

Vunani Property Investment Fund Limited
(Registration number: 2005/019302/06)
ISIN: ZAE000157459
JSE code: VPF
("VPIF" or "the Company" or "the Fund")
Listed on the JSE Limited ("JSE")

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

Distributions increased 24.4% to 38.0 cents per linked unit;
Revenue increased 53.7% to 106.9 million;
Net property income increased 74.6% to R75.0 million;
Portfolio increased 6.6% to R1.5 billion from 30 June 2012 to December 2012;
Linked unit price increased 16.4% to 960 cents from 30 June 2012 to 31 December 2012;
Tangible net asset value increased from 809.67 to 811.92 cents per linked unit from 30 June 2012 to 31 December 2012; and
Compound growth of 21.0% from 30 June 2012 to 31 December 2012

NON-FINANCIAL HIGHLIGHTS

2012 Energy Efficiency Forum award winner for 14 Loop Street, Cape Town;
80% Blue chip tenants
5.8% Vacancy at 31 December 2012
95% Tenant retention

COMMENTARY

Introduction

VPIF is a property loan stock company which offers investors an opportunity to participate in an office dominated JSE listed property fund. The portfolio currently comprises 28 strategically located, high quality buildings, located in South Africa with a total Gross Lettable Area ("GLA") of 145 202m² valued at R1.5 billion.

The directors are pleased to announce excellent interim results. Despite the market conditions being the toughest in the Fund's seven year history, VPIF was able to maintain its high rating in all of its key performance indicators. In addition, the distribution growth of 24.4% indicates the value to unit holders of an experienced, focussed management team. The Fund's strategy has remained largely unchanged from inception in 2006 and it will continue to extract value from its chosen market of A+, A and some B grade offices, whilst avoiding trophy assets until such time as such investments are value enhancing. Refurbishment of existing stock continues to enhance earnings as do new acquisitions. The next 12 months will see the Fund aggressively pursuing further acquisitions which could result in the

raising of additional capital, but not at the expense of yield and quality. The global and domestic markets remain uncertain and largely stagnant. Such instability makes capital preservation and low risk distributions attractive to investors. VPIF is well placed to fulfil this objective and has a solid platform from which to offer above market growth and earnings.

Summary of financial performance	Unaudited 6 months 31 Dec 2012	Audited year to 30 Jun 2012	Unaudited 6 months 31 Dec 2011
Net asset value per linked unit (cents)	742.44	742.93	679.84
Tangible net asset value per linked unit (cents)	811.92	809.67	719.84
Distribution per linked unit (cents)	38.00	64.51	30.54
Linked unit price (cents)	960.00	825.00	720.00
Loan to value	35.0%	31.4%	18.3%

At 31 December 2012 the property portfolio reported a vacancy level of 5.8%.

	Total GLA (m ²)	Vacant 31 Dec 2012 %	Vacant 30 Jun 2012 %
Office	131 804	5.6%	5.7%
Retail	8 147	0.2%	0.1%
Industrial	5 251	-	-
Total	145 202	5.8%	5.8%

The abovementioned vacancy includes a vacancy that was acquired at Foretrust, which was not paid for. The weighted average lease escalation is 7.4% for the portfolio.

Reconciliation of change in GLA of the Fund:	Total GLA at 30 Jun 2012 (m ²)	Net increase in GLA (m ²)	Total GLA at 31 Dec 2012 (m ²)
Office	127 180	4 624	131 804
Retail	8 147	-	8 147
Industrial	-	5 251	5 251
Total	135 327	9 875	145 202

Acquisitions/business combinations

During the period the Fund made the following acquisitions:

	Transfer date	Acquisition cost R'000	GLA (m ²)	Acquisition yield	Weighted average annual escalation
Brickfield property ¹	7 Aug 2012	20 004	5 251	10.0%	7.0%
Business Centre property ²	6 Nov 2012	64 579	4 886	9.6%	7.5%

1. The property is situated at 5-9 Brickfield Road, Salt River and occupied by J Ryan Printers. The lease is a 10 year triple net lease expiring in August 2022.
2. The property is situated at 377 Rivonia Boulevard, Sandton. The building is entirely let to the Business Centre, which has entered into a triple net lease expiring in November 2022.

Net assets acquired R'000	Brickfield property	Business Centre property	Total
Investment property	20 004	64 579	84 583
Cost of investment	20 004	64 579	84 583
Settlement of cost of investment:			
Cash paid	20 004	64 579	84 583

Post balance sheet events

Subsequent to 31 December 2012, the Fund took transfer of 8 parking bays at Vunani Chambers at a cost of R980 000 in order to enhance the offering at the building and to address the shortage of parking space.

Fair value adjustments

The entire portfolio, with the exception of the abovementioned properties were independently valued at 30 June 2012 and the board of directors does not believe that a revaluation of the properties are warranted as there were no factors that would materially affect the valuation of the portfolio for the period ending 31 December 2012.

The fair value adjustment reflected in the statement of comprehensive income relates to the change in fair value of the interest rate swaps.

Arrears

Tight management of receivables resulted in total arrears decreasing to R3.7m (30 June 2012 R5.6m).

Borrowings

At 31 December 2012 the Fund had a loan to value of 35.0% (30 June 2012: 31.4%). The Fund remains capitalised to take advantage of yield enhancing acquisitions. The fund has an average cost of debt of 8.7% with 67% of the outstanding debt hedged through the use of interest rate swaps.

R'000	Unaudited 6 months 31 Dec 2012	Audited year to 30 Jun 2012	Unaudited 6 months 31 Dec 2011
Standard Bank Limited loan - carried at cost	532 325	447 825	192 888
Fair value of interest rate swaps	21 260	14 881	-
Carried at fair value through profit or loss	553 585	462 706	192 888
Less amount to be settled within 12 months and included in current liabilities	(324 196)	(324 196)	-
Redraw portion of facility	-	(15 400)	-
Non-current portion of other financial liabilities	229 389	123 110	192 888

Amount to be settled within 12 months and included in current liabilities	324 196	324 196	-
Less redraw portion of facility	(36 000)	(17 900)	-
Current portion of other financial liabilities	288 196	306 296	-

Standard Bank of South Africa has indicated that it will extend the facility for a further 5 years upon expiry on 31 May 2013.

Basis of accounting

The condensed financial results for the six months to 31 December 2012 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as Issued by the Accounting Practices Committee, the Companies Act 71, of 2008 and the JSE Listings Requirements. The accounting policies applied in the preparation of the results for the period ended 31 December 2012 are in terms of IFRS and consistent with those adopted in the financial statements for the year ended 30 June 2012. These interim condensed financial results have been prepared by Marelise de Lange, B.Com(Hon)(Acc).

These condensed consolidated interim results incorporate the financial results of the Company and its subsidiaries. Results of subsidiaries are included from the effective date of acquisition. Investment property comprises land and buildings held to generate rental income and capital growth over the long term and are carried at fair value. Should any properties no longer meet the company's investment criteria and be sold, any profits or losses will be of a capital nature and will be taxed at rates applicable to capital gains.

Share and debenture capital

The authorised share capital is 2 000 000 000 ordinary shares of R0.0025 each and the issued share capital is 120 618 080 ordinary shares of R0.0025 each. Each ordinary share is linked to one unsecured variable rate debenture of R2.4975. The ordinary shares and debentures trade as linked units on the JSE. In terms of the debenture trust deed, the interest payable on the debenture is calculated in accordance with the distributable income formula and 100% is distributed annually. No linked units were issued during the period.

Prospects

Despite the difficult economic climate, the portfolio has performed well over the past six months and the board expects similar performance to ensue in the second half of the year. We will continue to focus on our strategy of growing the fund with yield enhancing assets without compromising on quality. This prospects statement has not been reviewed or reported on by the Fund's independent external auditors.

Cash distribution

Notice is hereby given of debenture interest payment number 3 of 38.00 cents per linked unit for the six months ended 31 December 2012. *Salient dates relating to the cash distribution are as follow:*

Declaration date	Monday, 25 February 2013
Last date to trade in order to participate in the cash distribution	Thursday, 14 March 2013
Linked units to trade ex-distribution	Friday, 15 March 2013
Record date	Friday, 22 March 2013
Payment date	Monday, 25 March 2013

Linked units may not be dematerialised or rematerialised between Friday, 15 March 2013 and Friday, 22 March 2013, both dates inclusive.

On behalf of the board

PD Naidoo
Chairman

RF Kane
Chief executive officer

Sandton
25 February 2013

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months 31 Dec 2012	Unaudited 6 months 31 Dec 2011	Audited year to 30 Jun 2012
R'000			
Investment property income	106 949	69 593	165 860
Straight-line rental adjustment	5 954	575	5 994
Revenue	112 903	70 168	171 854
Property expenses	(37 896)	(27 212)	(57 874)
Net property income	75 007	42 956	113 980
Other income	52	96	926
Other operating expenses	(1 070)	(13 923)	(15 274)
Asset management fees	(3 806)	(2 135)	(5 359)
Operating profit	70 183	26 994	94 273
Finance income	676	1 054	2 005
Finance cost amortisation	-	(44 694)	(45 694)
Finance costs	(17 814)	(8 372)	(25 085)
Fair value adjustments	(4 491)	7 299	106 835
Profit/(loss) before debenture interest and tax	48 554	(17 719)	132 334
Distributions	(45 835)	(36 843)	(77 813)
Trust distributions - net rental income	-	(2 324)	(2 324)
Debenture interest	(45 835)	(34 519)	(75 489)
Profit/(loss) before amortisation of debenture premium	2 719	(54 562)	54 521
Amortisation of debenture premium	953	-	1 679
Profit/(loss) before income tax	3 672	(54 562)	56 200
Income tax expense	(3 312)	(2 111)	(35 098)
Current tax	-	-	(25)
Deferred tax	(3 312)	(2 111)	(35 073)
Profit/(loss) for the period	360	(56 673)	21 102
Total comprehensive income for the period attributable to equity holders	360	(56 673)	21 102

RECONCILIATION OF ATTRIBUTABLE INCOME TO
EARNINGS, HEADLINE EARNINGS AND
DISTRIBUTABLE INCOME

Total comprehensive income for the period attributable to equity holders	360	(56 673)	21 102
Distributions	45 835	36 843	77 813
Trust distributions - net rental income	-	2 324	2 324
Debenture interest	45 835	34 519	75 489
Amortisation of debenture premium	(953)	-	(1 679)
Earnings/(loss) attributable to linked unit holders	45 242	(19 830)	97 236
Earnings/(loss) attributable to linked unit holders	45 242	(19 830)	97 236
Impairment of goodwill	-	-	1 190
Gross revaluation of investment property	-	-	(115 607)
Deferred tax on revaluation	-	-	21 503
Headline earnings/(loss) attributable to linked unit holders	45 242	(19 830)	4 322
Earnings/(loss) attributable to linked unit holders	45 242	(19 830)	97 236
Straight-line rental adjustment	(5 954)	(575)	(5 994)
Gain on bargain purchase	-	-	(830)
Listing costs	-	13 469	13 469
Finance cost amortisation	-	44 694	45 694
Fair value adjustments	4 491	(7 299)	(106 835)
Deferred tax	3 312	2 111	35 073
Distributable income	47 091	32 570	77 813
NUMBER OF LINKED UNITS '000			
Linked units in issue	120 618	120 618	120 618
Weighted average number of linked units in issue	120 618	106 102	113 475
CENTS			
Available for distribution per linked unit	39.04	27.00	64.51
Earnings/(loss) per linked unit	37.51	(18.69)	85.69
Headline earnings/(loss) per linked unit	37.51	(18.69)	3.81

STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months 31 Dec 2012	Audited year to 30 Jun 2012	Unaudited 6 months 31 Dec 2011
R'000			
ASSETS			
Non-current assets	1 534 207	1 441 059	1 063 096
Investment property	1 520 909	1 426 394	1 051 984
Property, plant and equipment	5 799	6 936	7 278
Other non-current assets	7 499	7 729	3 834
Current assets	44 511	33 972	55 449
Trade and other receivables	13 514	13 893	6 855
Income tax receivable	47	37	-
Cash and cash equivalents	30 950	20 042	48 594
Total assets	1 578 718	1 475 031	1 118 545
EQUITY AND LIABILITIES			
Equity	307 550	307 190	229 413
Ordinary share capital	301	301	301
(Accumulated loss)/retained earnings	(53 616)	(56 500)	(54 154)
Non-distributable reserve	360 865	363 389	283 266
Debentures	587 965	588 918	590 597
Linked unit holders' interest	895 515	896 108	820 010
Other liabilities			
Other non-current liabilities	313 196	203 606	241 140
Other financial liabilities	229 389	123 110	192 888
Deferred tax	83 807	80 496	48 252
Current liabilities	370 007	375 317	57 395
Current portion of other financial liabilities	288 196	306 296	-
Trade and other payables	35 977	28 048	57 299
Linked unit holders for distribution	45 834	40 973	
Current tax payable	-	-	96
Total liabilities	683 203	578 923	298 535
Total equity and liabilities	1 578 718	1 475 031	1 118 545
Linked units in issue ('000)	120 618	120 618	120 618
Net asset value per linked unit (cents)	742.44	742.93	679.84
Tangible net asset value less deferred tax per linked unit (cents)	811.92	809.67	719.84

CONDENSED STATEMENT OF CASHFLOW

	Unaudited 6 months 31 Dec 2012	Unaudited 6 months 31 Dec 2011	Audited year to 30 Jun 2012
R'000			
Cash generated from operations	33 702	26 132	89 544
Finance income received	676	1 054	2 005
Finance costs paid	(17 814)	(8 372)	(25 085)
Tax paid	(10)	96	(62)
Distributions paid to unit holders	(40 974)	(4 273)	(36 840)
Net cash inflow from operating activities	(24 420)	14 637	29 562
Net cash outflow from investing activities	(87 446)	(218 169)	(494 925)
Net cash inflow from financing activities	122 774	248 152	481 431
Net cash increase in cash and cash equivalents	10 908	44 620	16 068
Cash and cash equivalents at the beginning of the period	20 042	3 974	3 974
Cash and cash equivalents at the end of the period	30 950	48 594	20 042

STATEMENT OF CHANGES IN EQUITY

R'000	Ordinary share capital	Non- distributable reserve	(Accumulated loss)/ retained earnings	Total
Balance at 31 December 2011	301	283 266	(54 154)	229 413
Total comprehensive income for the period:				
Profit for the period			77 777	77 777
Transfer to non-distributable reserve		80 123	(80 123)	-
Balance at 30 June 2012	301	363 389	(56 500)	307 190
Total comprehensive income for the period:				
Profit for the period			360	360
Transfer to non-distributable reserve		(2 524)	2 524	-
Balance at 31 December 2012	301	360 865	(53 616)	307 550

CONDENSED SEGMENTAL ANALYSIS

for the six months to 31 December 2012 R'000	Gauteng	KwaZulu -Natal	Northern Province	Western Cape	Eastern Cape	North West	Total
Statement of comprehensive income extracts							
Investment property income (excluding straight-line rental adjustment)	66 661	1 695	543	28 513	5 938	3 599	106 949

Property expenses	(26 833)	(410)	(106)	(8 439)	(1 359)	(749)	(37 896)
Segmental results	39 828	1 285	437	20 074	4 579	2 850	69 053
Statement of financial position extracts							
Investment property opening balance (30 June 2012)	864 436	29 552	9 496	376 309	89 601	57 000	1 426 394
Additions and acquisitions	67 256	-	-	21 292	13	-	88 561
Straight-line rental adjustment	640	79	26	4 344	491	374	5 954
Fair value of investment property	932 332	29 631	9 522	401 945	90 105	57 374	1 520 909
for the six months to 31 December 2011	Gauteng	KwaZulu-Natal	Northern Province	Western Cape	Eastern Cape	North West	Total
R'000							
Statement of comprehensive income extracts							
Investment property income (excluding straight-line rental adjustment)	59 092	1 565	497	6 903	1 536	-	69 593
Property expenses	(22 324)	(482)	(82)	(3 878)	(446)	-	(27 212)
Segmental results	36 768	1 083	415	3 025	1 090	-	42 381
Statement of financial position extracts							
Investment property opening balance (30 June 2011)	672 256	24 542	7 694	55 945	22 000	-	782 437
Additions and acquisitions	190 234	4 978	1 859	316 222	67 386	56 576	637 255
Straight-line rental adjustment	1 946	32	(57)	4 142	215	424	6 702
Fair value of investment property	864 436	29 552	9 496	376 309	89 601	57 000	1 051 984

investment
property

Board of directors:

Executive directors
RF Kane (Chief Executive Officer)
M de Lange (Chief Financial Officer)
PW Mackenzie

Independent non-executive directors

PD Naidoo (Chairman)
JR Macey
RR Emslie

Non-executive directors

CE Chimombe-Munyoro
EG Dube

Company secretary:

Probity Business Services Proprietary Limited (N Toerien)
11 Cradock Avenue,
Rosebank
Telephone number; (011) 327 7146

Sponsor:

Grindrod Bank Limited
1st Floor, Building 3 Commerce Square
39 Rivonia Road,
Sandton

Transfer secretary:

Computershare Investor Services Proprietary Limited
70 Marshall Street,
Johannesburg

Physical/Registered address:

Vunani House, Athol Ridge Office Park
151 Katherine Street
Sandown, Sandton

Postal address:

PO Box 652419
Benmore,
2010

Telephone number: +27 11 263 9500

Facsimile number: +27 11 388 6849