Pangbourne Properties Limited

Incorporated in the Republic of South Africa Registration no 1987/002352/06 Share code: PAP ISIN: ZAE000005252
("Pangbourne" or "the company" or "the group")

Condensed Audited Consolidated Financial Statements
for the year ended 30 June 2010

Directors' commentary

RESULTS
Pangbourne's final distribution for the six months to 30 June 2010 amounted to 76,88 cents per linked unit. This represents an increase of 9,59% over the 70,15 cents per linked unit for the six months to 30 June 2009. Accordingly, the total distribution for the year ended 30 June 2010 was 147,08 cents per linked unit which is an increase of 10,05% over the 133,65 cents per linked unit distribution for the year ended 30 June 2009.

REVIEW
Pangbourne's growth this year can be attributed to operational efficiencies, an emphasis on tenant retention and firm control of arrears and bad debts. Competition for tenants has resulted in reduced rentals in certain areas as competitors with exposure to speculative developments attempt to tenant buildings at any cost. This should normalise over time.

Of further fundamental concern is the state of many of the local authorities in areas where Pangbourne's properties are located. Many of these authorities are no longer reading utility meters, which has increased Pangbourne's operating costs and resulted in capital expenditure on installing meters that can be read and managed remotely. Rates and utility expenses have also increased sharply with no concomitant improvement in service delivery. These increases are affecting net rentals achievable by all property owners.

OPERATIONS
The stringent processes, procedures and documentation introduced in 2008 continue to yield benefits. Although arrears increased marginally, they remain firmly under control and are expected to decline in the new financial year.

REFURBISHMENT, REDEVELOPMENT AND MAINTENANCE
The comprehensive programme of maintenance to address the historical backlog has largely been completed. The refurbishment and upgrading of existing buildings, however, is ongoing. Current projects in the industrial portfolio include the refurbishment of the external façade and creation of rentable hardstand at 45 Richard Cart Road in Mobeni, and the conversion of 2 Drakensberg Road, Longmeadow, from multi-tenanted B-grade to single tenanted A-grade warehousing. In the office portfolio, the projects completed during the period were the modernisation and repainting of the external façades and the redoing of the internal common areas including the foyers and lift lobbies at Oxford Manor in Illovo, and the complete external refurbishment of Choice House in Bryanston which is now ready to be re-tenanted. Current retail projects include the redevelopment of Thrupps Centre to change the retail layout and reposition it for its target market, a major refurbishment of Pineslopes Shopping Centre including redesigning Casino View's restaurant offering and the tenanting of N1 Value Centre in Cape Town with a Fruit & Veg City grocery anchor, all of which will be completed by December 2010. The introduction of Dischem and Ster Kinekor into Boardwalk Shopping Centre in Richards Bay to consolidate the centre's dominant position in the region has been completed.

VACANCIES
Approximately 13,9% of the existing leases expired during the period to the end of June in terms of gross lettable area. Total vacancies have been marginally reduced from 6,7% in December 2009 to 6,6% at 30 June 2010. The office market remains weak with 10,9% of the space vacant at the end of June 2010 compared to 8,3% at December 2009. Retail vacancies increased slightly to 4,0% from 3,9% mainly as a result of the redevelopment of Pineslopes Shopping Centre and increased vacancies in the line shops in the smaller retail centres.

The increase in both office and retail vacancies was offset by the decrease in the industrial portfolio vacancies which fell to 6,7% at 30 June 2010 from 7,4% in December 2009. Vacancies in the portfolio are expected to increase during the next financial year.

ENIGMA
The remaining 28% of Enigma was acquired in August 2009 for R60,1 million. The Enigma portfolio consists of 14 properties with 51 tenants and was acquired at an average yield of 9%. The flagship property in this portfolio is the A-grade Edward Nathan Sonnenberg office block located in the Sandton CBD.

SECURITISATION
Pangbourne repaid R470 million of the Series One securitisation programme in October 2009. Simultaneously with this repayment, the property portfolio held as security was restructured and properties to the value of R500 million were released.

The Series Two securitisation programme continues to be a limiting factor in actively asset managing the property portfolio. Management intends aggressively addressing this issue with a view to reducing the size of the programme and restructuring the portfolio of properties currently held as security.

VALUATIONS
The entire property portfolio was independently valued by Quadrant Properties. There were no significant adjustments to valuation capitalisation rates. The net asset value per unit increased from R15,48 at December 2009 to R16,18 at June 2010.

DISPOSALS
In October 2009 the group sold 56 properties to Fortress Income Fund Limited ("Fortress") for R998,2 million. Pangbourne received 58 621 875 Fortress A units, 58 621 875 Fortress B units and R412 million in cash as consideration. In addition, non-core properties to the value of R51,1 million were sold and transferred during the period:

Property	Book value R'000	Net sale price R'000
Shakas Head Industrial Estate	7 950	8 500
10 Enterprise Close	6 750	9 138
5 & 7 Ravenscraig Road	32 280	33 450
Total	**46 980**	**51 088**

Pangbourne has concluded a sale agreement for the following property, which was not yet transferred at 30 June 2010:

Property	Book value R'000	Sale price R'000
Willowbridge	283 000	283 000

ACQUISITIONS
Pangbourne acquired Atterbury's shareholding in the Raceway Industrial Park development companies for R28,5 million effective 1 July 2010. Pangbourne now owns 24 ha of fully serviced and zoned industrial land in Raceway. Raceway Industrial Park has already attracted numerous corporate users including Massmart, LG Electronics, Mr Price and City Couriers. The construction of additional on-ramps and off-ramps currently in progress is expected to further enhance the desirability of the node. It is Pangbourne's objective to develop up to 71 000 m^2 of A-grade warehouses in the park and sell the remaining land to third parties.

Pangbourne purchased the remaining 50% of 1 Indianapolis Drive, a 5 965 m^2 A-grade industrial warehouse in Raceway Industrial Park, for R29,4 million at a capitalisation rate of 8,23%.

A 1 487 m^2 office block in Fourways Office Park was acquired for R14,8 million at a forward yield of 10%. Pangbourne already owns the other nine buildings in this office park and will now be able to manage the park more cost effectively.

EQUITY INVESTMENTS
Pangbourne currently holds 21,9 million A units and 58,0 million B units in Fortress. The remaining holding in Fortress A units will be sold over the next year.

Pangbourne's entire holding in Capital Property Fund was sold during the financial year.

CAPITAL STRUCTURE
Gearing has been reduced to 32,8% from 36,2% in December 2009, and Pangbourne is now appropriately geared. New facilities totalling R1,3 billion have been accepted to replace facilities expiring in the next six months.

Pangbourne currently has R1 061 million in unutilised facilities to take advantage of any attractive buying opportunities which may arise.

PROSPECTS
Pangbourne's strategy is to continue with the process of improving the quality of the portfolio through aggressive asset management and upgrading, redeveloping and refurbishing properties where appropriate. Pangbourne's reduced gearing and the planned restructuring of the Series Two securitisation programme will facilitate these initiatives.

Increased competition for tenants from other landlords in some areas, poor fundamentals of certain properties in Pangbourne's portfolio and the increase in operating costs have all put severe pressure on rentals during the last twelve months which is affecting growth going forward. While the board expects macroeconomic conditions to remain difficult for the 2011 financial year, the board is nonetheless confident that Pangbourne will achieve growth in distributions of between six and eight percent. This statement has not been reviewed or reported on by Pangbourne's auditors.

By order of the board

Barry Stuhler — *Managing director*
Jacques van Wyk — *Financial director*

Johannesburg
18 August 2010

Consolidated statement of financial position

	Audited Jun 2010 R'000	Audited Jun 2009 R'000
ASSETS		
Non-current assets	**11 709 169**	10 937 277
Investment property	**10 555 103**	9 525 282
Straight-lining of rental revenue adjustment	**193 518**	142 775
Investment property under development	**248 068**	237 249
Investments	**338 511**	303 806
Investment in and loans to associates	**75 529**	279 433
Loans	**298 440**	448 732
Current assets	**502 291**	1 283 618
Investment property held for sale	**283 000**	998 215
Loans	**43 161**	8 579
Trade and other receivables	**108 497**	197 279
Cash and cash equivalents	**67 633**	79 545
Total assets	**12 211 460**	12 220 895
EQUITY AND LIABILITIES		
Total equity attributable to equity holders	**4 737 736**	4 351 518
Share capital	**4 055**	4 034
Share premium	**2 206 732**	2 181 285
Non-distributable reserves	**2 526 949**	2 166 199
Retained earnings	**–**	–
Total liabilities	**7 473 724**	7 869 377
Non-current liabilities	**6 010 839**	6 382 665
Linked debentures	**1 824 821**	1 815 011
Interest-bearing borrowings	**3 286 043**	3 855 544
BEE instrument	**122 192**	–
Deferred tax	**777 783**	712 110
Current liabilities	**1 462 885**	1 486 712
Trade and other payables	**425 363**	395 655
Linked debenture interest payable	**311 761**	282 939
Income tax payable	**1 832**	2 192
Interest-bearing borrowings	**723 929**	805 926
Total equity and liabilities	**12 211 460**	12 220 895

Consolidated statement of comprehensive income

	Audited for the year ended Jun 2010 R'000	Audited for the year ended Jun 2009 R'000
Net rental and related revenue	**1 009 084**	886 808
Recoveries and contractual rental revenue	**1 409 560**	1 310 046
Straight-lining of rental revenue adjustment	**50 743**	(16 947)
Rental revenue	**1 460 303**	1 293 099
Property operating expenses	**(451 219)**	(406 291)
Distributable income from investments	**10 706**	31 666
Fair value gain on investment property and investments	**607 141**	51 653
Fair value gain on investment property	**519 600**	59 446
Adjustment resulting from straight-lining of rental revenue	**(50 743)**	16 947
Fair value gain/(loss) on investments	**138 284**	(24 740)
Fair value loss on BEE instrument	**(122 192)**	–
Other income	**–**	11 010
Administrative expenses	**(39 242)**	(46 225)
Net recognition of goodwill	**9 238**	–
Loss on sale of subsidiaries	**–**	(65 262)
Income from associates	**33 462**	11 323
Profit before net finance costs	**1 508 197**	880 973
Net finance costs	**(1 043 451)**	(1 217 685)
Finance income	**54 374**	91 855
Interest from loans	**53 655**	85 182
Interest on linked units issued *cum* distribution	**719**	6 673
Finance costs	**(1 097 825)**	(1 309 540)
Interest paid on borrowings	**(447 493)**	(534 519)
Capitalised interest	**26 294**	48 473
Fair value adjustment on interest rate swaps	**(81 724)**	(291 100)
Interest to linked debenture holders		
– interim	**(283 141)**	(249 455)
– final	**(311 761)**	(282 939)
Profit/(loss) before income tax expense	**464 746**	(336 712)
Income tax expense	**(103 996)**	140 981
Profit/(loss) for the year attributable to equity holders	**360 750**	(195 731)
Total comprehensive income/(loss) for the year	**360 750**	(195 731)
Basic earnings per share (cents)	**89,20**	(49,17)
Basic earnings per linked unit (cents)	**236,30**	84,57
Diluted earnings per share (cents)	**81,87**	(49,17)
Diluted earnings per linked unit (cents)	**216,87**	77,52

Reconciliation of profit/(loss) for the year to headline earnings and distributable income

	Audited for the year ended Jun 2010 R'000	Restated for the year ended Jun 2009 R'000
Basic earnings (shares) – profit/(loss) for the year attributable to equity holders	**360 750**	(195 731)
– interest to linked debenture holders	**594 902**	532 394
Basic earnings (linked units)	**955 652**	336 663
Adjusted for:	**(368 992)**	(65 387)
– fair value gain on investment property	**(468 857)**	(76 393)
– net recognition of goodwill	**(9 238)**	–
– loss on sale of subsidiaries	**–**	65 262
– income tax effect	**109 103**	(54 256)
Headline earnings per linked unit	**586 660**	271 276
Fair value loss on BEE instrument	**122 192**	–
Adjustment resulting from straight-lining of rental revenue	**(50 743)**	16 947
Fair value (gain)/loss on investments	**(138 284)**	24 740
Fair value adjustment on interest rate swaps	**81 724**	291 100
Consolidation adjustment for BEE	**(2 877)**	14 655
Post-acquisition reserves from associate companies	**1 337**	–
Other	**–**	401
Income tax effect	**(5 107)**	(86 725)
Distributable income	**594 902**	532 394
Less: distribution declared	**(594 902)**	(532 394)
Income not distributed	**–**	–
Headline earnings per share (cents)	**(2,04)**	(65,59)
Headline earnings per linked unit (cents)	**145,06**	68,14
Diluted headline earnings per share (cents)	**(2,04)**	(65,59)
Diluted headline earnings per linked unit (cents)	**133,13**	62,46

Basic earnings per share, basic earnings per linked unit, headline earnings per share and headline earnings per linked unit are based on the weighted average of 404 426 028 (2009: 398 088 528) shares/linked units in issue during the year.

Diluted earnings per share, diluted earnings per linked unit, diluted headline earnings per share and diluted headline earnings per linked unit are based on the weighted average of 440 655 837 (2009: 434 318 337) shares/linked units in issue during the year.

Abridged consolidated statement of cash flows

	Audited for the year ended Jun 2010 R'000	Audited for the year ended Jun 2009 R'000
Cash (outflow)/inflow from operating activities	**(39 199)**	297 156
Cash inflow from investing activities	**1 149 988**	126 573
Cash outflow from financing activities	**(1 122 701)**	(571 180)
Decrease in cash and cash equivalents	**(11 912)**	(147 451)
Cash and cash equivalents at the beginning of the year	**79 545**	226 996
Cash and cash equivalents at the end of the year	**67 633**	79 545
Cash and cash equivalents consist of:		
Cash on call iro securitisation	**62 994**	59 086
Current accounts	**4 639**	20 459
	67 633	79 545

Notes

1 PREPARATION AND AUDIT OPINION
The condensed audited consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the AC500 standards as issued by the Accounting Practices Board, the information as required by IAS34: Interim Financial Reporting, the JSE Listings Requirements and the South African Companies Act. The condensed audited financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the prior year. Headline earnings for June 2009 has been restated to include the fair value adjustments on investments and to exclude the loss on sale of subsidiaries.

The group previously disclosed profit or loss on disposal of investment property and investments separately from the fair value adjustments on these items. To better reflect the nature of these transactions, these amounts are now combined into the respective fair value adjustment lines in the statement of comprehensive income. Deloitte & Touche has audited the financial information set out in this report. Their unmodified audit report is available for inspection at the group's registered address.

2 SUMMARY OF FINANCIAL PERFORMANCE – UNAUDITED

	Jun 2010	Dec 2009	Jun 2009	Dec 2008
Distribution per linked unit (cents)	**76,88**	70,20	70,15	63,50
Units in issue	**441 745 837**	439 565 837	439 565 837	429 070 837
Property operations				
Net asset value*	**R16,22**	R15,30	R15,02	R14,61
Gearing ratio**	**28,8%**	32,0%	34,0%	38,0%
Units in issue	**441 745 837**	439 565 837	439 565 837	429 070 837
Consolidated				
Net asset value*	**R16,18**	R15,48	R15,17	R14,70
Gearing ratio**	**32,8%**	36,2%	38,1%	41,3%
Units in issue	**405 516 028**	403 336 028	403 336 028	392 841 028

**Net asset value includes total equity attributable to equity holders and linked debentures.*
***The gearing ratio is calculated by dividing interest-bearing borrowings by total assets.*

Consolidated statement of changes in equity

Group	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000	Minority interest R'000	Total equity R'000
	Attributable to equity holders of the group						
Balance at 30 June 2008	3 852	2 020 264	2 376 869	–	4 400 985	255 039	4 656 024
Issue of linked units	182	161 021			161 203		161 203
Loss on linked units issued by the Pangbourne Unit Purchase Trust to employees			(116)		(116)		(116)
Loss on linked units disposed of by the Pangbourne Unit Purchase Trust			(14 823)		(14 823)		(14 823)
Disposal of subsidiary					–	(255 039)	(255 039)
Total comprehensive loss for the year				(195 731)	(195 731)		(195 731)
Transfer to non-distributable reserves			(195 731)	195 731	–		–
Balance at 30 June 2009	**4 034**	**2 181 285**	**2 166 199**	**–**	**4 351 518**	**–**	**4 351 518**
Issue of 2 180 000 linked units on 17 March 2010	**21**	**25 447**			**25 468**		**25 468**
Total comprehensive income for the year				**360 750**	**360 750**		**360 750**
Transfer to non-distributable reserves			**360 750**	**(360 750)**	**–**		**–**
Balance at 30 June 2010	**4 055**	**2 206 732**	**2 526 949**	**–**	**4 737 736**	**–**	**4 737 736**

Directors Dr Iraj Abedian (chairman) Barry Stuhler* (managing director) Des de Beer (alternate: Vuso Majija) Gerard de Rauville Ryan Falkenberg Craig Hallowes* Bryan Hopkins Annalese Manickum Dave Savage Thando Sishuba Jacques van Wyk* Trurman Zuma *(*Executive)*
Company secretary Wiko Serfontein
Registered address 3rd Floor Rivonia Village Rivonia Boulevard Rivonia 2191 (PO Box 4392 Rivonia 2128)
Transfer secretaries Link Market Services South Africa (Proprietary) Limited 11 Diagonal Street Johannesburg 2001
Sponsor Java Capital

Notes (continued)

2.1 To comply with financial reporting requirements the group will account for entities that do not form part of its operations, do not operate under its operating policies and whose businesses, risk profiles and debt levels are not comparable to that of its own. Disclosure under "Property operations" excludes Panya Investments (Pty) Ltd, Meago Siyam Investments (Pty) Ltd and Tokoloho Investments (Pty) Ltd ("BEE partners").

2.2 In total 36 229 809 linked units were issued to BEE partners and Pangbourne is standing surety for the funding obligations of BEE partners in acquiring these units. In terms of IFRS the issue did not take place and the essence of the transaction was that the BEE shareholders received a right/option to acquire linked units in Pangbourne at a future date at a predetermined price. As a consequence, the issue of linked units has been eliminated in the preparation of these financial statements. The right/option the BEE shareholders have acquired has a value of R122 192 000 (2009: nil). The value of this right/option will be considered on an ongoing basis and changes in its fair value are accounted for through profit and loss.

The following table indicates the effect of the BEE transaction on the group financial statements (the column "Property operations" indicates Pangbourne's results had the BEE transaction been accounted for as an issue for value):

Jun 2010	Consolidated R'000	BEE partners R'000	Property operations R'000
Statement of comprehensive income			
Fair value loss on BEE instrument	(122 192)	122 192	–
Finance costs			
– interest paid on borrowings	(447 493)	50 410	(397 083)
– interest to linked debenture holders	(311 761)	(53 287)	(365 048)
Statement of financial position			
Current assets			
Trade and other receivables	108 497	(304)	108 193
Total equity attributable to equity holders			
Share capital	4 055	362	4 417
Share premium	2 206 732	309 379	2 516 111
Non-distributable reserves	2 526 949	130 678	2 657 627
Non-current liabilities			
Linked debentures	1 824 821	163 035	1 987 856
Interest-bearing borrowings (non-current and current)	4 009 972	(498 415)	3 511 557
BEE instrument	122 192	(122 192)	–
Current liabilities			
Trade and other payables	425 363	(11 004)	414 359
Linked debenture interest payable	311 761	27 853	339 614

3 GEARING

Expiry	Amount R'million	Amount R'million	Rate	% of borrowings
Interest rate swaps				
August 2011	100,0		7,35%	2,8%
September 2011	100,0		10,33%	2,8%
October 2011	130,0		10,26%	3,7%
December 2011	200,0		8,55%	5,7%
May 2012	200,0		8,49%	5,7%
October 2012	10,0		8,22%	0,3%
August 2013	100,0		8,05%	2,8%
September 2013	400,0		9,85%	11,4%
October 2014	460,0		9,36%	13,1%
April 2015	300,0		8,26%	8,5%
September 2015	200,0		9,61%	5,7%
August 2016	200,0		8,51%	5,7%
September 2016	400,0		8,42%	11,4%
September 2017	50,0		8,45%	1,4%
Interest rate cap				
October 2012		140,0	10,75%	
Interest rate floor				4,0%
October 2012		140,0	9,40%	
Securitised loan				
July 2012	1 190,0		10,36%	33,9%

The securitised loan is shown as nominal annual compounded quarterly and is inclusive of lending margin, amortised upfront costs and ongoing management fees payable to the securitisation administrators, trustees, rating agency and other external costs.

Hedged borrowings	4 040,0	140,0		118,9%
Variable rate borrowings		(668,4)		(18,9%)
Total gearing*		**3 511,6**	**10,99%**	**100,0%**

**Total gearing comprises the level of external interest-bearing borrowings, excluding those of BEE partners.*

4 LEASE EXPIRY PROFILE – UNAUDITED

Lease expiry	Based on rentable area	Based on contractual rental income
Vacant	6,6%	–
June 2011	27,6%	29,2%
June 2012	17,7%	18,4%
June 2013	20,5%	22,2%
June 2014	7,4%	8,2%
June 2015	7,9%	9,0%
>June 2015	12,3%	13,0%
Total	**100,0%**	**100,0%**

5 SEGMENTAL ANALYSIS

Rental income	Jun 2010 R'000	Jun 2009 R'000
Commercial	**298 021**	196 425
Industrial	**633 123**	619 169
Retail	**487 374**	437 897
Other	**41 785**	39 608
Total	**1 460 303**	1 293 099

Profit before net finance costs	Jun 2010 R'000	Jun 2009 R'000
Commercial	**370 920**	170 039
Industrial	**775 888**	437 279
Retail	**270 753**	283 297
Other	**60 380**	72 586
Corporate	**30 256**	(82 228)
Total	**1 508 197**	880 973

6 PAYMENT OF FINAL DISTRIBUTION
The board has approved and notice is hereby given of a final interest distribution (distribution no 48) of 76,88 cents per linked unit for the six months ended 30 June 2010. The last date to trade linked units *cum* distribution will be Friday, 3 September 2010 and trading will commence *ex* distribution on Monday, 6 September 2010. The record date to participate in the distribution will be Friday, 10 September 2010.

Linked unit certificates may not be dematerialised or rematerialised between Monday, 6 September 2010 and Friday, 10 September 2010, both days inclusive. Payment of the distribution will be made to linked unitholders on Monday, 13 September 2010.

In respect of dematerialised linked unitholders, the distribution will be transferred to the Central Securities Depository Participant accounts/broker accounts on Monday, 13 September 2010. Certificated linked unitholders' distribution payments will be posted on or about Monday, 13 September 2010.