VUKILE PROPERTY FUND

REAL ESTATE. REAL GROWTH.

CONDENSED AUDITED RESULTS
for the year ended 31 March 2015

Financial highlights

Earnings per share	Headline earnings per share	Gross property revenue (R000)
+21.0% to 278.01 cents	+14.1% to 186.81 cents	+13.6% to R1 579 099

Profit available for distribution (R000)	Annual normalised distribution per share	Net asset value per share
+11.5% to R774 216	+8.1% to 136.77 cents	+14.6% to 1 716 cents

Annualised total return to shareholders

+23.9%

over 11 years

For more information please visit our website:
www.vukile.co.za

Administration and contact details can be found on
the inside back cover

Strategic and operational highlights

- Distribution of 77.688 cents per share (+8,4%) for the six months ended 31 March 2015
- Distribution of 136.77 cents per share (+8.1%) for the 12 months ended 31 March 2015
- Continued strong operational performance of the property portfolio:
  - Like-for-like growth in net property revenue of 6.8%
  - Vacancies (as a % of GLA) down to 4.6% (March 2014: 6.5%)
  - Positive reversions across all sectors
  - Weighted average base rentals increased by 9.0% (March 2014: 12.5%)
- Successfully implemented offer to acquire control of Synergy Income Fund Limited
- Loan to value ratio, net of cash, conservative at 26.0% (March 2014: 30.8%) with 88% of term debt hedged, including Synergy debt
- Achieved Level 4 BEE rating
- Successful equity raise of R600 million in September 2014
- Successful refinance of R600 million debt facilities in March 2015

Commentary

1. BASIS OF PREPARATION

The condensed consolidated audited financial results for the year ended 31 March 2015 included in this announcement have been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS) and have been prepared in accordance with the presentation and disclosure requirements of IAS 34 Interim Financial Reporting, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act and the JSE Limited Listings Requirements.

Except for the new standards adopted as set out below, all accounting policies applied by the group in the preparation of these financial statements are consistent with those applied by the group in its consolidated financial statements as at and for the year ended 31 March 2014.

The group has adopted the following amendments to standards and new interpretations:

- Amendments to IFRS 10, IFRS 12 and IAS 27 relating to investment entities.
- Amendments to IAS 32 relating to offsetting financial assets and financial liabilities.
- Amendments to IAS 36 relating to recoverable amount disclosures for non-financial assets.
- Amendments to IAS 39 relating to novation of derivatives and continuation of hedge accounting.
- IFRIC 21 – Levies.

There was no material impact on the group financial statements based on management's assessment of these standards and new interpretation.

Grant Thornton, the group's independent auditor, has audited the consolidated annual financial statements of Vukile Property Fund Limited for the year ended 31 March 2015 from which the condensed consolidated audited financial results for the year ended 31 March 2015 have been derived and have expressed an unqualified audit opinion on the consolidated annual financial statements. The auditor's report does not necessarily cover all information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company.

The preparation of the financial results for the year ended 31 March 2015 was supervised by Vukile's financial director Michael Potts, CA(SA). The directors take full responsibility for the preparation of the condensed consolidated financial results for the year ended 31 March 2015 and for ensuring that the financial and other information has been correctly extracted from the consolidated annual financial statements for the year ended 31 March 2015.

2. FINANCIAL RESULTS

The group's net profit available for distribution increased by R80.3 million (11.6%) to R774.2 million for the year ended 31 March 2015 (March 2014: R693.9 million).

Simplified income statement

This income statement does not comply with IFRS as IFRS adjustments have been excluded. In order to facilitate the comparison with the prior year, this income statement excludes the Synergy Income Fund Limited (Synergy) results on a consolidated basis and merely includes income generated from the investment in Synergy.

Calculation of distributable earnings	2015 March Group R000	2014 March Group R000	% change
Net profit from property operations excluding straight-line income adjustment	**935 415**	847 301	10.4
Net income from asset management business	**16 432**	79 544	(79.3)
Income from listed property investment (Fairvest)	**26 115**	9 084	187.5
Income from Synergy[(1)]	**33 144**	5 778	473.6
Investment and other income	**24 851**	49 417	(49.7)
Administrative expenses	**(38 133)**	(34 968)	(9.1)
Finance costs	**(260 915)**	(256 605)	(1.7)
Taxation (including deferred tax on timing differences)	**(26)**	(5 678)	99.5
Shares issued cum distribution	**33 262**	–	
Costs of acquiring Synergy	**2 778**	–	
Pre-acquisition dividends arising on fair value calculation of Synergy shares at date of obtaining control	**1 293**	–	
Available for distribution	**774 216**	693 873	11.6

[(1)] *Excluding the consolidation of Synergy's income statement.*

Property portfolio results

During the past financial year, the property portfolio performed very well in a difficult economic environment. The retail sector continued to outperform the other sectors while the industrial sector continued showing signs of improvement. The commercial sector still battled with vacancies in selected properties due to an oversupply of space in those nodes. Vacancies on the total portfolio, including Synergy, reduced from 6.5% to 4.6% of GLA, while the expiry profile improved substantially compared to previous reporting periods, thereby significantly reducing the risk in the portfolio. For the Vukile portfolio, positive reversions were achieved on renewals across all sectors, but more so in the retail sector with reversions of 10.8% being achieved, while Synergy's retail portfolio achieved reversions of 9.1% across the portfolio. On the Vukile portfolio new transactions were concluded higher than budget in the retail sector but below budget in the industrial and commercial sectors in an effort to reduce vacancies.

Five non-core properties were sold during the year in terms of the group's winnowing strategy. The properties were sold at a 10.7% discount to fair value primarily as a result of the decision to sell the vacant 1 Kramer Road, Bedfordview property at R12 million or 34% below the March 2014 valuation.

Gross rental receivables (tenant arrears)

The value of the property portfolio increased by c.30% from the previous year, mainly through the acquisition of Synergy. Tenant arrears increased from the prior year by R18.6 million to R51.1 million at 31 March 2015 (2014: R32.5 million), which is an indication that certain non-national tenants are being negatively affected by the difficult economic environment and the impact of load shedding. Our property managers, JHI and Broll, report similar trends across the various portfolios they manage.

Impairment allowance – tenant receivables

The allowance for the impairment of tenant receivables has increased from R11.3 million at 31 March 2014 to R27.4 million at 31 March 2015, which is considered adequate at this stage. The impairment allowance represents 1.5% of property revenue, excluding Synergy (March 2014: 0.81%). A summary of the movement in the impairment allowance of trade receivables is set out below:

	R000
Impairment allowance 1 April 2014	11 344
Allowance for receivable impairment for the year	15 834
Receivables written off as uncollectible	(3 562)
	23 616[1]
Synergy's impairment allowance 31 January 2015	3 763
Impairment allowance 31 March 2015	27 379
Bad debt write-off per the income statement	3 812

[1]This includes the movement in Synergy's impairment allowance for the two months ended 31 March 2015.

Asset management business

The asset management business segment generated a normalised net profit of R16.4 million for the year against R13.5 million in the prior year, if non-recurring sales commission of R66 million earned in the prior year is excluded. This segment's profit is reported gross of a consolidation adjustment of Vukile's asset management fees of R26.1 million (March 2014: R25.8 million) paid internally. Asset management and other fees received of R48.5 million were in line with the previous year.

Asset management fees are made up as follows:

	2015 Rm	2014 Rm
Asset management fees received from Sanlam	**22.4**	22.9
Asset management fees in respect of the Vukile portfolio[1]	**26.1**	25.8
	48.5	48.7

[1]These fees are eliminated on consolidation, reducing the income earned by the asset management business segment and increasing net profit from property operations.

Commentary continued

A contract to sell the asset management business relating to Sanlam's property portfolio to Sanlam was concluded on 7 November 2014.

The selling price of R167 million was agreed upon together with transfer service fee income from certain ongoing services, to be paid by Sanlam to Vukile as follows:

	Rm
31 March 2015	7
31 March 2016	8
31 March 2017	8

On the assumption that the selling price of R167 million is invested in properties yielding at least 9.0% and taking the above transfer service fee income into account, the effect on Vukile's distributable income for the years ending 31 March 2015 to 31 March 2017, based on budgeted asset management income for the same period, will be immaterial. Following the implementation of the sale, Vukile has a simpler structure and a more predictable income stream going forward.

The sale of the asset management business to Sanlam for R167 million together with a discounted value of future fee income of R14.6 million, equates to R181.6 million. Including expenditure incurred in finalising the sale, a loss of R61.4 million was incurred. The asset management business was valued at R242.1 million at 31 March 2014 which valuation was based on, *inter alia*, certain reinvestment strategies as advised by Sanlam following the sale of East Rand Mall for R2.2 billion. However, during the contractually prescribed independent valuation process undertaken by PwC, Sanlam represented that the R2.2 billion was no longer available for reinvestment due to a change in strategy whereby they were no longer looking to invest in direct property. This effectively reduced the valuation by c.R60 million.

Fairvest

Vukile held 33.9% in Fairvest at year end, at a cost of R249.7 million. Fairvest is fair valued at 31 March 2015 at R384.8 million, representing a capital appreciation of 54% since the dates of acquisition.

The 187% increase in income from Fairvest arises from 12 month distributions versus three months in the prior year, the additional shares acquired in September 2014 and a c.10% increase in distributions.

Synergy

Vukile acquired an additional 5 625 611 Synergy A shares and an additional 93 687 502 Synergy B shares during the year through an issue of shares, for a consideration of R362 million.

The increase in income from Synergy arises mainly as a result of the additional shares acquired and income earned on the initial acquisition of 52.3 million shares for a full year as opposed to four months in the previous year.

Group finance costs (excluding Synergy)

Group finance costs have increased by R4.3 million, from R256.6 million to R260.9 million. The increase in finance costs is primarily due to additional interest of R4.2 million arising on the extension of swaps by a further 12 months, additional interest on the Encha transaction (12 months versus eight months) and offset by the interest reduction following the repayment of the R400 million Nedbank facility in September 2014.

Investment and other income has decreased by R24.6 million from R49.4 million to R24.8 million due to the fact that antecedent divestiture of distributions is no longer accounted for as interest income, whereas in the prior year an amount of R25.3 million was classified as interest income.

The average cost of finance for the year ended 31 March 2015, based on the average of opening and closing interest-bearing debt (excluding development debt), equates to 8.4%, with 88.0% of interest-bearing term debt hedged.

Group corporate administrative expenditure

Group corporate administrative expenditure of R38.1 million is R3.2 million higher than the previous year's expenditure of R34.9 million. The main contributing factor to this variance comprises R2.8 million costs of acquiring Synergy, which has been included in corporate administrative expenditure.

Distribution

The distribution for the six months ended 31 March 2015 is 77.688 cents per share which represents an 8.4% increase over the comparable six-month period.

The normalised distribution for the full year ended 31 March 2015 increased by 8.13% to 136.77 cents per share (March 2014: normalised 126.49 cents per share).

Summary of group financial performance

	2015 March	2014 March	% change
Headline earnings (Rm)	**1 008**	765	31.8
Net asset value per share (cents)	**1 716**	1 498	14.6
Normalised distributions	**136.77**	126.49	8.1
Special distributions	**–**	13.83	–
Loan to value ratio (%)[I]	**29.0**	33.10	(12.4)
Loan to value ratio net of cash (%)[I]	**26.0**	30.80	(15.6)
Gearing ratio (%)[II]	**26.6**	29.10	(8.6)

[I] *Based on directors' valuations of the group's portfolio at 31 March 2015.*
[II] *The gearing ratio is calculated by dividing total interest-bearing borrowings by total assets.*

Cash flow and net asset value

Share issuances of R1.1 billion during the year were primarily utilised to acquire control of Synergy (R362 million) and to acquire investment properties (R358 million), resulting in cash on hand at 31 March 2015 of R474 million.

The net asset value of the group increased over the reporting period by 14.6%, from 1 498 cents per share to 1 716 cents per share at 31 March 2015.

Borrowings

The group's finance strategy is to minimise funding costs and refinance risk. The business objectives that are necessary to implement this strategy can be summarised as follows:

Strategy	**Current position**
Diversify funders to at least three providers	Five funders
Diversify funding structures to incorporate, where appropriate:	% of total
– Bank debt	57%
– Secured bonds	26%
– Commercial paper/unsecured bonds	17%
	100%
Spread expiry terms of all interest-bearing debt to less than 25% per annum	Achieved
Hedge or fix more than 75% of interest-bearing debt	102% hedged[I]
	88% hedged[II]
Maximise interest income and limit negative carry	Achieved through increase in access facilities repayable without break costs

[I] *Vukile and its subsidiaries excluding Synergy – excludes development debt and commercial paper.*
[II] *Vukile including Synergy – excludes development debt and commercial paper.*

Commentary continued

The Global Credit Rating Company (Pty) Ltd (GCR) has recently re-affirmed an A corporate rating and an AA (RSA) rating on Vukile's R5 billion DMTN programme. GCR further accorded an AA+ rating with a stable outlook to the R580 million bond issuance on 8 May 2015.

During March 2015 the company successfully issued R310 million of commercial paper, as follows:

Maturity date	Term months	Rm	Interest rates %
September 2015	6	**169**	7.233
July 2015	6	**85**	7.147
March 2016	12	**56**	7.308
		310	

The table below sets out the debt that has been hedged/fixed.

Vukile

Secured variable rate loans	Borrowings R000	Interest rate hedges/ fixed R000	% hedged
DMTN corporate bonds	1 320 000	1 320 000	86.8
DMTN commercial paper(I)	310 000	–	0.0
RMB term facility – East Rand Mall expansion(I)	50 000	–	0.0
Absa term facility	300 000	300 000	100.0
Nedbank term facility	100 000	81 667	81.7
RMB (R1.5 billion acquisition)	245 000	245 000	
Additional interest rate swap(II)	–	81 667	133.3
SCM (R1.5 billion acquisition)	245 000	245 000	100.0
Standard Bank (Encha acquisition)	184 550	184 550	100.0
RMB (Encha acquisition)	150 000	150 000	100.0
Vukile (March 2014 – R3.0 billion)	2 904 550	2 607 884	84.0
Synergy	970 570	466 705	48.2
Group total (March 2014 – R3.40 billion)	3 875 120	3 074 589	
***Less*: development loans and commercial paper**	(360 000)		
Total adjusted loans	3 515 120		
% hedged – Vukile and Synergy(I)	88.0%		

Note (I) – Excluding development loans and commercial paper. Interest on development loans is capitalised until the development is completed.
Note (II) – Additional interest rate swap which replaced a similar swap expiring in April 2015.

It is the policy of the company not to hedge short-term commercial paper (R310 million) and development debt (R50 million).

The company's borrowing capacity is unlimited in terms of its Memorandum of Incorporation (MOI). The group's loan to value ratio at 31 March 2015 based on the director's valuations of the property portfolio was 29.0% (March 2014: 33.1%) 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 R771 million at 31 March 2015.

Post-period refinancing

Corporate bonds amounting to R580 million were successfully refinanced by way of an auction, which was heavily oversubscribed, in May 2015 as follows:

	Term years	Rm	Finance costs %
VKE 06[1]	3	**380**	7.370
VKE 07[1]	5	**200**	7.767

[1] *Based on three-month JIBAR.*

The corporate bonds are hedged in terms of the swaps extended during the year.

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 R13.3 billion as at 31 March 2015. This is R3.1 billion or 29.1% higher than the valuation as at 31 March 2014 mainly due to the acquisition of the Synergy portfolio, Tzaneen Maake Plaza (30%), Houghton Estate Oxford Terrace and Sandton Linbro 7 on Mastiff Business Park. The calculated recurring forward yield for the portfolio is 9.4%.

The external valuations by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 31 March 2015 of 48.3% of the total portfolio are in line with the directors' valuations of the same properties.

3. GROUP PROPERTY PORTFOLIO OVERVIEW

The group property portfolio at 31 March 2015 consisted of 93 properties with a total market value of R13.3 billion and gross lettable area of 1 339 090m², with an average value of R143 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 87% 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	58	13	56
KwaZulu-Natal	17	21	17
Western Cape	6	32	7
Namibia	7	0	7
Free State	4	11	4
Limpopo	3	8	3
Mpumalanga	2	10	2
North West	2	5	2
Eastern Cape	1	0	1

Based on market value, 64% of the group portfolio is in the retail sector followed by 16% in the office, 9% in the industrial, 7% in the sovereign, 3% in the hospital and 1% in the motor-related sectors.

Commentary continued

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	45	76	50
Government	13	0	11
National and listed tenants, franchised and medium to large professional firms	9	7	9
Other	33	17	30

The retail portfolio's exposure to national, listed and franchised tenants is 81% in total.

Vukile's tenant concentration risk is considered to be low as the top 10 tenants account for 37.3% of total GLA. If the Synergy portfolio is excluded, the top 10 tenants account for 35.9% of total GLA. Local, provincial and national government is the single largest tenant, occupying 10.7% of total GLA with Shoprite the second largest at 5.7% of total GLA. If the Synergy portfolio is excluded, the exposure to government and Shoprite is 12.7% and 5.8% respectively. The Synergy portfolio's exposure to the top 10 tenants is 45%, with Spar the largest at 19.2% and Massmart at 6.3%.

Top 10 properties by value

Property	Location	Sector	Rentable area m²	**Directors' valuation at 31 March 2015 Rm**	% of total	Valuation R/m²
Boksburg East Rand Mall*	Boksburg	Retail	31 494	**996.3**	7.5	31 634
Durban Phoenix Plaza	Durban	Retail	24 363	**660.1**	4.9	27 095
Pretoria Navarre Building	Pretoria	Sovereign	47 519	**446.5**	3.3	9 396
Gugulethu Square	Gugulethu	Retail	25 322	**399.1**	3.0	15 759
Soweto Dobsonville Shopping Centre	Soweto	Retail	23 177	**383.4**	2.9	16 542
Cape Town Bellville Louis Leipoldt	Bellville	Hospital	22 311	**363.3**	2.7	16 282
Pinetown Pine Crest*	Pinetown	Retail	20 056	**351.6**	2.6	17 530
Randburg Square	Randburg	Retail	40 874	**340.5**	2.6	8 331
Pretoria De Bruyn Park	Pretoria	Sovereign	41 418	**334.1**	2.5	8 065
Oshakati Shopping Centre	Oshakati	Retail	24 632	**319.7**	2.4	12 978
Total top 10			301 166	**4 594.6**	34.4	15 256

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

Sector	Rentable area m²	**Directors' valuation at 31 March 2015 Rm**	% of total	Valuation R/m²
Retail	189 918	**3 450.7**	25.9	18 169
Sovereign	88 937	**780.6**	5.8	8 776
Hospital	22 311	**363.3**	2.7	16 282
Total top 10	301 166	**4 594.6**	34.4	15 256

The 10 largest retail centres (representing 51% 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 31 March 2015 Rm	% of total retail portfolio value	National, listed and franchised tenants %	Average annual trading density	Year on year growth in trading density %
Boksburg East Rand Mall*	**996.3**	11.7	89.9	30 603	1.3
Durban Phoenix Plaza	**660.1**	7.7	78.6	31 520	8.0
Gugulethu Square	**399.1**	4.7	89.7	Not yet measured	
Soweto Dobsonville Shopping Centre	**383.4**	4.5	82.8	30 311	2.9
Pinetown Pine Crest*	**351.6**	4.1	94.1	24 641	3.4
Randburg Square	**340.5**	4.0	83.4	14 852	2.3
Oshakati Shopping Centre	**319.7**	3.8	92.0	27 048	8.5
Atlantis City Shopping Centre	**310.0**	3.6	79.8	Not yet measured	
Phuthaditjhaba Setsing Crescent	**298.2**	3.5	95.7	Not yet measured	
Daveyton Shopping Centre#	**297.5**	3.5	83.6	30 326	1.7
	4 356.4	51.1	86.9	27 043	4.0

** Represents an undivided 50% share in this property.*
 # Excluding the trading density of Pick n Pay.

Property portfolio performance

New leases and renewals of 250 111m² with a contract value of R871 million were concluded during the year. Some 85% of leases to be renewed during the year ended 31 March 2015 were renewed.

Commentary continued

Details of large contracts concluded

Tenant	Property	Sector	**Contract value Rm**	Lease duration years
Mahle Behr South Africa	Durban Valley View Industrial Park	Industrial	**72.5**	5
Omnia Group	Sandton Bryanston Ascot Offices	Offices	**38.6**	7
Pick n Pay	Oshakati Shopping Centre	Retail	**35.0**	10
U Bank	Sandton Sunninghill Sunhill Park	Offices	**19.3**	3
Syspro	Sandton Sunninghill Place	Offices	**19.1**	4
Zone Fitness	Pretoria Arcadia Suncardia	Offices	**18.0**	10
Omnia Group	Sandton Bryanston St Andrews Complex	Offices	**14.8**	6
Special Investigating Unit	East London Vincent Office Park	Offices	**14.1**	3
Business Systems Group	Johannesburg Houghton Estate Oxford Terrace	Offices	**12.4**	5
A5 Cash & Carry	Hammarsdale Junction	Retail	**9.8**	10

The group lease expiry profile table reflects that 27.0% of the leases are due for renewal in 2016. Approximately 33.0% of leases are due to expire in 2019 and beyond (up from 24% in the prior year).

Group lease expiry (% of GLA)	Vacant %	March 2016 %	March 2017 %	March 2018 %	March 2019 %	March 2020 %	Beyond March 2020 %
GLA	4.6	27	22	13	15	8	10
Cumulative as at March 2015	4.6	32	54	67	82	90	100
Cumulative as at March 2014	6.5	50	70	76	89	100	100

Vacancies

At 31 March 2015, the portfolio's vacancy (measured as a percentage of gross rental) was 5.6% compared to 6.7% at 31 March 2014.

On 31 March 2015 the portfolio's vacancy (measured as a percentage of gross lettable area) was 4.6% compared to 6.5% at 31 March 2014.

If the current development vacancy of 7 412m² at Germiston Meadowdale Mall, East Rand Mall and Cape Town Bellville Barons is included in the 31 March 2015 vacancy, the vacancy on area increases from 4.6% to 5.1%.

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

The increase in retail vacancies is due to the Synergy portfolio carrying a higher vacancy than the Vukile retail portfolio. Office vacancies decreased considerably compared to the previous period.

Vacancies	31 March 2014 %	**31 March 2015 %**	**31 March 2015 Development vacancy %**	**31 March 2015 Including development vacancy %**
Retail	2.7	**3.4**	**0.9**	**4.3**
Offices	17.5	**10.2**	**–**	**10.2**
Industrial	2.8	**1.9**	**–**	**1.9**
Sovereign	6.2	**5.9**	**–**	**5.9**
Hospital	0.0	**0.0**	**–**	**0.0**
Motor related	10.7	**0.0**	**14.1**	**14.1**
Total	6.5	**4.6**	**0.6**	**5.1**

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 2014	1 144 841
GLA adjustments	1 411
Disposals	(29 544)
Acquisitions and extensions	222 382
Balance at 31 March 2015	**1 339 090**

Vacancy summary	Area m²	%
Balance at 31 March 2014	74 185	6.5
Less: Properties sold since 31 March 2014	(15 862)	(1.4)
Remaining portfolio balance at 31 March 2014	58 323	5.1
Leases expired or terminated early	262 433	–
Renewal of expired leases	(161 911)	–
Contracts to be renewed	(27 849)	–
Tenants vacated	(70 415)	–
Development vacancy	(7 412)	
New letting of vacant space	8 185	–
Balance at 31 March 2015	**61 354**	**4.6**

Financial performance for the stable portfolio	**2015 Rm**	2014 Rm	% change
Gross property revenue	**1 185.5**	1 109.3	6.9
Recurring property expenses	**(429.6)**	(404.8)	6.1
Recurring net property income	**755.9**	704.5	7.3
Non-recurring property expenses	**(23.0)**	(18.3)	25.7
Net property income	**732.9**	686.2	6.8
Property expense ratios (%)*	**36.2**	36.5	(0.8)

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

Base rentals

(Excluding recoveries)

The weighted average monthly base rental rates per sector, between 31 March 2014 and 31 March 2015, are set out in the table below. The high increase in the average rental rate per m² is due to the shift in portfolio structure since 31 March 2014 as the higher exposure to retail properties increases the average rental rate of the portfolio.

Weighted average base rentals (R/m²)

Excluding recoveries	**March 2015**	March 2014	Escalation %
Retail	**108.14**	102.56	5.4
Offices	**91.63**	86.80	5.6
Industrial	**41.94**	40.16	4.4
Sovereign	**93.11**	83.44	11.6
Hospital	**95.77**	89.09	7.5
Motor related	**113.93**	104.50	9.0
Total	**90.90**	83.39	9.0

Commentary continued

Average contractual rental escalation of 7.8% is slightly lower than the previous year (8.0%).

Positive reversions were achieved across all sectors with retail at 10.8%, offices at 2.5% and industrial at 1.3%. The average escalation on expiry rentals on the total portfolio of 5.6% is very positive against the backdrop of a difficult trading environment.

The low escalation of 2.5% on offices is to be expected during the current oversupply of office space.

Industrial escalations of 1.3% have dropped due to leasing incentives offered at industrial parks in an effort to retain tenants to prevent the vacancy from increasing further. If the renewal of Mahle Behr at Durban Valley View Industrial Park which was concluded at lower rentals is included, the industrial escalation is 0.3%.

The sovereign portfolio had a few smaller lease renewals which did not impact the overall portfolio trends.

New leases were concluded 5.2% above budget in the retail sector, but lower than budget in the office and industrial sectors.

Expense categories and ratios

Recurring gross property expenses have increased year-on-year mostly due to excessive increases in electricity and water tariffs and rates and taxes.

The top four expense categories contribute 81% of the total expenses. These are: government services (45%), rates and taxes (17%), cleaning and security (11%) and property management fees (8%).

The group continuously evaluates methods of containing costs in the portfolio. The stable portfolio's recurring gross costs to property revenue ratios (excluding electricity and rates and taxes) have decreased from 17.7% in March 2010 to 16.8% in March 2015 and hence have been well contained.

If all recurring gross expenses are taken into consideration, the ratio of recurring gross cost to property revenue has been reduced to 34.1% compared to 34.9% in March 2014.

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 still in line with our targets; however, 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.

4. PORTFOLIO GROWTH, REDEVELOPMENTS AND SALES

Acquisitions – R409 million

Mini-factory/warehousing complex Linbro Park

The 15 070m² mini-factory/warehousing development at Linbro Park was completed on 1 October 2014. Linbro Park is one of Johannesburg's prime industrial areas. The development is incorporated into Linbro Business Park, firmly established as a desirable business address, which enjoys excellent accessibility to the N3 and Sandton CBD via Marlboro Road while offering the added benefit of being located approximately three kilometres from the Gautrain Marlboro Station. The development comprises 22 units with a wide variety of unit sizes ranging from 350m² to 1 870m². The capital expenditure is R125 million at an initial yield of 10% which is underpinned by a one-year income guarantee. Letting of the units is progressing well with 50% (11 of 22) let or under option seven months after completion.

30% interest Maake Plaza
Transfer of a 30% undivided share in Maake Plaza (15 752m²) was registered during July 2014 at a purchase price of R32 million, with an anticipated initial yield of 11.2%. This centre is located in the rural areas surrounding Tzaneen in the Limpopo province. The centre is anchored by Shoprite and the national tenant composition is 88.0%.

Letlhabile Mall
The Letlhabile Mall, which was acquired for R194.2 million at a yield of 9%, started trading on 1 April 2014. The centre with a GLA of 17 000m² is situated in Letlhabile about 30 kilometres north of Brits in the North West province.

Trading at the centre was initially lower than expected due to the strike action in the mining sector, but has since picked up.

Houghton Estate Oxford Terrace
A grade quality offices were acquired for R58 million in April 2014 situated in Ninth Street, Melrose Estate, within walking distance of the Rosebank Gautrain Station.

Upgrades/redevelopments – R406 million
As part of the ongoing strategy to improve the quality of the existing portfolio, the following projects as set out below have been completed or are in progress.

East Rand Mall
East Rand Mall (in which the company owns a 50% undivided share with Redefine) is being upgraded and extended at a total cost of R336.5 million. Each co-owner will contribute R168.3 million to the total cost. The projected yield on the income generating portion of the capex is 7.3%, while the yield on the total capex is 6.8%.

East Rand Mall, regarded as one of the top regional malls in South Africa, has a GLA of 62 989m², which will be increased to 69 299m². The main entrances, malls and toilets will be upgraded while some areas will be reconfigured to allow better utilisation of the available space. The extension of 6 310m² incorporates a relocated Entrance 4 and a youth-oriented mall which will be anchored by a Mr Price emporium, which consists of their Apparel, Sport and Home outlets comprising 3 700m². Cotton On will trade in close proximity to Mr Price on 1 250m².

The refurbishment includes new top-quality tiling throughout the mall, a revamp of all bathroom facilities and a convenient new walkway linking the main mall with the parking area. Natural lighting will remain a top priority inside the mall.

Together with the adjacent South 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 000m². The project is scheduled for completion by the end of August 2016.

Parow De Tyger: Cure Day Clinic
The existing De Tyger Office Park consists of four separate blocks with a total GLA of 4 118m². The Cure Day Clinic is being built on available land originally earmarked for a fifth office block. The clinic will have a GLA of 1 130m² and the total capex is R24.7 million.

The Cure Day Clinic group is based in Pretoria and currently has six day hospitals in Gauteng and the Western Cape. A 10-year lease has been concluded with the group. The initial yield on the transaction is 9.3% and the rental will escalate at 8% per year.

The expected completion date is the end of October 2015.

Durban: The Workshop
An amount of R55 million was approved in October 2012 for the upgrade of The Workshop in Durban. The upgrade was however delayed, as the Ethekweni Municipality insisted that the plans should first be approved by Amafa; the KZN Heritage Agency. The plans were eventually approved in January 2015.

An additional amount of R20 million was approved in February 2015, bringing the total capex to R75 million. This was required as a result of an increase in the scope of the upgrade (the external food court as well as all the toilet blocks were included), the installation of a number of new tenants (Pep Stores, Dunns, Ackermans, KFC and London Pie) and an increase in building costs.

Commentary continued

The following areas have been completed or are in process:

→ The upgrade of the various ablution facilities has been completed.
→ The reconfiguration and upgrade of the food court is in process and will be completed by June 2015.
→ Replacement of the shop fronts and mall tiles.
→ Installation of new ceilings in selected areas.

Additional lighting in the mall area and the increase of natural light will complement the new flooring and contribute to a new bright and fresh look for the malls.

The upgrade of the food court and addition of a number of food outlets will tie in well with the plans of council to establish an extension to the existing convention centre in close proximity to The Workshop.

In addition, council intends to redevelop the site to the north of the CBD which will include a new Durban Central library, new city museum as well as a new central bus rapid transport main terminal, serving all of Durban's suburbs and a new municipal office building of 25 000m².

This redevelopment is on the doorstep of the Durban Workshop and will boost trade and a current footfall which already is in excess of a million per month.

The anticipated completion date is November 2015.

Pretoria: Sanlynn Office Park
The Sanlynn Office Park consists of two office blocks with a total GLA of 8 624m², of which 6 162m² (71%) is let to Sanlam. The Sanlam lease expires in December 2015, but has been renewed for another five years, on condition that the external façades and parking areas are upgraded.

The office park is well located on Lynnwood Road, east of the N1 highway in a popular office and retail node.

The total capex is R14.0 million and the projected completion date is October 2015.

Pretoria: Arcadia Suncardia
The Arcadia Suncardia building is made up of a retail section on the first two floors and an office block on top. The total GLA of the building is 28 937m² with retail comprising 37% of the total area. The retail portion will be undergoing an upgrade to both the external façade and the interior to modernise and freshen up the building. The total capex to be spent amounts to R15 million and the projected completion date is November 2015.

Meadowdale Mall
In pursuit of Vukile's desire to cultivate mutually beneficial partnerships, it entered into a sale and development agreement with the Moolman group for the sale of a 33% interest in the centre, and the refurbishing and expansion of the centre by 9 500m².

The centre measures 35 847m², of which Checkers and House and Home occupy 18 000m² retail and 5 100m² office space.

The Checkers and House and Home lease expires at the end of May 2016 and will be renewed for a further 10-year period with the refurbishment and expansion project.

The refurbishment project will entail the upgrading of the external façade, refurbishment of internal ceilings and bulkheads and retiling of the mall area. Reconfiguration of the existing centre is limited in order to minimise the capital expenditure in the areas that will not result in enhanced income during the initial period after construction. The total capital expenditure on the refurbishment at the existing centre is estimated at R40 million for Vukile's 67% share.

The expansion of the centre presents an excellent investment opportunity and the extension of the centre by 9 500m² is currently underway. The new extension will be anchored by Meat World (1 000m²), Apple Tree (1 840m²), Waltons (900m²), Crazy Plastics (1 000m²) and three fast food outlets, KFC, McDonald's and Nando's. This expansion will attract shoppers from the strip centres located on Edendale Road which have deteriorated significantly over the past few years. Completion is scheduled for end October 2015. The anticipated capital expenditure for this extension amounts to R69 million for Vukile's 67% share with an expected initial yield of 10% when fully let.

Gross property sales during the year – R156 million

In line with the group's winnowing strategy, five non-core properties were disposed of during the year as follows:

Property	Sales price R000	Yield %
Lichtenburg Shopping Centre	48 600	9.9
Cape Town Kenilworth Motor Showrooms	34 750	12.2
Johannesburg Bedfordview 1 Kramer Road	25 000	Vacant
Durban Westville Surrey Park	25 000	11.4
Pretoria Midtown	22 380	Vacant
Total	155 730	

The proceeds from property sales will be utilised to acquire properties that conform to Vukile's investment requirements and/or to fund expansions and revamps, thereby further enhancing the quality of the portfolio.

5. ACQUISITION PIPELINE – R1 billion

Moruleng Mall and Batho Plaza

Vukile acquired two retail centres from New Africa Developments (Pty) Ltd. Moruleng Mall is a 31 653m² regional shopping centre located in the North West province with a national tenant mix of 88%. Anchor tenants include Shoprite, Pick n Pay, Edcon and the Truworths group. A purchase price of R320 million was agreed to acquire 80% of the centre which equates to an initial yield of 8.68%. The remaining 20% is owned by the Bakgatla-Ba-Kgafela. Batho Plaza is a 14 000m² centre located in Soshanguve, Gauteng, with a national tenant mix of 80%. Anchor tenants include Shoprite and Cashbuild. A purchase price of R140 million was agreed which equates to an initial yield of 9.52%. Moruleng Mall was transferred in April 2015. The Batho Plaza transaction is unconditional and transfer is expected to be in May 2015.

Nonesi Mall

Nonesi Mall is a 27 700m² regional shopping centre located in Queenstown, Eastern Cape, with a national tenant mix of 96%. Anchor tenants include Checkers, Pick n Pay, Woolworths, Edcon and Massmart. A purchase price of R371.6 million was agreed which equates to an initial yield of 8.25%. The transaction is unconditional and transfer is expected in May 2015.

Silverton industrial portfolio

Vukile has concluded a deal to purchase a distribution warehousing portfolio from the HL group. The portfolio comprises six buildings located in close proximity to each other in the Silverton industrial area. Notable tenants include Massmart, Edcon and Topmed. A purchase price of R100.8 million was agreed at an initial yield of 9.25%. The transaction is unconditional and is expected to transfer in June 2015.

40% of Maake Plaza

The acquisition of a further 40% of Maake Plaza at a consideration of R61.6 million and an initial yield of 9.7% is expected to be finalised during July 2015.

Commentary continued

6. OPERATING SEGMENTS

Operating segments analysis

for the year ended 31 March 2015

GROUP	Retail – Vukile R000	Retail – Synergy R000
Group income for the year ended 31 March 2015		
Property revenue	823 663	53 866
Straight-line rental income accrual	49 445	3 152
	873 108	57 018
Property expenses	(318 753)	(21 683)
Profit from property and other operations	554 355	35 335
Group statement of financial position at 31 March 2015		
ASSETS		
Investment properties	5 982 709	2 421 987
Add: Lease commissions		
Goodwill	53 169	
Investment properties held-for-sale	133 000	
	6 168 878	2 421 987
Add: Excluded items		
Development expenditure		
Investments		
Furniture, fittings and computer equipment		
Available-for-sale financial asset		
Loans to directors		
Deferred taxation assets		
Trade and other receivables		
Taxation refundable		
Cash and cash equivalents		
Total assets		
EQUITY AND LIABILITIES		
Stated capital	2 599 365	1 029 421
Interest-bearing borrowings	1 772 403	701 920
	4 371 768	1 731 341
Add: Excluded items		
Other components of equity and retained earnings		
Non-controlling interest		
Deferred taxation liabilities		
Derivative financial instruments		
Trade and other payables		
Current taxation liabilities		
Total equity and liabilities		

	Offices R000	Industrial R000	Sovereign R000	Hospital R000	Motor related R000	Total R000	Asset management business R000	Total group R000
	360 774	147 865	153 290	28 507	11 134	1 579 099	24 694	1 603 793
	20 305	10 547	10 453	2 454	959	97 315		97 315
	381 079	158 412	163 743	30 961	12 093	1 676 414	24 694	1 701 108
	(153 426)	(40 164)	(46 552)	(3 450)	(1 344)	(585 372)	(34 388)	(619 760)
	227 653	118 248	117 191	27 511	10 749	1 091 042	(9 694)	1 081 348
	2 016 473	1 152 249	993 913	363 277	135 080	13 065 688		13 065 688
						39 640		39 640
						13 105 328		13 105 328
		3 889				57 058		57 058
	119 770	27 249				280 019		280 019
	2 136 243	1 183 387	993 913	363 277	135 080	13 442 405		13 442 405
								15 849
								384 800
								3 248
								21 576
								38 110
								3 888
								147 429
								133
								473 889
								14 531 327
	907 970	501 323	422 444	154 404	57 413	5 672 340		5 672 340
	619 111	341 833	288 048	105 282	39 148	3 867 745		3 867 745
	1 527 081	843 156	710 492	259 686	96 561	9 540 085		9 540 085
								4 158 306
								516 317
								1 173
								12 919
								300 880
								1 647
								14 531 327

Commentary continued

6. OPERATING SEGMENTS

Operating segments analysis

for the year ended 31 March 2014

GROUP	Retail – Vukile R000
Group income for the year ended 31 March 2014	
Property revenue	773 328
Straight-line rental income accrual	29 299
	802 627
Property expenses	(295 105)
Profit from property and other operations	507 522
Group statement of financial position at 31 March 2014	
ASSETS	
Investment properties	5 327 347
Add: Lease commissions	
Goodwill	53 169
Intangible asset	
Investment properties held-for-sale	195 558
	5 576 074
Add: Excluded items	
Development expenditure	
Investments	
Furniture, fittings and computer equipment	
Available-for-sale financial asset	
Financial asset at amortised cost	
Loans to directors	
Trade and other receivables	
Cash and cash equivalents	
Total assets	
EQUITY AND LIABILITIES	
Linked debentures and premium	2 432 990
Interest-bearing borrowings	1 822 213
	4 255 203
Add: Excluded items	
Other components of equity and retained earnings	
Deferred taxation	
Trade and other payables	
Current taxation liabilities	
Shareholders for distribution	
Total equity and liabilities	

Offices R000	Industrial R000	Sovereign R000	Hospital R000	Motor related R000	Total R000	Asset management business R000	Total group R000
349 151	135 872	94 879	26 393	10 002	1 389 625	92 654	1 482 279
8 128	3 092	2 194	737	261	53 493		53 493
357 279	138 964	97 073	27 130	10 263	1 443 118	92 654	1 535 772
(143 827)	(45 908)	(27 356)	(2 784)	(1 538)	(516 518)	(38 917)	(555 435)
213 452	93 056	69 717	24 346	8 725	926 600	53 737	980 337
2 108 030	1 060 488	1 010 906	328 287	128 279	9 963 337		9 963 337
					26 657		26 657
					9 989 994		9 989 994
	3 889				57 058		57 058
						242 059	242 059
117 009	–				312 567		312 567
2 225 039	1 064 377	1 010 906	328 287	128 279	10 359 619	242 059	10 601 678
							29 732
							592 300
							4 660
							20 313
							18 757
							23 000
							86 165
							298 175
							11 674 780
637 538	266 349	239 787	73 953	28 433	4 526 815		4 526 815
477 491	199 485	179 592	55 388	21 295	3 390 406		3 390 406
1 115 029	465 834	419 379	129 341	49 728	7 917 221		7 917 221
							3 108 689
							6 121
							274 926
							2 587
							365 236
							11 674 780

Commentary continued

7. CAPITAL COMMITMENTS

The group has authorised and contracted refurbishment, expansions and tenant installations totalling R283.6 million.

The group is authorised, but has not yet contracted, to upgrade shopping centres, replace airconditioning units, refurbish lifts, tenant installations and other minor capital expenditure at an estimated cost of R122.4 million.

The above refurbishment programme, capital expenditure and developments will be funded out of surplus cash, bank facilities and proceeds from property sales.

8. POST-YEAR-END EVENTS AND FUTURE DEVELOPMENTS

R1.1 billion equity capital raise

In April 2015 Vukile concluded a very successful equity capital raise of R1.1 billion. The offer was heavily oversubscribed. Shares were issued to the market at a price of 1 900cpu. Encha took up R250 million of the offer in terms of the Encha Equity Tap structure. Pursuant to this capital raise, Encha now owns 8.15% of Vukile. Proceeds from the capital raise will be used to fund existing deals that are due to transfer during May 2015 as well as future developments as listed below.

Successful DMTN refinance of R580 million

In May 2015 Vukile successfully refinanced R580 million of notes under its DMTN programme. This was the first successful issue of corporate notes in the property sector this year. The offer was heavily oversubscribed and pricing achieved was well within guidance range. The notes enjoy an AA+ rating from GCR.

Synergy

As of 1 May 2015, Vukile acquired control of the management company of Synergy, namely Capital Land Asset Management (CLAM), for R106 million. As the majority shareholder in Synergy holding 65% of the equity, together with control of CLAM, Vukile will now actively engage with the Synergy board and shareholders to evaluate various strategic opportunities for the growth and future direction of the fund. Vukile director Sedise Moseneke, has assumed the role of interim CEO of Synergy while these options are being evaluated.

9. PROSPECTS

With the economy unable to generate any meaningful growth, we anticipate that tough trading conditions will continue into the year ahead. We do, however, expect to deliver growth in distributions of between 7% and 8% for the year ending 31 March 2016 driven off a strong focus on improving operational efficiencies and the benefits of our accretive acquisitions coming through for the full year. We will remain conservatively geared and hedged in the face of an anticipated rise in interest rates. Much emphasis will be placed on bedding down and integrating the recently acquired retail assets and Synergy into our systems and portfolio. We will continue to look for accretive acquisitions that are in line with our retail strategy as well as begin looking at opportunities in new markets both locally and abroad. The overall focus of Vukile remains to build a high-quality, low-risk portfolio with a high-quality earnings stream that is capable of generating stable long-term returns.

The forecast growth in distribution is based on the assumptions that the macroeconomic environment does not deteriorate further and no major corporate failures will occur. Forecast rental income has been based on contractual escalations and market-related renewals.

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

10. ACKNOWLEDGEMENTS

Vukile has delivered a remarkable performance this year, thanks to our management team and staff. Our team represents a wonderful blend of experience and new talent. Their energy is evident and their passion is palpable in everything they do. We extend our sincere appreciation for their hard work and dedication to strengthening and growing Vukile.

We would also like to express our gratitude to the board members for their steadfast support and meaningful participation over the past year.

Our thanks also goes to Vukile's business partners whose exceptional efforts play an invaluable role in driving our performance. Finally we would like to thank our tenants and financiers for their continued association and commitment to Vukile.

11. PAYMENT OF DISTRIBUTION

The board has approved and notice is hereby given of a final distribution of 77.68800 cents per share for the six months ended 31 March 2015.

In accordance with Vukile's status as a REIT, shareholders are advised that the distribution meets the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act). The distribution on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The distribution received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This distribution is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provided the following forms to their Central Securities Depository Participant (CSDP) or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

a) a declaration that the distribution is exempt from dividends tax; and
b) 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.

Distributions received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2014 distributions received by non-residents from a REIT were not subject to dividend withholding tax. From 1 January 2015, any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 15%, the net dividend amount due to non-resident shareholders is 66.03480 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder 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) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
b) 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 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, if applicable.

Commentary continued

The distribution is payable to Vukile shareholders in accordance with the timetable set out below:

	2015
Declaration date (on or before)	Thursday, 28 May
Last day to trade cum dividend	Thursday, 11 June
Securities trade ex dividend	Friday, 12 June
Record date	Friday, 19 June
Payment date	Monday, 22 June

Share certificates may not be dematerialised or rematerialised between Friday, 12 June 2015 and Friday, 19 June 2015, both days inclusive.

Payment of the distribution will be made to shareholders on Monday, 22 June 2015. In respect of dematerialised shareholders, the distribution will be transferred to the CSDP accounts/broker accounts on Monday, 22 June 2015. Certificated shareholders' distribution payments will be posted on or about Monday, 22 June 2015.

Shares in issue at the date of declaration of dividend: 633 813 751.

Vukile income tax reference number: 9331/617/14/3.

On behalf of the board

AD Botha **LG Rapp**

Melrose Estate
26 May 2015

Condensed annual financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2015

GROUP	2015 R000	2014 R000
ASSETS		
Non-current assets	**13 629 857**	10 739 238
Investment properties	**12 824 122**	9 787 413
Investment properties	**13 105 328**	9 989 994
Straight-line rental income adjustment	**(281 206)**	(202 581)
Other non-current assets	**805 735**	951 825
Straight-line rental income asset	**281 206**	202 581
Investments (Fairvest) (2014: Fairvest and Synergy)	**384 800**	592 300
Deferred capital expenditure	**15 849**	29 732
Furniture fittings, computer equipment and other	**3 248**	4 660
Available-for-sale financial asset	**21 576**	20 313
Goodwill	**57 058**	57 058
Derivative financial instruments	**–**	18 757
Deferred taxation assets	**3 888**	3 424
Long-term loans granted	**38 110**	23 000
Current assets	**621 451**	626 399
Intangible asset	**–**	242 059
Trade and other receivables	**147 429**	86 165
Taxation	**133**	–
Cash and cash equivalents	**473 889**	298 175
Investment properties held-for-sale	**280 019**	312 567
Total assets	**14 531 327**	11 678 204
EQUITY AND RESERVES	**9 830 646**	3 108 689
Non-controlling interest	**516 317**	–
	10 346 963	3 108 689
Non-current liabilities	**2 830 180**	6 668 564
Linked debentures and premium	**–**	4 526 816
Other interest-bearing borrowings	**2 816 088**	2 133 878
Derivative financial instruments	**12 919**	–
Deferred taxation liabilities	**1 173**	7 870
Current liabilities	**1 354 184**	1 900 951
Trade and other payables	**300 880**	274 926
Short-term borrowings	**1 051 657**	1 256 527
Current taxation liabilities	**1 647**	4 262
Shareholders for distribution	**–**	365 236
Total equity and liabilities	**14 531 327**	11 678 204
Net asset value (cents per share)	**1 716**	1 498

Condensed annual financial statements continued

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2015

GROUP	2015 R000	2014 R000
Property revenue	1 579 099	1 389 625
Straight-line rental income accrual	97 315	53 493
Gross property revenue	1 676 414	1 443 118
Property expenses	(585 372)	(516 517)
Net profit from property operations	1 091 042	926 601
Net income from asset management business	24 694	53 737
Expenditure – asset management business	(34 388)	–
Corporate administrative expenses	(36 992)	(34 964)
Investment and other income	76 269	64 279
Operating profit before finance costs	1 120 625	1 009 653
Finance costs	(273 498)	(256 605)
Profit before debenture interest	847 127	753 048
Debenture interest	–	(691 667)
Profit before capital items	847 127	61 381
Bargain purchase price	178 997	–
(Loss)/profit on sale of investment properties	(23 562)	41 201
Fair value movement of derivative financial instruments	1 527	–
Amortisation of debenture premium	19 227	9 959
Goodwill written-off on sale of subsidiary/properties by a subsidiary	–	(6 544)
Reversal of impairment of intangible asset	–	89 094
Fair value of fixed loan at date of acquiring control remeasured	(290)	–
Loss on sale of intangible asset	(61 595)	–
Profit/(loss) on sale of furniture, fittings and equipment	6	(4)
Fair value gain on investments	172 180	17 228
Cost of acquisition of business combination	(2 778)	–
Other capital items	(168)	–
Profit before fair value adjustments	1 130 671	212 315
Fair value adjustments	379 017	174 784
Gross change in fair value of investment properties	476 332	228 277
Straight-line rental income adjustment	(97 315)	(53 493)
Profit before taxation	1 509 688	387 099
Taxation	(26)	(5 678)
Profit for the year	1 509 662	381 421
Profit attributable to:		
Owners of the parent	1 499 995	381 421
Non-controlling interest	9 667	–
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges	(30 667)	78 087
Available-for-sale financial assets – current period loss	(12 169)	(11 925)
Other comprehensive (loss)/income for the period	(42 836)	66 162
Total comprehensive income for the period	1 466 826	447 583
Total comprehensive income attributable to:		
Owners of the parent	1 457 159	447 583
Non-controlling interest	9 667	–
Earnings and diluted earnings per share (cents)	278.01	229.71
Number of shares in issue	572 747 744	509 573 007
Weighted number of shares in issue	539 547 572	512 996 395

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

for the year ended 31 March 2015

	2015		2014	
	Group R000	**Cents per share**	Group R000	Cents per share
Attributable profit to owners of parent	**1 499 995**	**278.01**	381 421	81.65
Adjusted for:				
Debenture interest	**–**	**–**	691 667	148.06
Earnings per share	**1 499 995**	**278.01**	1 073 088	229.71
Change in fair value of investment properties	**(379 017)**	**(70.25)**	(174 784)	(37.42)
Bargain purchase price	**(178 997)**	**(33.18)**	–	–
Write-off of goodwill on sale of subsidiary/properties sold by a subsidiary	**–**	**–**	6 544	1.40
Loss/(profit) on sale of investment properties	**23 562**	**4.37**	(41 201)	(8.82)
(Profit)/loss on sale of furniture, fittings and equipment	**(6)**	**–**	4	–
Loss on sale/(reversal of impairment) of intangible asset	**61 595**	**11.42**	(89 094)	(19.07)
Amortisation of debenture premium	**(19 227)**	**(3.56)**	(9 959)	(2.12)
Headline earnings of shares	**1 007 905**	**186.81**	764 598	163.68
Loss on sale of furniture, fittings and computer equipment	**–**	**–**	(4)	–
Cost of acquisition of business combination	**2 778**	**0.51**	–	–
Revaluation surplus on investments	**(149 602)**	**(27.73)**	(17 228)	(3.69)
Gain on deemed disposal of Synergy previously accounted for under IAS 39	**(22 578)**	**(4.19)**	–	–
Fair value movement of derivative financial instruments	**(1 527)**	**(0.28)**	–	–
Straight-line rental accrual	**(97 315)**	**(18.04)**	(53 493)	(11.45)
Shares issued cum dividend	**33 262**	**6.16**	–	–
Pre-acquisition dividends arising on fair value calculation of Synergy units at date of obtaining control	**1 293**	**0.24**	–	–
Profit available for distribution	**774 216**	**143.48**	693 873	148.54

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 March 2015

	2015 Group R000	2014 Group R000
Cash flow from operating activities	**929 939**	969 578
Cash flow from investing activities	**17 302**	(2 753 714)
Cash flow from financing activities	**(771 527)**	815 007
Net increase/(decrease) in cash and cash equivalents	**175 714**	(969 129)
Cash and cash equivalents at the beginning of the year	**298 175**	1 267 304
Cash and cash equivalents at the end of the year	**473 889**	298 175

Condensed annual financial statements continued

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2015

R000	Share capital and share premium	Non-distributable reserves	Retained earnings	Non-controlling interest (NCI)	Total
GROUP					
Balance at 31 March 2013	56 116	2 533 337	36 734	–	2 626 187
Issue of share	25 747	–	–	–	25 747
Dividend distribution	–	–	(1 412)	–	(1 412)
	81 863	2 533 377	35 322		2 650 522
Profit for the year	–	–	381 421	–	381 421
Change in fair value of investment properties	–	228 277	(228 277)	–	–
Share-based remuneration	–	10 584	–	–	10 584
Transfer to non-distributable reserves	–	140 978	(140 978)	–	–
Other comprehensive income/(loss)					
Revaluation of available-for-sale financial asset	–	(11 925)	–	–	(11 925)
Revaluation of cash flow hedges	–	78 087	–	–	78 087
Balance at 31 March 2014	**81 863**	**2 979 338**	**47 488**	**–**	**3 108 689**
Issue of share capital	**21 680**				**21 680**
Dividend distribution	**–**	**–**	**(329 260)**	**–**	**(329 260)**
	103 543	**2 979 338**	**(281 772)**	**–**	**2 801 109**
Profit for the year	**–**	**–**	**1 499 995**	**9 667**	**1 509 662**
Change in fair value of investment properties	**–**	**468 235**	**(476 332)**	**8 097**	**–**
Conversion of debentures to ordinary share capital	**5 568 797**	**–**	**–**	**–**	**5 568 797**
Share-based remuneration	**–**	**11 678**	**–**	**–**	**11 678**
Transfer to non-distributable reserve	**–**	**94 791**	**(94 791)**	**–**	**–**
NCI recognised in respect of Synergy acquisition	**–**	**–**	**–**	**498 553**	**498 553**
Revaluation of investments	**–**	**172 180**	**(172 180)**	**–**	**–**
Other comprehensive losses					
Revaluation of available-for-sale financial asset	**–**	**(12 169)**	**–**	**–**	**(12 169)**
Revaluation of cash flow hedges	**–**	**(30 667)**	**–**	**–**	**(30 667)**
Balance at 31 March 2015	**5 672 340**	**3 683 386**	**474 920**	**516 317**	**10 346 963**

Notes to the condensed financial statements

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:

GROUP	2015 Level 1 R000	2015 Level 2 R000	2015 Total R000	2014 Level 1 R000	2014 Level 2 R000	2014 Total R000
ASSETS						
Investments	384 800	–	384 800	592 300	–	592 300
Available-for-sale financial assets	30 856	–	30 856	26 519	–	26 519
Derivative financial instruments	–	–	–	–	18 757	18 757
Total	415 656	–	415 656	618 819	18 757	637 576
LIABILITIES						
Derivative financial instruments	–	(12 919)	(12 919)	–	–	–
Available-for-sale financial liabilities	–	(9 280)	(9 280)	–	(6 206)	(6 206)
Total	–	(22 199)	(22 199)	–	(6 206)	(6 206)
Net fair value	415 656	(22 199)	393 457	618 819	12 551	631 370

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.

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 31 March 2015:

	2015 Level 3 R000	2014 Level 3 R000
ASSETS		
Investment properties	13 105 328	9 989 994
Investment properties held-for-sale	280 019	312 567

Notes to the condensed financial statements continued

1. MEASUREMENTS OF FAIR VALUE continued

1.2 Non-financial assets continued

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 31 March 2015 were:

→ The range of the reversionary capitalisation rates applied to the portfolio are between 8.18% and 17.00% (2014: between 7.47% and 13.81%) with the weighted average being 9.83% (March 2014: 10.04%).

→ The discount rates applied range between 12.68% and 19.53% (2014: between 13.3% and 17.81%) with the weighted average being 14.28% (March 2014: 14.52%).

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 R350 million (2.6%) (2014: R271 million (2.6%)). The average discount rate on the portfolio would increase from 14.28% (2014: 14.52%) to 14.55% and the average exit capitalisation rate would increase from 9.83% (2014: 10.04%) to 10.09% due to the interlinked nature of the rates. The analysis has been prepared on the assumption that all other variables remain constant. The range of discount rates and reversionary capitalisation rates applied to the portfolio are between 12.68% and 19.53% (2014: between 13.3% and 17.81%), and between 8.18% and 17.00% (2014: between 7.47% and 13.81%) respectively, depending on the risk profile of each portfolio asset.

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

VUKILE
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

Vukile Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/027194/06)
JSE share code: VKE
ISIN: ZAE000180865
NSX share code: VKN
Granted REIT status with the JSE
("Vukile" or "the company" or "the group")

JSE sponsor
Java Capital Trustees and Sponsors
6A Sandown Valley Crescent
Sandown, Sandton, 2196

NSX sponsor
IJG Securities (Pty) Ltd
Windhoek, Namibia

Executive directors
LG Rapp (CEO)
MJ Potts (Financial director)
HC Lopion (Executive director: asset management)
GS Moseneke (Executive director)

Non-executive directors
AD Botha (Chairman)
SF Booysen
RD Mokate
PS Moyanga
H Ntene
NG Payne
HM Serebro
SEN Sebotsa

Registered office
One-on-Ninth, corner Glenhove and Ninth Street
Melrose Estate, 2196

Company Secretary
J Neethling

Transfer secretaries
Link Market Services South Africa (Pty) Ltd
Johannesburg

Investor and media relations
Marketing Concepts
Telephone +27 11 783 0700
Fax +27 11 783 3702

BASTION GRAPHICS

VUKILE
PROPERTY FUND
REAL ESTATE. REAL GROWTH.

www.vukile.co.za