

VUNANI

PROPERTY INVESTMENT FUND

UNAUDITED CONDENSED CONSOLIDATED **2013**
INTERIM FINANCIAL RESULTS
for the six months ended 31 December

Financial highlights

R124,5 million REVENUE
(December 2012: R106,9 million) **(16,4% growth)**

R82,8 million NET PROPERTY INCOME
(December 2012: R75,0 million) **(10,4% growth)**

R1,8 billion PORTFOLIO
(December 2012: R1,5 billion) **(20,8% growth)**

40,00 cents DISTRIBUTIONS
PER LINKED UNIT
(December 2012: 38 cents) **(5,26% growth)**

965 cents LINKED UNIT PRICE
(December 2012: 960 cents) **(0,5% growth)**

877,81 cents NET ASSET VALUE PER
LINKED UNIT
(December 2012: 742,44 cents) **(18,2% growth)**

non-financial highlights

80% BLUE CHIP TENANTS

6,2% VACANCY

93% TENANT RETENTION

summary of financial performance

	Unaudited six months 31 Dec 2013	Unaudited six months 31 Dec 2012	Audited year to 30 Jun 2013
Net asset value per linked unit (cents)	877,81	742,44	861,86
Tangible net asset value per linked unit (cents)	874,96	811,92	858,05
Distribution per linked unit (cents)	40,00	38,00	77,25
Linked unit price (cents)	965,00	960,00	1 005,00
Loan to value (%)	17,1	35,0	31,3



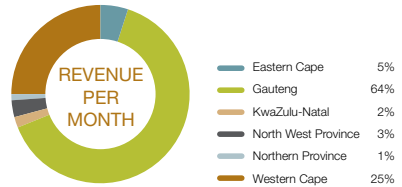
INTRODUCTION

Vunani Property Investment Fund Limited (“VPIF” or “the company” or “the Fund”) recently converted to a real estate investment trust (“REIT”) and offers investors an opportunity to participate in an office-dominated JSE listed property fund. The portfolio currently comprises 29 strategically located, high quality buildings/office parks, located in South Africa with a total Gross Lettable Area (“GLA”) of 163 324m² valued at R1,8 billion.

The board of directors is pleased to announce the interim results for the period ended 31 December 2013. The interim results are attractive given the stagnant economy and VPIF was able to maintain its high rating in all of its Key Performance Indicators due to tight, focussed management. The growth in distribution per linked unit of 5,26% underplays the Fund’s performance as 48,5 million units (an increase of 40%) were issued during the period. The underlying portfolio is performing well and the Fund is on track to deliver on its guidance of between 84 and 86 cents per linked unit for the full year. 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. Refurbishment of existing stock continues to enhance earnings as do new acquisitions. Volatility in the property sector has assisted sellers to be more realistic in their price expectations and the Fund has a solid acquisition pipeline that will deliver value to its unitholders. Many deals that the Fund has been assessing for some time can now be concluded at attractive yields. We anticipate that the next reporting period will see a material increase in our acquisitions, but not at the expense of yield and quality.

On 23 August 2013, VPIF successfully concluded its rights offer and issued 48,5 million new linked units, raising R455 million. The proceeds were used to settle the acquisition price of the Greenstone Hill Office Park properties and to settle existing variable debt to the extent of R180 million. The units were issued at a 4% discount to the closing clean price of VPIF linked units on the JSE on 4 July 2013. The Fund provides investors with a well-managed, low risk platform that is well-placed to deliver sustainable, above-market income growth.

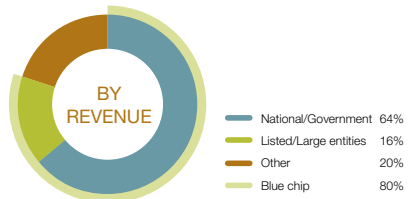
Geographical profile by revenue per month



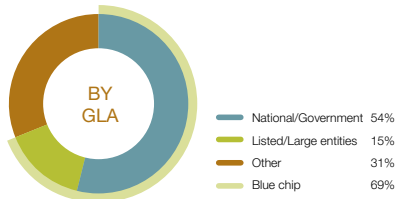
Sectoral profile by revenue per month



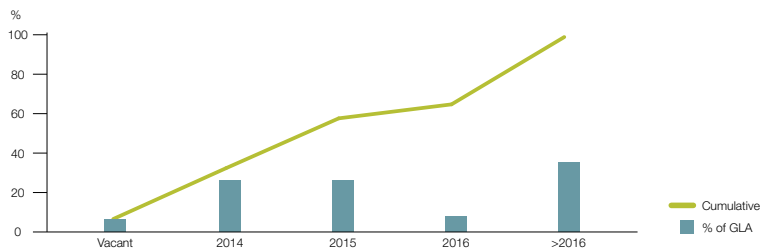
Tenant profile by revenue per month



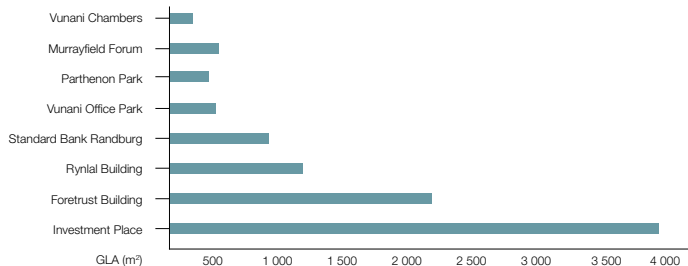
Tenant profile by GLA



Lease expiry profile



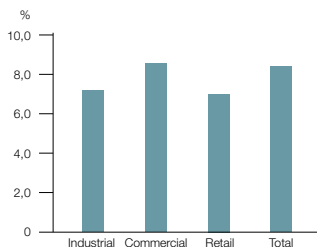
Vacancies per building



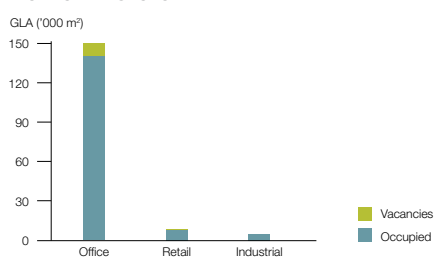
At 31 December 2013 the property portfolio reported a vacancy level of 6,2%.

	Total GLA m ²	Vacant 31 Dec 2013 %	Vacant 30 Jun 2013 %
Office	149 976	6,0	5,4
Retail	8 096	0,2	0,2
Industrial	5 251	–	–
Total	163 324	6,2	5,6

Weighted average lease escalation rental per m² per sector



Vacancy by sector



The abovementioned vacancy includes 2,2% of vacancy at Investment Place which was extensively refurbished. The weighted average lease escalation is 8,4% for the portfolio.

Reconciliation of change in GLA of the Fund	Total GLA at 30 Jun 2013 m ²	Net increase in GLA m ²	Total GLA at 31 Dec 2013 m ²
Office	132 247	17 729	149 976
Retail	8 096	–	8 096
Industrial	5 251	–	5 251
Total	145 594	17 729	163 324

ACQUISITIONS/BUSINESS COMBINATIONS

During the period the Fund made the following acquisition:

	Transfer date	Acquisition cost R'000	GLA m ²	Acquisition yield %	Weighted average annual escalation %
	1 Aug 2013 and				
Greenstone Hill Office Park	30 Oct 2013	148 575	17 729	8,8	7,0

This office park consists of 10 buildings in the sectional title schemes known as Greenstone Hill Office Park, situated at Erf 1841 Greenstone Hill Extension 22 Township, Gauteng and occupied 83% by national and listed tenants with an average lease expiry of 4,2 years.

	Total R'000
Net assets acquired	
Investment property	266 775
Trade and other receivables	105
Income tax receivable	365
Cash and cash equivalents	323
Other financial liabilities	(117 383)
Trade and other payables	(1 610)
Net assets acquired	148 575
Cost of investment	148 575
Settlement of cost of investment:	
Cash paid	148 575

POST-BALANCE SHEET EVENTS

On 14 January 2014, in accordance with the general authority granted at the annual general meeting of unitholders held on 27 September 2013, the company cumulatively purchased 5,3% (R86 million) of its linked units on the JSE Limited ("JSE"), through its subsidiary, Vunani Property Investment Trust, at 965 cents per linked unit.

The management and board of VPIF are committed to the transformation and empowerment objectives of South Africa and have expended considerable effort in addressing VPIF's objective of having a meaningful, sustainable and commercially driven black economic empowerment shareholding at the listed level. This purchase is in anticipation of the proposed BBBEE structure which will be implemented in the second quarter of 2014 once all relevant details and investors have been identified and finalised.

On 16 January 2014 unitholders approved the delinking of the linked units, the termination of the Debenture Trust Deed, the termination of the debentures and the capitalisation of the value of the debentures in the books of account of VPIF to form part of VPIF's stated capital as well as the conversion of the company's ordinary par value shares into ordinary shares with no par value, which took effect on Monday, 17 February 2014.

FAIR VALUE ADJUSTMENTS

The entire portfolio, with the exception of the Greenstone property (valued at 1 April 2013), was independently valued at 30 June 2013 and the board of directors does not believe that a revaluation of the properties is warranted as there are no factors that would materially affect the valuation of the portfolio for the period ended 31 December 2013.

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 increasing slightly to R4,2 million (30 June 2013: R4,1 million). Significantly, there were no new defaulters in the reporting period.

BORROWINGS

At 31 December 2013 the Fund had a loan to value of 17,1% (30 June 2013: 31,3%). The Fund remains capitalised to take advantage of yield-enhancing acquisitions. The Fund has an average cost of debt of 9,2% with R355 million of the outstanding debt hedged through the use of interest rate swaps

	Unaudited six months 31 Dec 2013 R'000	Unaudited six months 31 Dec 2012 R'000	Audited year to 30 Jun 2013 R'000
Standard Bank Limited loan – carried at cost	358 390	532 325	533 305
Fair value of interest rate swaps	4 887	21 260	5 796
Carried at fair value through profit or loss	363 277	553 585	539 101
Less amount to be settled within 12 months and included in current liabilities	–	(324 196)	(319 196)
Redraw portion of facility	(43 818)	–	–
Non-current portion of other financial liabilities	319 459	229 389	219 905
Amount to be settled within 12 months and included in current liabilities	–	324 196	319 196
Less redraw portion of facility	–	(36 000)	(43 400)
Current portion of other financial liabilities	–	288 196	275 796

At 30 June 2013, the current portion of the facilities were extended for a further three years.

BASIS OF ACCOUNTING

The condensed financial results for the six months to 31 December 2013 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, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act 71, of 2008 and the JSE Limited Listings Requirements.

The accounting policies applied in the preparation of the results for the period ended 31 December 2013 are in terms of IFRS and consistent with those adopted in the financial statements for the year ended 30 June 2013. These interim condensed financial results have been prepared by Marelise de Lange, BCom(Hon)(Acc).

The accounting policies as set out in the audited financial statements for the year ended 30 June 2013 have been consistently applied. 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 two billion 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 traded as linked units on the JSE at 31 December 2013. In terms of the Debenture Trust Deed, the interest payable on the debenture is calculated in accordance with the distributable income formula which is distributed 100% annually. During the period 48 503 939 new linked units were issued in terms of a rights offer.

On 16 January 2014 unitholders of the company approved the delinking of the linked units, the termination of the Debenture Trust Deed, the termination of the debentures and the capitalisation of the value of the debentures in the books of account of VPIF to form part of VPIF's stated capital, as well as the conversion of the company's ordinary par value shares into ordinary shares with no par value, which took effect on Monday, 17 February 2014.

PROSPECTS

Despite the difficult economic climate, the portfolio has performed well over the past six months and is on track to deliver on the guidance previously provided to the market. The board will continue to focus on its 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

The board has approved and notice is hereby given of an interim distribution (distribution number 5) of 40,00 cents per linked unit for the six months ended 31 December 2013.

In accordance with VPIF's status as a REIT, linked unitholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). Accordingly, qualifying distributions received by local tax residents must be included in the gross income of such linked unitholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the linked unitholder. These qualifying distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident linked unitholders, subject to provision of the required declarations to the unitholders' Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated linked units, or the company, in respect of certificated linked units.

Qualifying distributions received by non-resident linked unitholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k)(i) of the Income Tax Act. It should be noted that until 31 December 2013 qualifying distributions received by non-residents were not subject to dividend withholding tax. From 1 January 2014, any qualifying distribution received by a non-resident from a REIT will be

subject to dividend withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation between South Africa and the country of residence of the linked unitholder. Assuming dividend withholding tax will be withheld at a rate of 15%, the net amount due to non-resident linked unitholders will be 34,00 cents per linked unit.

Local tax resident linked unitholders as well as non-resident linked unitholders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

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

Declaration date	Monday, 24 February 2014
Last date to trade in order to participate in the cash distribution	Thursday, 20 March 2014
Linked units trade ex-distribution	Monday, 24 March 2014
Record date	Friday, 28 March 2014
Payment date	Monday, 31 March 2014

Linked units may not be dematerialised or rematerialised between Monday, 24 March 2014 and Friday, 28 March 2014, both dates inclusive.

On behalf of the board

PD Naidoo

Chairman

24 February 2014

RF Kane

Chief Executive Officer

statement of comprehensive income

	Unaudited six months 31 Dec 2013 R'000	Unaudited six months 31 Dec 2012 R'000	Audited year to 30 Jun 2013 R'000
Investment property income	124 534	106 949	216 883
Straight-line rental adjustment	2 380	5 954	12 957
Revenue	126 914	112 903	229 840
Property expenses	(44 133)	(37 896)	(74 948)
Net property income	82 781	75 007	154 892
Other income	5 800	52	1 967
Other operating expenses	(2 231)	(1 070)	(3 169)
Asset management fees	(4 502)	(3 806)	(8 120)
Operating profit	81 848	70 183	145 570
Finance income	1 107	676	1 616
Finance costs	(16 110)	(17 814)	(40 821)
Fair value adjustments	909	(4 491)	45 405
Profit before debenture interest and income tax	67 754	48 554	151 770
Debenture interest	(67 649)	(45 835)	(93 174)
Profit before amortisation of debenture premium	105	2 719	58 596
Amortisation of debenture premium	2 159	953	1 889
Profit before income tax	2 264	3 672	60 485
Income tax	(593)	(3 312)	84 849
Current tax	(823)	–	(234)
Deferred tax	230	(3 312)	85 083
Profit for the period	1 671	360	145 334
Total comprehensive income for the period attributable to equity holders	1 671	360	145 334



reconciliation of attributable income to earnings headline earnings and distributable income

	Unaudited six months 31 Dec 2013 R'000	Unaudited six months 31 Dec 2012 R'000	Audited year to 30 Jun 2013 R'000
Total comprehensive income for the period attributable to equity holders	1 671	360	145 334
Debt interest	67 649	45 835	93 174
Amortisation of debt premium	(2 159)	(953)	(1 889)
Earnings attributable to linked unitholders	67 161	45 242	236 619
Earnings attributable to linked unitholders	67 161	45 242	236 619
Profit on sale of subsidiary	–	–	(1 927)
Gross revaluation of investment property	–	–	(36 320)
Deferred tax on revaluation	–	–	(80 840)
Headline earnings attributable to linked unitholders	67 161	45 242	117 532
Earnings attributable to linked unitholders	67 161	45 242	236 619
Straight-line rental adjustment	(2 380)	(5 954)	(12 957)
Fair value adjustments	(909)	4 491	(45 405)
Deferred tax	(230)	3 312	(85 083)
Distributable income	63 641	47 091	93 174
NUMBER OF LINKED UNITS			
Linked units in issue ('000)	169 122	120 618	120 618
Weighted average number of linked units in issue ('000)	142 850	120 618	120 618
Distribution per linked unit (cents)	40,00	38,00	77,25
Distribution per linked unit (cents)	37,63	39,04	77,25
Earnings per linked unit (cents)	47,00	37,51	196,17
Headline earnings per linked unit (cents)	47,00	37,51	97,44

statement of financial position

	Unaudited six months 31 Dec 2013 R'000	Unaudited six months 31 Dec 2012 R'000	Audited year to 30 Jun 2013 R'000
ASSETS			
Non-current assets	1 856 056	1 534 207	1 586 016
Investment property	1 838 450	1 520 909	1 567 667
Property, plant and equipment	6 381	5 799	6 734
Other non-current assets	6 408	7 499	7 028
Deferred tax	4 817	–	4 587
Current assets	56 725	44 511	34 882
Trade and other receivables	15 211	13 514	11 261
Income tax receivable	–	47	66
Cash and cash equivalents	41 514	30 950	23 555
Total assets	1 912 781	1 578 718	1 620 898
EQUITY AND LIABILITIES			
Equity	454 317	307 550	452 524
Ordinary share capital	423	301	301
Accumulated loss	(50 253)	(53 616)	(46 061)
Non-distributable reserve	504 147	360 865	498 284
Debentures	1 031 257	587 965	587 029
Linked unitholders' interest	1 484 574	895 515	1 039 553
Other liabilities			
Other non-current liabilities	319 459	313 196	219 905
Other financial liabilities	319 459	229 389	219 905
Deferred tax	–	83 807	–
Current liabilities	107 784	370 007	361 440
Current portion of other financial liabilities	–	288 196	275 796
Trade and other payables	40 043	35 977	38 305
Linked unitholders for distribution	67 649	45 834	47 339
Current tax payable	56	–	–
Total liabilities	427 207	683 203	581 345
Total equity and liabilities	1 912 781	1 578 718	1 620 898
Linked units in issue ('000)	169 122	120 618	120 618
Net asset value per linked unit (cents)	877,81	742,44	861,86
Net tangible asset value less deferred tax per linked unit (cents)	874,96	811,92	858,05

condensed statement of cash flows

	Unaudited six months 31 Dec 2013 R'000	Unaudited six months 31 Dec 2012 R'000	Audited year to 30 Jun 2013 R'000
Cash generated from operations	81 155	33 702	147 770
Finance income received	1 107	676	1 616
Finance costs paid	(16 110)	(17 814)	(40 821)
Income tax paid	(757)	(10)	(262)
Distributions paid to unitholders	(47 339)	(40 974)	(86 810)
Net cash inflow from operating activities	18 056	24 420	21 493
Net cash outflow from investing activities	(270 362)	(87 446)	(93 361)
Net cash inflow from financing activities	270 265	122 774	75 381
Net cash increase in cash and cash equivalents	17 959	10 908	3 513
Cash and cash equivalents at the beginning of the period	23 555	20 042	20 042
Cash and cash equivalents at the end of the period	41 514	30 950	23 555

statement of changes in equity

	Ordinary share capital R'000	Non- distributable reserve R'000	(Accumulated loss)/retained earnings R'000	Total R'000
Balance at 31 December 2012	301	360 865	(53 616)	307 550
<i>Total comprehensive income for the period:</i>				
Profit for the period	–	–	144 974	144 974
Transfer to non-distributable reserve		137 419	(137 419)	–
Balance at 30 June 2013	301	498 284	(46 061)	452 524
<i>Transactions with owners of the company recognised directly in equity:</i>				
Issue of linked units	122	–	–	122
<i>Total comprehensive income for the period:</i>				
Profit for the period	–	–	1 671	1 671
Transfer to non-distributable reserve	–	5 863	(5 863)	–
Balance at 31 December 2013	423	504 147	(50 253)	454 317

condensed segmental analysis

	Gauteng R'000	KwaZulu- Natal R'000	Northern Cape R'000	Western Cape R'000	Eastern Cape R'000	North West R'000	Total R'000
FOR THE SIX MONTHS TO 31 DECEMBER 2013							
Extracts from the statement of comprehensive income							
Investment property income	82 018	1 824	581	29 828	6 326	3 957	124 534
Straight-line rental adjustment	(1 470)	(43)	7	3 419	341	126	2 380
Property expenses	(31 429)	(407)	(111)	(10 015)	(1 433)	(738)	(44 133)
Segmental results	49 119	1 374	477	23 232	5 234	3 345	82 781
Extracts from the statement of financial position							
Investment property							
Opening balance (30 June 2013)	973 891	29 237	9 746	402 576	92 499	59 718	1 567 667
Additions through business combinations	266 775	-	-	-	-	-	266 775
Other additions	1 628	-	-	-	-	-	1 628
Straight-line rental adjustment	(1 470)	(43)	7	3 419	341	126	2 380
Closing balance	1 240 824	29 194	9 753	405 995	92 840	59 844	1 838 450
FOR THE SIX MONTHS TO 31 DECEMBER 2012							
Extracts from the statement of comprehensive income							
Investment property income	66 661	1 695	543	28 513	5 938	3 599	106 949
Straight-line rental adjustment	640	79	26	4 344	491	374	5 954
Property expenses	(26 833)	(410)	(106)	(8 439)	(1 359)	(749)	(37 896)
Segmental results	40 468	1 364	463	24 418	5 070	3 224	75 007
Extracts from the statement of financial position							
Investment property							
Opening balance (30 June 2012)	864 436	29 552	9 496	376 309	89 601	57 000	1 426 394
Additions through business combinations	64 579	-	-	20 004	-	-	84 583
Other additions	2 677	-	-	1 288	13	-	3 978
Straight-line rental adjustment	640	79	26	4 344	491	374	5 954
Closing balance	932 332	29 631	9 522	401 945	90 105	57 374	1 520 909

corporate information

VUNANI PROPERTY INVESTMENT FUND LIMITED

Granted REIT status by the JSE
Incorporated in the Republic of South Africa
Registration number: 2005/019302/06
JSE code: VPF | ISIN: ZAE000185872
Listed on the JSE Limited (JSE)

PHYSICAL/REGISTERED AND POSTAL ADDRESS

Vunani House, Vunani Office Park, 151 Katherine Street, Sandown, Sandton 2196
PO Box 652419, Benmore 2010

Telephone number: +27 11 263 9500
Facsimile number: +27 11 388 6849

COMPANY SECRETARY

Probity Business Services Proprietary Limited
N Toerien

SPONSOR

Grindrod Bank Limited

BOARD OF DIRECTORS

PD Naidoo* (*Chairman*), RF Kane† (*Chief Executive Officer*), M de Lange† (*Financial Director*), RR Emslie*■, JR Macey*■, EG Dube‡, PW Mackenzie†, CE Chimombe-Munyoro*, PM Tau-Sekati*■, KN Vundla*■

* *Independent non-executive director*

■ *Member of audit and risk committee*

† *Executive director*

Non-executive director

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001

VUNANI
PROPERTY INVESTMENT FUND

WWW.VPIF.CO.ZA