Vunani Property Investment Fund Limited
("VPIF" or "the Company" or "the Fund")
Incorporated in the Republic of South Africa
Registration number: 2005/019302/06
JSE code: VPF ISN: ZAE000157459
Listed on the JSE Limited ("JSE")

CONDENSED UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

- Cash distribution of 27 cents per unit for 20 weeks to 31 December 2011
- Acquisitive growth since listing of 12%

COMMENTARY

PROFILE

Vunani Property Investment Fund offers investors an opportunity to participate in the only office-dominated JSE listed property fund, which sector the directors believe is well-poised for recovery.
The portfolio currently comprises 25 strategically located, high quality buildings, 80% tenanted by blue chip or government tenants with an above market lease expiry profile. The portfolio is tightly managed with minimal arrears. This gives investors a robust distribution with a consistent growth profile.
The investment strategy of VPIF has been consistent since 2006 and it continues to deliver on its commitment to aggressively grow the Fund whilst protecting the distribution and portfolio quality. The directors are pleased to announce that the Fund has increased its Enterprise Value by 37% to date. Each of the acquisitions has been yield-enhancing and has improved the key performance indicators in the Fund.
Despite the high demand for assets, VPIF is seeing solid opportunities in its chosen section of the market, namely well located B+ and A grade office buildings with a stable tenant profile. Management believe it is this segment of the market that will experience attractive rental growth when the current oversupply is absorbed. In the short term, the Fund will avoid premium AAA grade "trophy" buildings, which the directors believe do not represent good value at this time. In addition, VPIF has a track record of sourcing buildings in which yield-enhancing refurbishments can be carried out.

VACANCIES

VPIF's property portfolio is relatively small at 25 properties, predominantly tenanted by blue chip or government tenants, allowing nimble and hands-on management of the Fund. Management is actively involved in value enhancing and redevelopment opportunities, and have longstanding relationships with tenants. Most of the material lease negotiations for 2012 have been successfully concluded at budgeted rentals.

The vacancy at the reporting date was 5,37% which is materially below the Investment Property Databank ("IPD") average.

PROPERTY PORTFOLIO

The current portfolio composition by gross lettable area ("GLA") comprises 97% office space and 3% retail. Total GLA is 136 303 m2 with additional, strategically located undeveloped bulk of 19 000 m2 in the portfolio.

VPIF’s portfolio is predominantly located in high growth or strategic nodes in Gauteng and the Western and Eastern Cape provinces and is 80% tenanted by national or JSE listed clients. The value of the property portfolio at the reporting date was R1,059 billion and rose to R1,309 billion post the acquisition of the Foretrust building, representing an increase of 38% since listing.

There have been no disposals during the review period.

ACQUISITIONS

The Company acquired the following prime office properties since listing:

Lion Roars Office Park – Port Elizabeth

The office park comprises 4 280 m2 and was acquired as a going concern for a purchase consideration of R52,1 million. It is located in the premier decentralised node with national tenants and is 100% occupied. The yield is 12%.

Xstrata Building – Rustenburg

Rustenburg is experiencing strong growth. This building comprises 3 720 m2 and is 100% occupied by national tenants and was acquired at a 10,85% yield. The purchase consideration was R28,982 million.

Mabe Park – Rustenburg

Located in the premier office node, this 1 642 m2 building is 100% occupied by national tenants and was acquired at 10,85% yield. The purchase consideration was R24 million.

Foretrust Building – Cape Town

The Fund has taken transfer of the Foretrust building on 14 February 2012 as is dealt with in Subsequent Events.

REFURBISHMENTS AND EXTENSIONS UNDERWAY

Several refurbishment projects and extensions with a combined value of approximately R13 million are underway.

This includes the two phase extension of Motherwell Shopping Centre that resulted in long leases with SuperSpar, Tops, Pep and Build-it. Phase 1 was completed in November and is yield enhancing. The refurbishment of Wale Street Chambers in Cape Town is in hand which will enhance rentals and lettability.

The Fund is also in the process of a R3 million refurbishment of its Rynlal property due for completion in June 2012. Despite only being half way through the construction, leasing activity and gross rentals are improving.

The Fund will continue to upgrade the portfolio whilst being mindful of the need to protect distributions.

FINANCIAL RESULTS

The Company’s year end has been changed from June to December; consequently the comparative interim period as required by IAS 34 Interim Financial Reporting, is the six months to 30 June 2011.

VPIF has declared a maiden distribution of 27,0 cents per linked unit for the 20 week interim period since listing on 11 August 2011.

Revenue increased by 24,5% from R55,9 million from June to December 2011, to R69,6 million in the reporting period, mainly as a result of acquisitions and above budget performance of the existing assets. Property expenses increased from R24,3 million to R43,3 million, predominantly as a result of the once off charge of R13,5 million associated with the listing on the JSE Limited. Substantial finance cost amortisation of R44,7 million (six months to 30 June 2011: R2 million) relates to break costs incurred as a result of market volatility during the listing period. The Fund committed to breaking historical fixes on listing and break costs rose from R7,3 million as stated in the PLS to R23 million. The remaining R21,7 million relates to the break cost incurred prior to listing which has now been fully expensed in profit or loss and does not impact distribution. This resulted in a net operating loss of R25 million in the reporting period, against a net operating income of R15 million in the six months to 30 June 2011. The Fund has taken advantage of the low longterm rates and has hedged 80% of its other financial liabilities through interest rate swaps.

BORROWINGS

At the reporting date, VPIF had a relatively low gearing with a loan to value of 18,31%. Post the acquisition of the Foretrust building, the loan to value ratio increased to 33,8%. The Company remains well capitalised to take advantage of any potential yield enhancing acquisitions. The Fund has a conservative approach to debt and 80% of the other financial liabilities are hedged for five years through the use of interest rate swap agreements. Currently the average cost of debt is 8,68%. The Loan to Value is not anticipated to exceed 40%.

SUBSEQUENT EVENTS

Subsequent to the period end, the Company received the approval from its linked unitholders to acquire the building known as the Foretrust building from Redefine Properties Limited for an amount of R249,5 million. The property was transferred on 14 February 2012 to the Company.

Foretrust Building – Cape Town

The building is located in a development node and comprises 26 809 m2. It is 100% occupied by National tenants on a six year lease. The building was acquired at a purchase price of R249,5 million at a yield of 11%.

SHARE AND DEBENTURE CAPITAL

The authorised share capital is R5 million, divided into 2 000 000 000 ordinary shares of R0,0025 each. Each ordinary share is linked to one variable rate debenture of R2,4975 each.

The ordinary shares and debentures trade as linked units on the JSE. On 11 August 2011, 63,6 million new units were issued at a price of R7,05 taking the issued share and debenture units to 120,6 million.

CASH DISTRIBUTION

Notice is hereby given of debenture interest payment number 1 of 27,00 cents per linked unit for the six months ended 31 December 2011.

Summary of the salient dates relating to the cash distribution are as follow:

Declaration date	Monday, 12 March 2012
Last date to trade in order to participate in the cash distribution	Thursday, 29 March 2012
Linked units to trade ex-distribution	Friday, 30 March 2012
Record date	Thursday, 5 April 2012
Payment date	Tuesday, 10 April 2012

Linked units may not be dematerialised or rematerialised between Friday, 30 March 2012 and Thursday, 5 April 2012, both dates inclusive.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months 31 December 2011 R’000	Audited Six months 30 June 2011 R’000
Revenue – Investment property income		69 593	55 869
Straight-line effect of leases		575	328
Other income		96	–
Revenue		70 264	56 197
Property expenses	1	(43 270)	(24 284)
Net property income		26 994	31 913
Finance income		1 054	232
Finance cost amortisation	2	(44 694)	(1 987)
Finance cost		(8 372)	(15 204)
Net operating income		(25 018)	14 955
Fair value adjustments	3	7 299	(7 505)
(Loss)/profit before debenture interest and taxation		(17 719)	7 450
Distributions – pre-listing		(4 273)	(16 351)
Trust distributions – net rental income		2 324	(6 494)
Debenture interest		1 949	(9 857)
Distributions – post-listing	4	(32 570)	–
Debenture interest accrual		(32 570)	–
Net loss before taxation		(54 562)	(8 901)
Income tax expense		(2 111)	1 981
Total comprehensive loss for the period		(56 673)	(6 920)
Total comprehensive loss for the period attributable to:			
Equity holders of the group		(56 673)	(6 920)
Basic, diluted and headline earnings per unit			
Basic (loss)/earnings per unit	5	(18,69)	16,54
Headline (loss)/earnings per unit	5	(18,69)	16,85
Basic loss per share	5	(53,41)	(12,14)
Linked units in issue at the end of the period:		120 618 080	57 024 000

Weighted average number of units in issue at the end of the period	106 102 040	57 024 000
Diluted earnings per unit		
There were no dilutive instruments in issue at the end of the period		
Calculation of distributable earnings:		
Net operating income	(25 018)	14 955
Adjustments for:		
Straight-line effect of leases	(575)	(328)
Listing costs included in property expenses	13 469	1 724
Finance cost amortisation	44 694	—
Distributable earnings	32 570	16 351
Summary reconciliation of linked units for the period 1 July 2011 – 10 August 2011 ("pre-listing")		
Linked units in issue – pre-listing	57 024	
Distributions – pre-listing	4 273	
Distribution per linked unit (cents)	7,49	
Summary reconciliation of linked units for the period 11 August 2011 – 31 December 2011 ("post-listing")		
Linked units in issue – pre-listing	57 024	
Linked units issued on 11 August 2011	63 594	
Linked units in issue post-listing	120 618	
Distributions – post-listing	32 570	
Distribution per linked unit (cents)	27,00	
Summary reconciliation of linked units for the period 1 July 2011 – 31 December 2011		
Total linked units in issue post-listing	120 618	
Total distributions	36 843	
Distribution per linked unit (cents)	30,54	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 31 December 2011 R'000	Audited As at 30 June 2011 R'000
ASSETS			
Non-current assets		1 063 096	791 477
Investment property	6	1 051 984	782 437

Plant and equipment		7 278	5 938
Other non-current assets		3 834	3 102
Current assets		55 449	10 139
Trade and other receivables		6 855	6 165
Cash and cash equivalents		48 594	3 974
Total assets		1 118 545	801 616
EQUITY AND LIABILITIES			
Equity		229 413	285 930
Share capital		301	143
Accumulated (loss)/retained earnings		(54 154)	8 282
Non-distributable reserves		283 266	277 505
Debentures	7	590 597	142 417
Linked unit holders’ interest		820 010	428 347
Liabilities			
Other non-current liabilities		241 140	344 379
Other financial liabilities		192 888	298 505
Deferred tax		48 252	45 874
Current liabilities		57 395	28 890
Short-term portion of other financial liabilities		–	7 355
Current tax payable		96	–
Linked unitholders for interest		32 570	–
Trade and other payables		24 729	21 535
Total liabilities		298 535	373 269
Total equity and liabilities		1 118 545	801 616
Net asset value per linked unit (cents)		679,84	751,20
Net assets less deferred tax per linked unit (cents)		719,84	831,60

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited Six months 31 December 2011 R’000	Audited Six months 30 June 2011 R’000
Net cash inflow from operating activities	14 637	1 838
Net cash outflow from investing activities	(218 169)	(8 759)
Net cash inflow from financing activities	248 152	6 009
Net increase/(decrease) in cash and cash equivalents	44 620	(911)
Cash and cash equivalents at the beginning of the period	3 974	4 886
Cash and cash equivalents at the end of the period	48 594	3 974

STATEMENT OF CHANGES IN EQUITY

	Ordinary	Non-Distri-	Accumulated (loss)/	Total

	share capital R'000	butable reserves R'000	retained earnings R'000	equity R'000
Balance at 31 December 2010	143	292 683	24	292 850
Total comprehensive loss for the period	–	–	(6 920)	(6 920)
Transfer from non-distributable reserves	–	(15 178)	15 178	–
Balance at 30 June 2011	143	277 505	8 282	285 930
Total comprehensive loss for the period	–	–	(56 673)	(56 673)
Issue of shares and units	158	–	–	158
Transfer to non-distributable reserves	–	5 761	(5 761)	–
Balance at 31 December 2011	301	283 266	(54 154)	229 413

CONSOLIDATED SEGMENTAL ANALYSIS

Unaudited Six months – 31 December 2011	Head office R'000	Gauteng R'000	Kwa-Zulu-Natal R'000
Revenue – Investment property income	–	59 093	1 565
Straight-line effect of leases	–	678	(49)
Other income	–	96	–
Revenue	–	59 867	1 516
Property expenses	(14 662)	(22 564)	(482)
Net property income	(14 662)	37 303	1 034
Finance income	1 037	6	–
Finance cost amortisation	(44 694)	–	–
Finance cost	(8 108)	–	–
Net operating income	(66 429)	37 309	1 034
Fair value adjustments	7 299	–	–
Reportable segment (loss)/profit before debenture interest and tax	(59 130)	37 309	1 034
Reportable segment assets	47 108	811 934	24 607
Reportable segment liabilities	(220 635)	(41 415)	(153)

Audited Six months – 30 June 2011	Head office R'000	Gauteng R'000	Kwa-Zulu-Natal R'000
Revenue – Investment property income	–	47 550	1 562
Straight-line effect of leases	328	–	–
Other income	–	–	–
Revenue	328	47 550	1 562
Property expenses	(4 033)	(17 267)	(354)
Net property income	(3 704)	30 284	1 208

Finance income	124	103	–
Finance cost amortisation	(1 987)	–	–
Finance cost	(15 201)	(3)	–
Net operating income	(20 767)	30 383	1 208
Fair value adjustments	(7 505)	–	–
Reportable segment (loss)/profit before debenture interest and tax	(28 273)	30 383	1 208
Reportable segment assets	4 007	685 388	24 607
Reportable segment liabilities	(357 717)	(14 414)	(123)

CONSOLIDATED SEGMENTAL ANALYSIS (continued)

Unaudited Six months – 31 December 2011	Northern Province R'000	Western Cape R'000	Eastern Cape R'000
Revenue – Investment property income	497	6 903	1 536
Straight-line effect of leases	(26)	363	(392)
Other income	–	–	–
Revenue	471	7 266	1 144
Property expenses	(83)	(5 029)	(447)
Net property income	388	2 237	697
Finance income	–	9	2
Finance cost amortisation	–	–	–
Finance cost	–	(264)	–
Net operating income	388	1 982	701
Fair value adjustments	–	–	–
Reportable segment (loss)/profit before debenture interest and tax	388	1 982	701
Reportable segment assets	7 680	96 508	77 634
Reportable segment liabilities	(24)	(36 308)	–

Audited Six months – 30 June 2011	Northern Province R'000	Western Cape R'000	Eastern Cape R'000
Revenue – Investment property income	470	4 859	1 427
Straight-line effect of leases	–	–	–
Other income	–	–	–
Revenue	470	4 859	1 427
Property expenses	(85)	(2 236)	(309)
Net property income	385	2 623	1 119
Finance income	–	2	3
Finance cost amortisation	–	–	–
Finance cost	–	–	–
Net operating income	385	2 624	1 122
Fair value adjustments	–	–	–
Reportable segment (loss)/profit before debenture interest and tax	385	2 624	1 122
Reportable segment assets	7 718	57 358	22 538
Reportable segment liabilities	(42)	(419)	(553)

CONSOLIDATED SEGMENTAL ANALYSIS (continued)

Unaudited Six months – 31 December 2011	North West R'000	Total R'000

Revenue – Investment property income	–	69 593
Straight-line effect of leases	–	575
Other income	–	96
Revenue	–	70 264
Property expenses	(3)	(43 270)
Net property income	(3)	26 994
Finance income	–	1 054
Finance cost amortisation	–	(44 694)
Finance cost	–	(8 372)
Net operating income	(3)	(25 018)
Fair value adjustments	–	7 299
Reportable segment (loss)/profit before debenture interest and tax	(3)	(17 719)
Reportable segment assets	53 074	1 118 545
Reportable segment liabilities	–	(298 535)

Audited Six months – 30 June 2011	North West R'000	Total R'000
Revenue – Investment property income	–	55 869
Straight-line effect of leases	–	328
Other income	–	–
Revenue	–	56 197
Property expenses	–	(24 284)
Net property income	–	31 913
Finance income	–	232
Finance cost amortisation	–	(1 987)
Finance cost	–	(15 204)
Net operating income	–	14 955
Fair value adjustments	–	(7 505)
Reportable segment (loss)/profit before debenture interest and tax	–	7 450
Reportable segment assets	–	801 616
Reportable segment liabilities	–	(373 269)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

BASIS OF PRESENTATION

These condensed consolidated interim results have not been reviewed or audited by VPIF's independent external auditors. The results have been prepared in accordance with the Listing Requirements of the JSE Limited, the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34 Interim Financial Reporting, the AC 500 series issued by the Accounting Practices Board and the Companies Act. The accounting policies as set out in the audited financial statements for the period ended 30 June 2011 have been consistently applied. These condensed consolidated interim results incorporate the financial statements of the Company and its subsidiaries. Results of subsidiaries are included from the effective date of acquisition. All significant transactions and balances between group enterprises are eliminated on consolidation.

	31 December 2011	30 June 2011

1. PROPERTY EXPENSES	R'000	R'000
Property expenses consist of:		
Property expenses, including other operating expenses	29 801	22 560
Listing costs	13 469	1 724
	43 270	24 284

2. FINANCE COST AMORTISATION

On 11 August 2011, the Company listed on the JSE Limited. The Company raised R662 million through the issue of 63,5 million new units. As per the Pre-Listing Statement ("PLS") published on 18 July 2011, the proceeds were utilised to settle outstanding debt, pay for listing costs, and to facilitate the acquisition of the new properties. R259 million was paid toward the other financial liabilities. As disclosed in the PLS, the Company terminated certain fixed rate loan agreements during the period. The market moved significantly over the listing period resulting in a break cost of R23,3 million on the fixed rate funding being incurred compared to the anticipated R7,3 million per the PLS. The remaining R21,7 million relates to the break cost incurred prior to the listing which has now been recognised in profit or loss.

3. FAIR VALUE ADJUSTMENTS

The fair value adjustments relate to the reversal of previously recognised fair value adjustments in respect of the interest rate swap that was closed out shortly after listing.

	31 December 2011	30 June 2011
4. DISTRIBUTABLE EARNINGS	R'000	R'000
Net operating income	(25 018)	14 955
Adjustments for:		
Straight-line effect of leases	(575)	(328)
Listing costs included in property expenses	13 469	1 724
Finance cost amortisation	44 694	–
Distributable earnings	32 570	16 351

The distribution per linked unit per the PLS for the period 1 July 2011 to 30 June 2012 was forecasted to be 70,84 cents per linked unit. From the listing date to 31 December 2011 a distribution of 27 cents has been approved. We would like to draw your attention to the factors that impact on the forecasted distribution:

- the Company listed on 11 August 2011 and not 1 July 2011 as assumed in the forecast;
- the forecast assumed that the three acquisitions (being Athol Ridge ("AR"), Cedar Park Properties 31 Proprietary Limited ("CP") and Pacific Eagle Investments 204 Proprietary Limited ("PE") were made on 1 July 2011, whereas the acquisition date was the date of listing; and
- the listing price was R7,05 and not R7,50 as assumed in the PLS.

5. BASIC AND HEADLINE (LOSS) PER UNIT/SHARE

The directors are of the view that the disclosure of earnings per share, while obligatory in terms of IAS 33, Earnings per Share, and the JSE Limited Listings Requirements, is not meaningful to investors as the shares are traded as part of a linked unit and practically all the revenue earnings are distributed in the form of debenture interest. Headline earnings include fair value adjustments for financial liabilities and accounting adjustments required to account for lease income on a straight-line basis, as well as other non-cash accounting adjustments that do not affect distributable earnings. The calculation of distributable earnings and the distribution per linked units as set out above is more meaningful.

In terms of Circular 3/2009, issued by SAICA, the fair value adjustments on investment property are added back in the calculation of headline earnings per linked unit. The Circular does not make provision for the fair value adjustment on other non-current financial liabilities to be added back.

	31 December 2011 R'000	30 June 2011 R'000
Reconciliation of basic (loss)/earnings to headline (loss)/earnings:		
Total comprehensive loss attributable to equity holders:	(56 673)	(6 920)
Adjustments for:		
Distributions – pre-listing	4 273	16 351
Distributions – post listing	32 570	—
(Loss)/earnings attributable to linked unitholders	(19 832)	9 431
Adjustments for:		
Gross revaluation of investment property	—	206
Deferred tax on revaluation	—	(29)
Headline (loss)/earnings attributable to linked unitholders	(19 832)	9 608

6. INVESTMENT PROPERTY

Opening carrying value	782 437	776 523
Additions	214 815	5 792
Acquisition of subsidiaries	54 157	-
Fair value adjustments	—	(206)
Straight-line effect of leases	575	328
Closing carrying value	1 051 984	782 437

7. DEBENTURES

Debentures at the beginning of the period	142 417	142 417
Issue during the period	448 180	—
Debentures at the end of the period	590 597	142 417

8. BUSINESS COMBINATIONS

On 11 August 2011, VPIF acquired the entire issued share capital of CP and PE for R3,9 million and R13,0 million respectively. The purchase price was settled through the issue of linked units in VPIF at a price equal to the listing price. Since acquisition, after tax profit of R734 000 and R242 000 was included in the profit and loss of VPIF for CP and PE respectively. The full amount has been attributed to the unitholders of VPIF. If the acquisition had taken place at the beginning of the year an after profit of R1 million and R306 000 would have been included in the profit and loss of VPIF for CP and PE respectively. The AR property was purchased for an amount of R104 million.

Net assets acquired	CP R’000	PE R’000
Investment property	17 057	37 100
Plant and equipment	928	–
Cash and cash equivalents	145	137
Trade and other receivables	86	65
Other financial liabilities	(14 337)	(23 303)
Deferred tax	509	(775)
Trade and other payables	(488)	(224)
Cost of investment	3 900	13 000

STATEMENT ON GOING CONCERN

The directors have made an assessment of the Company’s ability to continue as a going concern and have no reason to believe the business will not be a going concern in the period ahead.

CORPORATE INFORMATION

Board of directors: PD Naidoo*# (Chairman), RF Kane§ (Chief Executive Officer), M de Lange§ (Chief Financial Officer), RR Emslie*#, JR Macey*#, EG Dube€, CE Chimombe-Munyoro€, PW Mackenzie§

*Independent non-executive director

#Member of audit and risk committee

§Executive director

€Non-executive director

Company secretary: Probity Business Services Proprietary Limited (N Toerien)

Physical/Registered and postal address: Vunani House, Athol Ridge Office Park, 151 Katherine Street, Sandown, Sandton, 2196, PO Box 652419, Benmore, 2010, Telephone number: +27 11 263 9500, Facsimile number: +27 11 784 3095

Transfer secretary: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001

Sponsor: Grindrod Bank Limited

This report has been prepared by:
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