



Investec Property Fund Limited

Interim condensed financial results
for the six months to 30 September



Statement of comprehensive income

| R'000 | Unaudited Six months to 30 September 2012 | Reviewed Six months to 30 September 2011 | Audited Year to 31 March 2012 |
|--|---|--|-------------------------------|
| Revenue, excluding straight-line rental revenue adjustment | 127 704 | 95 047 | 211 558 |
| Straight-line rental revenue adjustment | 15 192 | 11 863 | 30 507 |
| Revenue | 142 896 | 106 910 | 242 065 |
| Property expenses | (25 813) | (16 386) | (38 498) |
| Net property income | 117 083 | 90 524 | 203 567 |
| Other operating expenses | (1 669) | (1 321) | (2 701) |
| Asset management fee | (6 616) | (4 303) | (9 157) |
| Operating profit | 108 798 | 84 900 | 191 709 |
| Fair value adjustments | (15 192) | (11 863) | (30 507) |
| Finance costs | (20 047) | (6 034) | (6 034) |
| Finance income | 6 081 | 1 335 | 3 016 |
| Profit before debenture interest | 79 640 | 74 372 | 158 184 |
| Debt interest | (79 561) | (74 298) | (158 026) |
| Profit before taxation | 79 | 74 | 158 |
| Taxation | (22) | (25) | (49) |
| - normal taxation | (22) | (25) | (49) |
| - deferred taxation charge | (4 254) | (3 322) | (25 733) |
| - deferred taxation credit | 4 254 | 3 322 | 25 733 |
| Total comprehensive income attributable to equity holders | 57 | 49 | 109 |

Reconciliation of attributable income to distributable earnings

| | 2012 | 2011 | 2012 |
|---|---------------|---------------|----------------|
| Total comprehensive income attributable to equity holders | 57 | 49 | 109 |
| Debt interest | 79 561 | 74 298 | 158 026 |
| Distributable earnings to linked unitholders | 79 618 | 74 347 | 158 135 |
| - debenture interest | 79 561 | 74 298 | 158 026 |
| - ordinary dividend | 57 | 49 | 109 |
| Number of linked units | | | |
| Linked units in issue at the end of the period | 170 000 000 | 170 000 000 | 170 000 000 |
| Weighted average number of linked units in issue | 170 000 000 | 170 000 000 | 170 000 000 |
| Cents | | | |
| Distribution per linked unit | 46.83 | 43.73 | 93.02 |
| Earnings per linked unit | 46.83 | 43.73 | 93.02 |
| Headline earnings per linked unit | 51.38 | 43.73 | 106.96 |
| Dividend per share | 0.03 | 0.03 | 0.06 |
| Earnings per share | 0.03 | 0.03 | 0.06 |
| Headline earnings/(loss) per share | 0.03 | 0.03 | (52.08) |

Statement of financial position

| R'000 | Unaudited 30 September 2012 | Audited 31 March 2012 | Reviewed 30 September 2011 |
|--|-----------------------------|-----------------------|----------------------------|
| Assets | | | |
| Non-current assets | 2 309 981 | 2 065 400 | 1 708 363 |
| Investment property | 2 264 282 | 2 034 893 | 1 696 500 |
| Straight-line rental revenue adjustment | 45 699 | 30 507 | 11 863 |
| Current assets | 111 976 | 16 634 | 92 910 |
| Trade and other receivables | 16 492 | 12 064 | 11 363 |
| Taxation receivable | 3 | 3 | - |
| Cash and cash equivalents | 95 481 | 4 567 | 81 547 |
| Total assets | 2 421 957 | 2 082 034 | 1 801 273 |
| Equity and liabilities | | | |
| Equity – ordinary share capital | 1 700 | 1 700 | 1 700 |
| Non-current liabilities – debentures | 1 845 779 | 1 836 379 | 1 710 163 |
| Total unitholders' interest | 1 847 479 | 1 838 079 | 1 711 863 |
| Other non-current liabilities | 456 860 | 1 169 | - |
| Long-term borrowings | 450 000 | - | - |
| Other non-current financial liabilities | 6 860 | 1 169 | - |
| Current liabilities | 117 618 | 242 786 | 89 410 |
| Trade and other payables | 38 000 | 28 097 | 15 038 |
| Current portion of other non-current liabilities | - | 130 900 | - |
| Taxation payable | - | - | 25 |
| Linked unitholders for interest and dividends | 79 618 | 83 789 | 74 347 |
| Total equity and liabilities | 2 421 957 | 2 082 034 | 1 801 273 |

Condensed statement of cash flows

| R'000 | Unaudited Six months to 30 September 2012 | Reviewed Six months to 30 September 2011 | Audited Year to 31 March 2012 |
|---|---|--|-------------------------------|
| Cash generated from operations | 89 442 | 76 712 | 173 486 |
| Finance income received | 6 081 | 1 335 | 3 016 |
| Finance costs paid | (10 409) | - | (2 285) |
| Taxation paid | (22) | - | (52) |
| Distribution paid to unitholders | (83 789) | - | (74 346) |
| Net cash inflow from operating activities | 1 303 | 78 047 | 99 819 |
| Net cash outflow from investing activities | (229 389) | (1 696 500) | (1 926 152) |
| Net cash inflow from financing activities | 319 000 | 1 700 000 | 1 830 900 |
| Net increase in cash and cash equivalents | 90 914 | 81 547 | 4 567 |
| Cash and cash equivalents at the beginning of the period | 4 567 | - | - |
| Cash and cash equivalents at the end of the period | 95 481 | 81 547 | 4 567 |

Condensed statement of changes in equity

| R'000 | Unaudited Six months to 30 September 2012 | Reviewed Six months to 30 September 2011 | Audited Year to 31 March 2012 |
|---|---|--|-------------------------------|
| Balance at the beginning of the period | 1 700 | - | - |
| Total comprehensive income attributable to equity holders | 57 | 49 | 109 |
| Issue of ordinary shares | - | 1 700 | 1 700 |
| Dividends payable to ordinary shareholders | (57) | (49) | (109) |
| Balance at the end of the period | 1 700 | 1 700 | 1 700 |

Condensed segmental information

| | Office | Industrial | Retail | Total |
|--|------------------|----------------|----------------|------------------|
| Statement of comprehensive income extracts | | | | |
| Revenue, excluding straight-line rental revenue adjustment | 64 355 | 49 569 | 13 780 | 127 704 |
| Property expenses | (12 280) | (11 592) | (1 941) | (25 813) |
| Segment results | 52 075 | 37 977 | 11 839 | 101 891 |
| Statement of financial position extracts | | | | |
| Investment property opening balance | 1 182 600 | 697 300 | 185 500 | 2 065 400 |
| Additions and acquisitions | 1 658 | 80 039 | 147 692 | 229 389 |
| Straight-line rental revenue adjustment | 10 282 | 3 593 | 1 317 | 15 192 |
| Fair value of investment property | 1 194 540 | 780 932 | 334 509 | 2 309 981 |

| | Office | Industrial | Retail | Total |
|--|----------------|----------------|----------------|------------------|
| Statement of comprehensive income extracts | | | | |
| Revenue, excluding straight-line rental revenue adjustment | 51 279 | 35 906 | 7 862 | 95 047 |
| Property expenses | (7 073) | (9 157) | (1 56) | (16 386) |
| Segment results | 44 206 | 26 749 | 7 706 | 78 661 |
| Statement of financial position extracts | | | | |
| Investment property opening balance | - | - | - | - |
| Additions and acquisitions | 976 500 | 545 800 | 174 200 | 1 696 500 |
| Straight-line rental revenue adjustment | 6 760 | 3 957 | 1 146 | 11 863 |
| Fair value of investment property | 983 260 | 549 757 | 175 346 | 1 708 363 |

Highlights

- > 7.1% distribution growth to 46.83 cpu
- > 11.8% growth in property portfolio following two acquisitions during the period
- > Debt capacity significantly enhanced with R1.0 billion DMTN programme now in place
- > Successful R1.5 billion Rights Offer closed 5 November 2012 to fund new acquisitions post period end

Commentary

Introduction

Investec Property Fund Limited (the "Fund") is a variable loan stock property company having listed on the JSE Limited ("JSE") on 14 April 2011. It currently comprises a portfolio of 34 properties in South Africa with a total Gross Lettable Area ("GLA") of 431 926 m² valued at R2.3 billion.

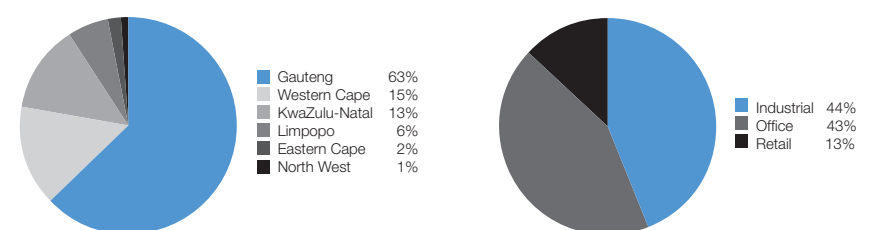
The objective of the Fund is to grow its asset base by investing in well-priced income-producing properties in the office, industrial and retail sectors to optimise capital and income returns over time for unitholders. Effectively, all rental income, less operating costs and interest on debt, is distributed to unitholders semi-annually. The Fund does not distribute capital profits.

Financial results

The board of directors is pleased to announce a 7.1% increase in the interim dividend to 46.83 cents per unit ("cpu") for the six months to 30 September 2012 (30 September 2011: 43.73 cpu). This has been achieved, despite a tough economic and operating environment, through strong focus on tenant retention, renewals of lease expiries, marketing of vacant space and the addition of yield-enhancing properties to the portfolio.

The financial results include the impact of a cash drag resulting from delays in the timing of property transfers, caused primarily by delays in obtaining municipal clearances and other statutory requirements, which are out of the control of the Fund.

Geographical and sectoral weightings by revenue (%)



Vacancy levels

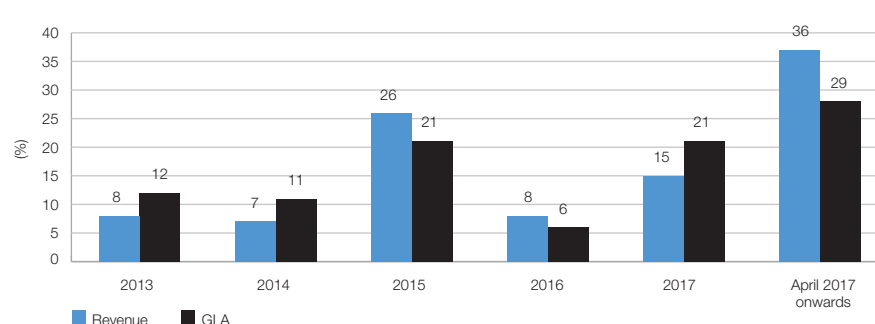
At 30 September 2012, the property portfolio reported a 3.3% vacancy, representing a marginal increase from the 2.7% vacancy at 31 March 2012. The decline relates mainly to one office tenant vacating the Business Connexion building (6 759 m²). Excluding this impact, the remainder of the portfolio showed a vacancy rate at period end of 1.8%, with industrial vacancies reducing from 4.1% at 31 March 2012 to 2.6%, although the Fund expects a marginal uptick in vacancy rates in this sector in the second half of the year. The increase in the retail vacancy rate is due to the enlarged property portfolio.

Sectoral vacancies

| | Total GLA (m ²) | Vacant 30 September 2012 | Vacant 31 March 2012 |
|--------------|-----------------------------|--------------------------|----------------------|
| Office | 104 067 | 6.5% | 0.0% |
| Industrial | 279 737 | 2.6% | 4.1% |
| Retail | 48 122 | 0.7% | 0.0% |
| Total | 431 926 | 3.3% | 2.7% |

Forward lease expiries by GLA and revenue

The forward lease expiry profile of the Fund's portfolio for years ending 31 March is detailed below:



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 2012 to 30 September 2012:

| | Expiries and cancellations (m ²) | Average gross expiry rent (R/m ²) | Renewals and new leases (m ²) | Average gross rent on renewals and new leases (R/m ²) | Average escalation (%) |
|--------------|--|---|---|---|------------------------|
| Office | 6 759 | 80.04 | - | - | - |
| Industrial | 7 718 | 27.82 | 12 302 | 29.84 | 8.9 |
| Retail | 334 | 154.00 | - | - | - |
| Total | 14 811 | 52.72 | 12 302 | 29.84 | 8.9 |

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:

| | GLA at 31 March 2012 (m ²) | Expiries (m ²) | Renewals and new leases (m ²) | Net change in GLA (m ²) | GLA at 30 September 2012 (m ²) |
|--------------|--|----------------------------|---|-------------------------------------|--|
| Leased | 395 588 | (14 811) | 12 302 | 24 475 | 417 554 |
| Vacant | 11 118 | 12 598 | (10 160) | 816 | 14 372 |
| Total | 406 706 | (2 213) | 2 142 | 25 291 | 431 926 |

Acquisitions

During the period, the Fund made the following two acquisitions from third parties, both fully funded by debt:

| | Transfer date | Cost | GLA (m ²) | Forward yield | Weighted average annual escalation |
|----------------------------|---------------|----------------|-----------------------|---------------|------------------------------------|
| General Electric Property* | 25 July 2012 | R76.8 million | 11 180 | 9.0% | 8.5% |
| Great North Road Plaza** | 6 June 2012 | R145.0 million | 13 561 | 9.2% | 8.3% |

* The property is entirely let to General Electric South Africa Proprietary Limited, a wholly-owned subsidiary of the General Electric Company. The lease is a triple net lease that expires in December 2019. In terms of the sales agreement as announced on 17 November 2011, the Fund has undertaken the obligation of the Vendor to refurbish the property for a total fixed cost of R42.3 million (the "Refurbishment"). The Fund entered into a separate development agreement with Investec Property Limited, a related party, to effect this Refurbishment, with an anticipated date of completion of December 2012. The Refurbishment will not adversely impact the forward yield of the property.

** The property is located in Musina, a vibrant commercial retail trading centre in Northern Limpopo Province. National tenants and national brand franchises occupy 88% of the combined space and contribute 83% of the contractual income.

Fair value adjustments of investment properties

With the exception of the two recently acquired properties that were valued on acquisition, the entire property portfolio was independently valued at 31 March 2012. As such, the board does not believe that a revaluation of the properties is warranted for this reporting period, as the board is not aware of any factors which would materially 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 0.2% (31 March 2012: 0.7%) of total collectables over the period.

Borrowings

At 30 September 2012, the Fund's loan to value ratio was 19.5% (31 March 2012: 6.3%) with R450 million of long-term debt placed. In line with the Fund's hedging commitment, 75% of long-term borrowings have been fixed giving the Fund a weighted average funding cost of 8.2%.

During the period, the Fund registered a R1 billion Domestic Medium Term Note ("DMTN") programme, of which R450 million was placed, the repayment profile of which is set out below. Additionally, the Fund has in place a R500 million bridge facility that at period end was utilised. This bridge facility carries interest at JIBAR plus 2.25%.

| DMTN programme | Expiry | Interest rate | R'million |
|-----------------------------------|---------------|-----------------------|--------------|
| Tranche 1 | 13 April 2015 | 3-month JIBAR + 1.40% | 134.0 |
| Tranche 2 | 13 April 2016 | 3-month JIBAR + 1.55% | 40.0 |
| Tranche 3 | 13 April 2017 | 3-month JIBAR + 1.55% | 50.0 |
| Tranche 6 | 13 April 2017 | Fixed at 8.80% | 226.0 |
| Total long-term borrowings | | | 450.0 |

The Fund will continue to evaluate its optimal long-term debt funding strategy that will support the acquisition strategy of the Fund.

Note: Included in other non-current liabilities is R6.8 million relating to the fair value adjustment of the interest rate swap entered into on 28 March 2012, the terms of which remain unchanged from the year end.

Post-balance sheet events

As announced on 5 November 2012, the Fund successfully raised R1.5 billion by way of a Rights Offer to existing unitholders, the proceeds of which will be used to part settle the consideration payable for the acquisitions set out below. The 113.2 million new linked units were issued at a Rights Offer Issue Price of R13.82 per linked unit, which effectively included an estimated accrued distribution of 57 cents for the period from 1 April 2012 to 4 November 2012. On this basis, the Rights Offer Issue Price excluding the accrued distribution for the applicable periods ("Clean Price") at which the Rights Offer Linked Units were issued was R13.25 per linked unit. The new linked units were issued on 5 November 2012.

| | Estimated transfer date | Cost R'million | Vendor placement R'million | Cash consideration R'million | Yield R'million | Segment R'million |
|--------------------------------|-------------------------|----------------|----------------------------|------------------------------|-----------------|-------------------|
| Guirich Portfolio ¹ | November 2012 | 742.8 | 208.9 | 533.9 | 8.3% | Retail |
| The Firs ² | November 2012 | 272.3 | 215.2 | 57.1 | 8.8% | Office |
| Investec Pretoria ³ | November 2012 | 169.9 | - | 169.9 | 8.0% | Office |
| Balfour ⁴ | November 2012 | 397.0 | - | 397.0 | 9.0% | Retail |
| Megamark Mall | December 2012 | 218.0 | - | 218.0 | 9.0% | Retail |
| Nonkubela Mall | December 2012 | 100.5 | - | 100.5 | 9.0% | Retail |
| Total | | 1 900.5 | 424.1 | 1 476.4 | | |

¹ The Guirich portfolio comprises 12 retail properties (primarily triple net leases) from various subsidiaries of S Guirich Holdings Proprietary Limited. Part of the R742.8 million consideration will be settled by way of a vendor placement of 17 million new linked units at an issue price of R12.29, calculated with reference to the 30-day volume weighted average traded Clean Price of the Fund's linked units as at 3 July 2012.

² The Firs, Investec Pretoria and Balfour were acquired from Investec Property Limited, a related party. Part of the total consideration of R839.2 million will be settled by way of a vendor placement of 17 million new linked units at an issue price of R12.66, calculated with reference to the 30-day volume weighted average traded Clean Price of the Fund's linked units as at 19 July 2012.

Share and debenture capital

The authorised share capital is one billion ordinary shares of 1 cent each. Each ordinary share is linked to one unsecured variable rate deb