1.2bn
Value of investment (Rbn)	R14.6bn	R6.4bn
GLA (m²)	1,036,005	1,134,429
WALE to expiry (years)	3.0	5.2
Vacancy by GLA	7.1%[2]	1.4%
Sectoral composition (by asset value)		

1. Balance sheet construct excludes PEL shareholder loan.
2. 7.1% at Sep-22 but reduced to 5.2% post letting concluded in October 2022.

STRATEGY

IPF's mission is to be distinctive within its chosen sectors and to be recognised as South Africa's leading REIT. The Fund seeks to unlock the potential of space with a focus on delivering value through client experience whilst generating sustainable total returns for shareholders.

The Fund's investment philosophy is premised on being 'property purists' and it targets both local and offshore investments, pursuing primarily core, core plus and value-add investment strategies. Its geographic and sectoral diversification ensures the Fund can deliver returns through the cycles.

In Europe, the PEL portfolio targets midsize and big-box logistics facilities in core Western European markets where it adopts a core-plus or value-add investment strategy to unlock value from both income-producing assets and development opportunities.

In South Africa, the Fund pursues a predominantly core investment strategy with focus on quality income-producing assets in traditional asset classes:

- *Retail* – niche assets or those that are the dominant offering within their respective locations.
- *Office* – assets distinctive in their nodes, on long-dated leases underpinned by quality tenants and strong cashflows.
- *Industrial* – good-quality functional space in established nodes with consistent/stable demand.

COMMENTARY

FINANCIAL REVIEW

PERFORMANCE HIGHLIGHTS

IPF has proven resilient in both regions despite global economic pressures, achieving 2.7% yoy growth in DIPS to 53.78cps (Sep-21: 52.39cps) driven by robust growth in like-for-like NPI achieved across both South Africa (+8.3% yoy) and Europe (+2.7% yoy). If normalised for the excess rental guarantee of €1.8m released in the prior year in PEL, DIPS growth would have been 6.8%.

Given the stability of both portfolios, the cost mitigation initiatives being implemented within PEL and strength of the balance sheet, the Board believes the Fund to be in a stable position and has resolved to maintain the payout ratio at 95%. Thus, a dividend of 51.09cps (R411m) has been declared for the six months ended 30 September 2022 (Sep-21: 49.77cps; R401m).

BALANCE SHEET HIGHLIGHTS

IPF's balance sheet is well-managed and remained strong with LTV maintained at 38.3% (Mar-22: 38.2%).

NAV per share increased by 2.4% to R17.36 (Mar-22: R16.96) largely driven by FX gains on the investment in PEL, with no change in underlying valuations in both regions for the last 6 months.

The Fund will have limited refinancing risk in H2 FY23 following a R5.3bn group debt refinance that will be completed in Nov-22. The refinance will have the effect of extending IPF's debt maturity by c.2 years and comprises a significant ESG element.

The Fund's long and short-term corporate debt rating was maintained at AA- and A1+ respectively, following a rating review in Oct-22, and the stable outlook was re-affirmed.

PORTFOLIO REVIEW – SOUTH AFRICA

In South Africa, economic activity continued to increase over the half-year, and the REIT sector progressed its recovery at a slow pace, having emerged from an extended period of volatility. Sentiment has since been hampered by loadshedding, renewed local and global uncertainty and rising interest rates.

OVERVIEW

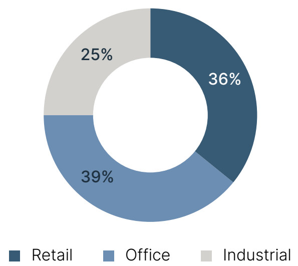
The table below presents a snapshot of the SA property portfolio at 30 September 2022:

	TOTAL		OFFICE		INDUSTRIAL		RETAIL	
Portfolio	**30-Sep-22[1]**	31-Mar-22	**30-Sep-22[1]**	31-Mar-22	**30-Sep-22[1]**	31-Mar-22	**30-Sep-22[1]**	31-Mar-22
Number of properties	**82**	86	**30**	30	**31**	31	**21**	25
Asset value (Rbn)	**R14.6bn**	R14.9bn	**R5.5bn**	R5.5bn	**R3.3bn**	R3.3bn	**R5.8bn**	R6.1bn
GLA	**1,036,000**	1,065,494	**245,563**	245,563	**476,770**	476,770	**313,671**	343,160
Vacancy (by GLA)[2]	**7.1%[3]**	4.5%	**10.3%**	9.5%	**6.9%**	1.6%	**4.3%**	4.6%
WALE (years)	**3.0**	3.3	**3.2**	3.6	**2.5**	2.7	**3.1**	3.3
In-force escalations	**7.3%**	7.3%	**7.3%**	7.5%	**7.4%**	7.6%	**6.9%**	6.7%
Base NPI growth[1] (vs. Sep-21)	**8.3%**	12.8%	**4.2%**	6.9%	**15.9%**	2.6%	**8.3%**	28.1%
CTI (excl. bad debts)[1] (vs. Sep-21)	**23.6%**	22.2%	**27.8%**	27.3%	**19.9%**	21.3%	**20.1%**	20.3%

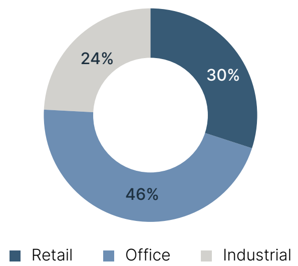
1. Comparative period is Sep-21 for financial metrics and Mar-22 for portfolio metrics.
2. Vacancy excludes Balfour and DQ malls where redevelopments are ongoing.
3. 7.1% at Sep-22 but reduced to 5.2% post letting concluded in Oct-22.

The sectoral spread of the SA portfolio is set out below.

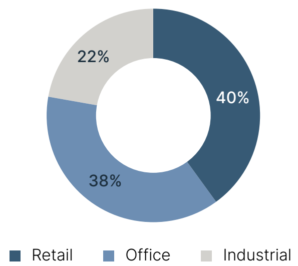
Sectoral spread by NPI



Sectoral spread by GLA



Sectoral spread by asset value



FINANCIAL PERFORMANCE

The defensive South African portfolio continues to demonstrate its resilience, supported by the hands-on efforts of its skilled management team. Despite a period of volatility, the South African business maintained good growth momentum with like-for-like NPI increasing 8.3% yoy (Sep-21: 12.8%) driven by:

- strong letting activity particularly within the industrial sector, supported by steady retail performance;
- lower yoy vacancy (1H23 average: 7.7%) relative to the same period in the prior year (1H22 average: 10.6% and reducing to 5.2% post half-year);
- absence of any COVID-relief (vs. R9m discounts during H1 FY22);
- disciplined cost management; and
- supported by higher recoveries of previously provided for arrears

Property expenses were well-managed and tightly controlled, resulting in a below inflation 2.9% yoy increase in net expenses. Although fixed expenses increased by c.12% due to the increased cost of insurance, and variable expenses increased by 5.3%, net expenses were controlled through increased recoveries following the reduction of vacancy.

The overall cost-to-income ratio temporarily increased from 22.2% (Sep-21) to 23.6% due to advance purchases of diesel in anticipation of loadshedding. This ratio is expected to improve going forward as these costs are fully recovered from tenants.

The South African macroeconomic environment remains uncertain as domestic fundamentals continue to be under pressure on the back of global recession concerns. Management's focus is on maintaining the quality and stability of the SA portfolio, enhancing sustainable NPI and exploring opportunities for growth and initiatives to create further value.

LETTING ACTIVITY

The Fund successfully let:

- 97,121m^2 (88%) of space expiring in FY23;
- 16,945m^2 (31%) of opening vacancy; and
- 6,434m^2 of development vacancy

	Expiries & cancel-lations GLA(m^2)	Renewals & new lets GLA(m^2)	Weighted average gross expiry rental R/m^2	Weighted average gross new rental R/m^2	Rental reversion %	Average escalation %	WALE (years)	Incentive (% lease value)	Retention %
Office	14 759	13 737	156.9	129.4	(17.5%)	6.8%	3.8	11.2%[1]	49.3%
Industrial	84 434	73 324	87.9	68.0	(22.6%)[2]	6.8%	4.0	0.2%	56.1%
Retail	12 913	8 113	323.5	304.0	(6.0%)	6.3%	3.2	0.3%	77.1%
Early letting[3]	1 947	1 947	184.3	158.1	(14.2%)	6.7%	3.6	5.2%	100%
Subtotal	**114 053**	**97 121**	**119.2**	**98.2**	**(17.6%)**	**6.8%**	**3.9**	**1.9%**	**58.8%**
Opening vacancy	53 927	16 945							
Development vacancy[3]		6 434							
Total letting	**167 980**	**120 214**							

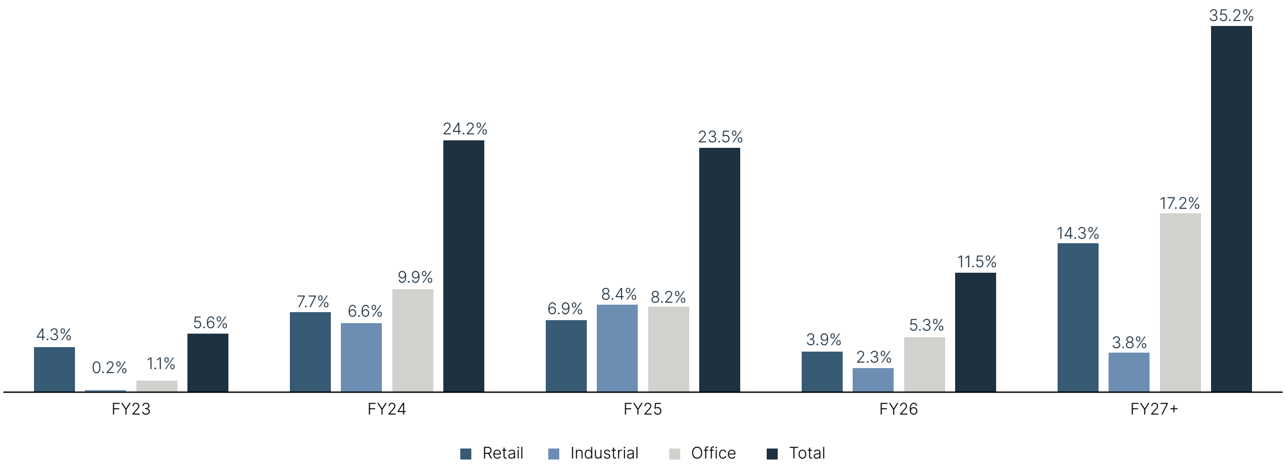
1. Increased incentives continue to be required in the office sector to remain competitive in an oversupplied market.
2. Reversions weighted by GLA. Office and industrial sectors impacted by significant reversions occurring on expiry of long-dated leases which had escalated above market.
3. All early letting concluded in office sector
4. With redevelopment at DQ well underway, most vacant spaces have been let reducing overall vacancy.

Large negative reversions were incurred at the end of long-dated leases (23,000m^2 in aggregate) that expired in the industrial and office sectors, which had escalated above market over their duration. The average reversion on the balance of space was negative (10.6%).

COMMENTARY CONTINUED

The Fund strives to deliver an out of the ordinary experience to clients, a strategy that has yielded pleasing results this half-year. Amongst other tools, this is achieved through the use of showrooms, as a unique approach to marketing new space, and activations to improve existing space. These have been implemented in several buildings over the past six months and has resulted in improved occupancy levels and a 100% track record of leasing every vacancy where a showroom was established.

SA lease expiry profile (by revenue)



The Fund maintains a well-staggered lease expiry profile with 47% of leases expiring in FY26 and beyond.

VALUATION

The Fund has not undertaken an external valuation of the portfolio in the half-year given limited change in domestic property sector fundamentals and because the full portfolio had been valued over the Mar-21 and Mar-22 year ends valuations, in line with the policy to have the full portfolio externally valued every 3 years.

PROPERTY DISPOSALS

During the period, the Fund concluded the transfers of 4 previously announced retail and industrial disposals for gross proceeds of R304m largely in line with book value, and disposal yield of 8.6%.

The Fund is targeting a further R447m of disposals in the next 12 months which assets are classified as held for sale. Sale agreements have been signed on R325m of these.

Held for sale	Sector	Book value
Aluminco & Jotun	Industrial	R13m
Capital Motors (McCarthy Pretoria)	Industrial	R20m
Minolta Highveld	Industrial	R28m
SA Ladder	Industrial	R61m
Total		**R122m**

Sale agreement signed	Sector	Gross selling price	Profit/(loss)	Disposal yield
Zenth	Industrial	R88m	(R3.9m)	n/a–vacant
Unitrans Polokwane	Retail	R18m	R3.0m	n/a–vacant
Shoprite Vanderbijl	Retail	R140m	(R3.5m)	9.4%
Silverlakes	Retail	R80m	–	11.3%
Total		**R325m**	**(R4.4m)**	**10.0%**

DEBTORS AND ARREARS

Rentals have been collected timeously, with significant yoy improvement in arrears from R70m (Sep-21) to R43m outstanding debtors (excluding legal debtors) as a result of active management.

SECTORAL PERFORMANCE

Office

The sector's fundamentals remained depressed with severe oversupply characterised by high vacancy rates and declining rentals.

IPF's office portfolio exhibited stability and achieved like-for-like NPI growth of 4.2% yoy (Sep-21: +6.9%), driven by improved vacancy over the period (1H22 average: 10.7% to 1H23 average 9.3%) and contractual escalations, but tempered by negative reversions which are characteristic of the oversupplied sector. Expenses increased 12.6% driven by a higher provision for bad debts and additional diesel purchased in advance in anticipation of loadshedding, which will be fully recoverable from tenants going forward.

Despite a challenging market, the Fund successfully let 93% of expiring space. Vacancy temporarily increased to 10.3% at Sep-22 (Mar-22: 9.5%) but reduced to 8.9% in Oct-22 following the successful leasing of a further net 3,366m^2 of space and remains well below the sector average of c.20%. The Fund has 59,300m^2 of office space maturing over the next 2 years, primarily in the Bryanston, Sandown and Rosebank nodes.

Management remains confident in the quality of the office portfolio. 75% (R4.2bn) of the portfolio has a low to manageable risk profile with strong property fundamentals (3-year WALE and 6.9% vacancy). The balance (R1.4bn; 71,636m^2) comprises assets located primarily in Sandton where growth prospects are muted.

Industrial

South Africa's industrial property sector is linked to the broader economy and therefore delivered a stable performance over the period as the economy progressed its recovery. The sector has benefited from good demand with limited speculative development and has therefore reached a demand-supply balance that is sustaining growth.

The sector outperformed during the period delivering like-for-like NPI growth of 15.9% (Sep-21: 2.6%) driven by a yoy reduction in vacancy (1H22 average of 15.3% vs. 1H23 average of 7.7%). A 10.2% yoy reduction in expenses was driven by an increase in recoveries following the higher occupancy as well as a lower bad debt provision.

Vacancy increased as expected, to 6.9% (Mar-22: 1.6%) following the expiry of various single-tenanted industrial leases. Strong interest has been received for these spaces and vacancy is expected to reduce by year end. The industrial sector has experienced good activity over the last 6 months, marked by the following leasing highlights:

- 73,324m^2 (87%) of FY23 space expiring space was let at a WALE of 4.0 years and 6.8% escalation;
- 13,500m^2 was secured with returning tenants, which is testament to the distinctive service that IPF offers and further evidence of the success of the Fund's client experience strategy;
- In response to an existing client's growing need for space, IPF worked with a tenant who previously occupied 7,640m^2 of space, to expand into a further 13,088m^2 of space within the Fund's portfolio; and
- 27,000m^2 of space was leased to a single-tenant on a 6-year lease. This new lease was concluded without a single day's vacancy between exiting tenant's expiry and new tenant's commencement date. Other notable leases include a 5-year renewal over 9,715m^2 of space with a single-tenant.

Retail

Base NPI reflects pleasing growth of 8.2% yoy (Sep-21: 28.1%) supported by stable vacancy, recovery of bad debts, further improvement in trading activity and higher retailer turnover. Property expenses reduced by 2.1% due to an increase in recoveries but was partially offset by a higher provision for bad debts in light of heightening macroeconomic uncertainty.

Trading activity continues to improve as evidenced by continued improvement in trading metrics. For the 12 months to Sep-22, average turnover and trading density grew by 7.7% yoy compared to the 12 months ended Sep-21. Customers are increasingly frequenting retail centres as indicated by footfall statistics that are up 7.1% to Sep-22. In addition, tenants' cost of occupation remains at a sustainable level of 6.7% for the 12 months to Sep-22 (Mar-22: 7.1%).

Good progress has been made in respect of the refurbishment works at Design Quarter

- Phase 1 (R55m capex) – completed and tenants have commenced trading. This includes the Food Street, relocation of Mr Price, new vertical penetration and additional basement entrance.
- Phase 2 (R108m capex) has an anticipated completion date of April 2023. This relates to new stores space for Checkers and Clicks, as well as various aesthetic upgrades to the mall.

SA INVESTMENTS – IZANDLA

IPF has a R252m investment in Izandla, largely comprising mezzanine loans that were initially provided to Izandla to facilitate the launch of the business, which had since grown in GAV to R715m (Mar-22). The loans are maturing in Feb-23, but are expected to be extended, and earn interest linked to the prime rate. The Fund equity accounts its investment in Izandla and only interest serviced in cash is distributed.

As previously announced, Izandla will look to unwind its structure whilst preserving value for shareholders. To that end, Izandla concluded the sale of the Shoprite Checkers Thabazimbi asset during the period, for gross proceeds of R26.5m which is consistent with book value. Izandla has also agreed commercial terms for the sale of the Sasol property (R232m book value) and is in the process of finalising legal agreements.

PORTFOLIO REVIEW – OFFSHORE INVESTMENTS

The Eurozone felt the strain of economic challenges impacted by an energy crisis and ongoing pressure on supply chains stemming from the war in Ukraine.

However, the global volatility has had limited impact on the logistics sector to date and the sector has maintained the strong momentum displayed in 2021 into the first half of 2022. The occupier market has been resilient to date and demand remains strong. This is driving rental growth, further supported by rising indexation. Supply has also been further constrained due to cost inflation and rising funding costs.

Going into H2, interest rate pressure is expected to adversely impact offshore investments, as European and other governments attempt to reign in soaring inflation. The ECB has raised interest rates by 200 basis points in 2022. Prior to this, interest rates had been negative. The faster than expected increase over recent months has created pricing volatility in asset markets and the impact on long-term valuations is uncertain. This is further compounded by uncertainty around the impact of inflation and the energy crisis on the occupier base.

OVERVIEW

Performance of the PEL platform is underpinned by a strong, defensive portfolio that has been capitalising on the favourable sector dynamics. Management will seek to continue to grow this platform and unlock further value through capturing market rental growth, driving rentals to above ERV and securing positive reversion and executing on the development pipeline, financing permitting.

FINANCIAL PERFORMANCE

Summarised income statement

€'m	Notes	Six months ended 30-Sep-22	Six months ended 30-Sep-21	% change
Net property income		**24.2**	23.5	2.7%
Gross rent		**25.4**	23.9	6.2%
Property expenses		**(2.2)**	(1.9)	(15.8%)
Straight lining		**1.0**	1.6	(37.5%)
Fund expenses	1	**(6.6)**	(5.0)	(33.0%)
Finance costs	2	**(7.2)**	(6.4)	(12.7%)
Taxation		**(1.5)**	(1.1)	(43.8%)
Distributable earnings after tax		**8.8**	11.1	(20.5%)
Base value		**416.7**	416.7	–
Normalised DIPS (€'000)		**21.2**	26.7	(20.5%)
Rental guarantee released	3	**–**	3.8	–
Net Profit/(Loss) After Tax		**8.8**	14.9	(40.6%)

1. Increased due to higher AM fees linked to portfolio GAV (€581k) and additional corporate costs, including once-off costs relating to prior year but recorded in the current period (€963k).
2. Increase due to higher EURIBOR.
3. Rental guarantee fully utilised in FY22. Of the €7.5m rental guarantee released in FY22, €5.7m is attributable to existing vacancies and voids and €1.8m is considered excess.

Summarised balance sheet as at 30 June 2022[1]

€'m	Notes	As at 30-June-22	As at 31-Mar-22	% change
Property portfolio (GAV)	2	**1,199**	1,196	0.2%
Current assets		**32**	34	(4.5%)
Total assets		**1,231**	**1,230**	**0%**
Equity		**563**	**568**	**(1%)**
External loans		**531**	531	0.0%
Bridge loan provided by IPF		**59**	59	0.0%
Deferred tax (CGT)		**66**	65	0.4%
Current liabilities	3	**12**	6	106.0%
Total liabilities		**668**	**662**	**1.0%**
LTV	4	**50%**	**49%**	

Notes:

1. Hexagon platform has December year end thus balance sheet to Jun-22 is last reviewed set of results.
2. Increase due to value-add capex spend of €2.9m.
3. Increase largely attributable to provision for costs relating to disposal process.
4. LTV based on individual asset valuations and GAV excludes portfolio premium.

The underlying portfolio continues to deliver solid performance and has further improved on key portfolio metrics since year-end. The logistics portfolio delivered gross rental growth of 6.2% driven by positive rental reversion, good letting activity and captured c.6% indexation across the portfolio. Once offset by a 16% increase in property expenses and after adjustments for straight lining, this resulted in base NPI growth of 2.7% for the interim period.

Strong underlying asset performance has been offset by cost (+33% yoy) and tax (+44%) leakage arising from structural complexities. In this regard, management is focused on initiatives to simplify the corporate structure and unlock savings over the next 6-12 months.

Interest rates within the PEL platform have been capped at 1.4%[1]. Higher finance costs (+13% yoy) linked to rising Euribor rates up to this cap, have contributed to diluting underlying portfolio performance resulting in (20.5%) decline in normalised DIPS. This translates into a (12.8%) decline in ZAR with c.10% blended foreign exchange uplift achieved. Interest rate pressures will have a greater impact on H2 performance and in FY24.

With the rental guarantee release taken into account in the prior year, this resulted in DIPS declining by (41%) yoy in EUR (Sep-21: +3.5%).

VACANCY AND WALE

Vacancy was further reduced to 1.2% (Mar-22: 2.3%). The largest remaining vacancy is in the Hanover asset in Germany (0.5%) where roof reconstruction works were only completed in September 2022.

Portfolio WALE at Sep-22 reduced marginally to 5.2 years to expiry (Mar-22: 5.3 years) and 4.0 years to break (Mar-22: 4.2 years).

1. Comprises €473m debt at 1.1% and €56m debt at 4%, hedged via interest rate cap. €59m bridge loan remains unhedged.

COMMENTARY CONTINUED

LETTING ACTIVITY

The Fund has re-let:

- 99% of space expiring in FY23, at a positive reversion of 6.7%;
- all space subject to break options; and
- 46% of opening vacancy

	Expiries and cancellations	Renewals and new lets	Gross expiry rental	Gross new rental	Rental reversion	WALE	Incentive	Retention
FY23	GLA (m^2)	GLA (m^2)	€/m^2	€/m^2	%	Years	% lease value	%
Germany	4,529	4,428	35.5	48.0	35.1[1]	4.6	0.1	100
Netherlands	25,704	25,704	44.0	49.8	13.1[2]	10.0[3]	3.3	0
France	57,257	53,707	44.4	46.2	4.0	7.3	2.3	50.3
Poland	14,484	14,642	47.4	47.7	0.5	2.0	11.3[4]	69.4
Subtotal	**101,974**	**98,481**	**44.3**	**47.3**	**6.7**	**7.1**	**4.6**	**42.5**
Opening vacancy	26,630	12,126						
Germany	8,049	698						
France	13,925	11,428						
Poland	4,656	–						
Total lettable GLA	**128,604**	**110,607**						

1. Single lease renewal in Hanover with significant reversion to bring the rental up to market level (previously under market).
2. One lease in Venlo where significant demand from several parties drove rental up. Rent free of 4 months offered.
3. Leased unit in Venlo to tenant on a 10-year term.
4. Competitive market in Poland requires higher rent incentives as a market norm.

Of the 110,607m^2 of renewals and new lets concluded over the half-year, c.46% of these have been concluded at lease terms of between 5 to 10 years.

PEL lease expiry (by revenue)

VALUATION

The portfolio was valued at €1.2bn at Mar-22. Given the positive sector fundamentals, higher net rentals, low arrears and long WALE, the valuation was considered appropriate at 30 September 2022. However, given the economic climate in Europe, along with rising interest rates, and limited transaction activity across the sector, the impact on forward looking valuations is still unknown and a full external valuation will be performed at year end in line with policy. The Fund is confident in the underlying valuation given the level of ERV growth and strong level of contractual income.

DEBTORS AND ARREARS

Arrears at half-year end reduced to €2.3m (Sep-21: €2.9m), reflecting collection of service charge reconciliations and a stringent focus on arrears management.

BALANCE SHEET AND TREASURY

The Fund continues to adopt a prudent and disciplined approach to balance sheet management and strives to maintain a healthy balance sheet with diversified funding sources and ample liquidity.

LTV

The LTV ratio currently at 38.3% has remained relatively stable since FY22 year end (Mar-22: 38.2%).

IPF's look-through gearing is strategically managed at 50.4%, driven by the higher level of gearing (50% LTV) in-country within PEL. The Fund will not seek to refinance European in-country debt in the short-term given macroeconomic volatility and will maintain current debt levels to retain adequate LTV headroom.

The Fund's long and short-term corporate debt rate was maintained at AA- and A1+ respectively, following a rating review in Oct-22, and the stable outlook was re-affirmed. This is attributable to the Fund's diversified earnings base, enhanced debt maturity profile post the refinance, exposure to the high-growth European logistics sector, and the stable performance of the defensive local portfolio that has proven its resilience through a volatile environment.

LIQUIDITY

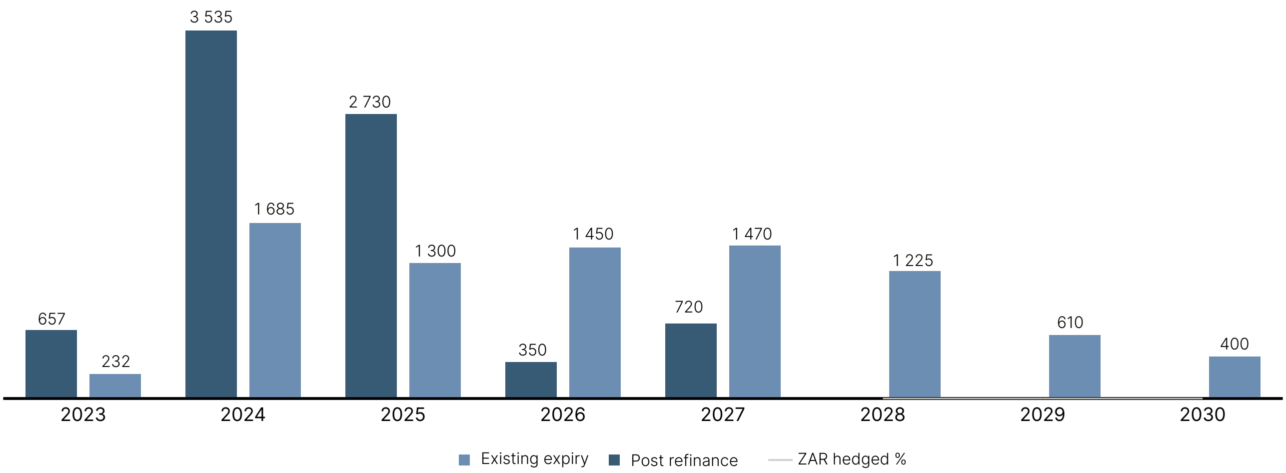
During the year, the Fund embarked on a R5.3bn debt refinance, comprising:

- Refinance of R3.1bn ZAR debt maturing within the next 2.5 years
- Refinance of €80m foreign debt maturing in early 2023
- New debt of R0.8bn to fund projects and provide growth capacity.

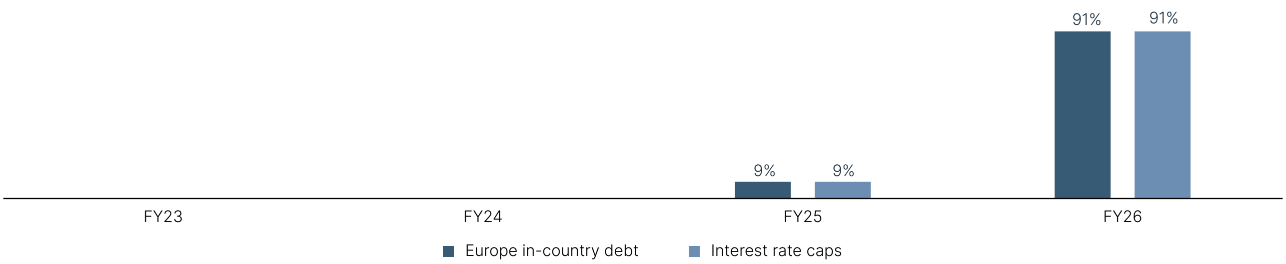
The refinancing is expected to complete in Nov-22 and will have the effect of extending IPF's debt maturity profile from 1.6 years (Sep-22 pre-refinance) to 3.3 years. It will also introduce new lenders into the debt book, thus further diversifying funding sources. A significant proportion of the proposed package is sustainability linked or comprises an ESG element, further emphasizing the Fund's commitment to ESG.

The Fund will have R1.6bn of cash and unutilised committed facilities post the refinance. With only R0.3bn of commercial paper due in the next 12 months, there is ample headroom and adequate liquidity to cover upcoming debt maturities if needed.

SA debt[1] expiry (pre- and post-refinance) (Rbn) and ZAR swap expiry (%)



Europe in-country debt and cap expiry (%)



[1] SA debt based on drawn facilities and includes EUR-denominated debt at an IPF level.

COMMENTARY CONTINUED

DEBT AND HEDGING

The below table set out balance sheet metrics post the debt refinance:

	SA Sep-22	SA Mar-22	Europe Sep-22	Europe Sep-22
Debt maturity (years)[1]	3.3	2.1	2.8	3.5
Swap maturity	2.4	3.4	2.8	3.5
Hedge percentage	90%	84%	100%	100%
Gearing %	38.3%	38.2%	50%	49.4%
Average all-in cost of funding	8.9%	8.4%	2.5%	2.2%
Average debt margin (local currency)	1.75%	1.73%	2.3%	2.2%
Average swap rate	7.3%	7.3%	1.4% interest rate cap	1.1% interest rate cap
Encumbrance ratio[2]	52%	44.2%	100%	100%
% debt secured[3]	51%	49.3%	100%	90%
% Foreign debt of EUR investment[4]	60%	49.0%	–	–

1. Currently at 1.6 years but to be extended to 3.3 years post debt refinance.
2. Secured assets as a percentage of total investments. Ratio shown post refinance: pre refinance is 46%.
3. Secured debt as a percentage of total debt facilities. Ratio shown post refinance: pre refinance is 47%.
4. Cross currency swaps are considered synthetic EUR funding. Ratio shown post refinance: pre refinance is 58%.

Rising Euribor rates present a risk to the Fund both at IPF level and at PEL level. Interest rate risk is hedged within the PEL platform with a cap at 1.4%[1]. However, at an IPF level, following the large refinance being undertaken, the overlaying of hedges will impact the cost of euro debt in FY24.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

The Fund maintained its Level 1 BBBEE contributor rating in May-22. The rating is a valuable benefit for IPF's client base, demonstrating the Fund's support for its tenants and commitment to driving transformation forward, and cements its credibility as a landlord of choice in the local market.

PROSPECTS AND GUIDANCE

South Africa: The macroeconomic outlook is expected to remain muted, impeded by loadshedding, heightened political risk and rapidly slowing global economic growth. Based on the resilience demonstrated to date, the Fund remains confident that the growth momentum achieved in H1 will continue into H2.

Europe: The positive asset-level trends in the sector are expected to persist and further NPI growth is anticipated in H2, driven by positive reversions, low vacancy and indexation-linked leases. The Fund will look to unlock further value from the existing portfolio, both at an asset level through active asset management and driving rental growth, and at a corporate level by simplifying the corporate structure. The potential impact on the consumer and tenant base from rising inflation, energy costs and interest rates remain unknown. And the benefits arising from cost containment initiatives will only be realised within 6-12 months.

The current rising interest rate environment cannot be ignored, especially the accelerated rate of change being experienced globally, with EUR interest rates having moved from negative to c.1.5% this year. Debt hedged with a cap within PEL will have an impact on H2 performance. The management team will continue to explore opportunities to further reduce financing costs and mitigate against interest rate risk.

Balance sheet: IPF's balance sheet remains robust with LTV expected to remain stable. With the recently completed debt refinance, there are limited debt maturities and refinancing risk in H2 FY23 and the balance sheet has sufficient capacity to support future growth.

Guidance: In both regions, H2 NOI is anticipated to be consistent with H1 FY23, given the stable performance of the SA business and continued sector tailwinds underpinning the growth of PEL NOI. In the absence of any external factors, the Fund would have expected to achieve its previous full year guidance of low single-digit DIPS growth. However, given the significant change in interest rates, particularly in Europe, H2 earnings will be adversely impacted and the Fund has tempered its full year guidance to be marginally negative.

Moses M Ngoasheng
Independent Non-executive Chairman

Andrew Wooler
Chief Executive Officer

16 November 2022

1. Comprises €473m debt at 1.1% and €56m debt at 4%, hedged via interest rate cap. €59m bridge loan remains unhedged.

INTERIM DIVIDEND

The Fund seeks to maintain a dividend payout policy of between 90-95%. In light of the stability achieved by both portfolios, the initiatives in place to address cost leakage within the PEL platform and having sustained a reasonable level of gearing, the Board has resolved to apply a 95% payout ratio. In this regard, the Fund has declared a dividend of 51.09097cps for the six months ended 30 September 2022 (Sep-21: 49.77cps), representing a total dividend of R411m (Sep-21: R401m).

Salient dates relating to the interim dividend

Declaration of dividend	Wednesday, 16 November 2022
Last day to trade in order to receive distribution (cum-dividend)	Monday, 12 December 2022
Shares trade ex-dividend	Tuesday, 13 December 2022
Record date for shareholders to receive dividend	Thursday, 15 December 2022
Dividend payment date	Monday, 19 December 2022

Shares may not be rematerialised or dematerialised between commencement of trade on Tuesday, 13 December 2022 and close of trade on Thursday, 15 December 2022, both days inclusive.

SHAREHOLDING

At 30 September 2022, Investec Limited, Coronation Fund Managers and GEPF are the only shareholders holding in excess of 5% of the Fund's total shares in issue.

Rank	Beneficial shareholder	**As at 30 September 2022**	As at 30 September 2021	Change
1	Investec Limited	**24.3%**	24.3%	–
2	Coronation Fund Managers	**9.6%**	12.3%	(2.7%)
3	Government Employees Pension Fund	**8.0%**	6.1%	1.9%
4	Ninety-One	**3.3%**	2.7%	0.6%
5	STANLIB Asset Management	**3.1%**	4.0%	(0.9%)

BASIS OF ACCOUNTING

The reviewed interim condensed consolidated financial information for the period ended 30 September 2022 has been prepared in compliance with International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by The Financial Reporting Standards Council, the Companies Act, (71 of 2008, as amended) of South Africa and the JSE Listings Requirements.

The accounting policies applied in the preparation of the results for the period ended 30 September 2022 are consistent with those adopted in the financial statements for the year ended 31 March 2022, other than the adoption of those standards that became effective in the current year. These reviewed preliminary condensed consolidated financial statements have been prepared under the supervision of Jenna Sprenger CA(SA).

REVIEW CONCLUSION

PriceWaterhouseCoopers Inc., the Fund's independent auditor, has reviewed the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, consolidated segmental information and notes to the condensed consolidated financial results, as set out on pages 3-18 of the reviewed interim condensed consolidated financial results and have expressed an unmodified review conclusion. A copy of their review conclusion is available for inspection at the Company's registered office.

Investec Bank Limited
Company Secretary

16 November 2022

GLOSSARY

Term	Definition
Base NPI	Refers to comparison between the same portfolio of properties i.e., adjusted for properties acquired, disposed or under development.
Board	Board of directors of Investec Property Fund Limited
CCS	Cross currency swaps
CGT	Capital gains tax
Cps	Cents per share
DIPS	Distributable income/earnings per share
DPS	Dividend per share
ESG	Environmental, social and governance
EV	Enterprise value
FEC	Foreign exchange contract
Gross income	Revenue from all investments aggregated on a proportionally consolidated basis
IAP	Investec Australia Property Fund
Investment yield	Income (earnings) and capital return over balance sheet equity value
IPF or The Fund	Investec Property Fund Limited group including Investec Property Fund Limited and its subsidiaries, investments in joint-ventures and any other investments
W&I	Investec Wealth and Investments
Izandla or Izandla Property Fund	Izandla Property Fund Proprietary Limited
Like-for-like or LFL	Comparable measure of growth
LTV	Loan to value, calculated as net debt/total investments net of minority interests
Manager	Investec Property Proprietary Limited, being the asset manager of IPF
MTM	Mark to market
NAV	Net asset value
NPI	Net property income
PEL	Pan-European logistics
PEL Co-investor	MB Hercules Holdings Limited, being the strategic equity partner who was introduced for a 25% interest alongside IPF in the PEL platform
PELI	Pan-European light industrial
REIT	Real estate investment trust
SA	South Africa/South African
UREP	Urban Real Estate Partners
WALE	Weighted average lease expiry
WASE	Weighted average swop expiry
WHT	Withholding tax
yoy	Year on year

OUT OF THE ORDINARY

Investec
Property Fund