



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
 ("Vukile" or "the company")

Detailed cautionary announcement regarding the strategic acquisition of a portfolio of 20 properties and introduction of the PIC as a large unitholder

1. Introduction

Further to the cautionary announcement dated 3 November 2011, Vukile linked unitholders ("unitholders") are advised that the company has made an offer to Sanlam Life Insurance Limited ("Sanlam") dated 3 November 2011 in terms of which Vukile will acquire the property letting enterprises (the "Enterprises") in respect of a portfolio of properties (the "Property Portfolio") (the "Transaction") which offer has been accepted by Sanlam. The Transaction will become effective upon the date of fulfilment or waiver of the conditions precedent set out in paragraph 4 below (the "Effective Date"), which is expected to be on or about 1 June 2012, and accordingly the Property Portfolio has been valued at that date. Coterminously with the Transaction, the Public Investment Corporation ("PIC") has reached agreement with Sanlam in terms of which it will acquire 70 200 000 Vukile units from the Sanlam Group (the "Acquisition"). The PIC will acquire the stake of c.20% and thereby become a large unitholder in Vukile. The last condition precedent to the Acquisition is the announcement of the Transaction. Accordingly, the Sanlam Group's beneficial unitholding in Vukile will reduce to 13.6%, of which 7.6% will be held by Sanlam Policy holder funds and will be considered as an institutional holding.

2. Rationale Transaction

The Transaction fulfils Vukile's objective of growing a quality portfolio of properties with strong cash flows in order to achieve meaningful capital appreciation and sustainable growth in distributions. Vukile already manages the properties in the Property Portfolio on behalf of Sanlam and has deep insight into the properties making this a low risk acquisition which will be integrated seamlessly into the Vukile portfolio. Within the property portfolio being acquired the offices are well located with good quality building specifications, hence the Transaction will enhance the quality of Vukile's current office portfolio. The total acquisition cost of R8 154/m² is 29.2% higher than the current valuation of Vukile's total portfolio on a R/m² basis. The Transaction increases the group's exposure in the Western Cape. The Transaction will also assist in achieving Vukile's strategy of broadening its unitholder base and seeking to achieve a JSE free float rating of 100% (currently 50%) in respect of the FTSE/JSE Africa Index series.

Acquisition

The Acquisition has been concluded to realign Sanlam's property exposure with its investment requirements. The Acquisition also introduces the PIC as a large unitholder in the company. The PIC is one of the largest property investors in South Africa and the introduction of such a seasoned property investor is an affirmation of the new Vukile strategy.

3. Purchase Consideration

The Enterprises will be acquired for a purchase consideration of R1 490 303 000 (One billion four hundred and ninety million three hundred and three thousand Rand), payable in cash (the "Purchase Consideration") on the Effective Date. The Purchase Consideration has been determined on the basis that the Property Portfolio will be transferred on 1 June 2012. To the extent that the Effective Date is prior to or post 1 June 2012, the Purchase Consideration will be adjusted upwards or downwards by 0.017255% compounded daily (6.5% per annum). The first and second year forecast yields in respect of the Enterprises are 8.8% and 9.5% respectively. The Property Portfolio being acquired has been externally valued as described more fully in paragraph 6 below. The external value equates to 98% of the Purchase Consideration. Details per property are listed in paragraph 5 below. The Purchase Consideration will be funded through a combination of debt and the issue of new linked units (the "Consideration Units").

4. Conditions precedent

The Transaction is subject to the fulfilment of the following conditions precedent on or before the Effective Date:

- 4.1. Approval by the Listings Division of the stock exchange operated by the JSE Limited and all other regulatory authorities;
- 4.2. Approval by the South African Competition Authorities;
- 4.3. Raising the required capital through the issue of the Consideration Units and raising of the requisite bank debt;
- 4.4. Unitholders passing the required resolutions to approve the Transaction and placing of the Consideration Units under the control of the Vukile board and authorising the Vukile board to allot and issue the Consideration Units;
- 4.5. Consent from the eThekweni Metropolitan Municipality to cede and assign the land lease for the Durban Workshop centre from Sanlam to Vukile;
- 4.6. Sanlam providing Certificates of Identification in respect of the Property Portfolio;
- 4.7. Sanlam providing Electrical Compliance Certificates in respect of the Property Portfolio; and
- 4.8. Conclusion of a formal agreement of sale containing all the normal terms, conditions and warranties associated with a transaction of this nature.

5. Salient details of the Property Portfolio

Specific information relating to the Property Portfolio:

Details	Bassonia Office Park	Bellville Barons	Bellville Santyger	Bellville Tjiger Park 1	Bellville Tjiger Park 2	Bellville Tjiger Park 3	Bellville Tjiger Park 4
Location	Bassonia Johannesburg Gauteng	Bellville Western Cape	Bellville Western Cape	Bellville Western Cape	Bellville Western Cape	Bellville Western Cape	Bellville Western Cape
Sector	Offices	Retail	Offices	Offices	Offices	Offices	Offices
GLA (m ²)	1 597	6 778	6 374	3 198	3 904	4 345	4 297
Single or multi tenanted	Multi	Multi	Multi	Multi	Multi	Multi	Single
Weighted average rental per m ² (Rand) - contractual September 2011	89.68	86.21	100.58	87.74	75.63	83.58	81.55
Vacancy by rentable area (m ²)	-	-	1 018	-	2 099	1 115	-
Vacancy % of total GLA (m ²)	0.0%	0.0%	16.0%	0.0%	53.8%	25.7%	0.0%
Annualised property yield on purchase price	8.2%	8.5%	9.2%	9.1%	7.7%	8.4%	8.8%
External valuer	Jones Lang LaSalle	Quadrant Properties	Quadrant Properties	Quadrant Properties	Quadrant Properties	Quadrant Properties	Quadrant Properties
Valuation (Rand million)	9.660	64.400	66.450	32.700	30.300	36.300	47.500
Price (Rand million)	10.214	70.033	67.183	32.067	32.546	37.003	50.344

Details	Bellville Tjiger Park 5	Bloemfontein Trador Cash & Carry	Durban Westville Surrey Park	Durban Workshop	Johannesburg Empire Road Offices	Johannesburg Houghton	Pretoria Sanlynn**
Location	Bellville Western Cape	Bloemfontein Free State	Westville Durban KwaZulu-Natal	Durban KwaZulu-Natal	Parktown Johannesburg Gauteng	Houghton Johannesburg Gauteng	Lynnwood Manor Pretoria Gauteng
Sector	Offices	Retail	Offices	Retail	Offices	Offices	Offices
GLA (m ²)	4 480	6 563	3 176	20 138	5 959	28 068	8 619
Single or multi tenanted	Multi	Multi	Multi	Multi	Multi	Multi	Multi
Weighted average rental per m ² (Rand) - contractual September 2011	85.00	0.00*	75.01	110.40	78.44	69.89	98.83
Vacancy by rentable area (m ²)	600	6 563	710	141	1 403	1 913	-
Vacancy % of total GLA (m ²)	13.4%	100.0%	22.4%	0.7%	23.5%	6.8%	0.0%
Annualised property yield on purchase price	8.8%	9.8%*	11.5%	10.5%	10.2%	8.4%	8.9%
External valuer	Quadrant Properties	Jones Lang LaSalle	Jones Lang LaSalle	Jones Lang LaSalle	Jones Lang LaSalle	Jones Lang LaSalle	Quadrant Properties
Valuation (Rand million)	40.950	18.400	19.880	139.100	38.100	223.900	104.600
Price (Rand million)	42.206	18.119	22.582	133.442	43.378	230.133	108.000

* Currently vacant - effective yield assumes the building is fully let within the first year.

** The acquisition of this property is subject to the satisfactory renewal of a Sanlam lease (74% of the building) which is currently in process.

Details	Midrand IBG	Pretoria Rosslyn Joshua Doore Warehouse	Pretoria Sancaradia	Sandton Ascot Offices	Sandton Rivonia Tuscany	Sandton Sunninghill Park	Total
Location	Midrand Gauteng	Rosslyn Pretoria Gauteng	Arcadia Pretoria Gauteng	Bryanston Sandton Gauteng	Rivonia Sandton Gauteng	Sunninghill Sandton Gauteng	
Sector	Offices	Industrial	Offices	Offices	Offices	Offices	
GLA (m ²)	8 515	7 541	28 723	5 539	11 088	14 790	183 692
Single or multi tenanted	Multi	Single	Multi	Multi	Multi	Multi	
Weighted average rental per m ² (Rand) - contractual September 2011	80.04	82.07	63.19	63.69	80.75	81.79	78.96
Vacancy by rentable area (m ²)	1 497	-	8 027	-	1 354	-	26 441
Vacancy % of total GLA (m ²)	17.6%	0.0%	27.9%	0.0%	12.2%	0.0%	14.5%
Annualised property yield on purchase price	8.2%	8.5%	8.2%	8.4%	8.4%	8.7%	8.8%
External valuer	Quadrant Properties	Quadrant Properties	Jones Lang LaSalle	Quadrant Properties	Jones Lang LaSalle	Jones Lang LaSalle	
Valuation (Rand million)	80.600	24.700	173.000	49.400	114.850	142.800	1 457.590
Price (Rand million)	80.715	25.529	179.550	49.136	114.708	143.415	1 490.303

6. Related Party Transaction and independent valuation report

As Sanlam was a holder of more than 10% of the units in Vukile during the last 12 months, the Transaction is classified as a related party transaction in terms of the JSE Listings Requirements. The company has therefore appointed two independent registered valuation experts, Jones Lang LaSalle (Proprietary) Limited and Quadrant Properties (Proprietary) Limited ("the Valuers"), to value the Property Portfolio. The details of the valuation of the Property Portfolio will be disclosed in the circular to be sent to unitholders to approve the Transaction (the "Circular"). Based on these valuations, the Vukile directors will state whether the terms and conditions of the Transaction are fair to unitholders.

7. Circular and general meeting

The Circular to unitholders containing details of the Transaction and all resolutions and the notice of general meeting will be posted to all unitholders in due course.

8. Financial effects of the Transaction and continued cautionary announcement

The interim results for the company are due to be released on 21 November 2011. Financial effects of the Transaction will be provided on or about 30 November 2011. Accordingly, unitholders are advised to continue exercising caution when dealing in the company's linked units until the financial effects of the Transaction have been disclosed.

Johannesburg
14 November 2011

Merchant Bank and
Transaction Sponsor



Reporting
Accountants



Independent Valuation Experts

