

SYCOM

PROPERTY FUND

A Collective Investment Scheme in Property registered in terms of the Collective Schemes Control Act, No 45 of 2002 and managed by Sycom Property Fund Managers Limited (Registration number 1986/002756/06) ("SYCOM" or "the fund").

JSE SHARE CODE: SYC

ISIN NO: ZAE 000019303

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months to 30 Sep 2011	Unaudited six months to 30 Sep 2010	Audited twelve months to 31 Mar 2011
	(R '000)	(R '000)	(R '000)
Rental Revenue	261,368	243,852	493,357
Contractual rental revenue and recoveries	258 245	244 851	493 397
Straight-line rental income accrual	3 123	(999)	(42)
Property operating expenses	(47 450)	(41 534)	(85 379)
Net rental and related revenue	213 918	202 318	407 976
Investment income	7 013	4 523	10 700
Fair value gain / (deficit) on investment property and investments	29 528	(46 228)	294 764
Fair value (deficit) / gain on investment property	(3 123)	999	386 297
Fair value gain / (deficit) on listed investments	32 651	(47 227)	(91 533)
Administrative expenses	(14 832)	(14 160)	(27 683)
Service charge	(13 454)	(12 786)	(25 998)
Other net administrative expenses	(1 378)	(1 374)	(1 685)
Profit before net finance costs	235 627	146 453	685 757
Net finance costs	(30 507)	(35 001)	(45 701)
Interest income	7 231	4 864	18 449
Interest expense	(34 995)	(31 688)	(70 781)
Fair value adjustment on interest rate and cross currency swaps	(2 743)	(8 177)	(2 369)
Profit before income tax	205 120	111 452	631 056
Taxation	-	-	(1 498)
Profit for the period	205 120	111 452	629 558
Basic earnings per unit – cents	94.88	51.55	291.22
RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS			
Total comprehensive income	205 120	111 452	629 558
Unrealised deficit / (surplus) on revaluation of investment properties, net of deferred tax	3 123	(999)	(384 799)
Headline Earnings	208 243	110 453	244 759
Straight-line rental income accrual	(3 123)	999	42
Unrealised deficit on swaps	2 743	8 177	2 369
Unrealised (gain) deficit on revaluation of investment in securities	(32 651)	47 227	91 533
Distributable earnings	175 212	166 856	338 703
	cents	cents	cents
Basic earnings per unit	94.88	51.55	291.22
Weighted average earnings per unit	94.88	52.17	292.96
Headline earnings per unit	96.33	51.09	113.22
Weighted headline earnings per unit	96.33	51.70	113.90
Distributable earnings per unit	81.05	77.18	156.67
Distribution per unit	81.05	77.18	156.67
Number of units in issue ('000)	216 182	216 182	216 182
Number of weighted average units in issue ('000)	216 182	213 622	214 898

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	Unaudited at 30 Sep 2011	Unaudited at 30 Sep 2010	Audited at 31 Mar 2011
	(R'000)	(R'000)	(R'000)
ASSETS			
Property Assets	5 582 985	5 171 320	5 570 533
Investment property	5 428 548	5 020 967	5 419 219
Straight-line lease income accrual	154 437	150 353	151 314
Other non-current assets			
Investment in securities	246 454	258 695	213 803
Current assets	219 731	185 486	188 125
Rental and other receivables	63 069	53 148	58 991
Cash and cash equivalents	156 662	132 338	129 134
Total assets	6 049 170	5 615 501	5 972 461
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds	4 930 215	4 554 037	4 900 307
Unitholders' capital	1 863 856	1 863 845	1 863 856
Non-distributable reserves	3 066 359	2 690 192	3 036 451
Non-current liabilities	821 019	788 019	802 400
Unsecured borrowings	819 521	788 019	800 902
Deferred tax	1 498	-	1 498
Current liabilities	297 936	273 445	269 754
Trade and other payables	88 769	69 668	66 696
Other financial liabilities	33 955	36 921	31 212
Unitholders for distribution	175 212	166 856	171 846
Total unitholders' funds and liabilities	6 049 170	5 615 501	5 972 461
Net asset value per unit – cents	2 281	2 107	2 267

CONDENSED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

	Capital	Non-Distributable Reserves	Retained earnings	Total
	R '000	R '000	R '000	R '000
Balance at 31 March 2010	1 661 615	2 745 596	-	4 407 211
Transactions with owners, recorded directly in equity				
New unit issues, net of capital issue costs	202 230	-	-	202 230
Total profit or loss and comprehensive income for the period	-	-	111 452	111 452
Transfer from non-distributable reserve	-	(55 404)	55 404	-
Unitholders distribution	-	-	(166 856)	(166 856)
Balance at 30 September 2010	1 863 845	2 690 192	-	4 554 037
Transactions with owners, recorded directly in equity				
Capital issue costs refunded	11	-	-	11
Total profit or loss and comprehensive income for the period	-	-	518 106	518 106
Transfer to non-distributable reserve	-	346 259	(346 259)	-
Unitholders distribution	-	-	(171 847)	(171 847)
Balance at 31 March 2011	1 863 856	3 036 451	-	4 900 307
Transactions with owners, recorded directly in equity				
Total profit or loss and comprehensive income for the period	-	-	205 120	205 120
Transfer to non-distributable reserve	-	29 908	(29 908)	-
Unitholders distribution	-	-	(175 212)	(175 212)
Balance at 30 September 2011	1 863 856	3 066 359	-	4 930 215

CONDENSED STATEMENT OF CASH FLOWS

for the 6 months ended 30 September 2011

	Unaudited at 30 Sep 2011	Unaudited at 30 Sep 2010	Audited at 31 Mar 2011
	(R '000)	(R '000)	(R '000)
Cash generated from operating activities			
Cash generated from operating activities	207 773	190 852	356 481
Interest received	7 231	4 864	9 582
Interest paid	(36 351)	(33 242)	(68 329)
Dividend received	13 198	-	8 905
Distribution paid	(171 846)	(175 912)	(342 776)
Net cash inflow / (outflow) from operating activities	20 005	(13 438)	(36 137)
Cash flows from investing activities			
Additions to investment property	(11 096)	(34 372)	(28 462)
Subscription to rights issue- SESCOF	-	(92 144)	(91 557)
Net cash outflow from investing activities	(11 096)	(126 516)	(120 019)
Cash flows from financing activities			
Proceeds on issue of new units	-	47 957	47 957
Capital issue costs	-	(1 463)	(1 448)
Increase in borrowings	18 619	73 595	86 578
Net cash inflow from financing activities	18 619	120 089	133 087
Net increase / (decrease) in cash and cash balances	27 528	(19 865)	(23 069)
Cash and cash equivalents at the beginning of the period	129 134	152 203	152 203
Cash and cash equivalents at the end of the period	156 662	132 338	129 134

NOTES

1. ACCOUNTING POLICIES

The unaudited financial report has been prepared in accordance with the requirements of International Accounting Standard 34: Interim Reporting ("IAS 34") the JSE Listings Requirements and the Collective Investment Schemes Control Act of 2002. The accounting policies are consistent with those applied in the prior year.

2. CONDENSED SEGMENTAL RESULTS

for the 6 months ended 30 September 2011

	TOTAL (R '000)	Retail (R '000)	Office (R '000)
Segment revenue	258 245	141 327	116 918
Straight-line rental income accrual	3 123	(990)	4 113
Dividend income	7 013	7 013	-
Total revenue	268 381	147 350	121 031
Operating expenditure	(47 450)	(24 345)	(23 105)
Net finance cost	1 973	1 611	362
Segment net operating income	222 904	124 616	98 288
Fair value adjustments			
South Africa	(3 123)	990	(4 113)
International	32 651	32 651	-
Segmental Earnings	252 432	158 257	94 175
Unallocated expenditure			
Operating expenditure	(14 832)		
Net finance cost	(29 737)		
Net operating income	207 863		
Fair value adjustment to interest rate and cross currency swaps	(2 743)		
Profit before income tax	205 120		
Investment in property and securities	5 829 439	3 279 051	2 550 388

CONDENSED SEGMENTAL RESULTS

for the 6 months ended 30 September 2010

	TOTAL (R '000)	RETAIL (R '000)	OFFICE (R '000)
Segment revenue	244 851	133 299	111 552
Straight-line rental income accrual	(999)	(1 841)	842
Dividend income	4 523	4 523	-
Total revenue	248 375	135 981	112 394
Operating expenditure	(41 534)	(19 449)	(22 085)
Net finance cost	548	436	112
Segmental net operating income	207 389	116 968	90 421
Fair value adjustments			
South Africa	999	1 841	(842)
International	(47 227)	(47 227)	-
Segmental Earnings	161 161	71 582	89 579
Unallocated expenditure			
Operating expenditure	(14 160)		
Net finance cost	(27 372)		
Net operating income	119 629		
Fair value adjustment to interest rate and cross currency swaps	(8 177)		
Profit before income tax	111 452		
Investment in property and securities	5 430 015	3 069 591	2 360 424

COMMENTARY

1. REVIEW OF RESULTS AND OPERATIONS

The board of Sycom Property Fund Managers Limited ("SPFM") reports a distribution of 81.05 cents per unit (cpu) for the six months ended 30 September 2011, an increase of 5% over the comparative period last year.

Office market

There was a pleasing turn-around in Sycom's office portfolio, as vacancies reduced much more quickly than had been expected, from 11.7% at 31 March 2011 to the current level of 7.1%. This represents a net reversal in vacancies of 7,174m². Much of this letting took place towards the end of the six month period under review, and as a result, the effects of the vacancy take-up will only start to come through in the second half of the 2012 financial year and into the following year, as the new signings take occupation over the coming months.

Also pleasing was the increase in the retention ratio to 95% for leases that expired over the six months ended 30 September. In the previous year, 90% of expiries were retained, and in the year to March 2010, only 60% of expiring leases were renewed. The high retention levels and the strong letting activity both underline the quality of Sycom's office portfolio, which has performed substantially better than the office sector as a whole based on reported statistics from SAPOA.

Against the background of this positive leasing activity, net rentals declined from R131.82/m² on expiry to R124.41/m² on average across the 54,479m² of agreements concluded in the six months to 30 September 2011.

In the next six months, leases for 10,466m² will expire at an average net rental of R138.41/m², and these are expected to be renewed at R134/m², representing a 3.2% negative reversion.

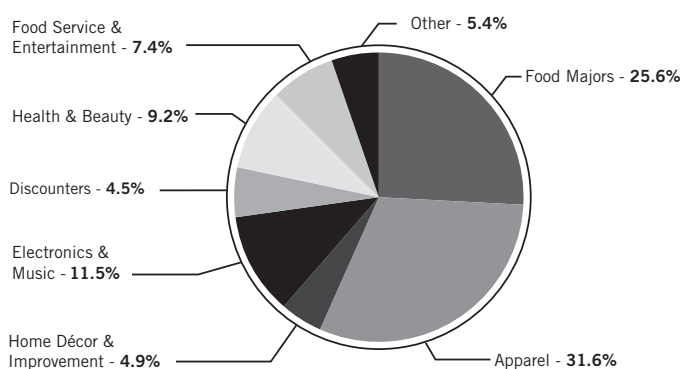
Retail

Sycom's South African retail portfolio generated turnover growth of 5.9% for the six months to 30 September 2011. Paarl Mall was the top performer, with turnover growth of 8.05%, and Vaal Mall continued to deliver good results, with turnover growth of 7.87%. Somerset Mall, Sycom's most mature retail asset, showed a particularly pleasing result with turnover growth of 6.43%.

Only N1 City disappointed somewhat with growth of 2.66%, although off a high base for May and June last year, when the mall's turnover surged during the soccer world cup. This world cup effect was significantly greater at N1 City Mall than at any of Sycom's other retail centres.

Segmental contribution to retail turnover for the six months is shown in the chart below. It reflects a combined contribution of 57.2% from supermarkets (food majors) and apparel, consistent with the long-term contribution from these segments.

SYCOM Retail Segments - Contribution to Turnover (Apr - Sep 2011)



The homeware, electronics and apparel segments showed steady growth, but the discount segment disappointed, once again because of the high base set in May and June last year leading up to the soccer world cup. Particularly impressive was the growth of 5.4% from the food majors, whose turnover growth rates have tended to stagnate over the previous 18 months.

The major shift in the rent to turnover ratios was a positive change of nearly 6% for the homeware segment, showing that the growth in tenant turnovers exceeded the growth in their rentals paid. Apparel and food services also gained ground as turnovers grew faster than rentals.

The ratios for food majors, electronics and health and beauty deteriorated slightly, but still remain comfortably within accepted norms for these segments. The discount segment gave up the most ground in terms of its rent to turnover ratio, but still remains at less than 4% and therefore in a comfortable range.

Overall, the picture emerging from the analysis of these ratios is that tenant turnovers are growing comfortably in line with rentals, and that rental affordability is therefore not under any threat. During the period under review, leases totalling 32,860m² terminated at an average rental of R147.29/m². Leases totalling 32,487m² were concluded at an average rental of R153.91/m².

The retail vacancy remained fairly constant in the period at approximately 1.9%. Expiries in the remaining six months of the 2012 financial year will amount to 10,996m², terminating at an average rental of R171.79/m². These leases are expected to be renewed at an average rate of R183.30/m².

2. BORROWINGS

At 30 September 2011, R820 million of the existing facility of R950m had been utilised.

The weighted average borrowing cost is 8.4%. Sycom's gearing level is presently 14.1%. Including the effects of its investment in Stenham European Shopping Centre Fund ("SESCF"), Sycom's 'see-through' gearing level is 21.15%. Sycom has negotiated a new 5 year facility of R700m at a rate of prime minus 1.7%, taking its total facilities to R1.65bn.

Sycom borrowings

Type	Maturity Date	Effective Rate	Value R'm	% of total
SWAP	1 June 2012	8.77%	100	12.2%
SWAP	17-Mar-14			