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 Unaudited Consolidated Financial Statements

for the six months ended 31 December 2009

Directors' commentary

RESULTS

Pangbourne's interim distribution for the six months to 31 December 2009 amounted to 70,20 cents per linked unit. This represents an increase of 10,55% over the 63,50 cents distribution for the previous comparable period. The distribution for this interim period includes only recurring property income.

REVIEW

Pangbourne has continued the intensive management of every asset in the portfolio with many properties being upgraded, refurbished and, where appropriate, re-tenanted. This proactive approach resulted in good growth in rental income for the period despite a tougher economic environment and the higher level of vacancies.

Considerable resources have been directed at Pangbourne's retail portfolio. The profile and mix of tenants in most of the centres have been improved and the majority of the centres have been, or are in the process of being, refurbished. The Thrupps Centre in Illovo will be substantially redeveloped during 2010. This includes changing the retail layout and completely refurbishing the mall to reposition the centre to cater for its target market. The N1 Value Centre in Cape Town does not have a food or grocery anchor and a 1 850m^2 Fruit & Veg City is being introduced to remedy this. Ster Kinekor and Dischem have been secured for The Boardwalk Inkwazi in Richards Bay, further consolidating the centre's dominant position in the region.

The phase one refurbishment of Pineslopes in Fourways is nearing completion. Phase two, which involves redevelopment of the Casino View building, will commence in March 2010.

The commercial and industrial properties have generally performed well over the last six months. Hobart Square in Bryanston and The Braides in Gallo Manor are now over 75% and 92% let respectively. The 13 000m^2 warehouse on Radnor Road in Cape Town, which has been vacant for over a year, has been let to a corporate tenant for five years commencing on 1 April 2010. The market for large industrial space in Pomona near OR Tambo Airport, which is dependent on an expansion in logistics operations, is still muted. Oxford Manor in Illovo is being upgraded. In order to provide ample parking, the tenant mix has changed away from retail to focus on office tenants only.

The portfolio vacancy is currently 6,72% and has remained stable when compared to the 6,68% at 30 June 2009, though the mix has changed. The board is cautious regarding growth prospects in a number of commercial and industrial nodes where vacancies are expected to increase in the short-term as these markets lag the economic upturn. While Pangbourne has no developments in the pipeline, vacancies in the commercial market may further be exacerbated by the many speculative developments by other developers, scheduled for completion during 2010.

Pangbourne's aggressive letting of its property portfolio is yielding positive results and the group's overall vacancies are expected to decrease from current levels during the coming year.

ENIGMA

The remaining 28% of Enigma (the last tentacle of the past "octopus" strategy) 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.

INVESTMENTS AND GEARING

Pangbourne sold its remaining 51 932 653 units in Capital Property Fund and the proceeds were utilised to reduce borrowings.

The group sold 56 properties in October 2009 to Fortress Income Fund Limited ("Fortress") for R998,2 million as follows:

Sector	Number of properties	Proceeds (R'000)
Industrial	42	530 025
Commercial	5	110 890
Retail	9	357 300
Total	**56**	**998 215**

Pangbourne received 58 621 875 Fortress A units, 58 621 875 Fortress B units and R412,0 million in cash as consideration. The Fortress A and Fortress B holdings have been reduced to 48 100 000 and 58 000 000 linked units at 31 December 2009 respectively with the proceeds being applied against borrowings. This investment has been equity accounted.

Pangbourne's gearing at 31 December 2009 was 36,2% after repayment of the R470 million securitised debt tranche in October 2009. The group currently has substantial unutilised funding facilities and gearing levels are at the board's targeted levels. Accordingly, the Fortress A and B holdings will be sold only when suitable acquisitions or development opportunities arise.

PROPERTY ACQUISITION

The remaining 50% of Raceway Industrial Park, a 5 965m^2 warehouse, was acquired from Pangbourne's partner, Atterbury, for R29,4 million at a capitalisation rate of 8,23%. The property is fully let with a five year lease.

PROSPECTS

Although there are strong indications that the economic environment is improving, the property market is expected to remain difficult for the remainder of the financial year. The board is nonetheless optimistic that the previous forecast of 10% growth in distributions will be achieved.

By order of the board

Barry Stuhler
Managing director

Jacques van Wyk
Financial director

Johannesburg
10 February 2010

Directors	Dr I Abedian (chairman), BL Stuhler (MD)*, D de Beer (Alt: VS Majija), JPG de Rauville, RJ Falkenberg, CB Hallowes*, BD Hopkins, AL Manickum, MH Muller*, DS Savage, TS Sishuba, JJ van Wyk*, TMZ Zuma (*Executive)
Company secretary	IF Pick
Registered address	3rd Floor Rivonia Village Rivonia Boulevard Rivonia 2191
Transfer secretaries	Link Market Services South Africa (Proprietary) Limited 11 Diagonal Street Johannesburg 2001
Sponsor	Java Capital (Proprietary) Limited

Consolidated statements of financial position

	Unaudited Dec 2009 R'000	Audited Jun 2009 R'000	Unaudited Dec 2008 R'000
ASSETS			
Non-current assets	**11 703 486**	10 937 277	11 725 804
Investment property	**10 301 044**	9 525 282	9 373 617
Straight-lining of rental revenue adjustment	**202 591**	142 775	110 958
Investment property under development	**252 443**	237 249	818 986
Investments	**–**	303 806	390 921
Investment in and loans to associates	**561 277**	279 433	349 957
Loans	**386 131**	448 732	681 365
Current assets	**294 819**	1 283 618	640 719
Investment property held for sale	**–**	998 215	405 819
Loans	**–**	8 579	–
Trade and other receivables	**229 281**	197 279	170 867
Cash and cash equivalents	**65 538**	79 545	64 033
Total assets	**11 998 305**	12 220 895	12 366 523
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	**4 429 464**	4 351 518	4 007 521
Share capital	**4 034**	4 034	3 929
Share premium	**2 181 285**	2 181 285	2 083 919
Non-distributable reserves	**2 244 145**	2 166 199	1 919 673
Retained earnings	**–**	–	–
Total liabilities	**7 568 841**	7 869 377	8 359 002
Non-current liabilities	**5 849 641**	6 382 665	6 527 847
Linked debentures	**1 815 011**	1 815 011	1 767 784
Interest-bearing borrowings	**3 387 841**	3 855 544	4 018 510
Deferred tax	**646 789**	712 110	741 553
Current liabilities	**1 719 200**	1 486 712	1 831 155
Trade and other payables	**423 629**	395 655	485 533
Linked debenture interest payable	**283 141**	282 939	249 455
Income tax payable	**62 465**	2 192	1 184
Interest-bearing borrowings	**949 965**	805 926	1 094 983
Total equity and liabilities	**11 998 305**	12 220 895	12 366 523

Consolidated statements of comprehensive income

	Unaudited for the six months ended Dec 2009 R'000	Restated for the year ended Jun 2009 R'000	Restated for the six months ended Dec 2008 R'000
Net rental and related revenue	**507 091**	886 808	413 908
Recoveries and contractual rental revenue	**709 721**	1 310 046	661 010
Straight-lining of rental revenue adjustment	**28 487**	(16 947)	(44 626)
Rental revenue	**738 208**	1 293 099	616 384
Property operating expenses	**(231 117)**	(406 291)	(202 476)
Distributable income from investments	**8 478**	31 666	16 757
Fair value gain on investment property and investments	**49 035**	51 653	59 392
Fair value gain on investment property	**22 238**	59 446	39 746
Adjustment resulting from straight-lining of rental revenue	**(28 487)**	16 947	44 626
Fair value gain/(loss) on investments	**55 284**	(24 740)	(24 980)
Other income	**–**	11 010	7 702
Administrative expenses	**(19 575)**	(46 225)	(31 277)
Net recognition of goodwill	**9 907**	–	–
Loss on sale of subsidiaries	**–**	(65 262)	(35 030)
Deconsolidation of Monyetla Property Fund Limited	**–**	–	(30 232)
Income from associates	**12 529**	11 323	11 682
Profit before net finance costs	**567 465**	880 973	412 902
Net finance costs	**(493 776)**	(1 217 685)	(967 314)
Finance income	**28 321**	91 855	53 483
Interest from loans	**28 321**	85 182	51 257
Interest on linked units issued *cum* distribution	**–**	6 673	2 226
Finance costs	**(522 097)**	(1 309 540)	(1 020 797)
Interest on borrowings	**(237 684)**	(534 519)	(301 638)
Capitalised interest	**12 873**	48 473	30 761
Fair value adjustment on interest rate swaps	**(14 145)**	(291 100)	(500 465)
Interest to linked debenture holders	**(283 141)**	(532 394)	(249 455)
Profit/(loss) before income tax expense	**73 689**	(336 712)	(554 412)
Income tax expense	**4 257**	140 981	97 332
Profit/(loss) for the period attributable to equity holders	**77 946**	(195 731)	(457 080)
Total comprehensive income/(loss) for the period	**77 946**	(195 731)	(457 080)
Basic earnings per share (cents)	**19,33**	(49,17)	(116,35)
Basic earnings per linked unit (cents)	**89,53**	84,57	(52,85)
Diluted earnings per share (cents)	**17,73**	(49,17)	(116,35)
Diluted earnings per linked unit (cents)	**82,15**	77,52	(52,85)

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

	Unaudited for the six months ended Dec 2009 R'000	Restated for the year ended Jun 2009 R'000	Restated for the six months ended Dec 2008 R'000
Basic earnings (shares) - profit/(loss) for the period attributable to equity holders	**77 946**	(195 731)	(457 080)
– interest to linked debenture holders	**283 141**	532 394	249 455
Basic earnings (linked units)	**361 087**	336 663	(207 625)
Adjusted for:	**10 162**	(82 037)	(78 255)
– fair value loss/(gain) on investment property	**6 249**	(76 393)	(84 372)
– net recognition of goodwill	**(9 907)**	–	–
– loss on sale of subsidiaries	**–**	65 262	35 030
– deconsolidation of Monyetla Property Fund Limited	**–**	–	30 232
– income tax effect	**13 820**	(70 906)	(59 145)
Headline earnings (linked units)	**371 249**	254 626	(285 880)
Adjustment resulting from straight-lining of rental revenue	**(28 487)**	16 947	44 626
Fair value (gain)/loss on investments	**(55 284)**	24 740	24 980
Fair value adjustment on interest rate swaps	**14 145**	291 100	500 465
Consolidation adjustment for BEE	**(1 619)**	14 655	15 142
Post-acquisition reserves from associate companies	**1 207**	–	(11 682)
Other	**7**	401	(9)
Income tax effect	**(18 077)**	(70 075)	(38 187)
Distributable income	**283 141**	532 394	249 455
Less: distribution declared	**(283 141)**	(532 394)	(249 455)
Income not distributed	**–**	–	–
Headline earnings per share (cents)	**21,84**	(69,78)	(136,27)
Headline earnings per linked unit (cents)	**92,04**	63,96	(72,77)
Diluted headline earnings per share (cents)	**20,04**	(69,78)	(136,27)
Diluted headline earnings per linked unit (cents)	**84,46**	58,63	(72,77)

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 403 336 028 (Jun 2009: 398 088 528; Dec 2008: 392 841 028) shares/linked units in issue during the period.

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 439 565 837 (Jun 2009: 434 318 337; Dec 2008: 429 070 837) shares/linked units in issue during the period.

Abridged consolidated statements of cash flows

	Unaudited for the six months ended Dec 2009 R'000	Audited for the year ended Jun 2009 R'000	Unaudited for the six months ended Dec 2008 R'000
Cash (outflow)/inflow from operating activities	**(42 116)**	297 156	221 323
Cash inflow/(outflow) from investing activities	**858 254**	126 573	(135 254)
Cash outflow from financing activities	**(830 145)**	(571 180)	(249 032)
Decrease in cash and cash equivalents	**(14 007)**	(147 451)	(162 963)
Cash and cash equivalents at the beginning of the period	**79 545**	226 996	226 996
Cash and cash equivalents at the end of the period	**65 538**	79 545	64 033
Cash and cash equivalents consist of:			
Cash on call in respect of securitisation	**60 990**	59 086	51 495
Current accounts	**4 548**	20 459	12 538
	65 538	79 545	64 033

Notes

1 PREPARATION

The condensed consolidated financial statements have been prepared in accordance with IAS 34, the JSE Listings Requirements and the requirements of the South African Companies Act. The accounting policies adopted are consistent with those of the prior year and in accordance with IFRS.

Headline earnings for June 2009 and December 2008 has been restated to include the fair value adjustments on investments and exclude loss on sale of subsidiaries and the deconsolidation of Monyetla Property Fund Limited. 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.

This report was not audited or reviewed by the company's auditors.

Consolidated statements of changes in equity

Unaudited	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	77	63 655			63 732		63 732
Loss on linked units issued by the Pangbourne Unit Purchase Trust to employees			(116)		(116)		(116)
Deconsolidation/disposal of subsidiaries					–	(255 039)	(255 039)
Total comprehensive loss for the period				(457 080)	(457 080)		(457 080)
Transfer to non-distributable reserves			(457 080)	457 080	–		–
Balance at 31 December 2008	3 929	2 083 919	1 919 673	–	4 007 521	–	4 007 521
Issue of linked units	105	97 366			97 471		97 471
Loss on linked units disposed of by the Pangbourne Unit Purchase Trust			(14 823)		(14 823)		(14 823)
Total comprehensive income for the period				261 349	261 349		261 349
Transfer to non-distributable reserves			261 349	(261 349)	–		–
Balance at 30 June 2009	**4 034**	**2 181 285**	**2 166 199**	**–**	**4 351 518**	**–**	**4 351 518**
Total comprehensive income for the period				**77 946**	**77 946**		**77 946**
Transfer to non-distributable reserves			**77 946**	**(77 946)**	**–**		**–**
Balance at 31 December 2009	**4 034**	**2 181 285**	**2 244 145**	**–**	**4 429 464**	**–**	**4 429 464**

Notes (continued)

2 SUMMARY OF FINANCIAL PERFORMANCE

	Dec 2009	Jun 2009	Dec 2008	Jun 2008
Distribution per linked unit (cents)	**70,20**	70,15	63,50	63,43
Units in issue	**439 565 837**	439 565 837	429 070 837	421 395 837
Property operations				
Net asset value*	**R15,30**	R15,02	R14,61	R15,64
Gearing ratio**	**32,0%**	34,0%	38,0%	39,7%
Units in issue	**439 565 837**	439 565 837	429 070 837	421 395 837
Consolidated				
Net asset value*	**R15,48**	R15,17	R14,70	R15,93
Gearing ratio**	**36,2%**	38,1%	41,3%	43,0%
Units in issue	**403 336 028**	403 336 028	392 841 028	385 166 028

**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.*

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 Pangbourne signed sureties in favour of banks with regards to the funding of BEE partners. The BEE partners collectively hold 36 229 809 linked units in Pangbourne.

The following table indicates the effect of consolidating BEE partners into the group financial statements (the column "Property operations" indicates Pangbourne's results had the BEE partners not been consolidated):

December 2009	Consolidated R'000	BEE partners R'000	Property operations R'000
Statement of comprehensive income			
Finance costs			
– interest on borrowings	(237 684)	23 815	(213 869)
– interest to linked debenture holders	(283 141)	(25 434)	(308 575)
Statement of financial position			
Current assets			
Trade and other receivables	229 281	(6 914)	222 367
Total equity attributable to equity holders			
Share capital	4 034	362	4 396
Share premium	2 181 285	309 379	2 490 664
Non-distributable reserves	2 244 145	9 744	2 253 889
Non-current liabilities			
Linked debentures	1 815 011	163 035	1 978 046
Interest-bearing borrowings (non-current and current)	4 337 806	(504 885)	3 832 921
Current liabilities			
Trade and other payables	423 629	(9 983)	413 646
Linked debenture interest payable	283 141	25 434	308 575

3 GEARING

Expiry	Amount R'million	Amount R'million	Rate	% of borrowings
Interest rate swaps				
October 2010	200,0		10,45%	5,2%
January 2011	100,0		10,33%	2,6%
August 2011	100,0		7,35%	2,6%
September 2011	100,0		10,33%	2,6%
October 2011	130,0		10,26%	3,4%
December 2011	200,0		8,55%	5,2%
May 2012	200,0		8,49%	5,2%
August 2013	100,0		8,05%	2,6%
September 2013	400,0		9,85%	10,4%
April 2015	300,0		8,26%	7,8%
September 2015	200,0		9,61%	5,2%
August 2016	200,0		8,51%	5,2%
September 2016	400,0		8,42%	10,4%
September 2017	50,0		8,45%	1,3%

Pangbourne pays the fixed rate and receives the 3-month Jibar floating rate on the swaps.

Expiry	Amount R'million	Amount R'million	Rate	% of borrowings
Interest rate cap				
October 2012		140,0	10,75%	
Interest rate floor				3,7%
October 2012		140,0	9,40%	
Securitised loan				
July 2012	1 190,0		10,36%	31,0%

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.

	Amount R'million	Amount R'million	Rate	% of borrowings
Hedged borrowings	3 870,0	140,0		104,4%
Variable rate borrowings		(177,1)		(4,4%)
Total gearing*		**3 832,9**	**10,71%**	**100,0%**

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

4 LEASE EXPIRY PROFILE

Lease expiry	Based on rentable area	Based on contractual rental income
Vacant	6,72%	–
June 2010	13,87%	11,46%
June 2011	18,22%	22,32%
June 2012	17,71%	18,56%
June 2013	18,91%	20,23%
June 2014	7,66%	8,63%
June 2015	5,33%	6,31%
>June 2015	11,58%	12,49%
Total	**100,00%**	**100,00%**

5 SEGMENTAL ANALYSIS

Rental revenue	Dec 2009 R'000	Jun 2009 R'000	Dec 2008 R'000
Industrial	**324 771**	619 169	271 364
Commercial	**145 415**	196 425	119 696
Retail	**248 062**	437 897	201 596
Other	**19 960**	39 608	23 728
Total	**738 208**	1 293 099	616 384

Profit before net finance costs	Dec 2009 R'000	Jun 2009 R'000	Dec 2008 R'000
Industrial	**226 359**	437 279	223 435
Commercial	**122 495**	170 039	78 154
Retail	**135 907**	283 297	136 869
Other	**16 082**	72 586	59 822
Investments and other	**66 622**	(82 228)	(85 378)
Total	**567 465**	880 973	412 902

6 PAYMENT OF INTERIM DISTRIBUTION

The board has approved and notice is hereby given of an interim interest distribution (distribution no 47) of 70,20 cents per linked unit for the six months ended 31 December 2009.

The last date to trade linked units *cum* distribution will be Friday, 5 March 2010 and trading will commence *ex* distribution on Monday, 8 March 2010. The record date to participate in the distribution will be Friday, 12 March 2010.

Linked unit certificates may not be dematerialised or rematerialised between Monday, 8 March 2010 and Friday, 12 March 2010, both days inclusive. Payment of the distribution will be made to linked unitholders on Monday, 15 March 2010.

In respect of dematerialised linked unitholders, the distribution will be transferred to the Central Securities Depository Participant accounts/broker accounts on Monday, 15 March 2010. Certificated linked unitholders' distribution payments will be posted on or about Monday, 15 March 2010.