VUKILE
PROPERTY FUND LIMITED

CONDENSED FINANCIAL STATEMENTS AND INTERIM RESULTS

for the six months ended 30 September 2010

Distribution for the six months **up 7.5%** on comparable period

Rentable area of portfolio **exceeds 1 million m²**

Nine properties worth R537.8 million **acquired**

Overall cost of **funding reduced from 10.4% to 9.74%**

COMMENTS

1. Nature of operations

The group is a long term investor in commercial properties with strong contractual cash flows for long-term sustainability and capital appreciation.

2. Basis of preparation

The unaudited condensed interim financial statements ("interim financial statements") for the six months ended 30 September 2010, and comparative information, have been prepared in terms of IAS 34 (Interim Financial Reporting), AC 500 Standards as issued by the Accounting Practices Board, the JSE Listings Requirements and relevant sections of the South African Companies Act 1973, as amended. The interim financial statements do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements of the group for the year ended 31 March 2010.

The condensed interim financial statements have been approved for issue by the board of directors on 22 November 2010.

3. Significant accounting policies

The interim financial statements have been prepared in terms of IFRS and in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 March 2010, except for the adoption of the following standards as of 1 April 2010:

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

Details of the above standards were set out in the annual financial statements at 31 March 2010 and have not had any impact on these interim results.

4. Significant event and transactions

During this reporting period, the group acquired nine properties from Sanlam and disposed of two properties as outlined in more detail in paragraph 6.

The refinancing of R462 million of securitised debt was successfully concluded on 8 November 2010 - refer to further details in paragraph 13.

5. Financial results

The directors of Vukile are pleased to report that the distribution for the six months ended 30 September 2010 has increased by 7.5% to 50.525 cents per linked unit from 47 cents per linked unit. The group's net rental income, exclusive of straight-line rental accruals, has increased by 9.25% over the comparable period. Net profit available for distribution has increased by 13.2%, from 49.27 cents per linked unit to 55.77 cents per linked unit. This higher than normal increase is primarily due to a timing difference, as sales commission from the asset management business is not earned equally over a 12 month period. If this and other timing differences are taken into account, the increase in net profit over the comparable period reduces to 8.1%. This is in line with expectations following a period characterised by tough trading conditions and increasing vacancies.

Summary of financial performance

	Sept 2010	Sept 2009	Mar 2010
Net asset value per linked unit (cents)	**1 074**	910	986
Distribution per linked unit (cents)	**50.525**	47.0	107.9
Loan to value ratio	**29.5%**	32.6%	30.2%

The increase in the distribution of 3.5 cents per linked unit is made up as follows:

	Sept 2010 Cents per linked unit
Contribution to increased rental income	11.2
■ Increase in rentals	5.8
■ Higher recoveries of electricity and rates and taxes	4.0
■ Other	1.4
Less: Increase in property expenditure	(2.0)
■ Higher electricity and rates and taxes charges	(4.4)
■ Refurbishment projects carried beyond Sept 2010	0.9
■ Reduction in asset management fees	1.5
Net increase in group property revenue	9.2
Net income from asset management business	7.1
Net increase in finance costs	(3.0)
Increase in administrative expenses/taxation	(1.3)
Timing difference retained	(3.0)
Adjustment for new linked units issued	(5.5)
Net increase in distribution	3.5

6. Acquisition and disposals

At the general meeting of unitholders held on Tuesday 24 August 2010, the unitholders approved the acquisition of nine properties for R537.6 million. As the properties were only registered on 3 September 2010, and not the originally envisaged 31 August 2010, the purchase price increased marginally to R537.8 million.

This acquisition was funded as follows:

	R'm
■ Cash on hand	100.3
■ Issue of linked units	235.7
■ Bank debt	201.8
	537.8

The Hillcrest and Pongola Shopping Centres were sold during the reporting period for a total of R47.1 million, generating an accounting loss of R14.75 million. The excess between proceeds received and purchase price of the sold properties amounted to R14 million.

The movement in investment properties during the reporting period is summarised below:

	Investment properties R000	Capitalised lease commissions R000	Total R000
Balance 1 April 2010	4 888 936	14 549	4 903 485
Change in fair value of investment properties	364 636	-	364 636
Expansion and development costs	39 823	-	39 823
Tenant Installation costs	7 861	-	7 861
Portfolio acquisition including transaction costs	541 155	-	541 155
Sale of properties	(61 892)	-	(61 892)
Reduction of capitalised lease commissions	-	(1 222)	(1 222)
Balance 30 September 2010	5 780 519	13 327	5 793 846

	R000
Allocated as follows:	
■ Non-current assets	5 763 405
■ Non-current assets held for sale	30 441
Total	5 793 846

7. Borrowings

The company raised bank debt of R201.8 million to partly fund the acquisition of the R537.8 million property portfolio, referred to above.

The interest rate risk on this loan has been hedged to 2 September 2013 and an all-in cost of funding of 8.13% has been achieved. The tenure of four interest rate swaps was extended to match the maturity dates of the underlying loans, at lower interest rates.

Taking the benefits of the lower swap rates into account, as well as the refinanced R462 million securitisation debt (refer paragraph 13), the overall cost of funding of the Vukile group has reduced from 10.4% at 31 March 2010 to 9.74%.

The group's interest rate risk on long-term debt is hedged using interest rate swap agreements for periods expiring between two and three years. Due to the fact that 97% of the group's interest rate risk on long-term debt is hedged or fixed, changes in interest rates will have little impact on the group's cost of debt for the current financial year.

The group has a facility of R114 million available which can be utilised without credit approval due to the equity available in the non-securitised portfolio. The group has also negotiated a new R350 million facility for the acquisition of investment properties, subject to credit approvals and the registration of mortgage bonds over the properties to be aquired.

8. Share issue

In order to partly fund the acquisition of properties referred to in paragraph 6, the company issued 18 994 341 linked units in a vendor placement, at a price equivalent to the 20 day VWAP less a 5% discount, which equated to R12.41 per linked unit. This generated cash of R235.7 million.

9. Property portfolio

The combined property portfolio currently comprises 82 properties with a gross lettable area of 1 010 152m².

The sectoral spread by gross rentals comprises 28% commercial, 54% retail and 18% industrial.

During the six month period under review, new leases and renewals with a total area of 106 374m² and a contract value of R756 million were concluded. This includes the renewal of the lease at the Louis Leipoldt Hospital for a 15 year period at a contract value of R500 million. Since 1 October 2010, leases and renewals with a total area of 13 745m² and a contract value of R82 million have been concluded.

Bad debt write-offs have been in line with expectations for the six month period. The provision for doubtful debts at 30 September 2010 is R7.4 million (R10.2 million at 31 March 2010) which is considered adequate at this stage.

The vacancy profile (% gross rentals) below indicates that the overall vacancy percentage has increased from 4.1% at 31 March 2010 to 5.3% at 30 September 2010.

10. Valuations

The directors have valued the group's property portfolio at R5.78 billion as at 30 September 2010. Inclusive of the portfolio acquisition of R537.8 million, this represents an increase in the directors' valuation of R892 million as compared to the valuation at 31 March 2010. The directors valued the properties utilising the discounted cashflow methodology.

In terms of the company's accounting policies, approximately 50% of all properties are valued every six months on a rotational basis by qualified independent external valuers. The external valuation by Colliers Property Facilities Management (Pty) Ltd and CB Richard Ellis (Pty) Ltd of approximately 44% of the total portfolio is R152.6 million (6.0%) lower than the directors' valuation of the same properties at 30 September 2010. This differerence is attributable to a marginal difference in views with regards to future capitalisation rates and discount rates.

11. Developments and expansion projects

The expansions at Oshakati Shopping Centre and Oshikango Centre have been completed within budget.

12. Segment reporting

The revenues and profit generated by the group's operating segments and segment assets are summarised in the table below.

During the six month period to 30 September 2010, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profits.

13. Events after the reporting date

On 8 November 2010, securitisation debt of R462 million was successfully refinanced through a "tap" at an all-in cost of finance of 9.66%, which is 0.54% lower than the previous rate of 10.20%. The issue was 2.7 times oversubscribed.

14. Replacement of CEO

As previously announced, the current CEO, Gerhard van Zyl, has resigned from Vukile with effect from 31 March 2011. The board has initiated discussions with a candidate which may only be concluded early in 2011. To ensure a smooth handover, Gerhard van Zyl has agreeed to remain on as CEO.

15. Prospects

It has become clear that a recovery in the property sector will take longer to materialise than originally anticipated. Trading conditions remain tough and there is little growth in rentals.

In accordance with its strategy to grow the portfolio, Vukile intends to exercise the option it has to aquire certain properties valued at approximately R500 million from Sanlam Life which has to be exercised prior to 31 December 2010. At this stage, the relevant properties have been identified and Vukile is in the process of evaluating the future income streams in order to formulate an offer to Sanlam Life if the option is exercised.

Therefore taking the above into account and, given the inherent quality of the Vukile portfolio and the astute management of the portfolio by our management team and service providers, the board is of the opinion that the company will be able to deliver reasonable growth in distributions for the year ending 31 March 2011. This information has not been reviewed and reported on by Vukile's auditors.

16. Payment of debenture interest and dividend

Notice is hereby given of a distribution amounting to 50.525 cents per linked unit, for the six-month period to 30 September 2010. The distribution comprises interest on debentures of 50.422 cents per linked unit and a dividend of 0.103 cents per linked unit.

Last date to trade cum distribution	Thursday, 9 December 2010
Linked units trade ex distribution	Friday, 10 December 2010
Record date for unitholders to participate in the distribution	Friday, 17 December 2010
Payment of distribution	Monday, 20 December 2010

Linked unit certificates may not be dematerialised or re-materialised between Friday, 10 December 2010 and Friday, 17 December 2010, both days inclusive.

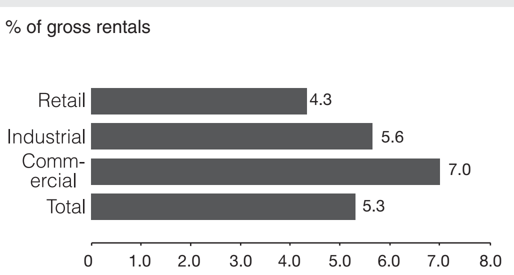
On behalf of the board

AD Botha
Chairman

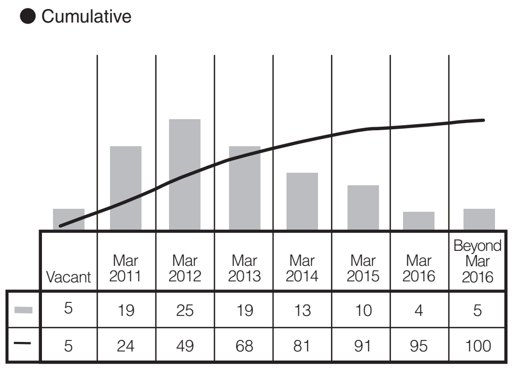
G van Zyl
Chief executive

Roodepoort
22 November 2010

Vacancy profile



Group lease expiry profile



	Vacant	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Beyond Mar 2016
■	5	19	25	19	13	10	4	5
—	5	24	49	68	81	91	95	100

Segmental analysis

Group income for the six months ended 30 September 2010	Industrial R000	Commercial R000	Retail R000	Total R000	Asset management business R000	Total group R000
Property revenue	62 219	116 125	216 526	394 870	44 466	439 336
Property expenses	(22 686)	(36 247)	(80 773)	(139 706)	(20 626)	(160 332)
	39 533	79 878	135 753	225 164	23 840	279 004
Add: Excluded item						
Straight-line rental income accrual	2 405	4 488	8 369	15 262	-	15 262
Net profit from property operations	41 938	84 366	144 122	270 426	23 840	294 266
Group balance sheet at 30 September 2010						
Assets						
Investment properties	1 046 827	1 728 236	2 975 015	5 750 078		5 750 078
Add: Lease commissions	-	-	-	13 327		13 327
				5 763 405		5 763 405
Add: Goodwill	5 114	4 978	66 207	76 299		76 299
Intangible asset					362 767	362 767
Investment property held for sale	30 441	-	-	30 441		30 441
	1 082 382	1 733 214	3 041 222	5 870 145	362 767	6 232 912
Add: Excluded items						
Development expenditure						166
Furniture, fittings and computer equipment						1 603
Available-for-sale financial assets						15 457
Financial asset at amortised cost						5 450
Trade and other receivables						52 930
Cash and cash equivalents						149 334
Total assets						6 457 852
Liabilities						
Linked debentures and premium	277 113	458 755	798 552	1 534 420	583 183	2 117 603
Interest bearing borrowings	306 990	508 214	884 650	1 699 854		1 699 854
	584 103	966 969	1 683 202	3 234 274	583 183	3 817 457
Add: Excluded items						
Equity attributable to owners of the parent						1 653 186
Derivative financial instrument						36 051
Deferred taxation						632 975
Trade and other payables						143 504
Current taxation liabilities						5 510
Linked unitholders for distribution						169 169
Total liabilities						6 457 852

Unaudited condensed consolidated statement of comprehensive income

	Unaudited 30 Sept 2010 R000	Unaudited 30 Sept 2009 R000	Audited 31 Mar 2010 R000
Property revenue	394 870	357 442	742 072
Straight-line rental income accrual	15 262	1 413	7 041
Gross property revenue	410 132	358 855	749 113
Property expenses	(139 706)	(133 125)	(267 061)
Profit from property operations	270 426	225 730	482 052
Administrative expenses	(12 531)	(10 241)	(23 781)
Operating profit	257 895	215 489	458 271
Net profit from the asset management business	23 840	-	3 067
Investment and other income	5 701	5 531	21 188
Finance costs	(78 422)	(68 272)	(145 340)
Profit before debenture interest	209 014	152 748	337 186
Debenture interest	(168 825)	(138 626)	(319 231)
Profit before capital items	40 189	14 122	17 955
Capital items			
Amortisation of debenture premium	1 832	390	1 361
(Loss)/profit on sale of revalued properties	(14 753)	1 386	1 387
Profit before fair value adjustments	27 268	15 898	20 703
Fair value adjustments	349 374	(6 736)	293 975
Gross change in fair value of investment properties	364 636	(5 323)	301 016
Straight-line rental income adjustment	(15 262)	(1 413)	(7 041)
Profit before taxation	376 642	9 162	314 678
Taxation	(105 303)	(4 551)	(79 081)
Profit for the period after taxation	271 339	4 611	235 597
Other comprehensive (losses)/gains			
Cash flow hedging	(7 848)	3 642	(11 436)
■ current period (losses)/gains	(7 914)	3 131	(22 390)
■ reclassification to profit or loss	66	511	10 954
Available-for-sale financial assets	(820)	(1 418)	(6 486)
■ current period (losses)/profits	(820)	(1 418)	(6 486)
Other comprehensive (losses)/income for the period, net of tax	(8 668)	2 224	(17 922)
Total comprehensive income for the period	262 671	6 835	217 675
Earnings per share			
Basic earnings per share (cents)	131.99	48.46	182.37
Diluted earnings per share (cents)	131.99	48.46	182.37
Total number of linked units in issue (000)	351 015	295 551	332 021
Weighted average number of linked units in issue (000)	333 478	295 551	304 244

Reconciliation: Headline earnings and distributable earnings

	Unaudited 30 Sept 2010 R000	Unaudited 30 Sept 2009 R000	Audited 31 Mar 2010 R000
Attributable profit for the period after taxation	271 339	4 611	235 597
Adjusted for:			
Net change in fair value of investment properties	(349 374)	6 736	(293 975)
Total tax effects of adjustments	93 216	(1 597)	70 139
Loss/(profit) on sale of revalued properties	14 753	(1 386)	(1 387)
Amortisation of debenture premium	(1 832)	(390)	(1 361)
Debenture interest	168 825	138 626	319 231
Headline earnings of linked units	196 927	146 600	328 244
Straight-line rental accrual net of deferred taxation	(10 949)	(982)	(4 979)
Available for distribution	185 978	145 618	323 265
Distribution to unitholders			
Interest	168 825	138 626	319 231
Dividend	344	283	651
Total distribution	169 169 (1)	138 909	319 882
Headline earnings per linked unit (cents)	59.05	49.60	107.89
Available for distribution per linked unit (cents)	55.77	49.27	109.54

Note:
1. Made up as follows:

Linked units in issue	Dividends	Debenture interest	Participation period
332 020 877	341 656.92	167 411 891.18	183 days
18 994 341	2 883.78	1 413 050.93	27 days
351 015 218	344 540.70	168 824 942.11	

Unaudited condensed consolidated statement of financial position

	Unaudited 30 Sept 2010 R000	Unaudited 30 Sept 2009 R000	Audited 31 Mar 2010 R000
ASSETS			
Non-current assets	6 225 147	4 634 414	5 272 170
Investment properties	5 662 078	4 465 772	4 725 437
■ Investment properties	5 763 405	4 547 106	4 811 152
■ Straight-line rental income adjustment	(101 327)	(81 334)	(85 715)
Other non-current assets	563 069	168 642	546 733
Intangible asset	362 767	-	362 767
Straight-line rental income asset	101 327	81 334	85 715
Development expenditure	166	908	1 391
Furniture, fittings and computer equipment	1 603	86	1 510
Available-for-sale financial asset	15 457	10 015	13 601
Financial asset at amortised cost	5 450	-	5 450
Goodwill	76 299	76 299	76 299
Current assets	202 264	244 509	261 066
Trade and other receivables	52 930	30 698	46 741
Cash and cash equivalents	149 334	213 811	214 325
Investment properties held for sale	30 441	16 046	92 333
Total assets	6 457 852	4 894 969	5 625 569
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	1 653 186	1 154 866	1 381 502
Non-current liabilities	4 025 123	3 486 252	3 463 718
Linked debentures and premium	2 117 603	1 534 029	1 890 753
Other interest bearing borrowings	1 238 494	1 471 422	1 012 203
Derivative financial instruments	36 051	18 971	28 136
Deferred tax liabilities	632 975	461 830	532 626
Current liabilities	779 543	253 851	780 349
Trade and other payables	143 504	111 157	136 275
Short-term borrowings	461 360	-	460 727
Current taxation liabilities	5 510	3 785	2 373
Linked unitholders for distribution	169 169	138 909	180 974
Total equity and liabilities	6 457 852	4 894 969	5 625 569

Unaudited condensed consolidated statement of cash flows

	Unaudited 30 Sept 2010 R000	Unaudited 30 Sept 2009 R000	Audited 31 Mar 2010 R000
Cash flow from operating activities	270 664	208 909	452 245
Cash flow from investing activities	(536 532)	(16 763)	(410 110)
Cash flow from financing activities	200 877	(39 142)	111 383
Net (decrease)/increase in cash and cash equivalents	(64 991)	153 004	153 518
Cash and cash equivalents at the beginning of the period	214 325	60 807	60 807
Cash and cash equivalents at the end of the period	149 334	213 811	214 325

Unaudited consolidated statement of changes in equity

to 30 September 2010

	Share capital and share premium R000	Non-distributable reserves R000	Revaluation of available-for-sale financial assets R000	Cash flow hedges R000	Retained income R000	Total R000
Balance at 31 March 2009	20 297	1 137 743	(9 788)	(16 854)	13 703	1 145 101
Dividend distribution					(283)	(283)
	20 297	1 137 743	(9 788)	(16 854)	13 420	1 144 818
Net profit for the period					4 611	4 611
Change in fair value of investment properties		(5 323)			5 323	-
Deferred taxation on change in fair value of investment properties and straight-line rental accrual		1 597			(1 597)	-
Share-based remuneration		3 213				3 213
Other comprehensive income						
Revaluation of available-for-sale financial asset			(1 418)			(1 418)
Revaluation of interest rate swaps				3 642		3 642
Balance at 30 September 2009	20 297	1 137 230	(11 206)	(13 212)	21 757	1 154 866
Issue of share capital	7 299	-	-	-	-	7 299
Dividend distribution	-	-	-	-	(368)	(368)
	27 596	1 137 230	(11 206)	(13 212)	21 389	1 161 797
Net profit for the period					230 986	230 986
Change in fair value of investment properties		306 339			(306 339)	-
Deferred taxation on change in fair value of investment properties and straight-line rental accrual		(73 798)			73 798	-
Share-based remuneration		8 865				8 865
Transfer to non-distributable reserve		1 387			(1 387)	-
Other comprehensive income						
Revaluation of available-for-sale financial asset			(5 068)			(5 068)
Revaluation of interest rate swaps				(15 078)		(15 078)
Balance at 31 March 2010	27 596	1 380 023	(16 274)	(28 290)	18 447	1 381 502
Issue of share capital	4 667	-	-	-	-	4 667
Dividend distribution	-	-	-	-	(344)	(344)
	32 263	1 380 023	(16 274)	(28 290)	18 103	1 385 825
Net profit for the period					271 339	271 339
Change in fair value of investment properties		364 636			(364 636)	-
Deferred taxation on change in fair value of investment properties and straight-line rental accrual		(97 529)			97 529	-
Share-based remuneration		4 690				4 690
Transfer from non-distributable reserve		(14 753)			14 753	-
Other comprehensive income						
Revaluation of available-for-sale financial asset			(820)			(820)
Revaluation of interest rate swaps				(7 848)		(7 848)
Balance at 30 September 2010	32 263	1 637 067	(17 094)	(36 138)	37 088	1 653 186

Vukile Property Fund Limited

(Incorporated in the Republic of South Africa) ■ (Reg no. 2002/027194/06) ■ **JSE code:** VKE ■ **NSX code:** VKN ■ **ISIN:** ZAE000056370
■ **JSE Sponsor:** Barnard Jacobs Mellet Corporate Finance (Pty) Ltd, Illovo, Sandton ■ **NSX Sponsor:** IJG Securities (Pty) Ltd, Windhoek, Namibia
■ **Executive directors:** G van Zyl *(Chief Executive)*, MJ Potts *(Financial Director)*, HC Lopion ■ **Non-executive directors:** AD Botha *(Chairman)*, HSC Bester, PJ Cook, JM Hlongwane, PS Moyanga, MH Serebro and UJ van der Walt ■ **Registered office:** Ground floor Meersig Building, Constantia Boulevard, Constantia Kloof, 1709. ■ **Company secretary:** J Neethling
■ **Transfer secretaries:** Link Market Services South Africa (Pty) Ltd, Sandton, Johannesburg ■ **Investor and media relations:** Contact Helen McKane at vukile@dpapr.com, Tel: 011 728-4701.

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