Vunani Property Investment Fund Limited

(Granted REIT status by the JSE)
(Registration number: 2005/019302/06)
ISIN: ZAE000157459
JSE code: VPF
("VPIF" or "the Fund" or "the Company" or "the Group")

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Prepared by M de Lange B.Com (Law) B.Com (Hon)(Acc), Financial director)

INTRODUCTION

The past financial year presented VPIF with a familiar set of challenges. Despite this, the Fund recorded growth in the market value of its units of 21.8% to 1 005 cents per linked unit and distribution growth of 19.7% delivering 77.25 cents per linked unit. The total compounded growth delivered to its unitholders for the year was an excellent 31.2% (24.0% for the SA Property Listed Sector). Notably, this was achieved in the toughest trading conditions the Fund has experienced in its 8 year history. As anticipated at the start of the year, the streetscape remained challenging, requiring us to be innovative so as to maintain solid growth in rental income, contain costs and retain our tenants. That said, the portfolio emerged at year end with an improvement in its Key Performance Indicators and the directors are confident that 2014 will yield above-market returns for unitholders.
The single area in which we did not meet our targets was that of acquisitions. In December 2012, we set ourselves a goal of growing assets under management by R1 billion. However, the low interest rates combined with some new listings fuelled a feeding frenzy, inflating vendor demands. This resulted in many assets being priced beyond the reach of rational investors. VPIF maintained its discipline and consequently our new acquisitions totaled a slightly embarrassing R84.6 million. Although we would have preferred far stronger growth, we are reluctant to buy overpriced assets in what has proved to be an over-excited market. We believe that the recent market correction will filter down to vendors, thus creating value plays for the Fund.
Notwithstanding the above, the Fund obtained linked unitholders' approval subsequent to year-end to raise up to R455 million through a rights offer; the proceeds of which will be used to fund the acquisition of quality A-grade properties in Greenstone Hill Office Park and to pay down R179.1 million of existing debt. The capital raise will provide VPIF with the ability to acquire assets of R750 million without recourse to unitholders. This same strategy was used on listing and enables the Fund to trade efficiently, enhancing both the portfolio quality and distribution. Management have a solid pipeline of acquisitions under negotiation and have put in place adequate resources internally to effect the deals. Consequently, we anticipate accelerated (but controlled) acquisition activity in 2014.
During the year, VPIF converted to a Real Estate Investment Trust (REIT), effective from 1 July 2013. The conversion to REIT status provides capital gains tax benefits and will likely attract foreign interest to the sector as it provides a familiar benchmark for international investors. Furthermore, Vunani Limited disposed of its 15.5% stake in VPIF to facilitate its other commitments. Key management however retained their unitholding and intend to follow their rights in the capital raise.
Overall, 2013 was an excellent year for the Fund. We have developed a strong platform from which to grow and the results to date are pleasing.

OPERATING ENVIRONMENT

A moribund global economy and continued uncertainty over the Eurozone formed the backdrop to the operating environment over the last year. Albeit slow, signs of recovery in both Europe and the United States indicate that the next year should see some uplift in South Africa's main trading partners. The United States' Federal Reserve Bank's indication that it will reduce quantitative easing gave our long bond markets (and consequently the property sector) an overdue correction. The disparity between our long bond yields and those of the property listed sector remains a concern with another correction possible in the coming months. The sector now offers investors a more stable platform going forward, with predictable income.
On a portfolio level, the market remains tough despite the continuing low interest rate environment as the South African economy continues to stumble along with little direction. The South African Reserve Bank's June quarterly bulletin indicates a narrowing in the current account deficit to 5.8% of gross domestic product (GDP) from 6.5% in the first quarter. Investor confidence has been shaken

by domestic disruption, labour unrest and rand volatility. With the GDP growth forecast falling and a weaker economic outlook, consumer spending has slowed, making tenants cautious when assessing their requirements.
The office sector has not been immune to the dull economic forecasts, however we are comfortable that the office sector is at the bottom of the cycle and are pleased to report that VPIF has outperformed all property sectors by some margin despite these tough conditions.
We have experienced the usual upward pressures on administration and operating costs, such as municipal rates and utilities (electricity, water and waste). These costs have successfully been managed and controlled through a combination of greening initiatives and prudent management. We are pleased to report that solid advances are being made with regard to our greening initiatives, following VPIF receiving the 2012 Energy Efficiency Forum Award for its refurbishment of 14 Loop Street, a 1904 heritage building.
Our vacancy rate is a stable 5.6% which compares well with the industry average of 10.7%. The sector vacancies in 2014 may even be exacerbated in those nodes where speculative development will result in landlords competing for the same pool of tenants. VPIF unitholders will be pleased to know that it has very little exposure to this cannibalisation.

ACQUISITIONS

Our main considerations when acquiring assets will always be a keen focus on the property fundamentals and our downstream ability to manage the assets competently. Management is cognisant of the real cost of poor acquisitions, much of which is only evidenced some time later. Similarly, it is the responsibility of management to improve the quality of the portfolio and this needs to be balanced with the appetite of investors for above market distributions.

While there has been a fair amount of stock on offer, it has been challenging to acquire solid assets at sensible yields. VPIF will not acquire assets at the expense of quality or yield and where value cannot be seen.

A key component to any growth strategy is the ability to take on and manage the new assets. We are pleased to report the management team has been increased and this will enable us to deliver a more robust acquisition performance in 2014.

It is the responsibility of management to improve the quality of the portfolio and this must be balanced with the appetite of investors for above-market distributions.

To date we appear to have met this responsibility, albeit at a slower pace than we would have liked. Two acquisitions were made in the reporting period:

- 5 251 m^2 GLA Brickfield Property in Woodstock, acquired for a purchase consideration of R20 million and an acquisition yield of 10.0%. The property is located in the rapidly developing Brickfields node and is ripe for redevelopment;
- Business Centre property located prominently in Rivonia Boulevard, Sandton for a purchase consideration of R64.5 million with an acquisition yield of 9.6%. The 4 886 m^2 GLA property is single tenanted under a 10 year triple net lease.

REFURBISHMENTS AND EXTENSIONS

As part of our tenant retention strategy, VPIF has carved a niche as a specialist in refurbishments, particularity green refurbishments. Apart from a higher property valuation, the refurbishment of these buildings has resulted in a more stable tenant profile and increasing distributions.
Since listing, we have undertaken 6 refurbishments of varying sizes. In the last reporting period we calculated that for every rand spent we achieve at least three rand in value uplift. Far more important than an enhanced valuation, is the rental growth and improved quality of the offering.
The Fund completed a number of modest, but important upgrades in the reporting period and is pleased with the results.
Investment Place is currently undergoing a refurbishment project where all the foyers and washrooms are being overhauled. Tenanting commences in August 2013.
On the back of the successful 14 Loop Street refurbishment, we have made further encouraging and significant strides in developing other properties into environmentally friendly buildings. This will further enhance VPIF's portfolio and reputation as a greening refurbishment specialist. We are now

looking to leverage this expertise by implementing the same strategy on a much larger scale at the Foretrust Building, located in the fast developing node of the Cape Town Foreshore. On the basis of significant savings (as much as R15 per m^2 at 14 Loop Street) we strongly believe that refurbishments according to green principles will sustain the growth of the Fund over the long term. As such, each building in our portfolio is currently being assessed by way of a rating model and we have appointed a consulting team of green experts to further develop our offering.

VACANCIES

VPIFs vacancies remained low at 5.6% (4.5% if the planned refurbishment of Investment Place is excluded), which is still significantly lower than the sector vacancies for A and B grade offices of 10.7%. Hands-on management and strong relationships with tenants have ensured a low vacancy rate. Importantly, we have not had to give material discounts or incentives to tenants to keep our buildings full. Given the sluggish economy, tenant retention will remain a key factor going forward.

LEASE EXPIRIES

VPIF started the year with 23.3% of leases due to expire. It achieved a very successful 73% retention rate, with the 3 158m^2 vacancy at Investment Place being the dominant non-renewal. Fortunately, we only have two material leases expiring in 2014 amounting to 7% of our lettable area, 5.5% of which is under a lease renewal offer. Thus, the Fund has very little exposure to expiring leases in 2014. We do not see any notable risks and are confident that there will be few if any reversions as rentals are very much in line with, if not below, the market average. The overall weighted average lease expiry is 4.75 years with the average lease escalations at approximately 7.7%.

FINANCIALS

Overall, VPIF produced a very pleasing set of results in the financial year ended 30 June 2013, delivering distribution growth of 19.7% and capital growth of 21.8%; the total compound growth for the period being 31.2%.

The Fund reported a strong performance and exceeded its distribution targets, with the linked unit price commensurately improving. On 3 December 2012, the Fund released a trading update announcing that the anticipated interim distribution would be 18% to 24.4% greater than the comparable interim period. VPIF declared an interim distribution of 38.0 cents per linked unit. Subsequently, on 31 May 2013, the Fund again released an additional trading statement to indicate a further 16% to 18% distribution growth on the comparable period. The board of directors declared a final distribution of 39.25 cents per linked unit, giving total distributions of 77.25 cents per linked unit for the year. Management believes these factors will continue to have an enduring and sustainable impact on future distributions.

Investment property income increased by 30.8% from R165.860 million to R216.883 million for the year to 30 June 2013.

Total property related expenses increased by 29.5% from R57.874 million to R74.948 million mainly due to a full 12 month reporting period and acquisitions made during the year. Management believes that life cycle costing and the retention of quality in both its buildings and tenants are more important considerations and therefore does not focus exclusively on expense ratios.

BORROWINGS

Net borrowings at 30 June 2013 of R489.905 million equates to a gearing ratio of 31.25%, which is well within the covenants and the directors do not expect that gearing levels will exceed 40%. The blended average cost of debt is 8.7%, broken down into an average of 9.3% (inclusive of margin) for fixed debt for a remaining period of 4 years and floating at an average of 7.6% (inclusive of margin).

R179.1 million of the R455 million rights offer will be used to pay down the Fund's floating debt. Coupled with this, we renegotiated our rates with Standard Bank which also significantly reduced our cost of funding in addition to bedding down a facility of R670 million.

In the near future, VPIF plans to enter debt capital markets through a domestic medium term notes (DMTN) programme to raise further cash to fund acquisitions. DMTN programs are currently more cost effective than conventional bank funding.

STRATEGY

VPIF will continue to focus on its chosen niche as specialists in the A+, A and B+ grade office sector where arbitrage opportunities are greatest. With that said, management is open to buying assets in other classes, be they industrial or retail, provided that there is value and we are confident we can manage the assets. The Fund will remain office-dominated.

We will continue to focus on growing the assets under management through strategic acquisitions that fit within the Fund's investment criteria of yield and quality enhancing assets, while avoiding trophy assets which remain in high demand and highly priced. The recent re-rating should provide some acquisition opportunities.

The management team has an eight year proven track record of extracting value from commercial buildings. Together with the green initiatives gaining traction, the Fund is well-positioned for continued growth in distributions to unitholders and to ensure the long-term capital appreciation of our assets.

CORPORATE GOVERNANCE

VPIF is committed to continuously improving corporate governance, in line with the recommendations by the King Code on Corporate Governance for South Africa 2009 (King III). We were delighted to announce the recent appointment of Portia Tau-Sekati and Kyansambo Vundla (effective 11 March 2013) as independent non-executive directors. Portia was subsequently appointed to the investment, social and ethics, remuneration and nomination committees and Kyansambo to the audit and risk committee.

The board now consists of three executive directors, five independent non-executive directors and two non-executive directors.

SUBSEQUENT EVENTS

Post the financial year end, VPIF received approval from the JSE to proceed with a rights issue to raise up to R455 million. The Fund offered a total of 48 503 939 new linked units to unitholders at a subscription price of 987.33 cents per rights offer unit (which includes the accrued distribution and antecedent). This is in the ratio of 40.21283 rights offer units for every 100 linked units held on the record date for the rights offer.

The subscription price of 987.33 cents per rights offer unit comprises a clean price of 938.07 cents and total pre-paid distributions of 49.26 cents. As a result, the rights offer units will be entitled to the full final 2013 distribution.

Proceeds of the rights offer will be used to fund the acquisition of quality A-grade properties in Greenstone Hill Office Park and settle approximately R179.1 million of floating debt, giving us capacity to acquire buildings using available debt capacity. Post the acquisition, VPIF will own 11 of the 15 properties in that office park.

OUTLOOK

VPIF continued to outperform the sector and delivered on its promises to all stakeholders. Positive distribution growth for the upcoming financial year is expected with distributions anticipated to be between 84.00 to 86.00 cents per linked unit as indicated in the SENS announcement dated 28 June 2013.

As mentioned before, the outlook is tough but we trade well in a tough market.

Statements contained throughout this announcement regarding the prospects of the group have not been reviewed or reported on by the group's external auditor.

NOTE OF GRATITUDE

Our sincere thanks go to every VPIF staff member and the property management team who gave of their very best every day and continue to shine in a dull market. Our performance is a reflection of this hard work, which is greatly appreciated by the board of directors.

Our appreciation is also extended to our fellow executives on the board. Their commitment, depth of knowledge and skills are invaluable. Finally, we would not have a fund if it was not for the support received from all our institutional linked unitholders who have believed in our vision to build a very stable, sustainable business, and of our tenants who continue to support us.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE

R'000	GROUP 2013	2012
ASSETS		
Non-current assets	1 586 016	1 441 059
Investment property	1 567 667	1 426 394
Property, plant and equipment	6 734	6 936
Other non-current assets	7 028	7 729
Deferred tax	4 587	-
Current assets	34 882	33 972
Trade and other receivables	11 261	13 893
Income tax receivable	66	37
Cash and cash equivalents	23 555	20 042
Loan to subsidiaries		
Loan to group entity		
Total assets	1 620 898	1 475 031
EQUITY AND LIABILITIES		
Equity	452 524	307 190
Ordinary share capital	301	301
Accumulated loss	(46 061)	(56 500)
Non-distributable reserves	498 284	363 389
Debentures	587 029	588 918
Linked unitholders' interest	1 039 553	896 108
Other liabilities		
Other non-current liabilities	219 905	203 606
Other financial liabilities	219 905	123 110
Deferred tax	-	80 496
Current liabilities	361 440	375 317
Current portion of other financial liabilities	275 796	306 296
Trade and other payables	85 644	69 021
Total liabilities	581 345	578 923
Total equity and liabilities	1 620 898	1 475 031
Units in issue ('000)	120 618	120 618
Net asset value per linked unit (cents)	861,9	742,9
Net tangible asset value less deferred tax per linked unit (cents)	858.1	809,7

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	GROUP	
R'000	2013	2012
Investment property income	216 883	165 860
Straight-line rental adjustment	12 957	5 994
Revenue	229 840	171 854
Property expenses	(74 948)	(57 874)
Net property income	154 892	113 980
Other income	1 967	926
Other operating expenses	(3 169)	(15 274)
Asset management fees	(8 120)	(5 359)
Operating profit	145 570	94 273
Finance income	1 616	2 005
Finance cost amortisation	-	(45 694)
Finance costs	(40 821)	(25 085)
Fair value adjustments	45 405	106 835
Profit before debenture interest and income tax	151 770	132 334
Distributions	(93 174)	(77 813)
Trust distributions – net rental income	-	(2 324)
Debenture interest	(93 174)	(75 489)
Profit before amortisation of debenture premium	58 596	54 521
Amortisation of debenture premium	1 889	1 679
Profit before income tax	60 485	56 200
Income tax	84 849	(35 098)
Profit for the year	145 334	21 102
Total comprehensive income for the year	145 334	21 102
Basic and diluted earnings per linked units (cents)	196.17	85.69
Distribution per linked unit (cents)	77.25	64.51

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

R'000	Ordinary share capital	Non-distributable reserve	(Accumulated loss)/Retained earnings	Total
GROUP				
Balance at 30 June 2011	142	277 505	8 282	285 929
Transactions with owners of the company recognised directly in equity				
Issue of linked units	159			159
Transfer to non-distributable reserve		85 884	(85 884)	-
Total comprehensive income for the year				
Profit for the year			21 102	21 102
Balance at 30 June 2012	301	363 389	(56 500)	307 190
Transactions with owners of the company recognised directly in equity				
Transfer to non-distributable reserve		134 895	(134 895)	-
Total comprehensive income for the year				
Profit for the year			145 334	145 334
Balance at 30 June 2013	301	498 284	(46 061)	452 524

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	GROUP	
R'000	2013	2012
Cash flows from operating activities		
Cash generated by operations	147 770	89 544
Finance income received	1 616	2 005
Finance costs paid	(40 821)	(25 085)
Trust distributions – net rental income	-	(2 324)
Debenture interest paid	(86 810)	(34 516)
Income tax paid	(262)	(62)
Net cash inflow from operating activities	21 493	29 562
Cash flow from investing activities		
Additions to property, plant and equipment	(2 272)	(2 507)
Additions to investment property	(5 486)	(7 141)
Additions to other non-current assets	(1 020)	(5 566)
Acquisition of businesses	(84 583)	(479 711)
Net cash outflow from investing activities	(93 361)	(494 925)
Cash flow from financing activities		
Proceeds from issue of linked units	-	448 339
Advance of other financial liabilities	118 781	73 747
Repayment of other financial liabilities	(43 400)	(40 655)
Net cash inflow from financing activities	75 381	481 431
Net increase in cash and cash equivalents	3 513	16 068
Cash and cash equivalents at the beginning of the year	20 042	3 974
Cash and cash equivalents at the end of the year	23 555	20 042

BASIC, DILUTED, HEADLINE EARNINGS AND DISTRIBUTION PER LINKED UNIT

	GROUP	
	30 June	30 June
Cents per linked unit	2013	2012
Basic earnings per linked unit	196.17	85.69
Headline earnings per linked unit	97.44	3.81
Distribution per linked unit	77.25	64.51

BASIC EARNINGS PER LINKED UNIT

The calculation of basic earnings per linked unit was based on the earnings attributable to linked unitholders of R236.620 million (2012: R97.236 million), and a weighted average number of linked units in issue of 120,618,080 (2012: 113,474,635).

HEADLINE EARNINGS PER LINKED UNIT

The calculation of headline earnings per linked unit was based on headline earnings attributable to linked unitholders of R117.533 million (2012: R4.322 million), and a weighted average number of linked units in issue of 120,618,080 (2012: 113,474,635).

DILUTED BASIC EARNINGS AND DILUTED HEADLINE EARNINGS PER LINKED UNIT

There were no dilutive instruments in issue at year end.

DISTRIBUTION PER LINKED UNIT

The calculation of distribution per unit was based on the distributable earnings attributable to linked unitholders of R93.174 million (2012: R77.813 million), and an issued number of linked units of 120,618,080 (2012: 120,618,080).

	GROUP	
R'000	30 June 2013	30 June 2012
EARNINGS:		
Profit attributable to equity holders:	145 335	21 102
Adjust for:		
Trust distributions – net rental income	-	2 324
Debenture interest	93 174	75 489
Amortisation of debenture interest	(1 889)	(1 679)
Earnings attributable to linked unitholders	236 620	97 236
HEADLINE EARNINGS:		
Profit attributable to equity holders:	145 335	21 102
Adjust for:		
Trust distributions – net rental income	-	2 324
Impairment of goodwill	-	1 190
Debenture interest	93 174	75 489
Profit on sale of subsidiaries	(1 927)	-
Amortisation of debenture interest	(1 889)	(1 679)
Revaluation of investment property		
Gross revaluation	(36 320)	(115 607)
Deferred taxation	(80 840)	21 503
Headline earnings attributable to linked unitholders	117 533	4 322
DISTRIBUTABLE EARNINGS:		
Revenue	216 883	165 860
Property expenses	(74 948)	(57 875)
Other income	1 967	926
Less gain on bargain purchase	-	(830)
Other operating expenses	(3 169)	(15 274)
Add back listing costs	-	13 469
Asset management fees	(8 120)	(5 359)
Net finance cost	(39 205)	(23 080)
Finance income	1 616	2 005
Finance cost	(40 821)	(25 085)
Taxation	(234)	(25)
Distributable earnings	93 174	77 813

R'000	GROUP 30 June 2013	30 June 2012
Reconciliation of earnings to distributable earnings:		
Earnings attributable to linked unitholders	236 619	97 236
Straight-line rental adjustment	(12 957)	(5 994)
Gain on bargain purchase	-	(830)
Listing costs	-	13 469
Finance cost amortisation	-	45 695
Fair value adjustments	(45 405)	(106 836)
Deferred tax	(85 083)	35 073
	93 174	77 813

BASIS OF PRESENTATION

These audited consolidated financial statements have been prepared in accordance with the Listing Requirements of the JSE Limited, the recognition and measurement requirements of International Financial Reporting Standards (IFRS), presentation and disclosure requirements of IAS34, the South African Institute of Chartered Accountants (SAICA) financial reporting guidelines as issued by the Accounting Practices Committee (APC) and financial reporting pronouncements as issued by the Financial Reporting Standards Committee and the requirements of the Companies Act of South Africa. The accounting policies as set out in the audited financial statements for the year ended 30 June 2013 are in terms of IFRS and have been consistently applied when compared to the previous accounting period. These consolidated financial statements incorporate the financial statements of the company and its subsidiaries that in substance are controlled by the Group. Results of subsidiaries are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between Group enterprises are eliminated on consolidation.

BUSINESS COMBINATIONS

2012/2013

On 7 August 2012, the Fund acquired the property known as Brickfield, situated at 5-9 Brickfield Road, Salt River with a gross lettable area measuring 5 251m^2. The purchase price of R20 million was settled in cash.

The property known as Business Centre with a gross lettable area measuring 4 886m^2 was acquired on 6 November 2012 and is situated at 377 Rivonia Boulevard, Sandton. The purchase price of R64.5 million was settled in cash.

The table below indicates the net assets acquired in respect of the above-mentioned business combinations:

GROUP Net assets acquired:	Brickfield R'000	Business Centre R'000	Total R'000
Net assets acquired			
Investment property	20 004	64 579	84 583
After tax profits since acquisition	1 751	3 998	5 749
Full year after tax profits	1 880	6 157	8 037

OPERATING SEGMENTS

The Group has seven reportable segments based on the geographic split of the country which are the Group's strategic business segments. For each strategic business segments, the Group's CEO (the Chief Operating Decision Maker) reviews internal management reports on at least a monthly basis. All segments are located in South Africa. There are no single major customers.

The following summary describes the operations in each of the Group's reportable segments:

R'000	Head Office	Gauteng	Kwa-Zulu Natal	Northern Province
Extracts from the statement of comprehensive income 30 June 2013				
Investment property income	-	135 597	3 556	1 093
Straight-line rental adjustment	-	3 261	31	64
Property expenses	(504)	(51 277)	(1 044)	(209)
Segment results	(504)	87 581	2 543	948
Extracts from the statement of financial position as at 30 June 2013				
Investment property				
Opening balance	-	864 439	29 552	9 495
Additions through business combinations	-	64 579	-	-
Other additions	-	4 767	-	-
Straight-line rental adjustment	-	3 261	31	64
Cumulative fair value adjustments	-	36 845	(346)	187
Closing balance	-	973 891	29 237	9 746

R'000	Western Cape	Eastern Cape	North West	Total
Extracts from the statement of comprehensive income 30 June 2013				
Investment property income	57 032	11 938	7 667	216 883
Straight-line rental adjustment	8 266	713	622	12 957
Property expenses	(17 619)	(2 800)	(1 495)	(74 948)
Segment results	47 679	9 851	6 794	154 892
Extracts from the statement of financial position as at 30 June 2013				
Investment property				
Opening balance	376 310	89 599	56 999	1 426 394
Additions through business combinations	20 004	-	-	84 583
Other additions	2 402	244	-	7 413
Straight-line rental adjustment	8 266	713	622	12 957
Cumulative fair value adjustments	(4 406)	1 943	2 097	36 320
Closing balance	402 576	92 499	59 718	1 567 667

R'000	Head Office	Gauteng	Kwa-Zulu Natal	Northern Province
Extracts from the statement of comprehensive income 30 June 2012				
Investment property income	-	121 832	3 269	1 001
Straight-line rental adjustment	-	1 869	32	(57)
Property expenses	(1 353)	(43 196)	(894)	(171)
Segment results	(1 353)	80 505	2 407	773
Extracts from the statement of financial position as at 30 June 2012				
Investment property				
Opening balance	-	672 258	24 542	7 693
Additions through business combinations	-	121 749	-	-
Other additions	-	3 565	-	-
Straight-line rental adjustment	-	1 869	32	(57)
Cumulative fair value adjustments	-	64 998	4 978	1 859
Closing balance	-	864 439	29 552	9 495

R'000	Western Cape	Eastern Cape	North West	Total
Extracts from the statement of comprehensive income 30 June 2012				
Investment property income	28 284	7 567	3 907	165 860
Straight-line rental adjustment	3 512	214	424	5 994
Property expenses	(10 124)	(1 458)	(678)	(57 874)
Segment results	21 672	6 323	3 653	113 980
Extracts from the statement of financial position as at 30 June 2012				
Investment property				
Opening balance	55 944	22 000	-	782 437
Additions through business combinations	288 198	52 185	53 083	515 215
Other additions	320	3 256	-	7 141
Straight-line rental adjustment	3 512	214	424	5 994
Cumulative fair value adjustments	28 336	11 944	3 492	115 607
Closing balance	376 310	89 599	56 999	1 426 394

EVENTS AFTER THE REPORTING DATE

On 23 July 2013, the unitholders of the Fund voted in favour of the acquisition of the Greenstone Hill acquisition. The acquisition comprises 10 buildings in total. The Fund will therefore acquire the entire share capital and claims of Greenstone Hill Office Park Proprietary Limited in which 8 of the buildings are housed and 2 properties which are directly owned by Barrow Properties Proprietary Limited.

The Fund further embarked on a rights offer to raise R455 million, as mentioned above.

Details of the Greenstone Hill acquisition:

Description of property:	Buildings 2, 4, 5, 6 and 10-15 of the sectional title schemes known as Greenstone Hill Office Park SS1149/2008 and SS599/2009, and associated exclusive use areas, situated at Erf 1841 Greenstone Hill Extension 22 Township, Gauteng.
Region:	Gauteng
Sector:	Commercial
Vacancy:	$525m^2$
Gross lettable area (GLA):	$17\ 571m^2$
Property description and use:	Buildings/Offices

AUDIT REPORT

The Group's auditor, KPMG Inc., have issued an unmodified audit opinion on the complete set of audited financial statements for the year ended 30 June 2013. Their audit report is available for inspection at the registered office of the Company.

STATEMENT ON GOING CONCERN

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

MANAGEMENT

VPIF is fortunate to have retained the same leadership team since its formation five years ago. Their collective experience and commitment has undoubtedly proved beneficial to the establishment and growth of VPIF and we are confident that they will prove their worth once again.

CASH DISTRIBUTION WITH THE OPTION TO ELECT TO RE-INVEST THE CASH DISTRIBUTION IN RETURN FOR VPIF UNITS

Notice is hereby given of debenture interest payment number 4 of 39.25 cents per linked unit for the six months ended 30 June 2013.

Linked unitholders will be entitled to elect to re-invest the cash distribution in return for linked units ("Linked Unit Alternative"), failing which they will receive the cash distribution in respect of all or part of their unitholding.

Dematerialised linked unitholders are required to notify their duly appointed CSDP or broker of their election in the manner and time stipulated in the custody agreement entered into between them and their CSDP or broker.

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

	2013
Circular and Form of Election posted to unitholders	Friday, 30 August
Finalisation information announcement including linked unit alternative issue price ("finalisation date")	Friday, 6 September
Last day to trade ("LDT") *cum* distribution	Friday, 13 September
Linked units trade *ex* distribution	Monday, 16 September
Listing of maximum possible number of linked units on the JSE at the commencement of business	Tuesday, 17 September
Last day to elect to receive the linked unit alternative by 12h00 **(No late Forms of Election will be accepted)**	Friday, 20 September
Record date	Friday, 20 September
Announcement of results of cash distribution and linked unit alternative on SENS	Monday, 23 September
Cash distributions posted to any certificated linked unitholders and accounts credited by CSDP or broker of dematerialised linked unitholders on or about	Monday, 23 September
Linked unit certificates posted to any certificated linked unitholders and accounts credited by CSDP or broker of dematerialised linked unitholders electing the **linked unit alternative** on or about	Wednesday, 25 September
Announcement of results of cash distribution and linked unit alternative in the press	Wednesday, 25 September
Adjustment of maximum number of linked units listed on the JSE to reflect the actual number of linked units issued	Wednesday, 25 September

Notes:

Linked units may not be dematerialised or rematerialised between Monday, 16 September 2013 and Friday, 20 September 2013, both days inclusive.
All times indicated are South African times.
The above dates and times are subject to change and any changes will be released on SENS and published in the press.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to unitholders that the annual general meeting of unitholders of the Company will be held in the boardroom, Vunani House, 151 Katherine Street, Sandton at 11:00 on Friday 27 September 2013.

The following salient dates apply to the annual general meeting:

Last day to trade to be eligible to vote at the Annual General Meeting.	Friday, 13 September 2013
Record date for determining those shareholders entitled to vote at the Annual General Meeting.	Friday, 20 September 2013
Last day for receipt of forms of proxy for the Annual General Meeting (or they may be handed to the Chairman at the meeting).	By 11:00 on Wednesday, 25 September 2013

INTEGRATED ANNUAL REPORT

The Integrated Annual Report for the year ended 30 June 2013, incorporating the notice of annual general meeting will be mailed to unit holders on 26 August 2013.

Sandton
19 August 2013

Sponsor
Grindrod Bank Limited

Corporate Adviser
Vunani Corporate Finance