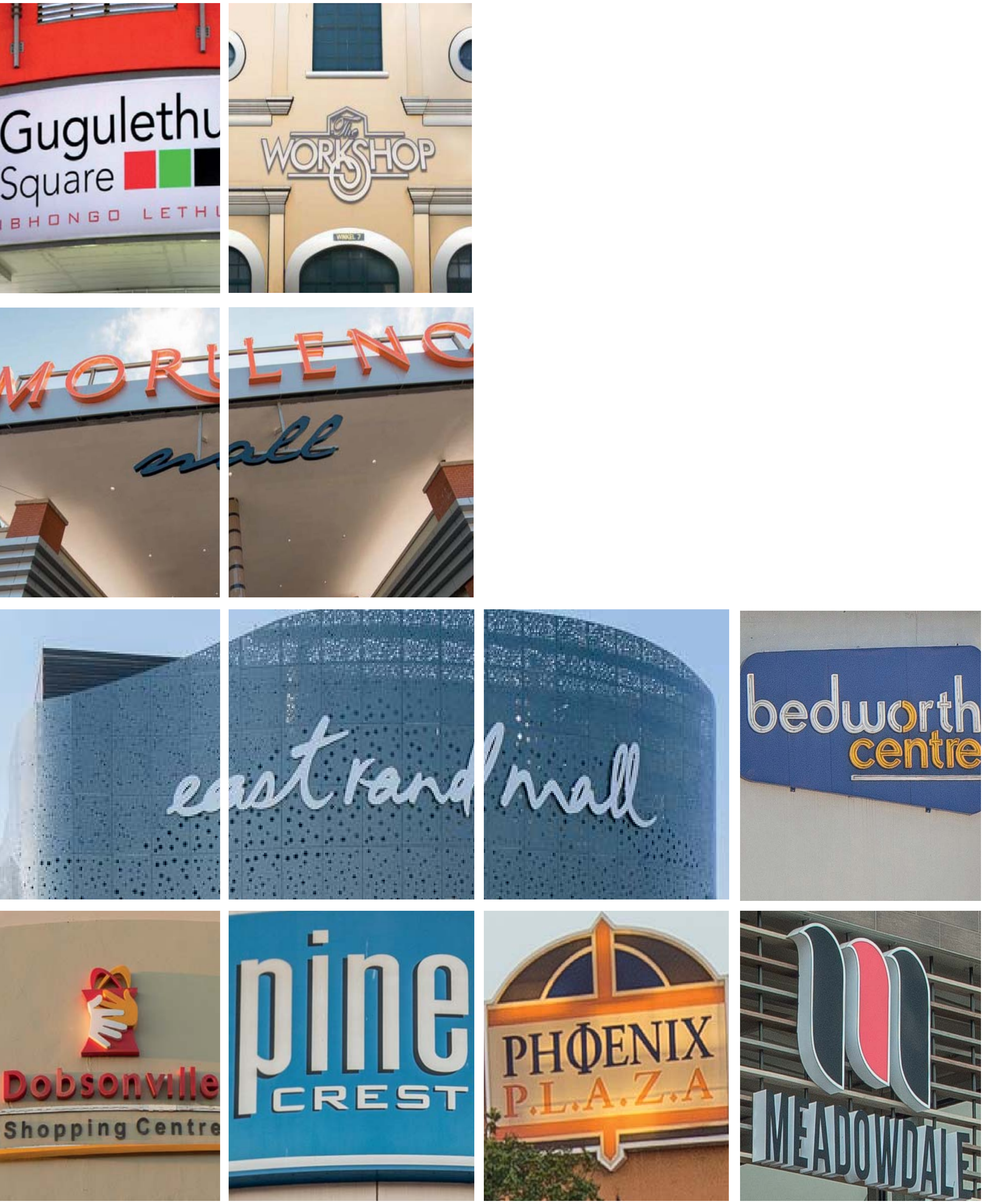
VUKILE PROPERTY FUND

REAL ESTATE. REAL GROWTH.

Unaudited condensed consolidated interim results for the six months ended 30 September

2016

Vukile Unaudited condensed consolidated interim results for the six months ended 30 September **2016**



HIGHLIGHTS

- Excellent progress in achieving strategic objective of becoming a **retail-focused fund** in South Africa
- Vukile, Synergy and Arrowhead transaction **approved** by shareholders
- Gearing ratio of **23.9%** with debt fully hedged
- Sale of Sovereign portfolio **R1.18 billion**
- Successful refinance of **R1.1 billion** debt and **R400 million** equity raise during the reporting period
- Dividend of **67.65 cents** per share – 7.0% increase for the six months ended 30 September 2016

COMMENTARY

1. NATURE OF OPERATIONS

Vukile is a property holding and investment company through the direct and indirect ownership of immovable property. The group holds a portfolio of predominantly direct retail property assets, as well as strategic shareholdings in listed REITs. The company is listed on the JSE Limited and the NSX in Namibia under the Retail REITs sector.

2. SIGNIFICANT EVENTS AND TRANSACTIONS

During this reporting period, the following significant transactions were effected:

2.1 Vukile announced on 29 August 2016 that it had entered into agreements with *inter alia,* Arrowhead Properties Limited (**Arrowhead**) and Synergy Income Fund Limited (**Synergy**) to effect the repositioning of Vukile, Synergy and Arrowhead (**the transaction**).

Through a series of inter-related transactions, the asset management function of Synergy will be internalised through the sale of Vukile Asset Management (Pty) Ltd (VAM) to Synergy for the issue of new Synergy B shares to Vukile with a value of c.R155 million. Further, Vukile will acquire the retail assets of Synergy for R2.47 billion and will settle the transaction through the transfer of a portfolio of office and industrial assets and R18 million in cash to Synergy.

The transaction has been approved by shareholders and the only outstanding condition precedent is Competition Commission approval.

Post implementation of the transaction, Vukile will have achieved its goal of becoming a specialist retail fund in South Africa while Synergy will be positioned as a specialist high-yielding, high-growth diversified fund under the leadership of the Arrowhead stable who have significant experience in managing funds of this nature. In due course Synergy will be renamed as GemGrow Properties Ltd.

2.2 Vukile announced previously that it had disposed of the property letting enterprises in respect of the five properties known as Pretoria De Bruyn Park, Pretoria Navarre, Bloemfontein Fedsure House and Pretoria Koedoe Arcade (the Sovereign portfolio) and Pretoria Arcadia Suncardia for a sale consideration of R1.18 billion, which amount was paid to Vukile in cash on 31 August 2016, the date of transfer.

2.3 The refinancing/repayment of bank debt, DMTN corporate bonds and commercial paper amounting to R1.1 billion.

2.4 The raising of R400 million equity in April 2016 through an accelerated bookbuild whereby 23 668 639 shares were issued at R16.90 per share, which equated to a 2% premium to the 30-day VWAP of R16.54.

3. SUMMARY OF FINANCIAL PERFORMANCE

The directors of Vukile are pleased to report that the distribution for the six months ended 30 September 2016 has increased by 7.0% to 67.64754 cents per share (prior period: 63.22200 cents per share).

The group's net profit available for distribution amounted to R526 million for the six months to 30 September 2016 (September 2015: R457 million), which represents an increase of 15% over the comparable period.

Summary of financial performance:

	September 2016	September 2015	March 2016
Net asset value per share (cents)	**1 851**	1 774	1 842
Dividend per share (cents)	**67.65**	63.22	146.35
Loan to value ratio %[(I)]	**28.0**	32.0	31.9
Loan to value ratio net of available cash (%)	**19.0**	28.0	26.9
Gearing ratio (%)[(II)]	**23.9**	27.8	29.5

[(I)] *Based on directors' valuation of the group's property portfolio at 30 September 2016.*
[(II)] *The gearing ratio is calculated by dividing total interest-bearing borrowings by total assets.*

A reconciliation of profits available for distribution is set out below:

	September 2016 R000	September 2015 R000	Paragraph reference	Variance %
Property revenue	1 087 344	1 005 368		8.2
Property expenses	(382 111)	(368 353)		(3.7)
Net profit from property operations	705 233	637 015	(a)	10.7
Asset management business-income	–	11 886	(b)	(>100)
Corporate and asset management expenses	(51 653)	(44 803)	(c)	(15.3)
Dividends received from investments	16 763	–	(f)	>100
Operating profit before finance costs	670 343	604 098		11.0
Net finance costs	(166 693)	(145 961)	(d)	(14.2)
Profit before taxation	503 650	458 137		9.9
Taxation	(2 510)	(6 868)	(e)	63.5
Profit for the period	501 140	451 269		11.1

	September 2016 R000	September 2015 R000	
Profit for the period	501 140	451 269	
Movement in fair value of hedges	(635)	–	
Attributable to non-controlling interests	(19 932)	(24 996)	
Attributable to Vukile Group	480 573	426 273	
***Less*: Distribution on shares issued post 31 March 2016/2015**	(19 675)	(48 188)	
***Add*: Non-IFRS adjustments**			
Shares issued *cum* dividend	27 366	61 530	
Dividends accrued on investments	33 848	13 302	(f)
Asset management income[(l)]	4 000	4 000	
Available for distribution	526 112	456 917	
Proposed distribution	467 203	405 351	

[(l)] *Arising from the sale of the asset management business to Sanlam where the amounts receivable, over a two-year period to October 2016, of R16 million were present valued and offset against the loss on sale in terms of IFRS requirements.*

The above information has been extracted from the Unaudited condensed consolidated statements of profit or loss and the Unaudited reconciliation of earnings to profit available for distribution.

(a) Net profit from property operations

The group's net profit from property operations, exclusive of straight-line rental accruals, has increased by R68 million (10.7%) over the comparable period, from R637 million to R705 million.

The contributions to this increase are made up as follows:

	Rm
> Stable portfolio	26.5
> Properties acquired in prior year	27.0
> Synergy portfolio	3.7
> Sold properties	6.2
> Net interest reclassified	4.8
	68.2

Further details of the property portfolio performance are set out in paragraph 9.

COMMENTARY continued

Doubtful debt allowance for tenant receivables

The allowance for the impairment of tenant receivables has increased marginally from R28.0 million at 31 March 2016 to R28.5 million at 30 September 2016, which is considered adequate at this stage. The doubtful debt allowance is expected to increase to approximately 1.79% of gross rental income for the year ending 31 March 2017 (March 2016: 1.34%). A summary of the movement in the impairment allowance for trade receivables is set out below:

	R000
Doubtful debt allowance 1 April 2016	28 010
Allowance for receivables impairment for the six-month period	6 151
Receivables written off as uncollectible	(5 623)
Impairment allowance 30 September 2016	28 538
Bad debt write-off per the statement of profit or loss	5 950

(b) Asset management business income

As the asset management agreement of an external portfolio was terminated in a prior period no income is reflected under this item.

Ongoing project management fees of R4 million were received in April 2016 and the final R4 million fee will be received in October 2016, under the sale of the asset management business. In terms of IFRS these discounted fees were offset against the loss on the sale of the asset management business and are not reflected in this period's results, but are available for distribution as these fees are represented by cash.

(c) Corporate administrative and asset management expenditure

Group corporate administrative expenditure of R52 million is R7 million higher than the previous year's expenditure of R45 million.

The increase is partly due to:

- aborted transactional costs being R2.6 million higher than the prior period; and
- consulting fees also exceeded the prior period by R1 million.

Excluding these items corporate administration and asset management expenditure reflects a 7.6% increase over the prior period.

(d) Finance costs net of investment income

Group finance costs net of interest income have increased by R21 million from R146 million in comparable period to R167 million.

A more detailed breakdown is set out below.

Group finance costs have increased by R31 million, from R180 million to R211 million. The increase in finance costs is primarily due to interest arising on additional debt of R1.15 billion raised to part finance the acquisitions of Soshanguve Batho Plaza, Silverton Industrial Warehouses, Tzaneen Maake Plaza (40%), Vereeniging Bedworth Centre and the 26% stake in Atlantic Leaf for a full six-month period, which equated to an additional R21 million.

Furthermore, the impact of interest rate increases on variable rate debt amounting to R7 million on R150 million development debt which was previously capitalised and now expensed post the completion of Phase I of East Rand Mall has also contributed to the increase in finance costs.

This increase was offset, to some extent, by interest saved on debt repaid during the period, primarily in September 2016.

The average cost of finance for the six months to 30 September 2016 equates to approximately 8.7%, with all of interest-bearing term debt hedged.

(e) Taxation

The first half tax accrual of R2.5 million is lower than the comparable period of R6.9 million as a result of a positive timing difference of R3.0 million arising in a subsidiary. This tax comprises normal tax and deferred tax on temporary timing differences. At year end, it is anticipated that taxes of approximately R9 million will be payable. The bulk of the normal tax payable arises in respect of the Namibian subsidiaries.

(f) Dividends receivable from investments

	Fairvest R000	Atlantic Leaf R000	Total R000
Dividends received during interim period	16 763	27 860[I]	
Less: Attributable to prior year	(16 763)	(20 510)	
Dividends accrued for six months to 30 September 2016	17 948	25 313	
Non-IFRS adjustments	17 948	32 663	50 611
Reflected as follows:			
Dividends received from investments			16 763
Non-IFRS adjustments – dividends accrued[II]			33 848
			50 611
[I] *In terms of IFRS dividends received from an associate reduce the carrying value of the investment in the associate.*			
[II] *Dividends accrued have been reflected in the Unaudited condensed consolidated interim results[a], and in the unaudited reconciliation of earnings to profit available for distribution[b], as follows:*			
[a] *Share of income from associate*			*28 228*
[b] *Dividends accrued from listed investment and associate*			*5 620*
			33 848

Fairvest Property Holdings Limited (Fairvest)

Fairvest is fair valued at 30 September 2016 at R375.4 million or R1.83 per share, representing a capital appreciation of 25% over the cost of the investment.

Dividends received and accrued for the six months ended 30 September 2016 amount to R17.9 million.

The dividends paid by Fairvest for the year ended 30 June 2016 were 10.3% higher than the prior year. Furthermore, 26.2 million shares in Fairvest were acquired on 24 April 2015, and are accounted for in respect of a full six-month period ended 30 September 2016 as compared to five months in the prior comparable period.

Atlantic Leaf Properties Limited (Atlantic Leaf)

Vukile holds a 26% shareholding in Atlantic Leaf. In terms of IFRS, Atlantic Leaf is regarded as an associate of Vukile. As such all dividends received reduce the carrying value of the investment in Atlantic Leaf.

However, as dividends received are represented by cash these dividends are regarded as distributable.

95% of the dividends receivable in November 2016 in respect of Vukile's holding in Atlantic Leaf on the Mauritian Stock Exchange of GBP675 000 have been sold forward at a rate of R21.30:£. Likewise, 100% of dividends receivable in respect of the six months ending 28 February 2017 and payable around May 2017, are also the subject of a forward exchange contract at R21.30:£.

Synergy

Vukile holds 9.95% and 89.55% of Synergy A and B shares respectively.

Synergy has declared a dividend of 49.68891 cents per A share, which represents a 5% increase over the prior period and 29.67129 cents per B share, which represents an 8.6% decrease over the prior period dividend.

The reduction in the B dividend is mainly attributable to the additional interest costs incurred in increasing the percentage of hedged debt from c.48% at 31 March 2016 to 66% at 30 September 2016, together with the impact of rising interest rates in respect of the unhedged debt.

COMMENTARY continued

4. CAPITAL MANAGEMENT

The group's finance strategy is to minimise funding costs and refinance risk.

The business objectives that are necessary to implement this strategy are summarised as follows:

Strategy	September 2016	March 2016	September 2015
Diversify funders to at least three providers	Five funders	Five funders	Five funders
Diversify funding structures to incorporate, where appropriate:	% of total	% of total	% of total
Bank debt[(I)]	68%	69%	57%
Secured bonds	19%	19%	26%
Commercial paper/unsecured bonds	13%	12%	17%
	100%	100%	100%
Spread expiry terms of all interest-bearing debt to c.25% per annum	Achieved	Achieved	Achieved
Hedge or fix more than 75% of interest-bearing debt	100%[(II)]	83.5%[(II)]	88.0%[(II)]
Maximise interest income and limit negative carry	Achieved through increase in access facilities repayable without break costs		

[(I)] *The increase in the use of bank debt from September 2015 has arisen due to the volatility experienced in the capital markets and the consequent higher margins becoming less competitive.*
[(II)] *Vukile and its subsidiaries – excludes development debt and commercial paper.*

Total interest-bearing debt is currently fully hedged. The all-in cost of finance is increasing as existing debt is re-financed and new bank debt drawn down to finance new acquisitions. The average forecast borrowing cost for the March 2017 financial year is estimated at 8.6% – 8.7% per annum. The cost of debt on new acquisitions in South Africa is estimated at 9.25% – 9.70% per annum.

The Global Credit Rating Company (Pty) Ltd (GCR) has recently re-affirmed an A corporate rating for Vukile and an AA+ (RSA) rating on Vukile's senior secured bonds.

5. INTEREST RATE HEDGING

At 30 September 2016, net debt, excluding development loans and commercial paper, amounted to R4.1 billion. Swaps totalling R4.17 billion have been concluded.

A number of swaps have been extended during the six-month period ended 30 September 2016 totalling R1.6 billion at an annual cost of R4.8 million, based on the difference between the existing swap rates and the new extended swap rates.

New swaps with a nominal value of R320 million were also concluded during this period at an annual cost of R1.6 million, based on the difference between the current three-month JIBAR and the swap rates.

The current swaps in place represent 3.4 years' cover as compared to 3.0 years at 31 March 2016.

Swap expiry profile per calendar year (excluding Synergy)	2017	2018	2019	2020	2021	2022	Total
Nominal value (Rm)	681	256	504	645	940	501	3 527
	19.3%	7.3%	14.3%	18.3%	26.6%	14.2%	100%

Synergy has R647 million swaps and fixed debt in place to cover debt of R937 million expiring between June 2016 and September 2020. The existing facilities and swaps will remain in Synergy post the conclusion of the transaction.

Debt refinancing during the six months ended 30 September 2016

> **Bond refinancing**

- R200 million of corporate bonds were repaid on 8 May 2016.
- R255 million of commercial paper was repaid during the period under review, partly by way of a R170 million two-year unlisted unsecured note maturing 1 April 2018, at a margin of 1.65% plus a swap cost of 7.93%, totalling 9.58% and the balance by way of cash.
- R140 million of six-month commercial paper was refinanced at a fixed rate of 8.358%, maturing 29 March 2017.

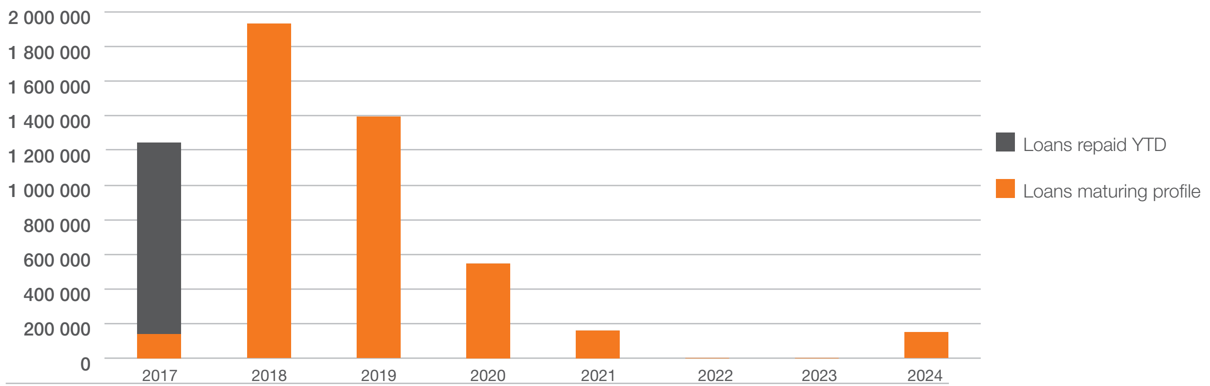
> **Bank refinancing**

- R163.3 million bank debt was extended from April 2016 to September 2016 and repaid in September 2016; and
- a further R375 million bank term and access facility was repaid in September 2016, utilising part of the R1.1 billion proceeds from the sale of the Sovereign portfolio.

Debt repayment profile

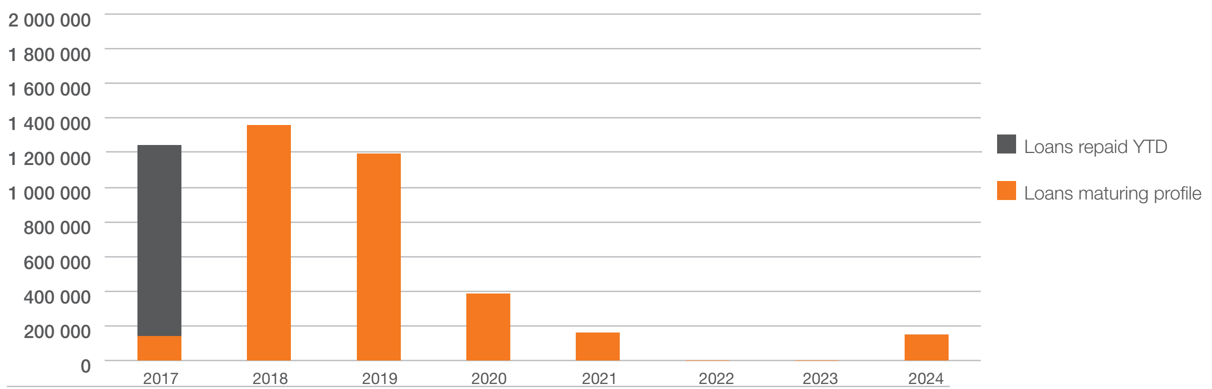
The graphs below set out the various tranches of debt payable by the group over the next eight years:

Debt maturity R000 (including Synergy)



	2017	2018	2019	2020	2021	2022	2023	2024
Loans repaid YTD	1 104 334	–	–	–	–	–	–	–
Loans maturing profile	140 000	1 932 539	1 394 350	547 001	159 979	–	–	150 000

Debt maturity R000 (excluding Synergy)



	2017	2018	2019	2020	2021	2022	2023	2024
Loans repaid YTD	1 104 334	–	–	–	–	–	–	–
Loans maturing profile	140 000	1 357 496	1 193 672	385 001	159 979	–	–	150 000

The company's borrowing capacity is unlimited in terms of its Memorandum of Incorporation (MOI). The group's loan to value ratio at 30 September 2016, based on the directors' valuations of the property portfolio, was 27.0% (September 2015: 32%) compared to the bank's covenants of 50%, the DMTN covenants of 40% in respect of those properties mortgaged as security under the DMTN programme and 45% in respect of total group debt as a percentage of the value of total group investment properties. The group has unutilised bank facilities of R625 million at 30 September 2016.

COMMENTARY continued

6. DEVELOPMENTS, ACQUISITIONS AND SALES

Upgrades/redevelopments – R654 million

As part of the ongoing strategy to improve the quality of the existing portfolio, the following projects have been completed or are in progress.

East Rand Mall

East Rand Mall (in which the company owns a 50% undivided share with Redefine Properties Limited) has been upgraded and extended at a total cost of R460 million, of which Vukile's share is R230 million. The projected yield on the total capex is 5.3%.

East Rand Mall, regarded as one of the top regional malls in South Africa, had a GLA of 63 460m^2, which has been increased to about 70 000m^2. The main entrances, malls and toilets have been upgraded, while some areas have been reconfigured to allow better utilisation of the available space. New generators have been installed to provide full backup power to the centre during power outages, while a new PV cell solar installation on the roof of the parking deck will decrease the centre's reliance on municipal power.

The extension of 6 540m^2 incorporates a relocated entrance four and a youth-oriented mall anchored by a Mr Price emporium (consisting of its apparel, sport and home outlets and comprising about 3 700m^2), Cotton-On and Toy Kingdom.

The major portion of the extensions and upgrades was completed in April 2016 while new tenant H&M is expected to open its doors by the first week in December 2016.

Together with the adjacent East Point (previously East Rand Galleria), which is also being upgraded, shoppers will experience a dominant super-regional shopping centre with a GLA of about 120 000m^2.

Durban: The Workshop

Durban Workshop is now fully let after having completed the R75 million upgrade of the centre in June this year.

A variety of new brands were added to the tenant mix which include the Pepkor Group, Edgars Connect, Spec Savers, Ginger International, FNB, Le Coq Sportif and Bidvest.

The centre is reporting a footcount of over 1.1 million per month and the annual trading density increased to R32 400/m^2. Dwell times improved with the upgrade of the food court and adding brands such as KFC, McDonalds, Pie City and Maharaj Kitchen.

Demand for premises remain strong which should have a positive impact on rental growth.

Bellville: Barons VW building

The Bellville Barons VW building is situated at the Durban Road intersection with the N1 highway.

A 10-year lease has been concluded with Barloworld Auto for the development of a Ford dealership and workshop in the currently vacant area and the area to be vacated by Toys-R-Us. The first phase, which comprises the workshop and services area, was completed by June 2016. The second phase, comprising the new and second-hand car show rooms and offices, will commence in January 2017 for completion by September 2017.

The total capex is R35.4 million and a yield of 15.1%, net of costs, is anticipated.

Bellville: Tijger Park 4 and 5 upgrade

The Tijger Park 4 office building has been let to the IT Department of the Pepkor Group. The lease period is five years with a gross rental of R103/m² per month escalating at 7% per year.

In terms of the lease agreement, the building's façade, entrance foyer and toilet blocks have been upgraded in line with the recently completed upgrades to the Tijger Park buildings 1, 2 and 3. In addition, the roof at first-floor level over the atrium was replaced by a new roof at the fourth-floor level. This created additional lease area of about 225m² on the second and third floor.

Sections of the external façades, the entrance foyer, lift lobbies and toilet blocks of Tijger Park 5, have been upgraded at the same time.

The total capex is R20.0 million and the project was completed by August 2016.

Durban: Phoenix Plaza Upgrade

Phoenix Plaza, with a GLA of 24 363m², is being upgraded at a cost of R24.5 million. The scope of the project includes upgrades to the external façades of the centre and the parking garage, new advertising pylons, upgrades to the four entrances, new mall tiles, selective upgrades to the ceilings and bulkheads, one new toilet block and the upgrade of the two existing toilet blocks and repairs to the external paving and the existing roof lights. The projected completion date is August 2017.

Dobsonville Shopping Centre: Extension and upgrade

Dobsonville Shopping Centre, with a GLA of 23 177m², is situated in northern Soweto. This mall, last upgraded in 2008, trades well with regular requests received from prospective tenants seeking to lease premises.

An amount of R114.0 million was approved in May 2016 to invest in the extension and improvements of this destination mall. Besides important internal improvements and enhanced retail mix, the upgrade of the exterior aesthetics together with a new food court area will pull shoppers to the redeveloped mall. The northern side of the mall anchored by a 2 500m² Pick n Pay supermarket will be extended by an additional 5 791m² GLA. Further extensions include a new food court area adding another 1 100m². The projected net yield is 9.9%.

Construction of the improvements and extension are under way with completion scheduled for 30 June 2017.

Randburg Square Tower: Residential Conversion Project

The redevelopment of Randburg Square 12-storey office component into 180 income producing residential apartments was completed at the end of October 2016. This striking well-located residential tower situated above the mall is within easy access to public transport, employment opportunities and amenities. It has set a new standard of affordable spacious rental housing with state-of-the-art security access and monitoring systems, backbone fibre TV connections and smart metering systems providing tenants with daily consumption data and billing information among other features.

Leading residential agency Trafalgar has been appointed as the leasing and property managers. The lease-up rates for the recently completed apartments has been very good with 68% of the units already occupied. Demand for this prominent and well-positioned residential building continues to attract strong interest.

The capital expenditure for this conversion project amounted to R80 million with an expected initial yield of 9.4%.

COMMENTARY continued

Current Vukile projects

A summary of major capex projects approved and incurred to 30 September 2016 is set out below:

Approved projects	Anticipated/actual completion dates	Approved	Paid to 30 September 2016	Budget October 2016 to March 2017
Durban: The Workshop	28 February 2017	75 000 000	70 071 963	4 928 037
Boksburg: East Rand Mall[II]	31 March 2017	222 000 000	173 835 286	48 164 714
Durban: Phoenix Plaza	31 August 2017	24 500 000	–	8 844 509
Bellville: Barons Ford[II]	30 June 2017	30 900 000	16 512 675	3 090 000
Bellville: Louis Leipoldt	28 February 2017	22 000 000	–	2 200 000
Dobsonville Centre Extension[II]	30 October 2017	114 000 000	11 880 072	51 308 506
Thohoyandou: Thavhani Mall[I]	31 August 2017	350 076 000	–	–
Springs Mall[I][II]	31 March 2017	259 625 000	96 838 189	56 470 000
Randburg Residential (figures includes VAT)[II]	30 October 2016	81 000 000	68 174 515	11 013 103
Bellville: Tijger Park 4 and 5	31 August 2016	20 500 000	17 147 935	3 352 065
		1 199 601 000	454 460 635	189 370 934

[I] *The financing for Springs Mall and Thavhani Mall has already been raised and is invested in a two-year deposit earning 8.4% per annum, pending completion of these two malls.*
The other projects will be financed out of the proceeds from property sales and existing bank facilities.

[II] *Further payments will be made after 31 March 2017.*

Developments – R610 million

Thavhani Mall

Vukile secured a 33% stake in the 50 000m² Thavhani Mall at Thavhani City in Thohoyandou, Limpopo, for R350.1 million after concluding a deal with the developers, Thavhani Property Investments (Pty) Ltd, which is owned by Flanagan & Gerard Property Investment & Development together with some local partners.

Leasing at Thavhani Mall is going well and it is now more than 86% let with confirmed anchor tenants including Pick n Pay, Super Spar, Woolworths and Edgars, while a broad range of other national retailers will be part of the tenant mix. Nedbank, Standard Bank and FNB have already committed to lease in the centre while negotiations with Absa Bank and Old Mutual are being finalised.

Construction work on Thavhani Mall is progressing well and it is still on course for the official opening on 24 August 2017.

Springs Mall

Vukile has acquired a 25% stake in the 44 662m² Springs Mall for R259.6 million. The centre is being developed and managed by Blue Crane Eco Mall (Pty) Ltd, in which Flanagan & Gerard is a shareholder, together with local partners Murinda Investments and the D'Arrigo family.

Springs Mall is currently 95% let with confirmed anchor tenants including Pick n Pay, Checkers, Woolworths and Edgars, while negotiations are continuing with Game to also lease premises in the centre.

Construction work is progressing well and the centre is scheduled for completion in March 2017.

Property disposals concluded during the period – R1.181 billion

In line with the group's strategy to focus on retail assets, the following properties were disposed of during the year:

Property	Sales price R000	Yield %	Date of sale
Bloemfontein Fedsure House	89 700	8.6	31 August 2016
Pretoria Arcadia Suncardia	265 600	10.0	31 August 2016
Pretoria De Bruyn Park	305 100	9.3	31 August 2016
Pretoria Koedoe Arcade	129 700	12.2	31 August 2016
Pretoria Navarre Building	391 200	16.1	31 August 2016
	1 181 300	12.0	

In support of the retail strategy, further sale agreements to the value of R443.9 million have been concluded with reputable purchasers for the sale of the following properties. The due diligence investigations have been concluded and the transactions have progressed to the levels as indicated below:

Property	Sales price R000	Yield %	Progress
Cape Town Parow De Tijger Day Clinic	31 860	8.0	Securities for purchase price in place
Cape Town Parow De Tijger Office Park	38 940	11.8	Securities for purchase price in place
Cape Town Bellville Louis Leipoldt	373 100	8.0	Subject only to Competition Commission approval
	443 900	8.3	

The proceeds from property sales will be used to repay debt, as well as fund potential accretive acquisitions, both locally and internationally.

7. VALUATION OF PORTFOLIO

The accounting policies of the group require that the directors value the entire portfolio every six months at fair market value. Approximately one half of the portfolio is valued every six months, on a rotational basis, by registered independent third-party valuers. The directors have valued the group's property portfolio at R14.8[(1)] billion as at 30 September 2016. This is R0.8 billion or 4.9% less than the valuation as at 31 March 2016 due to sales during the period. The calculated recurring forward yield for the portfolio is a conservative 9.1%.

The external valuations by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 30 September 2016 of 44.1% of the total portfolio are in line with the directors' valuations of the same properties.

(1) The group's property portfolio overview takes into account Moruleng Mall at 80%, whereas in the financial statements the group property value reflects 100% of Clidet, which owns Moruleng Mall.

Fair value measurement of non-financial assets (investment properties)

The fair value of commercial buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings.

COMMENTARY continued

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions regarding vacancy levels, the discount rate and the reversionary capitalisation rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) and reversionary capitalisation rates decline. The overall valuations are sensitive to all four assumptions. Management considers the range of reasonable possible alternative assumptions is greatest for reversionary capitalisation rate, rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 30 September 2016 were:

> The range of the reversionary capitalisation rates applied to the portfolio are between 8.0% and 16.8% (March 2016: between 7.8% and 16.5%) with the weighted average being 9.6% (March 2016: 9.7%).
> The discount rates applied range between 12.8% and 19.6% (March 2016: between 12.8% and 19.6%) with the weighted average being 14.2%. (March 2016: 14.2%).

In determining future cash flows for valuation purposes, vacancies are forecast for each property based on estimated demand.

Sensitivity analysis

The effect on the fair value of the portfolio of a 0.25% increase in the discount rate would result in a decrease in the fair value of R389 million (2.6%) (March 2016: R420 million (2.7%)). The average discount rate on the portfolio would increase from 14.2% to 14.5% (March 2016: 14.5%) and the average exit capitalisation rate would increase from 9.6% to 9.9% (March 2016: 9.9%) due to the interlinked nature of the rates. The analysis has been prepared on the assumption that all other variables remain constant.

8. GROUP PROPERTY PORTFOLIO OVERVIEW

The group property portfolio at 30 September 2016 consisted of 98 properties with a total market value of R14.8 billion, excluding capitalised lease commissions, and gross lettable area of 1 270 734m², with an average value of R151 million per property.

The geographical and sectoral distribution of the group's portfolio is indicated in the tables below. The portfolio is well represented in most of the South African provinces and Namibia. Some 81% of the gross income is derived from Gauteng, KwaZulu-Natal, Western Cape and Namibia.

Geographic profile

% of gross income	Vukile portfolio %	Synergy portfolio %	Total portfolio %
Gauteng	54	11	47
KwaZulu-Natal	16	23	17
Western Cape	6	33	11
Namibia	7	0	6
North West	4	12	5
Free State	4	4	4
Limpopo	3	8	4
Mpumalanga	2	9	3
Eastern Cape	4	0	3

Based on market value 73% of the group portfolio is in the retail sector followed by 14% in the office, 9% in the industrial, 3% in the hospital and 1% in the motor-related sectors. Post the finalisation of the transaction, the retail component will equate to 86% of the total portfolio.

The tenant profile for the Vukile and Synergy portfolios are listed in the table below:

Tenant profile

% of GLA	Vukile portfolio %	Synergy portfolio %	**Total portfolio %**
Large national and listed tenants and major franchises	50	75	**54**
Government	3	–	**3**
National and listed tenants, franchised and medium to large professional firms	11	5	**10**
Other	36	20	**33**

The retail portfolio's exposure to national, listed and franchised tenants is 80% in total.

Vukile's tenant concentration risk is considered to be low as the top 10 tenants account for 36% of total GLA. If the Synergy portfolio is excluded, the top 10 tenants account for 34% of total GLA. Shoprite is the single largest tenant, occupying 6.2% of total GLA with Steinhoff the second largest at 4.8% of total GLA. If the Synergy portfolio is excluded, the exposure to Shoprite and Steinhoff is 6.4% and 4.3%, respectively. The Synergy portfolio's exposure to the top 10 tenants is 48%, with Spar the largest at 18.6% and Steinhoff at 7.6%.

Top 10 properties by value

Property	Location	Sector	Rentable area m²	**Directors' valuation at 30 Sept 2016 Rm**	% of total	Valuation R/m²
Boksburg East Rand Mall*	Boksburg	Retail	34 541	**1 258**	8.5	36 420
Durban Phoenix Plaza	Durban	Retail	24 363	**761**	5.1	31 236
Gugulethu Square	Gugulethu	Retail	25 322	**437**	3.0	17 258
Soweto Dobsonville Shopping Centre	Soweto	Retail	23 177	**413**	2.8	17 819
Queenstown Nonesi Mall	Queenstown	Retail	28 147	**397**	2.7	14 105
Pinetown Pine Crest*	Pinetown	Retail	20 056	**389**	2.6	19 396
Moruleng Mall (80%)	Moruleng	Retail	25 137	**378**	2.6	15 038
Randburg Square	Randburg	Retail	40 767	**378**	2.6	9 272
Cape Town Bellville Louis Leipoldt	Cape Town	Hospital	22 311	**375**	2.5	16 808
Oshakati Shopping Centre	Oshakati	Retail	24 632	**358**	2.4	14 534
Total top 10			268 453	**5 144**	34.8	19 162

**Represents an undivided 50% share in this property.*

COMMENTARY continued

Sector	Rentable area m²	Directors' valuation at 30 Sept 2016 Rm	% of total	Valuation R/m²
Retail	246 142	4 769	32.3	19 375
Hospital	22 311	375	2.5	16 808
Total top 10	268 453	5 144	34.8	19 162

The 10 largest retail centres (representing 47% of the total retail portfolio value) reflects 87% exposure to national, listed and franchised tenants.

Top 10 retail centres (based on value)

	Directors' valuation at 30 Sept 2016 Rm	% of total retail portfolio value	National, listed and franchised tenants %
Boksburg East Rand Mall*	1 258	11.6	87.5
Durban Phoenix Plaza	761	7.0	80.0
Gugulethu Square	437	4.0	89.6
Soweto Dobsonville Shopping Centre	413	3.8	84.5
Queenstown Nonesi Mall	397	3.7	95.9
Pinetown Pine Crest*	389	3.6	92.7
Moruleng Mall (80%)	378	3.5	82.2
Randburg Square	378	3.5	83.3
Oshakati Shopping Centre	358	3.3	94.3
Durban Workshop	350	3.2	73.1
	5 119	47.4	86.6

**Represents an undivided 50% share in this property.*

9. PROPERTY PORTFOLIO PERFORMANCE

New leases and renewals of 156 639m² with a contract value of R693 million were concluded during the year to date. Some 72% of leases to be renewed during the six months ended 30 September 2016 were renewed or are in the process to be renewed.

Details of large contracts concluded

Tenant	Property	Sector	Contract value Rm	Lease duration Years
Spar	Hartbeespoort Sediba Shopping Centre	Retail	42.2	10
Game Stores	Pinetown Pine Crest (50%)	Retail	30.5	9
Barloworld South Africa	Cape Town Bellville Barons	Motor-related	24.8	10
Spar	Makhado Nzhelele Valley Shopping Centre	Retail	22.3	10
Jet Stores	Durban Phoenix Plaza	Retail	16.4	6
Productivity SA	Midrand IBG	Offices	14.5	6
The Ministry of Information	Windhoek 269 Independence Avenue	Retail	12.0	5
Mr Price	Durban Phoenix Plaza	Retail	11.6	5
EMID	Pretoria Lynnwood Sanlynn	Offices	11.5	4
Absa Bank	Cape Town Bellville Suntyger	Offices	11.2	5

The group lease expiry profile table reflects that 14% of the leases are due for renewal in the second half of the year. Approximately 43% of leases are due to expire in 2020 and beyond (up from 33%).

Group lease expiry

% of GLA	Vacant %	March 2017 %	March 2018 %	March 2019 %	March 2020 %	March 2021 %	Beyond March 2021 %
GLA	5.0	14	18	20	15	8	20
Cumulative as at September 2016	**5.0**	**19**	**37**	**57**	**72**	**80**	**100**
Cumulative as at March 2016	3.9	32	47	67	78	85	100

Vacancies

At 30 September 2016, the portfolio's vacancy (measured as a percentage of gross rental) was unchanged at 5.0%. When measured as a percentage of gross lettable area vacancies were at 5.0%, compared to 3.9% at 31 March 2016.

If the current development vacancy of 3 545m² at East Rand Mall and Ermelo Game Centre is included, the vacancy on lettable area increases from 4.1% (March 2016) to 5.3% and from 5.3% (March 2016) to 5.5% based on gross rental.

The vacancy per sector (measured as a percentage of gross lettable area) is indicated in the table below.

Vacancies	31 March 2016 %	30 September 2016 %	30 September 2016 development vacancy %	30 September 2016 including development vacancy %
Retail	3.5	3.9	0.5	4.4
Offices	5.0	10.4	–	10.4
Industrial	4.3	4.8	–	4.8
Sovereign	4.2	Sold	–	–
Hospital	0.0	0.0	–	0.0
Motor-related	0.0	0.0	–	0.0
Total	3.9	5.0	0.3	5.3

The office vacancies increased mainly as a result of a tenant vacating ± 9 000m² at Sunninghill Park. This was known at the time that budgets were prepared and the financial impact has already been taken into consideration. This space is actively marketed and we have received keen interest from potential tenants.

Vukile is engaged in various initiatives to reduce portfolio vacancies including broker focus groups, the publishing of vacancy information directly to brokers and also utilising the Vukile vacancy website, leasing incentives on selected properties, incentives to property management companies and leasing brokers, etc.

GLA summary	GLA m²
Balance at 1 April 2016	1 427 591
GLA adjustments	(10 822)
Disposals	(146 831)
Acquisitions and extensions	796
Balance at 30 September 2016	1 270 734

COMMENTARY continued

Vacancy summary	Area m²	%
Balance at 31 March 2016	**55 139**	**3.9**
Less: Properties sold since 31 March 2016	(6 298)	(4.4)
Remaining portfolio balance at 31 March 2016	**48 841**	**3.8**
Leases expired or terminated early	143 274	
Renewal of expired leases	(110 748)	
Contracts to be renewed	(24 635)	
New letting of vacant space	(38 262)	
Tenants vacated	45 498	
Balance at 30 September 2016	**63 968**	**5.0**

Base rentals (excluding recoveries)

The weighted average monthly base rental rates per sector, between 31 March 2016 and 30 September 2016, are set out in the table below:

Weighted average base rentals (R/m²) excluding recoveries	**September 2016**	March 2016	Escalation %
Retail	**117.70**	114.61	2.7
Offices	**96.04**	94.56	1.6
Industrial	**45.33**	44.65	1.5
Sovereign	**Sold**	101.50	–
Hospital	**113.90**	106.55	6.9
Motor-related	**121.83**	121.91	(0.1)
Total	**98.74**	96.71	2.1

Average contractual rental escalations of 7.5% are slightly lower than the previous year (7.6%).

Positive reversions were achieved at 6.4% in the retail sector, but the industrial and office sectors are under pressure with reversions at 0.4% and negative 0.5%, respectively. The average escalation on expiry rentals on the total portfolio of 4.1% is still positive against the backdrop of a difficult trading environment.

New leases were concluded at 3.2% above budget in the retail sector, but lower than budget in the office, industrial and motor-related sectors.

The financial performance of the stable portfolio is set out below:

Financial performance	**September 2016 Rm**	September 2015 Rm	% change
Property revenue	**672.1**	639.3	5.1
Net property expenses	**113.7**	110.5	2.9
Net property income	**558.4**	528.8	5.6
Property expense ratios (%)*	**16.9**	17.3	(2.1)

**Net cost to property revenue ratios (including rates and taxes and electricity costs; excluding asset management fee).*

Expense categories and ratios
The top four expense categories contribute 80% of the total expenses. These are: government services (45%), rates and taxes (17%), cleaning and security (11%) and property management fees (7%).

The group continuously evaluates methods of containing costs in the portfolio. The stable portfolio's recurring net costs to property revenue ratios (excluding electricity and rates and taxes) of 15.7% in September 2016 is still in line with the ratio of 15.0% in March 2010 and hence have been well contained.

If all recurring net expenses are taken into consideration, the ratio of recurring net cost to property revenue of 16.9% is positive compared to the March 2016 ratio of 18.3%.

Rent collection and arrears
An important part of protecting the group against the likelihood of tenants defaulting on their lease agreements is our credit vetting process prior to the acceptance of a tenant. We have developed a comprehensive screening process for each applicant, which assesses the tenant according to type (national, government, SMMEs and other), nature of business, main shareholders and other relevant characteristics, and in the case of renewals, payment history.

As such, it is important to closely monitor our arrears book and any changes to tenant payment processes. We measure the effectiveness of our collections process based on the percentage collected by the fifth business day of each month. The collection percentages across current tenants are under pressure and we have seen an increase in the number of legal cases mainly among smaller line shops across a number of retail centres as well as isolated industrial tenants. Our current provisions are considered adequate at this stage.

10. OPERATING SEGMENT REPORTING

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

During the six-month period to 30 September 2016, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profits.

COMMENTARY continued

Operating segment analysis for the six months ended 30 September 2016

GROUP	Retail – Vukile R000	Retail – Synergy R000	Offices R000
September 2016			
Group income for the six months ended 30 September 2016			
Property revenue[i]	403 391	128 337	131 045
Straight-line rental income accrual	(27 556)	(8 203)	(9 522)
	375 835	120 134	121 523
Property expenses (net of recoveries)[i]	(68 080)	(21 477)	(15 183)
Profit from property and other operations	307 755	98 657	106 340

[i] *The property revenue and property expense have been reflected net of recoveries. The unaudited condensed consolidated statement of profit and loss reflects the gross property revenue and gross property expenses.*

	Retail – Vukile R000	Retail – Synergy R000	Offices R000
Group statement of financial position at 30 September 2016			
Assets			
Investment properties	8 392 166	2 451 436	461 293
Add: Lease commissions			
Goodwill	48 218		
Investment properties held for sale	61 887		1 592 000
	8 502 271	2 451 436	2 053 293
Add: Excluded items			
Investment property under development			
Equity investments			
Investment in associate			
Intangible asset			
Furniture, fittings and computer equipment			
Available-for-sale financial asset			
Derivative financial instruments			
Loans receivable			
Deferred taxation assets			
Trade and other receivables			
Taxation refundable			
Cash and cash equivalents			
Total assets			
Equity and liabilities			
Stated capital	4 406 283	1 277 696	1 070 184
Interest-bearing borrowings	2 445 169	709 029	593 876
	6 851 452	1 986 725	1 664 060
Add: Excluded items			
Other components of equity and retained earnings			
Non-controlling interest			
Derivative financial instruments			
Trade and other payables			
Current taxation liabilities			
Total equity and liabilities			

Industrial R000	Residential R000	Sovereign R000	Hospital R000	Motor-related R000	Total group R000
67 721	1 377	56 705	15 671	6 234	810 481
(4 388)	(39)	(5 892)	(1 285)	(494)	(57 379)
63 333	1 338	50 813	14 386	5 740	753 102
(14 330)	(906)	14 985	(40)	(217)	(105 248)
49 003	432	65 798	14 346	5 523	647 854
456 404	68 431			156 680	11 986 410
					39 939
					12 026 349
3 889					52 107
880 016			402 177		2 936 080
1 340 309	68 431		402 177	156 680	15 014 536
					188 239
					375 433
					636 959
					106 265
					2 720
					32 364
					1 015
					38 110
					10 020
					215 702
					123
					1 470 500
					18 091 986
696 549	35 666		209 616	81 662	7 777 656
386 533	19 792		116 322	45 317	4 316 038
1 083 082	55 458		325 938	126 979	12 093 694
					5 008 896
					565 616
					25 575
					396 781
					1 424
					18 091 986

COMMENTARY continued

Operating segment analysis for the six months ended 30 September 2015

GROUP	Retail – Vukile R000	Retail – Synergy R000	Offices R000
September 2015			
Group income for the six months ended 30 September 2015			
Property revenue	466 363	167 487	185 862
Straight-line rental income accrual	24 084	8 094	9 086
	490 447	175 581	194 948
Property expenses (net of recoveries)	(171 313)	(68 318)	(74 546)
Profit from property and other operations	319 134	107 263	120 402
Group statement of financial position at 30 September 2015			
Assets			
Investment properties	7 178 712	2 531 973	2 162 485
Add: Lease commissions			
Goodwill	51 073	4 951	
Investment properties held for sale	133 000		12 350
	7 362 785	2 536 924	2 174 835
Add: Excluded items			
Investment property under development			
Equity investments			
Intangible asset			
Furniture, fittings and computer equipment			
Available-for-sale financial asset			
Derivative financial instruments			
Loans receivable			
Deferred taxation assets			
Trade and other receivables			
Cash and cash equivalents			
Total assets			
Equity and liabilities			
Stated capital	3 441 229	1 152 193	1 023 575
Interest-bearing borrowings	2 355 635	788 712	700 668
	5 796 864	1 940 905	1 724 243
Add: Excluded items			
Other components of equity and retained earnings			
Non-controlling interest			
Derivative financial instruments			
Deferred taxation liabilities			
Trade and other payables			
Current taxation liabilities			
Total equity and liabilities			

Industrial R000	Sovereign R000	Hospital R000	Motor-related R000	Total R000	Asset management business R000	Total group R000
82 757	81 357	15 496	6 046	1 005 368	11 886	1 017 254
4 444	4 749	1 111	427	51 995	–	51 995
87 201	86 106	16 607	6 473	1 057 363	11 886	1 069 249
(28 307)	(23 170)	(1 886)	(813)	(368 353)	(2 915)	(371 268)
58 894	62 936	14 721	5 660	689 010	8 971	697 981
1 250 937	939 728	383 555	138 478	14 585 868		14 585 868
				39 408		39 408
				14 625 276		14 625 276
3 889				59 913		59 913
				145 350		145 350
1 254 826	939 728	383 555	138 478	14 830 539		14 830 539
						93 892
						359 020
						117 934
						2 693
						31 110
						16 326
						658 546
						4 129
						188 626
						672 953
						16 975 768
588 751	442 280	180 519	65 174	6 893 721		6 893 721
403 015	302 754	123 571	44 613	4 718 968		4 718 968
991 766	745 034	304 090	109 787	11 612 689		11 612 689
						4 429 395
						562 135
						1 571
						8 872
						358 721
						2 385
						16 975 768

COMMENTARY continued

11. DECLARATION OF A CASH DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR VUKILE SHARES

Notice is hereby given of a gross dividend amounting to 67.64754 cents per share, out of distributable income, for the six-month period to 30 September 2016.

Shareholders will be entitled to elect (in respect of all or part of their holding) to reinvest the cash dividend of 67.64754 cents per share, in return for shares (the share reinvestment alternative), failing which they will receive the cash dividend in respect of (all or part of) their holdings.

A circular providing further information in respect of the cash dividend and the share reinvestment alternative will be posted to shareholders on 25 November 2016.

The distribution of the circular and/or accompanying documents and the right to elect shares in jurisdictions other than the Republic of South Africa (SA) may be restricted by law, and failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions. The right to elect shares is not being offered to shareholders, directly or indirectly, in the United Kingdom, European Economic Area (EEA), Canada, United States of America, Japan and Australia unless certain exemptions from the requirements of those jurisdictions are applicable.

Shareholders who have dematerialised their shares are required to notify their duly appointed Central Securities Depository Participant (CSDP) or broker of their election in the manner and time stipulated in the custody agreement governing the relationship between the shareholder and their CSDP or broker.

Tax implications

Vukile was granted REIT status by the JSE Limited with effect from 1 April 2013 in line with the REIT structure as provided for in the Income Tax Act, 58 of 1962, as amended (the **Income Tax Act**) and section 13 of the JSE Listings Requirements.

The REIT structure is a tax regime that allows a REIT to deduct qualifying dividends paid to investors, in determining its taxable income.

The cash dividend of 67.64754 cents per share meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (a **qualifying distribution**) with the result that:

> qualifying distributions received by resident Vukile shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(i)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the Vukile shareholder. These qualifying distributions are, however, exempt from dividends withholding tax, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the distribution is exempt from dividends tax; and
  - a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner;

  both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

> qualifying distributions received by non-resident Vukile shareholders 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) of the Income Tax Act. It should be noted that until 31 December 2013 qualifying distributions received by non-residents were not subject to dividends withholding tax. From 1 January 2014, any qualifying distributions are subject to dividends withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 15%, the net distribution amount due to non-resident shareholders is 57.50041 cents. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident holder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and

– a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner;

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident holders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Shareholders who are South African residents are advised that in electing to participate in the share reinvestment alternative, pre-taxation funds are utilised for the reinvestment purposes and that taxation will be due on the total cash dividend amount of 67.64754 cents per share.

Shareholders are further advised that:

> the issued capital of Vukile is 690 643 418 shares of one cent each at 30 September 2016; and
> Vukile's tax reference number is 9331/617/14/3.

This cash dividend or share reinvestment alternative may have tax implications for resident as well as non-resident shareholders. Shareholders are therefore encouraged to consult their tax and/or professional advisers should they be in any doubt as to the appropriate action to take.

The salient dates relating to the cash dividend and share reinvestment alternative are as follows:

	2016
Circular and form of election posted to shareholders	Friday, 25 November
Finalisation information including the ratio and price per share released on SENS	Monday, 5 December
Last day to trade in order to participate in the election to receive the share reinvestment alternative or to receive a cash dividend **(LDT)**	Monday, 12 December
Share trade *ex*-dividend	Tuesday, 13 December
Listing of maximum possible number of shares under the share reinvestment alternative	Thursday, 15 December
Last day to elect to receive the share reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	Thursday, 15 December
Record date for the election to receive the share reinvestment alternative or to receive a cash dividend **(record date)**	Thursday, 15 December
Results of cash dividend and share reinvestment alternative released on SENS	Monday, 19 December
Cash dividend cheques posted to certificated shareholders on or about	Monday, 19 December
Accounts credited by CSDP or broker to dematerialised holders with the cash dividend payment	Monday, 19 December
Share certificates posted to certificated shareholders on or about	Wednesday, 21 December
Accounts updated with new shares (if applicable) by CSDP or broker to dematerialised shareholders	Wednesday, 21 December
Adjustment to shares listed on or about	Friday, 23 December

Notes

1. Shareholders electing the share reinvestment alternative are alerted to the fact that the new shares will be listed on LDT +3 and that these new shares can only be traded on LDT +3, due to the fact that settlement of the shares will be three days after record date, which differs from the conventional one day after record date settlement process.
2. Shares may not be dematerialised or rematerialised between Monday, 12 December 2016 and Thursday, 15 December 2016, both days inclusive.
3. The above dates and times are subject to change. Any changes will be released on SENS.

COMMENTARY continued

12. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with and containing the information required by International Financial Reporting Standards, IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Announcements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the relevant sections of the South Africa Companies Act.

All amendments to standards applicable for Vukile's financial period beginning on 1 April 2016 have been considered. All accounting policies applied in the preparation of these interim financial statements are consistent with those applied by Vukile in its consolidated financial statements for the year ended 31 March 2016, other than the adoption of those amendments to standards that become effective in the current period, which had no impact on the financial results.

Preparation of the condensed consolidated interim financial statements was supervised by Michael Potts CA(SA) in his capacity as financial director but have not been reviewed or reported on by Vukile's independent external auditors.

13. POST PERIOD EVENTS

Distribution

Declaration of dividend

In line with IAS10 – Events after the Reporting Period, the declaration of the dividend of 67.64754 cents per share in respect of the six-month period to 30 September 2016 amounting to R467.2 million occurred after the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

14. PROSPECTS

Despite a continually challenging and volatile economic and political environment, the business remains on a very stable and solid operational footing. We still anticipate that Vukile will be able to deliver earnings growth in line with previous guidance of a 7% increase in dividend on the prior year.

The forecast growth in dividend is based on the assumptions that the macro-economic environment does not deteriorate further and no major corporate failures will occur. Forecast rental income is based on contractual escalations and market-related renewals. This forecast has not been reviewed or reported on by the company's auditors.

The major restructuring undertaken through the sale of the Sovereign portfolio and the imminent finalisation of the transaction whereby Vukile will emerge as a focused retail fund in South Africa has undoubtedly left the business in a significantly enhanced position by eliminating direct exposure to higher risk sectors of the market.

The proceeds from the sale of the Sovereign portfolio for R1.18 billion, have been earmarked for offshore expansion. There are a number of discussions currently underway in this regard. Management is, however, focused on making sure that these funds are used to further the strategic, long-term goals of the group and will not consider a transaction based solely on short-term objectives.

This forecast has not been reviewed or reported on by the company's auditors.

On behalf of the board

AD Botha
Chairman

LG Rapp
Chief executive officer

Melrose Estate
24 November 2016

Vukile Property Fund Limited (Incorporated in the Republic of South Africa) (Registration number: 2002/027194/06)
JSE share code: VKE ISIN: ZAE000056370 NSX share code: VKN (Granted REIT status with the JSE)
(Vukile or the group or the company)

JSE sponsor: Java Capital

NSX sponsor: IJG Group, Windhoek, Namibia

Executive directors: LG Rapp *(chief executive),* MJ Potts *(financial director)*, HC Lopion *(executive director: asset management),* GS Moseneke

Non-executive directors: AD Botha *(chairman),* PS Moyanga, SF Booysen, RD Mokate, H Ntene, NG Payne, HM Serebro

There have been no changes to the board of directors since the release of the previous results announcement.

Registered office: Ground floor, One-on-Ninth, Cnr Glenhove Road and Ninth Street, Melrose Estate, 2196

Company secretary: J Neethling

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 30 September 2016

GROUP	Unaudited 30 September 2016 R000	Unaudited 30 September 2015 R000	Audited 31 March 2016 R000
ASSETS			
Non-current assets	13 469 354	15 968 839	15 525 681
Investment properties	11 502 598	14 290 681	13 302 386
Investment properties	12 026 349	14 625 276	13 737 892
Straight-line rental income adjustment	(523 751)	(334 595)	(435 506)
Other non-current assets	1 966 756	1 678 158	2 223 295
Straight-line rental income asset	523 751	334 595	435 506
Investment in associate	636 959	–	760 049
Equity investments	375 433	359 020	328 247
Investment properties under development	188 239	93 892	87 033
Furniture, fittings, computer equipment and other	2 720	2 693	2 127
Available-for-sale financial asset	32 364	31 110	19 842
Goodwill and intangible asset	158 372	177 847	158 372
Derivative financial instruments	788	16 326	41 230
Deferred taxation assets	10 020	4 129	2 779
Long-term cash deposit	–	–	350 000
Long-term loans granted	38 110	658 546	38 110
Current assets	1 686 552	861 579	831 794
Trade and other receivables	215 702	188 626	246 873
Derivative financial instruments	227	–	1 245
Current taxation asset	123	–	1 217
Cash and cash equivalents	1 470 500	672 953	582 459
Investment properties held for sale	2 936 080	145 350	1 997 744
Total assets	18 091 986	16 975 768	18 355 219
EQUITY AND RESERVES			
Equity attributable to owners of the parent	12 786 552	11 323 116	11 932 574
Non-controlling interest	565 616	562 135	556 681
Non-current liabilities	2 774 438	3 676 551	4 114 331
Other interest-bearing borrowings	2 750 209	3 666 108	4 098 319
Derivative financial instruments	24 229	1 571	5 269
Deferred taxation liabilities	–	8 872	10 743
Current liabilities	1 965 380	1 413 966	1 751 633
Trade and other payables	396 781	358 721	439 937
Borrowings	1 565 829	1 052 860	1 309 687
Derivative financial instruments	1 346	–	–
Current taxation liabilities	1 424	2 385	2 009
Total equity and liabilities	18 091 986	16 975 768	18 355 219
Net asset value per share (cents)[1]	1 851	1 774	1 842

[1] *Excluding non-controlling interest.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the six months ended 30 September 2016

GROUP	Unaudited 30 September 2016 R000	Unaudited 30 September 2015 R000	Audited 31 March 2016 R000
Property revenue	1 087 344	1 005 368	2 096 400
Straight-line rental income accrual	(57 379)	51 995	243 221
Gross property revenue	1 029 965	1 057 363	2 339 621
Property expenses	(382 111)	(368 353)	(780 584)
Net profit from property operations	647 854	689 010	1 559 037
Net income from asset management business	–	8 971	2 074
Corporate and administrative expenses	(51 653)	(41 888)	(84 288)
Investment and other income	61 038	34 530	99 337
Operating profit before finance costs	657 239	690 623	1 576 160
Finance costs	(210 968)	(180 491)	(394 301)
Profit before capital items	446 271	510 132	1 181 859
Loss on sale of investment properties	(65 316)	(22 276)	(31 883)
Fair value gain/(loss) on listed property securities	47 186	(75 779)	(98 425)
Fair value movement of derivative financial instruments	(6 337)	(215)	(1 342)
Foreign exchange profit	60 768	–	26 825
Profit on sale of listed property securities	–	–	547
Gain on bargain purchase	–	11 669	1 053
Goodwill written-off on sale of properties by a subsidiary	–	–	(4 951)
Realised loss on interest rate hedge	(635)	–	–
Cost of acquisition of business combination	–	(283)	(1 230)
Loss on sale of intangible asset	–	(30)	–
Profit before fair value adjustments	481 937	423 218	1 072 453
Fair value adjustments	388 062	356 216	560 049
Gross change in fair value of investment properties	330 683	408 211	803 270
Straight-line rental income adjustment	57 379	(51 995)	(243 221)
Profit before equity-accounted investment	869 999	779 434	1 632 502
Share of income from associate	28 228	–	19 423
Profit before taxation	898 227	779 434	1 651 925
Taxation	(2 510)	(6 868)	(9 076)
Profit for the period	895 717	772 566	1 642 849
Attributable to owners of parent	863 021	747 570	1 586 079
Attributable to non-controlling interests	32 696	24 996	56 770
Other comprehensive (loss)/income			
Items that will be reclassified subsequently to profit or loss			
Currency loss on translation of investment in associate	(118 047)	–	(7 377)
Cash flow hedges	(60 839)	26 594	40 673
Available for sale financial assets – current period loss	(6 697)	(10 160)	(21 498)
Other comprehensive (loss)/income for the period	(185 583)	16 434	11 798
Total comprehensive income for the period	710 134	789 000	1 654 647
Total comprehensive income attributable to:	677 438	764 004	1 597 664
Owners of parent			
Non-controlling interest	32 696	24 996	56 983
Basic and diluted earnings per share (cents)[l]	130.07	124.81	249.55
Weighted average number of shares	663 514 893	598 960 127	635 569 998
Number of shares	690 643 418	638 155 312	647 667 287

[l]*Vukile has no dilutionary shares in issue.*

UNAUDITED RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS AND TO PROFIT AVAILABLE FOR DISTRIBUTION

for the six months ended 30 September 2016

	Unaudited 30 September 2016		Unaudited 30 September 2015		Audited 31 March 2016	
	Group R000	Cents per share	Group R000	Cents per share	Group R000	Cents per share
Attributable profit to owners of the parent	863 021	130.07	747 570	124.81	1 586 079	249.55
Earnings per share	863 021	130.07	747 570	124.81	1 586 079	249.55
Change in fair value of investment properties (net of allocation to non-controlling interest)	(375 298)	(56.56)	(356 216)	(59.47)	(546 188)	(85.94)
Gain on bargain purchase	–	–	(11 669)	(1.95)	(1 053)	(0.17)
Write-off of goodwill on sale of properties sold by a subsidiary	–	–	–	–	4 951	0.78
Loss on sale of investment properties	65 316	9.84	22 276	3.72	31 883	5.02
Profit on sale of listed securities	–	–	–	–	(547)	(0.08)
Fair value earnings of associate-adjusted headline earnings	–	–	–	–	(7 353)	(1.16)
Loss on sale/impairment of intangible asset	–	–	30	–	–	–
Headline earnings of shares	553 039	83.35	401 991	67.11	1 067 772	168.00
Straight-line rental accrual	57 379	8.65	(51 995)	(8.68)	(243 221)	(38.27)
Revaluation (surplus)/loss on listed investments	(47 186)	(7.11)	75 779	12.65	98 425	15.49
Cost of acquisition of business combination	–	–	283	0.05	1 230	0.19
Fair value movement of derivative financial instruments	6 337	0.96	215	0.04	1 342	0.21
Foreign exchange profit	(60 768)	(9.16)	–	–	(26 825)	(4.22)
***Add*: Non-IFRS adjustments**						
Project management fees received from sale of the Sanlam Asset Management business[II]	4 000	0.60	4 000	0.67	8 000	1.26
Shares issued cum dividend	27 366	4.12	61 530	10.27	63 024	9.92
Fair value earnings of associate – headline earnings adjustment	–	–	–	–	7 353	1.16
Dividends receivable from listed securities	5 620	0.85	13 302	2.22	19 212	3.02
Additional dividends distributed on shares issued post 31 March 2016[I]	(19 675)	(2.97)	(48 188)	(8.04)	–	–
Available for distribution	526 112	79.29	456 917	76.29	996 312	156.76
Weighted average number of shares in issue	663 514 893		598 960 127		635 569 998	
Headline and diluted headline earnings per share		83.35		67.11		168.00

[I] *The R400 million equity issuance in April 2016 gave rise to a higher distribution as the shareholders who participated were entitled to receive the second distribution for the six months ended 31 March 2016.*

[II] *Arising from the sale of the asset management business to Sanlam, where the amounts receivable in 2016 totalling R16 million were present valued and offset against the loss on sale of the business, in terms of IFRS requirements.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended 30 September 2016

	Unaudited 30 September 2016 R000	Unaudited 30 September 2015 R000	Audited 31 March 2016 R000
Cash flow from operating activities	650 543	614 991	1 282 448
Cash flow from investing activities	1 005 786	(910 086)	(2 124 333)
Cash flow from financing activities	(1 118 288)	494 159	1 300 455
Net increase in cash and cash equivalents	538 041	199 064	458 570
Cash and cash equivalents at the beginning of the period	932 459	473 889	473 889
Cash and cash equivalents at the end of the period	1 470 500	672 953	932 459
Major items included in the above:			
Cash flow from operating activities			
Profit before tax	898 227	779 434	1 651 925
Adjustments	(233 220)	(165 856)	(402 521)
Cash flow from investing activities			
Acquisition of and improvements to investment properties	(263 836)	(958 039)	(1 578 544)
Acquisition of associate	–	–	(758 570)
Net proceeds on sale of investment properties	1 201 206	185 699	327 356
Cash flow from financing activities			
Issue of shares	709 093	1 221 380	1 347 944
Dividends paid	(581 816)	(493 144)	(937 494)
Finance costs	(210 968)	(180 491)	(389 522)
Interest-bearing borrowings (repaid)/advanced	(1 033 252)	567 930	1 280 901

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 30 September 2016

R000	Share capital and share premium	Non-distributable reserves	Retained earnings	Shareholders' interest	Non-controlling interest (NCI)	Total
GROUP						
Balance at 30 September 2015	6 893 721	4 021 688	407 707	11 323 116	562 135	11 885 251
Issue of shares	174 842	–	–	174 842	–	174 842
Dividend	–	–	(408 499)	(408 499)	(26 184)	(434 683)
	7 068 563	4 021 688	(792)	11 089 459	535 951	11 625 410
Profit for the period	–	–	838 509	838 509	31 774	870 283
Change in fair value of investment properties	–	401 431	(395 059)	6 372	(6 372)	–
Change in fair value of investments attributable to non-controlling interest	–	(13 860)	13 860	–	–	–
Share-based remuneration	–	8 459	–	8 459	–	8 459
Deferred taxation on change in fair value of derivative	–	(10 417)	–	(10 417)	–	(10 417)
Transfer to non-distributable reserves	–	2 384	(2 384)	–	–	–
Gains from change in shareholding in subsidiary	–	5 041	–	5 041	(5 863)	(822)
Non-controlling interest arising on business combination	–	–	–	–	978	978
Revaluation of investments	–	(22 646)	22 646	–	–	–
Other comprehensive loss	–	(4 849)	–	(4 849)	213	(4 636)
Balance at 1 March 2016	7 068 563	4 387 231	476 780	11 932 574	556 681	12 489 255
Issue of shares	709 093	–	–	709 093	–	709 093
Dividend	–	–	(558 055)	(558 055)	(23 761)	(581 816)
	7 777 656	4 387 231	(81 275)	12 083 612	532 920	12 616 532
Profit for the period	–	–	863 021	863 021	32 696	895 717
Change in fair value of investment properties	–	330 683	(330 683)	–	–	–
Change in fair value of investments attributable to non-controlling interest	–	(12 764)	12 764	–	–	–
Share-based remuneration	–	8 706	–	8 706	–	8 706
Deferred taxation on change in fair value of derivative	–	16 161	–	16 161	–	16 161
Transfer from non-distributable reserves	–	(85 186)	85 821	635	–	635
Revaluation of investments	–	47 186	(47 186)	–	–	–
Other comprehensive loss	–	(185 583)	–	(185 583)	–	(185 583)
Balance at 30 September 2016	7 777 656	4 506 434	502 462	12 768 552	565 616	13 352 168

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 September 2016

1. MEASUREMENTS OF FAIR VALUE

1.1 Financial instruments

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	September 2016			September 2015		
GROUP	**Level 1 R000**	**Level 2 R000**	**Total R000**	Level 1 R000	Level 2 R000	Total R000
ASSETS						
Investments	375 433	–	375 433	359 020	–	359 020
Available-for-sale financial assets	55 294	–	55 294	60 423	–	60 423
Derivative financial instruments	–	1 015	1 015	–	16 326	16 326
Total	430 727	1 015	431 742	419 443	16 326	435 769
LIABILITIES						
Available-for-sale financial liabilities	–	(22 930)	(22 930)	–	(29 313)	(29 313)
Derivative financial instruments	–	(25 575)	(25 575)	–	(1 571)	(1 571)
Total	–	(48 505)	(48 505)	–	(30 884)	(30 884)
Net fair value	430 727	(47 490)	383 237	419 443	(14 558)	404 885

	March 2016		
GROUP	Level 1 R000	Level 2 R000	Total R000
ASSETS			
Investments	328 247	–	328 247
Available-for-sale financial assets	57 324	–	57 324
Derivative financial instruments	–	42 475	42 475
Total	385 571	42 475	428 046
Available-for-sale financial liabilities	–	(37 482)	(37 482)
Derivative financial instruments	–	(5 269)	(5 269)
Total	–	(42 751)	(42 751)
Net fair value	385 571	(276)	385 295

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Investments

This comprises shares held in listed property companies at fair value which is determined by reference to quoted closing prices at the reporting date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six months 30 September 2016

Available-for-sale financial assets

This comprises equity-settled share-based long-term incentive reimbursement rights stated at fair value. Fair value has been determined by reference to Vukile's quoted closing price at the reporting date after deduction of executive and management rights.

Derivative financial instruments

The fair values of these swap contracts are determined by Absa Capital, Rand Merchant Bank, Standard Bank and Investec Bank Limited using a valuation technique that maximises the use of observable market inputs. Derivatives entered into by the group are included in level 2 and consist of interest rate swap contracts.

1.2 Non-financial assets

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at:

GROUP	September 2016 Level 3 R000	September 2015 Level 3 R000	March 2016 Level 3 R000
ASSETS			
Investment properties	12 026 349	14 625 276	13 737 892
Investment properties held for sale	2 936 080	145 350	1 997 744

Fair value measurement of non-financial assets (investment properties)

The fair value of commercial buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions regarding vacancy levels, the discount rate and the reversionary capitalisation rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) and reversionary capitalisation rates decline. The overall valuations are sensitive to all four assumptions. Management considers the range of reasonable possible alternative assumptions is greatest for reversionary capitalisation rate, rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 30 September 2016 were:

- The range of the reversionary capitalisation rates applied to the portfolio are between 8.0% and 16.8% (March 2016: between 7.8% and 16.5%) with the weighted average being 9.6% (March 2016: 9.7%).
- The discount rates applied range between 12.8% and 19.6% (March 2016: between 12.8% and 19.6%) with the weighted average being 14.2% (March 2016: 14.2%).

In determining future cash flows for valuation purposes, vacancies are forecast for each property based on estimated demand.

Sensitivity analysis

The effect on the fair value of the portfolio of a 0.25% increase in the discount rate would result in a decrease in the fair value of R389 million (2.6%) (March 2016: R420 million (2.7%)). The average discount rate on the portfolio would increase from 14.2% to 14.5% (March 2016: 14.5%) and the average exit capitalisation rate would increase from 9.6% to 9.9% (March 2016: 9.9%) due to the interlinked nature of the rates. The analysis has been prepared on the assumption that all other variables remain constant.

BASTION GRAPHICS

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