Out of the Ordinary®

Investec
Property Fund

Investec Property Fund Limited

Reviewed interim condensed financial results for the six months to 30 September 2011

Statement of comprehensive income

R'000	Note	Six months to 30 September 2011
Revenue, excluding straight-line rental revenue		95 047
Straight-line rental revenue		11 863
Revenue		**106 910**
Property expenses		(16 386)
Net property income		**90 524**
Other operating expenses		(1 321)
Asset management fee		(4 303)
Operating profit		**84 900**
Fair value adjustments on debentures	2	(11 863)
Finance income		1 335
Profit before debenture interest		**74 372**
Debenture interest		(74 298)
Profit before taxation		**74**
Taxation		(25)
– normal taxation		(25)
– deferred taxation charge		(3 322)
– deferred taxation credit		3 322
Total comprehensive income attributable to equity holders		**49**
		Linked units
Linked units in issue at the end of the period		170 000 000
Weighted average number of linked units in issue		170 000 000
		cents
Distribution per linked unit		43.73
Earnings and headline earnings per linked unit		43.73
Dividend per share		0.03
Earnings and headline earnings per share		0.03

There are no dilutive instruments in issue.

Reconciliation of attributable income to distributable earnings

Total comprehensive income attributable to equity holders	49
Debenture interest	74 298
Distributable earnings	**74 347**
Distributable to linked unitholders	74 347
– debenture interest	74 298
– ordinary dividend	49

Statement of financial position

R'000	Note	30 September 2011
Assets		
Non-current assets		**1 708 363**
Fair value of investment property		1 696 500
Straight-line rental revenue		11 863
Current assets		**92 910**
Trade and other receivables		11 363
Cash and cash equivalents		81 547
Total assets		**1 801 273**
Equity and liabilities		
Equity – ordinary share capital	1	1 700
Fair value of debentures	4	1 710 163
Linked unitholders' interest		**1 711 863**
Current liabilities		**89 410**
Trade and other payables		15 038
Taxation payable		25
Linked unitholders for interest and dividends		74 347
Total equity and liabilities		**1 801 273**

Condensed statement of cash flows

R'000	Note	Six months to 30 September 2011
Cash generated from operations		76 712
Net finance income		1 335
Net cash inflow from operating activities		78 047
Net cash outflow from investing activities		(1 696 500)
Net cash inflow from financing activities	1	1 700 000
Net increase in cash and cash equivalents		**81 547**
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period		**81 547**

Condensed statement of changes in equity

for the six months to 30 September 2011 R'000	Ordinary share capital	Retained earnings	Shareholder's equity
Balance at the beginning of the period	–	–	–
Issue of ordinary shares	1 700	–	1 700
Total comprehensive income	–	49	49
	1 700	49	1 749
Dividends payable to ordinary shareholders	–	(49)	(49)
Balance at the end of the period	1 700	–	**1 700**

Condensed segmental information

for the six months to 30 September 2011 R'000	Office	Industrial	Retail	Total
Statement of comprehensive income extracts				
Revenue, excluding straight-line rental revenue	51 279	35 906	7 862	95 047
Property expenses	(7 073)	(9 157)	(156)	(16 386)
Segment result	44 206	26 749	7 706	**78 661**
Statement of financial position extracts				
Investment property acquired	976 500	545 800	174 200	1 696 500
Straight-line rental revenue	6 760	3 957	1 146	11 863
Non-current assets	983 260	549 757	175 346	**1 708 363**

Notes to the financial information

R'000	30 September 2011
1. Share and debenture capital	
Issue of linked units	
Ordinary shares	1 700
Debentures	1 698 300
Total issue	1 700 000

The authorised share capital is one billion ordinary shares of 1 cent each. Each ordinary share is linked to one unsecured variable rate debenture of 999 cents each. The ordinary shares and debentures trade as linked units on the JSE. In terms of the debenture trust deed, the interest payable on the debenture component of the linked unit is 999 over 1000 times the profit before debenture interest.

No linked units have been issued subsequent to the listing of the Fund.

2. Fair value adjustments	
Debenture fair value adjustment	(11 863)

Debentures are adjusted to fair value which represents the net asset value attributable to the Investec Property Fund Limited's ("Fund") debenture holders.

3. Related party transactions

Investec Limited is the controlling shareholder of the Fund and through its wholly-owned subsidiary Investec Property Limited is the Asset and Property Manager of the Fund, and therefore, Investec Limited and its various subsidiaries are deemed to be related parties to the Fund. All related party transactions are at arm's length.

On 1 April 2011 the Fund acquired 29 properties at arm's length from various wholly-owned subsidiaries of Investec Limited as follows:

	Office	Industrial	Retail	Total
Number of properties	7	18	4	29
Gross Lettable Area (GLA) (m^2)	89 469	244 637	34 424	368 530
Cost of acquisition (R'000)	976 500	545 800	174 200	1 696 500

R'000	30 September 2011
Investec Property Limited	
Asset management fee	4 303

In respect of the vacant space in 345 Rivonia Road, Investec Property Limited has undertaken to pay to the Fund the gross rental in respect of the vacant space for a period of up to 36 months from 1 April 2011.

4. Non-current liabilities – debentures	
Debentures – issued	1 698 300
Fair value adjustment	11 863
Fair value at the end of the period	1 710 163

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the reviewed interim condensed financial results for the six months to 30 September 2011 of Investec Property Fund Limited.

This financial information comprises:

– statement of comprehensive income for the six months to 30 September 2011,
– statement of financial position at 30 September 2011,
– statement of cash flows for the six months to 30 September 2011,
– statement of changes in equity for the six months to 30 September 2011, and
– notes to the financial information,

in accordance with International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, AC500 standards issued by the Accounting Practices Board and the requirements of the Companies Act 71 of 2008.

The directors are also responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

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

BASIS OF ACCOUNTING

The condensed financial information for the six months to 30 September 2011 has 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 and AC500 standards issued by the Accounting Practices Board and the requirements of the Companies Act 71 of 2008.

The company's accounting policies as set out in the Fund's prelisting statement have been consistently applied.

These reviewed interim condensed financial results have been prepared under the supervision of David Tew, CA (SA).

KEY ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one entity, and a financial liability or equity instrument of another entity. Financial instruments are initially recognised at their fair value plus, for financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities. All other transaction costs are recorded in the income statement immediately.

Debentures

Debentures are designated as "held at fair value through profit or loss" financial liabilities. These instruments are measured initially at fair value, which is the nominal value less debenture discount, and subsequently measured at fair value. Fair value represents the net asset value attributable to debenture holders after adjusting all other assets and liabilities to fair value. Until such time as the debenture discount is fully utilised, the net change in fair value of the tangible assets and liabilities will increase or decrease the carrying amount of the debentures. Once the debenture discount has been fully utilised, any increase in net asset value will increase the reserves attributable to shareholders.

INVESTMENT PROPERTY

Investment property consists of land and buildings, installed equipment and vacant land held to earn rental income for the long-term and subsequent capital appreciation. Properties are measured initially at cost, including transaction costs and subsequent additions that will result in future economic benefits and whose cost can be measured reliably, are capitalised.

Should any properties no longer meet the company's investment criteria and are sold, any profits or losses will be of a capital nature and will be taxed at rates applicable to capital gains.

Investment property under construction is measured at fair value. Direct costs relating to major capital projects are capitalised until the properties are brought into commercial operation.

Subsequent to initial recognition, investment properties are measured at their fair value. The properties are valued by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs using the discounted cash flow method. This method takes projected cash flows and discounts them at a rate which is consistent with comparable market transactions. The discount rates reflect the risks inherent in the net cash flows and are constantly monitored by reference to comparable market transactions.Gains and losses on revaluation or disposals of investment properties are recognised in profit or loss. Such gains or losses are excluded from the calculation of distributable earnings.

Investment property is maintained, upgraded and refurbished where necessary, in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are recognised in profit or loss.

Independent valuations are obtained on a rotational basis ensuring that every property is valued every three years. The directors value the remaining properties annually on an open market basis.

Investment property held under an operating rental agreement is recognised in the statement of financial position at its fair value.

RENTAL AGREEMENTS

The company is party to numerous rental agreements as the lessor of property. All rental agreements are operating rental agreements, which are those rental agreements where the company retains a significant portion of the risks and rewards of ownership. An adjustment is made to contractual rental income earned to bring to account in the current period the difference between the rental income that the company is currently entitled to and the rental for the period calculated on a smoothed, straight-line basis over the period of the rental agreement term. This does not affect distributable earnings. Operating rental agreements with fixed escalation clauses are recognised in profit and loss on a straight-line basis over the rental agreement term. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating rental agreement asset or operating rental agreement liability.

Commentary

Introduction

Investec Property Fund Limited is a variable loan stock property company having listed on the JSE Limited ("JSE") on 14 April 2011. It currently comprises a portfolio of 29 properties in South Africa with a total Gross Lettable Area ("GLA") of 370 543 m^2 valued at R1.7 billion.

The objective of the Fund is to grow its asset base by investing in well priced income producing properties in the office, industrial and retail sectors to optimise capital and income returns over time for unitholders. Effectively, all rental income, less operating costs and interest on debt, is distributed to unitholders semi-annually.

In September 2011, effective 1 October 2011, the Fund announced the acquisition of two single tenanted properties with long-term leases with strong tenants. In October 2011, the Fund announced the acquisition of a retail property which will bring the total portfolio to 32 properties valued at R2.03 billion.

Tenant retention and renewals of expiring rentals is a strong focus for the Fund given the current economic climate. The Fund has been successful in achieving this objective. One particular success in this area was the letting of 4 000 m^2 at 345 Rivonia Road to a strong tenant. The rental achieved on this space exceeds the rental guarantee provided by Investec Property Limited and this incremental income will accrue to the Fund from May 2012.

Commentary on results

The board of directors is pleased to report the maiden interim results for the Fund which includes a distribution of 43.73 cents per unit (cpu) for the six months ended 30 September 2011. As the Fund was a dormant company prior to its listing and took effective control of its property portfolio only from the beginning of the financial period under review, no comparative results are presented.

The Fund's property portfolio comprises a high proportion of single tenanted properties with strong tenants and performance has been resilient over this period despite a subdued economic environment. The operating environment has been difficult with high increases in rates, taxes and utility charges having to be absorbed by the Fund or tenants depending on the particular lease agreements.

At the interim stage the property portfolio reported a 3.4% vacancy, representing marginal improvement to the 3.7% vacancy at listing. All vacancies remain in the industrial portfolio (5.0% based on the industrial portfolio's GLA). During the period the Fund has successfully re-negotiated various leases that came up for renewal. In the second half of the year there are certain leases expiring in the industrial portfolio and it is anticipated that the vacancy in some of these buildings could be slightly higher, however this will be partially compensated for by increased rental renewals that have taken place in the office and industrial portfolio.

Sectoral vacancies at 30 September 2011

	Total GLA m^2	Leased m^2	Vacant m^2	Vacancy %
Office	88 567	88 567	–	–
Industrial	247 552	235 117	12 435	5.0
Retail	34 424	34 424	–	–
Total	**370 543**	**358 108**	**12 435**	**3.4**

Forward Lease Expiries by GLA

The forward lease expiry profile of the Fund's portfolio for years ending 31 March is detailed below, categorised as to office, industrial and retail:

%	2012	2013	2014	2015	2016	Thereafter
Office	6.1	2.0	2.4	4.5	–	10.9
Industrial	11.0	18.4	17.4	9.2	3.4	4.7
Retail	–	1.2	–	0.1	0.9	7.8
Total	**17.1**	**21.6**	**19.8**	**13.8**	**4.3**	**23.4**

The above profile reflects an evenly distributed pattern of lease expiries.

Reconciliation of lease expiries with renewals and new leases

The table below provides a summary of lease expiries, renewals and new leases over the six-month period from 1 April 2011 to 30 September 2011:

	Expiries m^2	Average gross expiry rent Rm^2	Renewals and new leases m^2	Average gross rent on renewals and new leases Rm^2	Average escalation %
Office	7 106	80.08	7 163	80.96	10.0
Industrial	35 122	17.61	38 393	31.96	9.9
Total	**42 228**	**28.12**	**45 556**	**39.67**	**10.0**

Of the Office renewals 6 759 m^2 is a one-year lease to July 2012 and therefore the escalation only applies to the balance of the re-let space. Similarly, in the Industrial portfolio, 14 418 m^2 has been extended to December 2011 and therefore the escalation applies only to the balance of the re-let space. The significant increase achieved in the Industrial renewals reflects that this space was previously under-rented.

The following table places the six-month pattern of expiries, renewals and new leases within the context of an overall reconciliation of change in the GLA of the Fund's combined portfolio:

m^2	GLA at 31 Mar 2011	Expiries	Renewals and new leases	Net change in GLA	GLA at 30 Sep 2011
Leased	354 799	(42 228)	45 556	(19)	358 108
Vacant	13 731	2 085	(2 657)	(724)	12 435
Total	**368 530**	**(40 143)**	**42 899**	**(743)**	**370 543**

Unitholders

Investec Limited is the only unitholder holding in excess of 5% of the Fund's total issued linked units at 30 September 2011, holding 50.01% thereof.

	30 September 2011
Numbers of units in issue	170 000 000
Number of unitholders	1 279

Cost to income ratio

The cost to income ratio is calculated on the basis where revenue includes billings for contractual rental income, contractual operating cost and rates recoveries, and turnover rentals whilst the full expense is included as property expenses, except for utility expenses which are reflected net of recoveries. On this basis the net cost to income ratio is 17.2%. Should utility expenses be reflected on a gross basis with the recovery reflected in revenue the cost to income ratio would be 25.7%.

Despite rapidly escalating electricity and rates charges, the net cost to income ratio is relatively low as the rate of operating cost recovery from tenants has been maintained since acquisition. In addition, the low cost to income ratio reflects the fact that the Fund has a high proportion of single tenanted properties where municipal charges are paid directly by the tenant to the relevant authorities.

Acquisitions

On 18 October 2011 unitholders approved the acquisition of two properties from related parties:

- Innovation Group building at a 9.75% forward yield situated at 192 Bram Fischer Drive, Randburg. This property was refurbished by Investec Property Limited in accordance with the tenant's specifications and provides 15 500 m^2 of quality B-grade office accommodation over nine floors and two basements providing 516 parking bays and storage space. The Innovation Group occupies the entire building with a 10-year rental agreement and an 8% annual escalation.

  The Innovation Group is a wholly-owned subsidiary of Innovation Group Plc, a specialist global provider of software and outsourcing solutions.
- The Scientific Building at a 10.0% forward yield situated in the new Cosmo Business Park, just north of Kya Sands, Gauteng. This property provides 5 733 m^2 of industrial and auxiliary office space and is fully let to the Scientific Group on a seven-year lease with an 8% annual escalation.

  The Scientific Group provides diagnostic and medical equipment to the health industry.

Whilst transfer of these properties remains pending, they have been effectively acquired from 1 October 2011 for R185.9 million.

On 25 October 2011 the Fund announced the acquisition of a retail property situated in the Limpopo Province to the value of R145 million. It is anticipated to yield 9.2% in the first year. The purchase consideration will be funded by borrowings.

These properties are anticipated to enhance the distributions of the Fund in the second half of the year.

Fair value adjustments of Investment Properties

With the entire property portfolio having been recently acquired and given that they were independently valued at listing, the board does not believe that a revaluation of the properties is warranted at this stage, as the board is not aware of any factors which would affect the valuation of the properties.

Arrears

Receivables have been tightly managed during the period under review and, at the period end, arrears were limited to R1.3 million (representing 2.8% of total collectables over the period). A provision of R0.8 million has been provided for potential bad debts.

Borrowings

At 30 September 2011 the Fund had no borrowings in addition to the debentures issued. A bridge loan and working capital facility amounting to R520 million in total have been put in place for the acquisition of the three properties referred to above and for other acquisition opportunities being assessed by the Fund. The variable rate to be charged on these facilities is three month JIBAR plus 225 basis points.

The Fund is evaluating its optimal long-term debt funding strategy which includes an assessment of the commercial paper market.

Prospects

The board expects that the second half of the year will continue to present a tough challenge in respect of the renewal of tenancies and accordingly, tenant retention will remain a high priority. It is, however, confident that the Fund will deliver distributions for the full year in line with the unaudited forecast of financial information provided in the prelisting statement of the Fund of approximately 90 cpu. This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no major corporate failures will occur, budgeted renewals will be concluded and that tenants will be able to absorb the recovery of rising rates and utility costs. Budgeted rental income was based on contractual escalations and market-related renewals.

The information and opinions contained above are recorded and expressed in good faith and are based upon sources believed to be reliable. No representation, warranty, undertaking or guarantee of whatever nature is made or given concerning the accuracy and/or completeness of such information and/or the correctness of such opinions.

This forecast has not been reviewed or reported on by the Fund's independent external auditors.

On behalf of the board of Investec Property Fund Limited

Sam Hackner
Chairman

Sam Leon
Chief Executive Officer

16 November 2011

Review conclusion

The interim condensed financial results for the six months to 30 September 2011, has been reviewed by the external auditors, Ernst & Young Inc. This review has been conducted in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and their unmodified review opinion is available for inspection at the company's registered office.

Distribution

Notice is hereby given that interim dividend number 1 and debenture interest payment number 1 has been declared for the six months to 30 September 2011 amounting to 0.029 cents and 43.705 cents respectively per linked unit totalling 43.734 cents per linked unit payable to holders of the linked units as recorded in the books of the company at the close of business on Friday, 09 December 2011.

The salient dates relating to the distribution are as follows:	
Last day to trade in order to participate in the distribution	Friday, 02 December 2011
Linked units to trade ex distribution	Monday, 05 December 2011
Record date	Friday, 09 December 2011
Distribution posted/paid to certificated linked unitholders	Monday, 12 December 2011
Accounts credited by CSDP or broker to dematerialised linked unitholders	Monday, 12 December 2011

Linked units may not be dematerialised between Monday, 05 December 2011 and Friday, 09 December 2011, both days inclusive.

By order of the board

Investec Bank Limited
Company Secretary

16 November 2011

Directors

S Hackner* *(Chairman)*, MP Crawford *(Lead Independent Director)*#, SR Leon* *(Chief Executive Officer)*, DAJ Donald* CM Mashaba#, MM Ngoasheng#, GR Rosenthal#

* *Executive* # *Independent non-executive*

Changes to the board

GR Rosenthal and CM Mashaba have been appointed to the board effective 1 October 2011. GR Rosenthal is a qualified Chartered Accountant and will chair the Audit Committee. B Molefe resigned on 31 October 2011, and the board thanks him for his contribution.

Investec Bank Limited
Company Secretary

Investec Property Fund Limited
(Registration number 2008/011366/06)

Share code: IPF **ISIN:** ZAE 000155099

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For a copy of the Fund's results, refer to the website http://www.investecpropertyfund.com

Investec