

## Allhart Park

<b>Location</b>
Woodlands Drive, Woodmead
<b>Gross lettable area</b>
4 464 m <sup>2</sup>
<b>Category</b>
Commercial offices
<b>Major tenants</b>
Callguard Security Services
Datatech Communications
Nimue Skin Technologies

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## Financial highlights

For the year ended 31 August 2001		
	2001 R000	*2000 R000
<b>Non current assets</b>	1 349 994	1 197 067
Property portfolio	447 907	587 025
Listed security portfolio	902 087	610 042
<b>Revenue</b>	214 159	103 100
Property portfolio	107 214	56 838
Listed security portfolio	106 945	46 262
<b>Operating profit</b>	174 580	85 479
<b>Distributions to linked unitholders</b>	82 824	38 801
<b>Earnings and distributions</b>		
Actual number of linked units in issue (000)	237 114	232 582
Weighted number of linked units in issue (000)	236 445	222 537
Earnings per linked unit (cents)	108.32	18.12
Headline earnings per linked unit (cents)	35.03	17.44
Distribution per linked unit (cents)	35.00	17.00
<b>General</b>		
Net asset value per linked unit (cents)	272	199
Closing linked unit price (cents)	270	201
Growth in linked unit price	34%	-
Gearing	52%	61%
Linked unit liquidity	33%	11%

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).



## Wingfield Park

	<b>Location</b>
	Jones Road, Jet Park
	<b>Gross lettable area</b>
	55 927m²
	<b>Category</b>
	Industrial
	<b>Major tenants</b>
	Daewoo Electronics Edgars Consolidated Stores Game Stores Kelloggs SA Kintetsu World Express SA Morkels Stores PEP SA Wilsonart SA

Group structure

Redefine Income Fund  
Limited

Outward Investments  
(Proprietary) Limited\*

Portion 65 Rivonia Ext. 3  
(Proprietary) Limited

Portion 68 Rivonia Ext. 3  
(Proprietary) Limited

Terminus Klerksdorp  
(Proprietary) Limited

All subsidiaries are wholly owned.

\* The fixed properties (other than those owned directly by the property owning subsidiaries) and the listed securities are housed directly in Outward Investments (Proprietary) Limited.

Redefine team



**Front to back:** Wolf Cesman (*Chairman*), Jeffrey Kron (*Director*), Marc Wainer (*Director*), Julie Herholdt (*PA to CEO*), Antoinette Steyn (*Accountant*).





## Board of directors

• • **W Cesman** (Chairman)  
B. Comm. (Wits) CA (SA) H.Dip.  
Tax (Wits).  
26 years' experience in the  
development and management of  
property. Previously chairman of  
Liberty Life Properties (Pty) Ltd  
(1976 – 1999).

• **E Ellerine**  
Chairman of Ellerine Holdings  
Limited (1950 – 1999) and director  
of The Bidvest Group Limited, Sasani  
Limited, Dunlop Africa Limited and  
chairman of Corpcapital Limited.

• **J Kron**  
B. A. LLB. (Wits). Attorney with  
Deney's Reitz Inc. since June 1976.  
Director of Deney's Reitz Inc.

**P Penhall**  
B.Comm, Dip. Acc, CA(SA)  
18 years' experience in property and  
construction. Previously director of  
Stocks and Stocks and MD - Asset  
Management in Stocks Properties.  
Also Group MD of Demef Holdings.  
(Appointed on 15 October 2001)

• • **M Wainer**  
Property developer with 26 years'  
experience in the property industry.  
Previously Managing Director of  
Investec Property Group (Pty) Ltd  
and Marc Wainer & Associates (Pty)  
Ltd, a property consultancy. Currently  
also a director of the Don Group.

• *Non-executive* • *Audit Committee*

**Front to back:** Eric Ellerine (*Director*), Bradley Salters (*Financial Manager*),  
Peter Penhall (*CEO*), Ronel Judin (*Portfolio Manager*), Lindi Perkins (*Property Manager*).

## Chairman's statement

### Introduction

The listing of Redefine Income Fund in February 2000 as the first hybrid property PLS, embracing a portfolio of directly-owned properties and listed PLS and PUT securities, provided an early indication of innovative changes in the property sector, enlivened by the re-alignment of many older counters and the arrival of several new ones, all of which contributed to interest in property by way of yield, asset base size and differing portfolio structures. In consequence, with the additional impetus of a declining interest rate environment and a strong fiscal hand on the country's finances and inflation, there was substantial growth during the past year in total market capitalisation of PLSs and PUTs from R8-billion to R12,7-billion. Both these investment vehicles substantially outperformed equities and bonds at lower risk and are likely to continue doing so in the medium term.

The trend reflects a consistent move from "small cap" market perceptions around listed property counters to one more befitting the advantages of high quality income streams, discernible capital growth, steadily improving liquidity and yields superior to many benchmark counters: property linked units and values generally have taken a steady upward path in contrast to recent performance of previously glamorous or fashionable stocks. Although the property sector represents only 2,3 percent of total JSE Securities Exchange South Africa ("JSE") market capitalisation, the expectations are that the pattern of growth will continue in the next two-three years.

Notwithstanding these pleasing features, there is need for a watchful eye on the well being of the property market. Throughout the period of my review, there were pointers to changes in consumer spending capacity placing pressure on retail margins, with question marks being raised about corresponding convenience retail tenancy viability. There has also been unrestrained development of office accommodation which is likely to depress rental levels and strain the finite availability of tenants, especially in a lethargic economy. There are already indications of a lengthy timetable before vacant A and B grade office space is taken up.

In confronting such issues, smaller PLS and PUT counters may find difficulty in sustaining adequate returns on investment, capital growth, liquidity and asset quality. The mergers and acquisitions that have been a feature of the last 18 months therefore are likely to continue if asset size, market capitalisation and liquidity requisite for continued investor participation is to be maintained. A smaller number of larger property counters is bound to make investment in the property sector even more attractive than it is currently.

Consonant with these developments, it is with pleasure that I report results for the financial year ended 31 August 2001 which reflect progress towards goals established at the outset to attain an asset base exceeding R2-billion, a correspondingly significant market capitalisation, a dependable income stream and high liquidity.

## Chairman's statement

The review of operations during the financial year and in the immediate post balance sheet period by the Chief Executive Officer details the adeptness with which Redefine has addressed the challenges to its property and listed security portfolios.

Redefine has become one of the most highly traded PLS counters on the JSE. The impressive volumes of trade from institutional and individual investors together with a combined income and capital return exceeding 50 percent during the financial year should encourage greater appreciation of Redefine's innovative hybrid structure and the positive benefits accruing from the interplay between direct property ownership and investment in listed securities. Thereby, Redefine makes a worthy contribution to enhancing the property sector as one of the most desirable forms of investment on the JSE.

The listed property securities encompass prominent counters such as ApexHi, Capital, Grayprop, HyProp, Martprop and Sycom. These holdings reflect the influential position Redefine holds in the PLS and PUT sectors. An excellent example is the disposal of non-core properties in the R161-million transaction with ApexHi to the considerable benefit of both PLS counters in respect of return on investment and risk profiles. The resultant increase in Redefine's listed securities asset base of R50-million arising from a re-rating of ApexHi provided resources with which Redefine concluded post balance sheet negotiations that increase the property and the listed security portfolios.

In looking ahead Redefine and the PLSs and PUTs in which it is invested have powerful credentials in contending for prime property acquisitions that meet investment and yield criteria, as is well evidenced by the post balance sheet restructuring of the property portfolio with the emphasis on properties with long leases and single or few tenants with secure tenant covenants, together with employment of controlled gearing.

### **Financial Results**

As this review period covers Redefine's first full financial year of operation, there are no meaningful annualised comparatives by which to judge performance.

Total revenue of R214-million; headline earnings of 35,03 cents per linked unit; distribution to linked unit holders of R83-million equating to a total distribution of 35 cents per linked unit as forecast; and cash resources of R32,3-million, all reflect an upward direction. Net asset value is up 36 percent to R2,72 cents per linked unit.

The results are indicative of a well-directed and well-managed income fund grounded on a thorough knowledge of the benefits property investment has to offer.

## Chairman's statement

### **Directorate**

On 15 October 2001 Peter Penhall was appointed to the Board of Directors. He continues to serve as Chief Executive Officer.

### **Post balance sheet events**

The post balance sheet developments as detailed by the Chief Executive Officer in his review are testament to Redefine actively pursuing its objective of returning to the preferred equal investment profile between the property and listed securities portfolios. The overall outcome of post balance sheet developments so soon after the year-end 31 August 2001 has been an increase in the total asset base to R1,6bn, a pattern of growth that consistently hews to the fundamental principles of quality and earnings without introducing dilutionary factors.

The forward looking policy in respect of acquisitions and adjustments in both property and listed portfolios augurs well for Redefine's prospects of delivering a better than inflation increase in distribution to linked shareholders. It is however prudent to enter a caveat: the crisis and uncertainty introduced into international affairs and the world economy by the 11 September 2001 events in the United States.

### **Appreciation**

A year of solid growth is due entirely to the contributions by management and staff and to the guidance of my fellow directors. I extend to them all my sincere thanks.



Wolf Cesman  
*Chairman*

3 October 2001



## CEO report and review of operations

### **Preface**

This past financial year has been a challenging and rewarding period in Redefine's short history, with the company meeting the goals it set for the first full financial year of operation since listing on February 23, 2000. This portrays positive progress and the start of a track record by means of which Redefine's raison d'être as an income fund based on a hybrid property asset base can be measured.

The financial results are attributable to the high standards of operational and asset management established in the previous reporting period. Attention to the balance sheet reflects a significant reduction in debtors in the property portfolio, decreased exposure to long-term debt, and a healthy cash position of R32-million.

### **Hybrid portfolio realignments**

The review period was notable for value-adding realignment in the property and the listed security portfolios, including general corporate activity in several of the prominent counters in which Redefine is invested. Similar activity has been carried forward into the immediate post-balance sheet period to further strengthen Redefine's hybrid structure.

A long-planned key tactic that impinged on both portfolio categories was the disposal of 15 non-core convenience retail properties to ApexHi Properties for a gross consideration of R164-million, settled entirely with the issue by ApexHi of class A and B linked units at a combined price of R10 each.

This shifted the investment relationship between the listed security portfolio and the property portfolio away from the preferred 50-50 balance towards a temporary 67 percent weighting favouring the listed security portfolio. At the financial year-end, the sharp rise in the ApexHi linked unit price since acquisition added 21,23 cents per linked unit to Redefine's net asset value. The transaction also reduced Redefine's investment in the convenience retail property sector from 38 percent to 25 percent.

In the medium term, Redefine will lower its exposure to ApexHi in a controlled manner, adjust its investment in certain other listed securities, and utilise the proceeds to fund property acquisitions at yields commensurate with earnings targets. The company therefore has the means to aggressively pursue strategies of acquiring quality properties that fit its preferred profile of properties with single or few tenants on long leases.

### **Listed Security Portfolio**

The ApexHi transaction raised total investment in 12 listed securities to a market value of R902-million, with 89 percent invested in six prominent counters: ApexHi (26 percent); HyProp (17 percent); Capital (14 percent) Marriott (14 percent) Grayprop (10 percent) and Sycom (8 percent).

## CEO report and review of operations

There was some realignment of the listed security portfolio during the year, with the proceeds being applied to reduction in interest-bearing debt and to acquisitive growth in both the listed security and property portfolios.

Post year end, Redefine took advantage of further opportunities: R118-million investment in Growthpoint, Rand Leases Properties and Sycom was funded through a combination of proceeds from disposal of listed securities, ApexHi linked unit asset swaps, and new debt.

### **Property Portfolio**

Apart from the ApexHi disposals, four other non-core properties were sold during the financial year.

Management's focus during the financial year has been on generally upgrading the portfolio and on negotiating the acquisition of quality properties. In the short to medium term these negotiations, together with realignment of the listed securities portfolio, are expected to substantially correct the balance between the property and the listed security portfolios.

The trade within the property portfolio strengthened the gross revenue risk profile: there was an increase in revenue from A-grade properties from 45 percent to 60 percent and a decrease in revenue from the competitive retail sector from 38 percent to 25 percent.

Approximately 85 percent of the property portfolio is located in Gauteng, with obvious benefits in hands-on day-to-day management. There was also a material improvement in the lease expiry profile. At the year-end, vacancies represented 5,8 percent of gross lettable area, well within acceptable norms, given the difficult leasing market. To protect occupancy levels, considerable attention will be focused on negotiations with tenants whose leases expire in the next two-three years.

During the financial year the property portfolio generated gross revenue of R107-million which includes only 10 months of gross revenue from the 15 properties sold to ApexHi. The property portfolio was valued at R448-million.

Acquisition strategies after the year end culminated in the addition of 12 quality properties (five specialist retail properties (mainly banks), four office properties, and three industrial properties) for a total consideration of R194-million and an average lease profile exceeding eight years. More than 90 percent of gross income from these acquisitions has a lease profile beyond five years and provides the portfolio with a secure rental profile in which more than 50 percent of lease revenue extends beyond financial 2005.

## CEO report and review of operations

The result, testimony to the value of the policy established in the review period of building a revenue stream on a high quality long-term tenant base, places Redefine on a sound footing early in the 2001-2002 financial year. The proportion of gross revenue from A-grade properties improves to 66 percent, with gross revenue from B-grade properties reducing to 33 percent (C-grade properties, an element likely to disappear in the 2002 financial year, contributed nominally during the financial year).

### **Asset base, liquidity, and JSE trading**

Although there is no fixed timetable, it has always been an objective to extend Redefine's asset base to beyond R2-billion, with a concomitant market capitalisation that commands the close attention of investors and analysts.

Of equal importance is the aim to enhance liquidity by widening the investor base, thereby making Redefine's linked unit and its low-risk high yield as attractive to the smaller investment houses and individuals as they are to major financial institutions.

Judicious marketing and advertising as well as intrinsic appeal has led to Redefine's linked unit becoming one of the most highly traded property counters on the JSE Securities Exchange South Africa, with average monthly trading volumes exceeding 6,6-million units. Trading in Redefine's linked units represented 33 percent of total units in issue, or 50 percent of the 'free float', with the unit closing at R2.70 on 31 August 2001.

At year end the combined asset value of the property and listed security portfolios was R1,350-billion, up from R1,1-billion a year previously. The post balance sheet activity as detailed above has increased the asset base to R1,644-billion.

### **Gearing**

At year end, interest-bearing debt amounted to R699-million, 52 percent of non-current assets compared with 53,6 percent detailed in the previous reporting period.

Redefine has taken advantage of the lowering of the long interest rates curve, and has increased gearing to 57 percent to fund acquisitions post financial year end. This has had the effect of enhancing yields as compared with issuing new linked unit equity to fund these acquisitions.

Interest rate management has been a key feature of operations during the year. Redefine instituted a proactive programme of interest rate swaps with staggered maturity dates that covers a minimum of 70 percent of long-term debt, with the balance associated with long bond yield rates. This policy provides flexibility in dealing with market forces with minimum downside effect.



## CEO report and review of operations

### **Deferred vendor payments**

Most of the deferred vendor obligations incurred when the property portfolio was initially assembled, were repaid from internal resources during the financial year and the balance of R 17,6-million will be repaid by March 2002.

### **Capital gains tax**

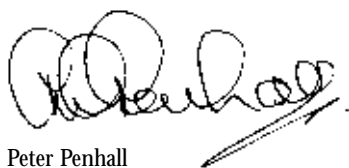
Initially, implementation of Capital Gains Tax ("CGT") will have minimal impact. In the short term, given the property portfolio's refinement through recent property transactions, further extensive re-alignment is unlikely. Moreover, because recently acquired properties have long lease profiles, ownership stability is reasonably assured. Similarly, Redefine's listed security policy is to hold investments on a long-term basis. Nevertheless, the implications of CGT and its implementation will be closely monitored.

### **The road ahead**

Overall, the financial year's results underscore Redefine's A+ Fitch investment rating and post balance sheet activity has further cemented the foundation for Redefine to return to an evenly balanced relationship between its property portfolio and listed security portfolio and to deliver inflation-beating growth in distribution levels in the financial year to August 31, 2002.

### **Word of Thanks**

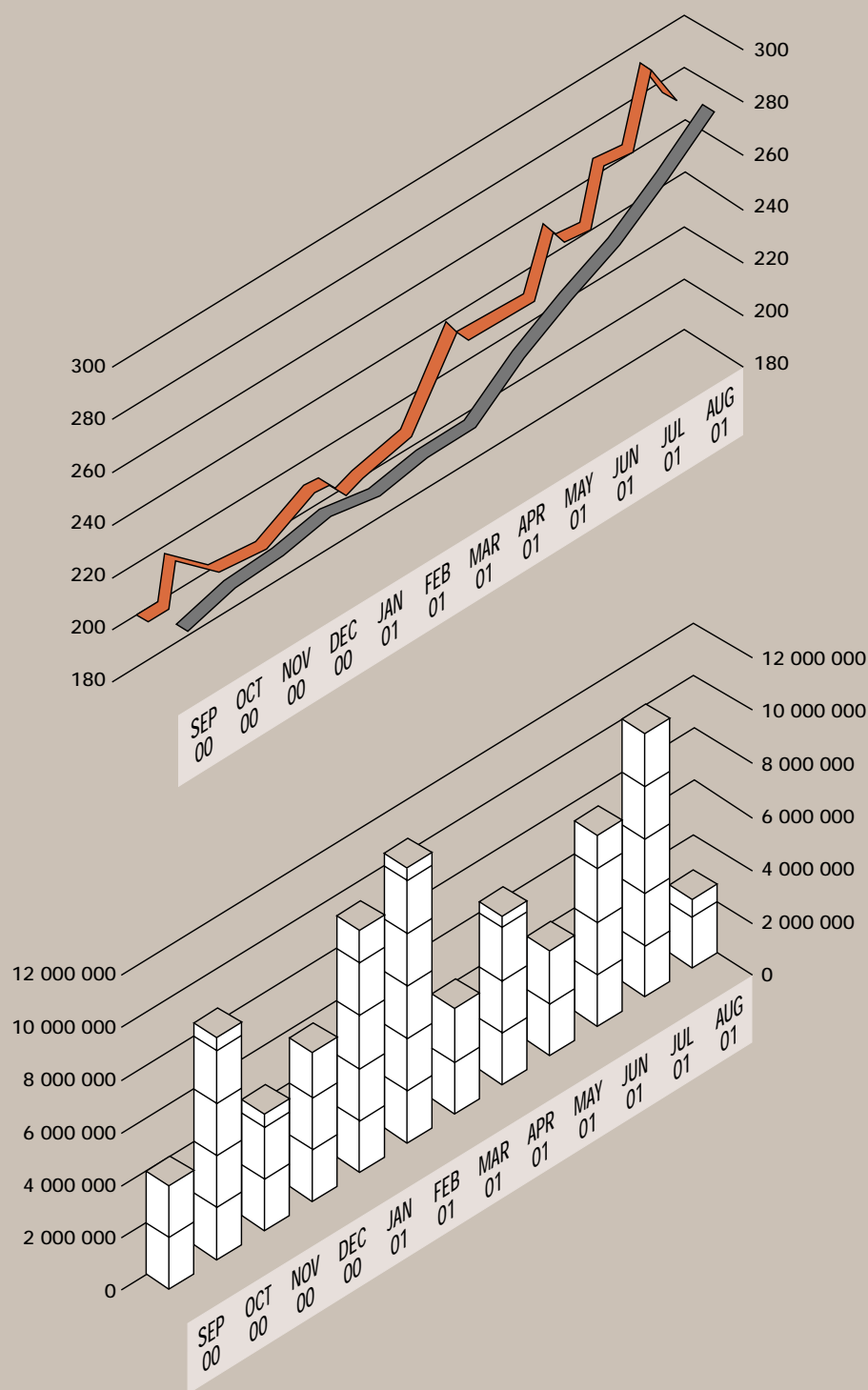
I extend my sincere thanks and appreciation to my fellow colleagues, whose support and commitment to Redefine has been unwavering during this year of change and consolidation, and to the members of the Board for their advice and constructive input.



Peter Penhall  
*Chief Executive Officer*

3 October 2001

## JSE Securities Exchange SA performance



**Cents**

**Market price**

270

Closing 31 August 2001

290

High for period

200

Low for period

**000**

**Statistics**

R640 208

Closing market capitalisation

237 114

Closing number of linked units in issue

78 945

Volume of linked units traded

R179 925

Total value of transactions

%

**Volume traded to weighted number of linked units (liquidity)**

33

Total

50

Free float

**Key to graphs**



Closing price



40 Day average



Volume





## Kyalami Park

<b>Location</b>
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Monte Carlo Crescent, Kyalami Park
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<b>Gross lettable area</b>
----------------------------

1 740 m <sup>2</sup>
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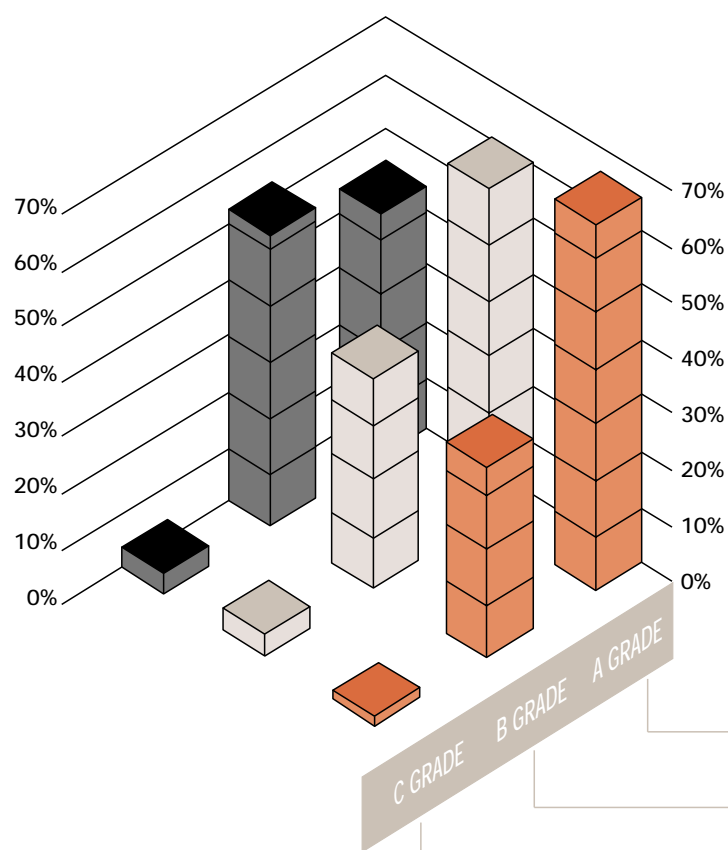
<b>Category</b>
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Industrial
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<b>Major tenants</b>
----------------------

BLSA Industries
-----------------

## Operational analysis



### Gross revenue by grade (% of gross revenue)






Before disposals in 2001



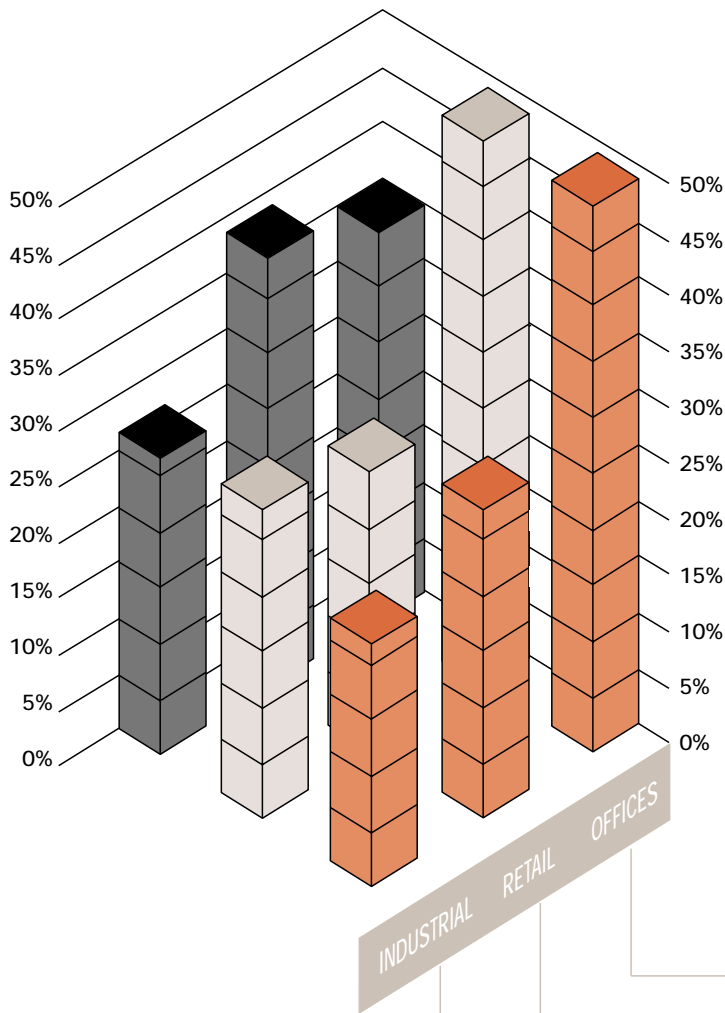
After disposals in 2001



After post balance sheet acquisitions

			
A	45	60	66
B	52	37	33
C	3	3	1

## Operational analysis

[illegible]

## Operational analysis

### Lease expiry profile (% of gross revenue)



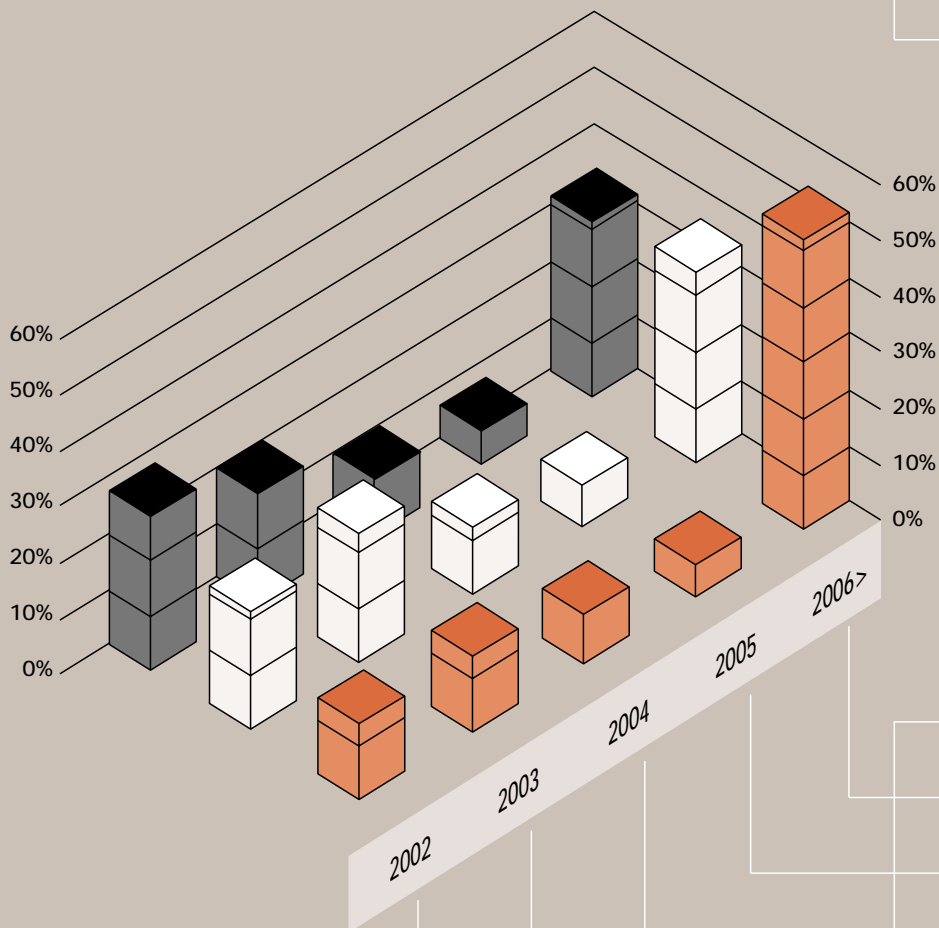
Before disposals in 2001






After disposals in 2001



After post balance sheet acquisitions



			
2006>	33	34	51
2005	7	8	6
2004	10	13	9
2003	21	23	17
2002	29	22	17

## Corporate governance

Redefine Income Fund Limited is committed to the principles of openness, integrity and accountability as advocated in The King Report on Corporate Governance and subscribes to its Code of Corporate Practices and Conduct. The directors endorse the objective of conducting the affairs of the group in accordance with the highest standards of corporate governance.

### **Board of Directors**

The Board of Directors of Redefine Income Fund Limited comprises four non-executive directors and an executive CEO. The board convenes at least quarterly.

The Board is responsible to the unitholders for the proper management of the group and is involved in all decisions that are material to the group.

All directors have access to the advice and service of the company secretary and are entitled, at the company's expense, to seek professional advice about the affairs of the group.

### **Audit committee**

The audit committee comprises two non-executive directors. The audit committee convenes at least three times a year with the internal auditors, invited attendees, and the external auditors (Fisher Hoffman PKF (Jhb) Inc.) to review accounting, auditing, financial reporting and internal control matters.

### **Equal opportunities**

Redefine Income Fund Limited is committed to the principle of equal opportunity employment within the group.

### **Management reporting**

The group has established comprehensive management reporting disciplines, which include the preparation of monthly management accounts, detailed budgets and 2-year forecasts. Monthly results and the financial position and cash flows of operating units are reported against approved budgets and compared to the prior period. Profit and cash flow forecasts are reviewed regularly, and working capital levels are monitored on an ongoing basis.



## Corporate governance

### **Internal audit and controls**

The group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability for assets.

The internal, financial and operating controls are designed to provide assurance regarding:

- the safeguarding of assets against unauthorised disposition or use;
- compliance with statutory laws and regulations; and
- the maintenance of proper accounting records and the adequacy and reliability of financial information.

The Board of Directors acknowledges its ultimate responsibility for the systems of internal, financial and operating controls and the monitoring of their effectiveness.

The group utilises the internal audit function of Corpcapital Bank Ltd. The internal audit manager reports directly to the audit committee.

### **Code of conduct**

Directors and employees are required to maintain the highest ethical standards to ensure that business practices are conducted in a manner that is beyond reproach.

## Report of the independent auditors

### To the members of Redefine Income Fund Limited

We have audited the annual financial statements and group annual financial statements of Redefine Income Fund Ltd. set out on pages 22 to 42, for the financial year ended 31 August 2001. These financial statements are the responsibility of the companies' directors. Our responsibility is to express an opinion on these financial statements based on our audit.

#### Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

#### An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Assessing the accounting principles used and significant estimates made by management, and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

#### Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 31 August 2001 and the results of their operations and cash flow information for the financial year then ended in conformity with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

The logo for Fisher Hoffman PKF, featuring the company name in a stylized, handwritten-style font with a horizontal line underneath.

Fisher Hoffman PKF (Jhb) Inc.  
Registration Number 1994/001166/21  
Registered Accountants and Auditors  
Chartered Accountants (SA)  
Johannesburg

3 October 2001

## Approval of annual financial statements

The annual financial statements as set out on pages 22 to 42 for the year ended 31 August 2001 were approved by the board of directors on 3 October 2001 and signed on its behalf by:



W. Cesman  
*Chairman*



M. Wainer  
*Director*

## Declaration by the company secretary

We declare that, to the best of our knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the South African Companies Act, 1973, and that all such returns are true, correct and up to date.



Corpgro Management Services (Pty) Ltd  
*Company Secretary*

## Report of the directors

### For the year ended 31 August 2001

To the members of Redefine Income Fund Limited

As directors of the fund, we take pleasure in submitting our report for the year ended 31 August 2001.

#### Corporate overview

Redefine Income Fund derives revenue from its hybrid structured asset base, comprising a portfolio of listed securities and a portfolio of commercial, industrial and retail properties. Redefine Income Fund Limited is a listed property loan stock company.

#### Review of activities

In the first full year of trading since listing in February 2000 revenue from operating activities of R214-million (2000: R103-million) was reported resulting in an operating profit of R175-million (2000: R85-million).

The comparative trading period is from 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

The group's trading performance for the year is fully set out in the annual financial statements.

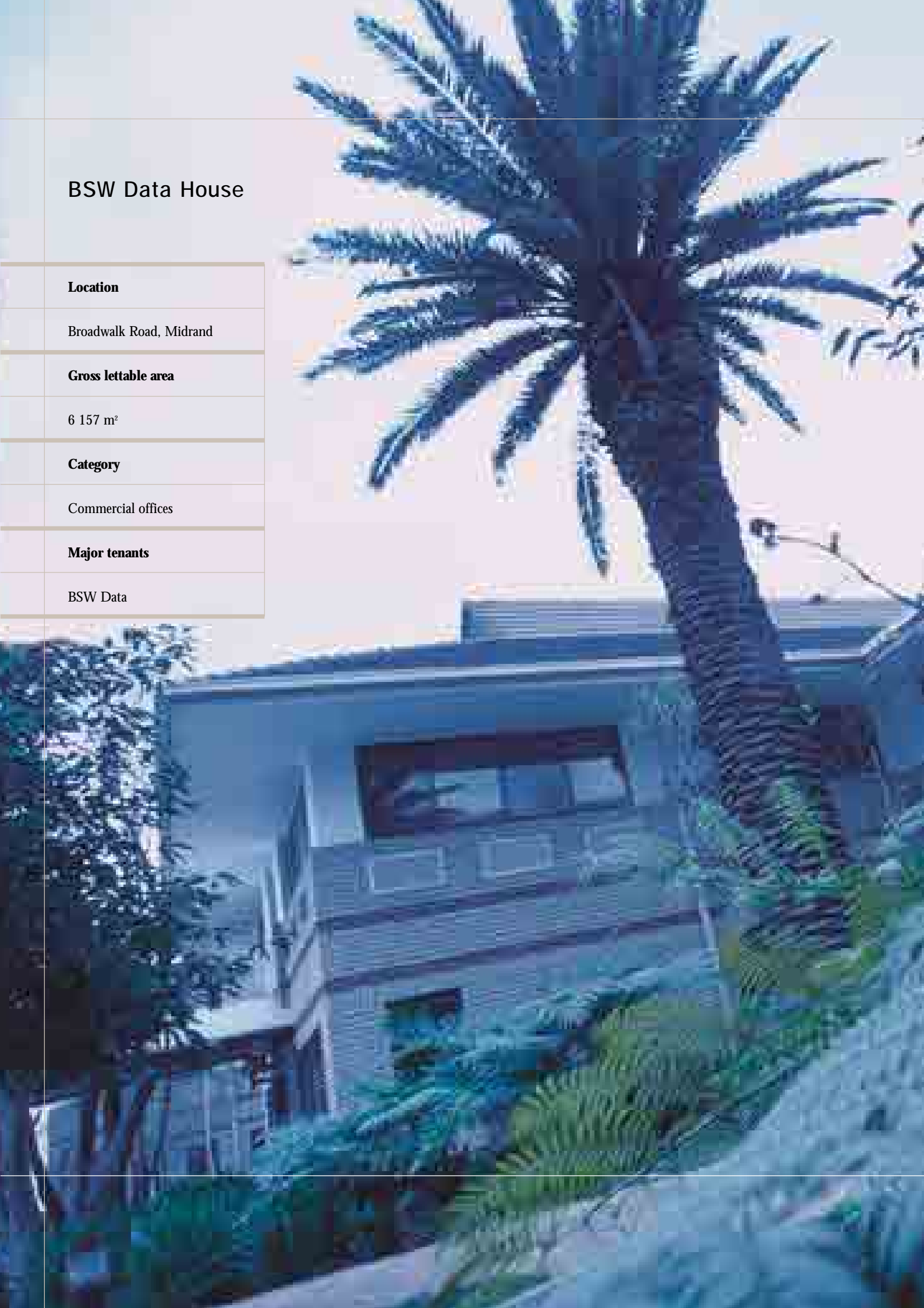
#### Interest distributions

The following quarterly income distributions per linked unit were declared for the current financial year:

- distribution number 3 of 8.5 cents in respect of the first quarter ended 30 November 2000, paid on 31 January 2001;
- distribution number 4 of 8.5 cents in respect of the second quarter ended 28 February 2001, paid on 30 April 2001;
- distribution number 5 of 9.0 cents in respect of the third quarter ended 31 May 2001, paid on 31 July 2001;
- distribution number 6 of 9.0 cents in respect of the fourth quarter ended 31 August 2001, payable to linked unit holders on 29 October 2001.

#### Capital structure

The company's authorised linked unit capital consists of 1bn ordinary shares of 0,1 cent each linked to a debenture of 180 cents. Linked units comprise one ordinary share and one debenture and may only be traded on the JSE Securities Exchange South Africa. There were no changes to the authorised number of linked units. The following movements in the issued linked unit capital took place during the financial year:



# BSW Data House

**Location**

Broadwalk Road, Midrand

**Gross lettable area**

6 157 m<sup>2</sup>

**Category**

Commercial offices

**Major tenants**

BSW Data



Portfolio activity 2001

NO OF PROPERTIES		PROPERTY PORTFOLIO	
		Acquisitions	(R000)
1		Dunlop	R28 500
		Disposals	
15		ApexHi Portfolio	R160 513
1		Hermanus	R2 136
1		Saul & Co	R330
1		Conscorp/Bataleur	R7 148
1		Audiodek	R6 401
NO OF UNITS (NET)		LISTED SECURITY PORTFOLIO	
		Acquisitions	(R000)
14 527 937		ApexHi	R145 531
275 000		Premium	R471
11 961 900		Rand Leases	R22 130
5 438 400		Marriott	R8 880
		Disposals	(R000)
640 100		Compass	R3 078
1 180 200		Hyprop	R10 023
250 000		Richway	R946
12 597 580		Grayprop	R25 412
970 200		Sycom	R5 957

*Schedules of investments in fixed properties and listed securities as at 31 August 2001 are set out on pages 43 to 47.*

## Report of the directors

### For the year ended 31 August 2001

	Number of linked units 000	Share capital R000	Linked debentures R000	Share premium R000
Linked units in issue at 31 August 2000	232 582	232	418 647	42 097
Acquisition of listed securities and properties	4 532	5	8 158	923
Share issue expenses written off	-	-	-	(65)
Linked units in issue at 31 August 2001	237 114	237	426 805	42 955

#### Property portfolio

During the financial year the group acquired 1 property, disposed of 4 properties through individual sales and concluded a disposal of 15 properties to ApexHi Properties Limited.

#### Listed security portfolio

The group acquired a further R177-million worth of listed securities, including a first time investment into Rand Leases Properties Limited. Listed securities disposed of amounted to R45-million at cost.

The movement in both the property portfolio and listed security portfolio during the financial year is set out in notes 2 and 3 to the annual financial statements. A list of investment properties is set out on pages 44 to 47 and a list of investments in listed property securities is set out on page 43.

#### Segmental analysis

A detailed analysis of the group's trading and asset base is set out on page 43, to be read together with the operational analysis as set out on pages 15 to 17.

## Report of the directors

### For the year ended 31 August 2001

#### Post balance sheet events

The directors concluded agreements relating to the acquisition and disposal of certain properties and listed securities after the financial year-end. Details of these transactions are disclosed in note 16 to the financial statements.

#### Borrowing powers

The directors are authorised to borrow funds without limit, subject to loan covenant restrictions in place with the company's bankers.

#### Subsidiaries

The company's interest in subsidiaries is set out on page 42.

#### Management contract and administration

The group's asset and property management functions are contracted out to Corpcapital Bank Limited on market related terms. In turn, the day-to-day management of the property portfolio has been outsourced to Broll Property Group (Proprietary) Limited, an independent property management company.

#### Directorate

The directors of the company are:

**W. CESMAN** (Chairman)

*Appointed 1 November 1999*

**E. ELLERINE**

*Appointed 1 November 1999*

**J. KRON**

*Appointed 31 August 2000*

**P. PENHALL** (Chief Executive Officer)

*Appointed 15 October 2001*

**M. WAINER**

*Appointed 1 November 1999*

#### Directors' shareholding

As at 31 August 2001, the directors held 2 921 200 linked units (1.23%) of the company. All the linked units are held indirectly, with 1 927 900 being non-beneficial holdings. No director held an interest in excess of 1% of the issued linked units.

There have been no material changes in the directors' holdings since the financial year-end.

#### Directors' interest in contracts

There were no material contracts involving directors' interests during the year.



## Report of the directors

**For the year ended 31 August 2001**

### **Secretary**

Corpgro Management Services (Proprietary) Limited

Business address: 2 Arnold Road, Rosebank

Postal address: P O Box 471917, Parklands, 2121

### **Statement of responsibility by the board of directors**

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report.

The financial statements, presented on pages 22 to 42, have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and include amounts based on judgements and estimates made by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or the group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. The financial statements support the viability of the company and the group.

The financial statements have been audited by the independent accounting firm, Fisher Hoffman PKF (Jhb) Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Fisher Hoffman PKF (Jhb) Inc. audit report is presented on page 20.



W. Cesman  
*Chairman*



M. Wainer  
*Director*

3 October 2001

## Balance sheet

At 31 August 2001

	Notes	Group		Company	
		2001 R000	2000 R000	2001 R000	2000 R000
<b>ASSETS</b>					
<b>Non-current assets</b>		1 349 994	1 197 067	469 997	460 976
Property portfolio	2	447 907	587 025	-	-
Listed security portfolio	3	902 087	610 042	-	-
Investment in subsidiary	4	-	-	469 997	460 976
<b>Current assets</b>		48 642	31 959	21 400	19 769
Trade and other receivables	5	12 600	14 964	21 400	19 769
Debtors for property sales		3 682	1 250	-	-
Cash and cash equivalents		32 360	15 745	-	
<b>Total assets</b>		1 398 636	1 229 026	491 397	480 745
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		644 824	462 505	469 997	460 976
Linked unit capital	6	469 997	460 976	469 997	460 976
Non-distributable reserve	7	174 827	1 529	-	-
<b>Non-current liabilities</b>		699 202	724 318	-	-
Interest bearing liabilities	8.1	681 577	641 964	-	-
Non interest-bearing liabilities	8.2	17 625	82 354	-	-
<b>Current liabilities</b>		54 610	42 203	21 400	19 769
Interest bearing liabilities		12 583	16 917	-	-
Trade and other payables		20 687	5 517	60	-
Unitholders for distribution		21 340	19 769	21,340	19 769
<b>Total equity and liabilities</b>		1 398 636	1 229 026	491 397	480 745

## Income statement

### For the year ended 31 August 2001

	Notes	Group		Company	
		2001 R000	*2000 R000	2001 R000	*2000 R000
<b>Revenue</b>					
Property portfolio	1.1	107 214	56 838	-	-
Listed securities portfolio	1.2	106 945	46 262	-	-
Investment income	9	-	-	83 062	38 801
		214 159	103 100	83 062	38 801
Operating costs - property portfolio		27 689	13 458	-	-
Administration costs		11 890	4 163	238	-
<b>Operating profit</b>	10	174 580	85 479	82 824	38 801
Net capital gains on non-current assets	11	173 298	1 529	-	-
<b>Profit from operations</b>		347 878	87 008	82 824	38 801
Interest received		1 894	1 558	-	-
<b>Profit before finance charges</b>		349 772	88 566	82 824	38 801
Finance charges		93 650	48 236	-	-
<b>Profit before taxation</b>		256 122	40 330	82 824	38 801
Taxation	12	-	-	-	-
<b>Profit attributable to linked unitholders</b>		256 122	40 330	82 824	38 801
<b>Earnings per linked unit (cents)</b>	13	108.32	18.12	35.03	17.44
<b>Headline earnings per linked unit (cents)</b>	13	35.03	17.44	35.03	17.44
<b>Distribution per linked unit (cents)</b>		35.00	17.00	35.00	17.00
First quarter		8.50	-	8.50	-
Second quarter		8.50	-	8.50	-
Third quarter		9.00	8.50	9.00	8.50
Fourth quarter		9.00	8.50	9.00	8.50

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Statement of changes in equity

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>Share Capital</b>				
Balance at beginning of year	232	-	232	-
Private placement	-	29	-	29
Acquisition of properties	3	199	3	199
Acquisition of listed security portfolios	2	4	2	4
Balance at end of year	237	232	237	232
<b>Share premium</b>				
Balance at beginning of year	42 097	-	42 097	-
Private placement	-	5 771	-	5 771
Acquisition of properties	633	39 423	633	39 423
Acquisition of listed security portfolios	290	696	290	696
Issue and preliminary expenses written off	(65)	(3 793)	(65)	(3 793)
Balance at end of year	42 955	42 097	42 955	42 097

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Statement of changes in equity

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>Debentures</b>				
Balance at beginning of year	418 647	-	418 647	-
Private placement	-	52 200	-	52 200
Acquisition of properties	5 715	360 147	5 715	360 147
Acquisition of listed security portfolios	2 443	6300	2 443	6300
Balance at end of year	426 805	418 647	426 805	418 647
<b>Non-distributable reserve</b>				
Balance at beginning of year	1 529	-	-	-
Transfer to non-distributable reserve	173 298	1 529	-	-
Balance at end of year	174 827	1 529	-	-
<b>Retained earnings</b>				
Balance at beginning of year	-	-	-	-
Profit attributable to linked unit holders	256 122	40 330	82 824	38 801
Distribution to linked unit holders	(82 824)	(38 801)	(82 824)	(38 801)
Transfer to non-distributable reserve	(173 298)	(1 529)	-	-
Balance at end of year	-	-	-	-

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Cashflow statement

For the year ended 31 August 2001

Notes	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>Cash effects from operating activities</b>	19 105	8 626	-	-
Cash receipts from tenants and investments	216 523	88 136	81 253	19 032
Cash paid to suppliers	(24 409)	(13 800)	-	-
Cash generated from operations	192 114	74 336	81 253	19 032
Interest received	1 894	1 558	-	-
Finance charges	(93 650)	(48 236)	-	-
Distributions paid	(81 253)	(19 032)	(81 253)	(19 032)
<b>Cash effects from investing activities</b>	17 939	(1 195 092)	(9 021)	(460 976)
Acquisition of properties	(30 406)	(587 829)	-	-
Acquisition of listed securities	(201 317)	(624 952)	-	-
Purchase of tangible non-current assets	(231 723)	(1 212 781)	-	-
Proceeds on disposal of properties	166 420	1 250	-	-
Proceeds on disposal of listed securities	83 242	16 439	-	-
Loans advanced to subsidiaries	-	-	(9 021)	(460 976)
<b>Cash effects from financing activities</b>	(20 429)	1 202 211	9 021	460 976
Linked units issued	9 021	460 976	9 021	460 976
Long-term borrowings raised	(25 116)	724 318	-	-
Short-term borrowings raised	(4 334)	16 917	-	-
<b>Net movement in cash and cash equivalents</b>	16 615	15 745	-	-
Opening cash and cash equivalents	15 745	-	-	-
<b>Closing cash and cash equivalents</b>	32 360	15 745	-	-

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

**1. Accounting policies** The financial statements are prepared on the historical cost basis except for investment properties and listed securities which are carried at fair value. They incorporate the principal accounting policies set out below which were consistently applied and conform with South African Statements of Generally Accepted Accounting Practice.

**1.1 Fixed property revenue** Fixed property revenue comprises gross rent and operating expense recoveries from the letting of investment property.

**1.2 Listed security revenue** Distributions from listed securities are recognised when the right to receive income has been established and accounted for to ensure that twelve months of income is brought to account.

**1.3 Investment in fixed properties** Fixed properties are held as investment properties and are stated at fair value. Fair values are determined on an open market basis by the directors annually with independent valuers being used at least every five years.

Property values are only written down where the directors are of the opinion that the diminution in value is of a permanent nature. Surpluses and deficits are transferred to or from a non-distributable reserve.

Profits arising from the disposal of fixed properties are transferred to the non-distributable reserve. Losses arising from the disposal of fixed properties are charged against income and then transferred to the non-distributable reserve to the extent possible.

**1.4 Investment in listed securities** Listed securities are restated to fair value annually. Fair values are based on market values as represented by the average quoted price of the listed security over a 21 day period bridging the financial year end, allowing for market depth and liquidity, premium for control and transaction costs where considered appropriate. The net surplus or deficit on revaluation is transferred to or from a non-distributable reserve.

Profits arising from the disposal of listed securities are transferred to a non-distributable reserve. Losses arising from the disposal of listed securities are charged against income and then transferred to the non-distributable reserve to the extent possible.

**1.5 Basis of consolidation** The financial statements incorporate those of the company and its subsidiaries. All material inter-company transactions and balances have been eliminated.

**1.6 Tenant installation and lease commissions** Material tenant installations and lease commissions are capitalised and amortised over the period of the lease. The deferred portion is included in accounts receivable.

**1.7 Deferred taxation** Deferred taxation is provided for on the comprehensive basis. Deferred tax assets are raised only to the extent that their recovery is probable.

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>2. Property portfolio</b>				
Balance at beginning of the year	587 025	550 899	-	-
Additions	28 500	36 930	-	-
Improvements	1 906	-	-	-
Disposals	(169 524)	(804)	-	-
	447 907	587 025	-	-
<p>The properties are stated at cost which is equal to directors' valuation.  A schedule of investment properties is set out on pages 44 to 47. A register of investment properties is available for inspection at the registered office of the company.  The properties are encumbered as set out in note 8.</p>				
<b>3. Listed securities portfolio</b>				
Balance at beginning of year	610 042	559 581	-	-
Additions/improvements	201 317	65 371	-	-
Disposals	(69 699)	(14 910)	-	-
Revaluation	160 427	-	-	-
	902 087	610 042	-	-
<p>A schedule of listed securities is set out on page 43.  The listed securities are encumbered as set out in note 8.</p>				

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).



## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>4. Investment in subsidiary</b>				
Shares at cost	-	-	-†	-†
Loan to subsidiary	-	-	469 997	460 976
	-	-	469 997	460 976
A schedule of subsidiaries is set out on page 42. † Below R1 000				
<b>5. Trade and other receivables</b>				
Tenant and trade debtors	3 773	8 612	21 400	19 769
Unamortised tenant installations and lease commissions	2 084	1 107	-	-
Listed security distributions receivable	6 150	4 371	-	-
Deposits and prepayments	593	874	-	-
	12 600	14 964	21 400	19 769

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>6. Linked unit capital</b>				
<b>6.1 Share capital</b>				
6.1.1 Authorised 1,000,000,000 ordinary shares of 0.1 cent	1000	1000	1000	1000
6.1.2 Issued 237 114 147 ordinary shares of 0.1 cent (2000: 232 581 722)	237	232	237	232
The unissued shares are under the control of the directors. This authority remains in force until the next annual general meeting. The issue of each share is irrevocably linked to one debenture, together comprising one linked unit.				
<b>6.2 Debenture capital</b>				
6.2.1 Issued 237 114 147 debentures issued at 180 cents per unit (2000: 232 581 722)	426 805	418 647	426 805	418 647
Debentures bear interest at a variable rate equating to the trading profit remaining after taxation and dividends paid. The debentures are unsecured and are subordinated in favour of the company's other creditors. The debentures are redeemable 25 years from date of allotment, subject to one year's notice, if so elected by debenture holders by way of a special resolution.				
<b>6.3 Share premium</b>	42 955	42 097	42 955	42 097
Premium arising on the issue of linked units	46 813	45 890	46 813	45 890
Issue and preliminary expenses set off	(3 858)	(3 793)	(3 858)	(3 793)
	469 997	460 976	469 997	460 976

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>7. Non-distributable reserve</b>				
Loss on the disposal of properties	(672)	-	-	-
Profit on the disposal of listed securities	15 072	1 529	-	-
Profit on the revaluation of listed securities	160 427	-	-	-
	174 827	1 529	-	-
<b>8. Non-current liabilities</b>				
<b>8.1 Interest bearing liabilities</b>				
8.1.1 BoE Corporate (a division of BoE Bank Limited)				
Total liability	342 438	286 310	-	-
Short-term portion	(3 685)	(3 090)	-	-
Long-term portion	338 753	283 220	-	-
Secured by first mortgage bonds over fixed properties with a book value of R200m and pledge of listed securities with a book value of R434m. The loan period is 10 years. Interest is charged at a rate linked to the ruling BA rate. Only interest is payable for the first 3 years. Capital is repayable from year 4.				

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company																									
	2001 R000	*2000 R000	2001 R000	*2000 R000																								
8.1.2 Standard Bank Properties (a division of the Standard Bank of South Africa Limited)																												
Total liability	345 922	323 135	-	-																								
Short-term portion	(3 098)	(3 433)	-	-																								
Long-term portion	342 824	319 702	-	-																								
Secured by first mortgage bonds over fixed properties with a book value of R248m and pledge of listed securities with a book value of R468m. The loan period is 10 years. Interest is charged at a rate linked to the ruling BA rate. Only interest is payable for the first 3 years. Capital is repayable from year 4.																												
8.1.3 The group has entered into various interest swap agreements with Corpcapital Bank Limited, the details of which are as follows:																												
<table><tr><th>Amount</th><th>Rate %</th><th colspan="2">Period of cover from: to:</th></tr><tr><td>R450m</td><td>12.35</td><td>Jan 00</td><td>Jan 02</td></tr><tr><td>R100m</td><td>10.63</td><td>Mar 01</td><td>Mar 03</td></tr><tr><td>R150m</td><td>11.03</td><td>Feb 02</td><td>Nov 03</td></tr><tr><td>R150m</td><td>11.08</td><td>Feb 02</td><td>Feb 04</td></tr><tr><td>R150m</td><td>11.14</td><td>Feb 02</td><td>May 04</td></tr></table>	Amount	Rate %	Period of cover from: to:		R450m	12.35	Jan 00	Jan 02	R100m	10.63	Mar 01	Mar 03	R150m	11.03	Feb 02	Nov 03	R150m	11.08	Feb 02	Feb 04	R150m	11.14	Feb 02	May 04				
Amount	Rate %	Period of cover from: to:																										
R450m	12.35	Jan 00	Jan 02																									
R100m	10.63	Mar 01	Mar 03																									
R150m	11.03	Feb 02	Nov 03																									
R150m	11.08	Feb 02	Feb 04																									
R150m	11.14	Feb 02	May 04																									
The rate referred to is the base interest rate before margins and issue costs.																												

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
8.1.4 Corpcapital Bank Limited				
Total liability	5 800	49 436	-	-
Short-term portion	(5 800)	(10 394)	-	-
Long-term portion	-	39 042	-	-
Secured in terms of unlimited suretyship by the company and its subsidiaries. Interest accrues at the prime overdraft rate.				
<b>8.2 Non interest bearing liabilities</b>				
Corpcapital Bank Limited	-	10 200	-	-
Direct vendor liabilities	17 625	72 154	-	-
	17 625	82 354	-	-
Liabilities in respect of deferred vendor payments have been disclosed as non-current liabilities as they form part of the long-term capital structure of the group. These are to be settled out of long-term funding facilities.				
	699 202	724 318	-	-

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2001 R000
<b>9. Investment income</b>				
Interest received from subsidiaries	-	-	83 062	38 801
<b>10. Operating profit</b>				
Operating profit includes:				
Income:				
Profit on disposal of fixed properties	-	446	-	-
Expenses:				
Amortisation of capitalised lease costs	888	1 106	-	-
Auditors' remuneration	305	276	-	-
- Audit fee	220	190	-	-
- Other services	85	86	-	-
Property and asset management fees	12 454	4 544	-	-
Directors' remuneration				
- For services as directors	120	45	120	-
Provision for maintenance	-	300	-	-
<b>11. Net capital gains on non-current assets</b>				
Property portfolio				
- Realised losses on disposal	(672)	-	-	-
Listed security portfolio				
- Realised gains on disposal	13 543	1 529	-	-
- Unrealised gains on revaluation	160 427	-	-	-
	173 298	1 529	-	-
<b>12. Taxation</b>				
<b>12.1 Normal tax</b>				
SA normal tax	-	-	-	-

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>12.2 Reconciliation between applicable tax rate and effective tax rate</b>				
SA normal tax applied to profit before tax	76 837	12 099	24 847	11 640
Tax effect of				
- Capital loss - sale of fixed properties	201	-	-	-
- Capital profit - sale of listed securities	(4 063)	(459)	-	-
- Capital gain - revaluation of listed securities	(48 128)	-	-	-
- Interest distributions to linked unitholders	(24 847)	(11 640)	(24 847)	(11 640)
Effective tax	-	-	-	-
<b>Tax rate reconciliation</b>				
SA normal tax applied to profit before tax	30.0%	30.0%	30.0%	30.0%
Tax effect of				
- Capital loss - sale of fixed properties	0.1%	-	-	-
- Capital profit - sale of listed securities	(1.6%)	(1.0%)	-	-
- Capital gain - revaluation of listed securities	(18.8%)	-	-	-
- Interest distributions to linked unitholders	(9.7%)	(29.0%)	(30.0%)	(30.0%)
Effective tax rate	-	-	-	-
<b>13. Earnings and distribution per linked unit</b>				
Earnings per linked unit are calculated on the weighted average number of units ranking for distribution of 236 444 793 (2000: 222 536 502) and profit attributable to linked unit holders of R256 121 195 (2000: R40 330 362) and headline earnings of R82 823 874 (2000: R38 801 106)				
<b>Reconciliation of headline earnings</b>				
Profit attributable to linked unitholders	256 122	40 330	82 824	38 801
Net capital gains on non-current assets	(173 298)	(1 529)	-	-
Headline earnings	82 824	38 801	82 824	38 801

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Notes to the annual financial statements

### For the year ended 31 August 2001

	Group		Company	
	2001 R000	*2000 R000	2001 R000	*2000 R000
<b>14. Cash generated from operations</b>				
Reconciliation of profit before taxation to cash generated from operations				
Profit before taxation	256 122	40 330	82 824	82 824
Adjusted for:				
Profit (loss) on disposal of fixed properties	672	(446)	-	-
Realised gain on disposal of listed securities	(13 543)	(1 529)	-	-
Gain on revaluation of listed securities	(160 427)	-	-	-
Interest income	(1 894)	(1 558)	-	-
Lease commissions amortised	529	439	-	-
Tenant installations amortised	359	668	-	-
Increase in provision for building maintenance	-	300	-	-
Finance charges paid	93 650	48 236	-	-
Operating profit before working capital changes	175 468	86 440	82 824	38 801
Increase in trade and other receivables	1 476	(16 214)	(1 631)	(19 769)
Increase in trade and other payables	15 170	4 110	60	-
	192 114	74 336	81 253	19 032
<b>15. Distributions paid</b>				
Opening balance payable	19 769	-	19 769	-
Distribution declared	82 824	38 801	82 824	38 801
Closing balance payable	(21 340)	(19 769)	(21 340)	(19 769)
	81 253	19 032	81 253	19 032

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).



## Notes to the annual financial statements

### 16. Post balance sheet events

#### *16.1 Fixed property acquisitions*

The group has acquired twelve properties, through individual transactions, at a cost of R194 million after year-end. These properties consist mainly of long lease single tenanted A and B grade properties, in keeping with the investment strategy of the group. A detailed analysis of these properties is set out on pages 46 to 47.

#### *16.2 Listed security acquisitions*

- 16.2.1 Growthpoint - 61,600 million units - purchase consideration R55,4m
- 16.2.2 Sycom - 1,547 million units - purchase consideration R12,1m
- 16.2.3 Rand Leases - 6,847 million units - purchase consideration R10,9m
- 16.2.4 ApexHi - 4 million A class units and 4 million B class units - purchase consideration R40m

#### *16.3 Listed security disposals*

- 16.3.1 ApexHi A class units - 2,685 million units - sales consideration R19,1m
- 16.3.2 ApexHi B class units - 5,386 million units - sales consideration R30,3m
- 16.3.3 Hyprop - 0,107 million units - sales consideration R1,2m

### 17. Related party disclosure

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

#### *17.1 Identity of the related party with whom material transactions have occurred*

Corpcapital Bank Limited

#### *17.2 Type of related party transactions*

Redefine Income Fund paid management fees to Corpcapital Bank Limited (who act as asset managers) in the normal course of business, and has entered into interest cover agreements with Corpcapital Bank Limited, as set out in note 8.

#### *17.3 Material related party transactions*

Management fees of R12,5m (2000: R4,5m) were paid by the group to Corpcapital Bank Limited. This fee comprises:

- A property management fee
- An asset management fee
- An incentive fee based on growth in market capitalisation

## Interest in subsidiaries

**As at 31 August 2001**

	<b>Issued share capital</b>	<b>Indebtedness R000</b>	<b>Shares at cost R000</b>
Outward Investments (Pty) Ltd	100	469 997	\$
Portion 65 Rivonia Ext 3 (Pty) Ltd	100	*	*
Portion 68 Rivonia Ext 3 (Pty) Ltd	100	*	*
Terminus Klerksdorp (Pty) Ltd	4	*	*
		469 997	\$

*\$ Below R1,000*

*\* Held by Outward Investments (Pty) Ltd*

*• All subsidiaries are 100% held.*

*• All subsidiaries have a zero after-tax profit.*

## Segmental analysis

For the year ended 31 August 2001

	At value			Revenue		
	Amount R000	% of sector	% of total	Amount R000	% of sector	% of total
<b>Property portfolio</b>						
Industrial	116 450	26.0	8.6	28 697	26.8	13.4
Offices	209 397	46.7	15.5	37 720	35.2	17.6
Retail	122 060	27.3	9.1	40 797	38.0	19.1
	447 907	100.0	33.2	107 214	100.0	50.1
<b>Listed security portfolio</b>	902 087	100.0	66.8	106 945	100.0	49.9
	1 349 994		100.0	214 159		100.0

## Listed security portfolio

At 31 August 2001

Fund	Fund type	Number of units	Total units in issue	% held	% of portfolio	At cost R000	At value R000	Revenue R000
ApexHi	PLS	18 341 643	80 230 233	22.9	26.4	180 970	238 217	12 418
Hyprop	PLS	13 494 255	43 358 756	31.1	17.1	114 603	153 906	22 797
Capital	PUT	49 889 179	146 838 565	34.0	14.1	124 772	127 226	16 618
Marriott	PUT	67 251 765	641 015 869	10.5	13.6	120 221	122 335	20 888
Greyprop	PUT	33 634 771	613 051 390	5.5	9.8	64 550	88 780	12 384
Sycom	PUT	8 189 560	146 800 002	5.6	7.5	50 281	67 967	8 688
Rand Leases	PLS	11 961 900	60 453 455	19.8	2.5	22 130	22 130	-
KHProp	PLS	3 202 500	37 474 950	8.5	2.3	16 387	20 855	2 555
Cenprop	PUT	6 615 621	163 490 707	4.0	2.0	15 900	18 015	2 494
CBD	PUT	6 338 900	122 137 500	5.2	1.5	10 179	13 926	2 182
Pioneer	PUT	5 297 143	134 789 175	3.9	1.3	10 350	11 693	1 755
Compass	PLS	1 990 690	36 877 458	5.4	1.1	8 462	9 855	3 194
Premium	PLS	3 871 000	99 624 992	3.9	0.8	2 845	7 182	972
					100.0	741 650	902 087	106 945

## Property portfolio

Property name	Grade	Location	Historic cost R000	Valuation R000	
<b>PORTFOLIO AT 31 AUGUST 2001</b>					
<b>Retail sector</b>					
Bryanston Carvenience	A	Gauteng	14 786	18 900	
Sandown Motors	A	Gauteng	9 068	9 900	
The Square	B	W.Cape	7 674	8 800	
Fontainebleau	B	Gauteng	5 506	7 000	
Shoprite Boksburg	B	Gauteng	5 365	4 500	
Motorcity Pretoria	B	Gauteng	20 954	15 625	
Meadowdale	B	Gauteng	25 070	23 600	
ABSA Secunda	B	N. Prov.	6 668	7 000	
Shoprite - Pietersburg	B	N. Prov.	13 335	13 510	
Elac House	C	Gauteng	2 753	2 200	
Bellville Investments	C	Gauteng	5 334	1 800	
ABSA Amanzimtoti	C	K.Z. Natal	5 547	5 700	
			122 060	118 535	
<b>Office sector</b>					
BSW Data - Midrand	A	Gauteng	21 123	24 600	
New Muckleneuk	A	Gauteng	6 988	7 000	
West House	A	Gauteng	5 845	5 100	
Sunninghill 1376/7/8	A	Gauteng	14 719	15 200	
Sunninghill 1375	A	Gauteng	3 437	3 560	
Sunninghill 1379	A	Gauteng	3 808	3 135	
Alcom House	A	Gauteng	7 082	6 725	
Hyde Park Manor	A	Gauteng	25 070	27 700	
The Avenues - Rivonia	A	Gauteng	26 990	26 500	
Woodmead 4&5	A	Gauteng	6 401	6 000	
Mellis Park 1	A	Gauteng	1 878	1 900	
Allhart Park	A	Gauteng	18 322	16 700	
Mellis Park 2	A	Gauteng	3 040	1 900	
Montrose Park	A	Gauteng	3 588	6 700	
Howick Mews	A	Gauteng	9 168	10 500	
Engen House	A	Gauteng	7 920	9 000	
Nortel House	A	Gauteng	4 782	5 500	
Essex Gardens	A	K.Z. Natal	19 203	17 000	
Pick 'n Pay - Bloemfontein	B	Free State	4 801	5 100	
Sandhaven Office	B	Gauteng	8 291	8 000	
Wang	B	Gauteng	6 941	7 200	
			209 397	215 020	

	Gross lettable area	Vacancy %	Gross revenue (excl. disposals) 2001 R000	Lease expiry by gross revenue				
				2002 %	2003 %	2004 %	2005 %	2006 > %
	3 732	0.0			12	8		
	4 133	0.0	1 575	0	0	0	0	100
	3 552	20.0			5	33		
	3 987	43.7	1 018	19	47	13	0	21
	3 044	0.0			0	21		
	7 651	16.5	2 702	36	40	8	16	0
	8 388	14.1			7	19		
	2 359	0.0	1 080	0	0	100	0	0
	8 412	0.0			0	0		
	1 673	0.0	458	0	0	0	45	55
	2 299	100.0			0	0		
	1 311	0.0	973	0	0	0	0	100
	50 541	14.2	19 037	10	11	17	3	59
	6 157	0.0			0	0		
	1 720	12.2	1 707	0	12	9	32	47
	975	23.0			66	0		
	3 009	0.0	2 286	18	0	0	82	0
	745	0.0			0	0		
	565	0.0	547	0	100	0	0	0
	1 679	0.0			100	0		
	4 379	0.0	4 889	0	100	0	0	0
	6 011	11.6			16	3		
	1 526	0.0	943	0	0	0	100	0
	634	100.0			0	0		
	4 464	0.0	3 033	65	17	18	0	0
	521	100.0			0	0		
	3 882	17.3	1 684	33	9	31	27	0
	3 426	6.2			12	47		
	2 474	0.0	1 796	26	15	0	0	59
	974	0.0			0	0		
	6 299	17.6	4 201	18	28	1	0	53
	1 188	0.0			0	0		
	1 938	41.8	683	0	100	0	0	0
	3 914	0.0			0	100		
	56 480	9.0	36 917	29	31	10	11	19

## Property portfolio

Property name	Grade	Location	Historic cost R000	Valuation R000	
<b>Industrial sector</b>					
Kyalami Park - Stand 36	A	Gauteng	1 813	1 900	
Kyalami Park - Stand 37/8	A	Gauteng	3 200	3 300	
Wingfield Park	A	Gauteng	46 940	45 800	
Trencor	B	Gauteng	8 535	7 500	
Renfreight - Jet Park	B	Gauteng	4 267	5 000	
Trimtech	B	Gauteng	11 777	11 500	
Bernie Street	B	Gauteng	10 346	10 500	
Dunlop	B	Gauteng	29 572	29 000	
			116 450	114 500	
<b>Portfolio at 31 August 2001</b>			<b>447 907</b>	<b>448 055</b>	
<b>POST BALANCE SHEET ACQUISITIONS</b>					
<b>Retail sector</b>					
Pro Shop	A	Gauteng	13 500	13 500	
Monument Commercial Centre	A	Gauteng	27 500	27 500	
Saambou - Centurion	A	Gauteng	6 230	6 230	
Saambou - Blackheath	A	Gauteng	8 445	8 445	
FNB - Centurion	A	Gauteng	11 325	11 325	
			67 000	67 000	
<b>Office sector</b>					
ABSA Parkridge	A	Gauteng	52 000	52 000	
Corpcom	A	Gauteng	24 250	24 250	
TBWA Houghton	B	Gauteng	8 950	8 950	
TBWA Benmore	B	Gauteng	8 750	8 750	
			93 950	93 950	
<b>Industrial sector</b>					
Williams Hunt	A	Gauteng	15 900	15 900	
Stevens & Co	B	Gauteng	7 000	7 000	
AMAP Selby	B	Gauteng	10 200	10 200	
			33 100	33 100	
<b>Post balance sheet acquisitions</b>			<b>194 050</b>	<b>194 050</b>	
<b>Portfolio after acquisitions</b>			<b>641 957</b>	<b>642 105</b>	

	Gross lettable area	Vacancy %	Gross revenue (excl. disposals) 2001 R000	Lease expiry by gross revenue				
				2002 %	2003 %	2004 %	2005 %	2006 > %
	838	0.0	324	0	0	100	0	0
	1 740	0.0	568	0	100	0	0	0
	55 927	1.0	9 120	34	18	27	0	21
	5 474	0.0	1 447	0	0	0	100	0
	4 122	0.0	646	0	0	0	0	100
	6 669	0.0	1 861	0	0	0	0	100
	6 391	0.0	2 336	23	47	30	0	0
	33 684	0.0	4 602	0	15	0	0	85
	114 845	0.5	20 904	16	19	15	8	42
	<b>221 866</b>	<b>5.8</b>	<b>76 858</b>	<b>22</b>	<b>23</b>	<b>13</b>	<b>8</b>	<b>34</b>
	5 236	0.0	0	0	0	0	0	100
	11 326	3.4	0	3	4	0	8	85
	1 004	0.0	0	0	0	0	0	100
	1 150	0.0	0	0	0	0	0	100
	1 791	0.0	0	0	7	0	0	93
	20 507	1.9	0	1	2	0	3	94
	9 322	0.0	0	14	7	0	0	79
	3 750	0.0	0	0	0	0	0	00
	1 100	0.0	0	0	0	0	0	100
	1 538	0.0	0	0	0	0	0	100
	15 710	0.0	0	9	4	0	0	87
	3 960	0.0	0	0	0	0	0	100
	3 460	0.0	0	0	0	0	0	100
	21 313	0.0	0	0	0	0	0	100
	28 733	0.0	0	0	0	0	0	100
	<b>64 950</b>	<b>0.6</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>91</b>
	<b>286 816</b>	<b>4.6</b>	<b>76 858</b>	<b>17</b>	<b>17</b>	<b>9</b>	<b>6</b>	<b>51</b>

## Post balance sheet property acquisitions







Above (from left to right): ABSA Park Ridge, Pro Shop Woodmead, Corpcom, Williams Hunt, Monument Commercial Centre, TBWA Houghton.  
Below (from left to right): Saambou Blackheath, Stevens & Co., Saambou Centurion, TBWA Benmore, FNB Centurion, .



## Notice of AGM and proxy

Notice is hereby given that the annual general meeting of shareholders and debenture holders of Redefine Income Fund Limited will be held at the offices of the company at 2 Arnold Road, Rosebank, Johannesburg on 17 January at 09h00 for the following purposes:

1. To consider the financial statements for the period ended 31 August 2001.
2. To reappoint Fisher Hoffman PKF (JHB) Inc. as auditors and to authorise the directors to determine the remuneration of the company's auditors.
3. To transact such other business as may be transacted at an annual general meeting of a company.
4. To consider and, if deemed fit, pass, with or without modification, the special resolution and ordinary resolutions set out below, in the manner required by the Companies Act 1973 (Act 61 of 1973), as amended (the Act).

**Special Resolution Number 1.** Resolved that the directors be authorised pursuant inter alia to Article 9 of the company's Articles of Association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company and provided that this authority shall not extend beyond 15 months, for the company or any subsidiary of the company to acquire linked units of the company, subject to the Rules and Requirements of the JSE Securities Exchange South Africa ("JSE") on the following basis:

1. the acquisition of linked units must be implemented on the open market on the JSE;
2. the number of linked units which may be acquired pursuant to this authority in any financial year may not in the aggregate exceed 20 percent of the company's linked unit capital, as at the date of the notice of general meeting;
3. repurchases may not be made at a price more than 10 percent above the weighted average of the market value on the JSE of the linked units in question for the five business days immediately preceding the repurchase;
4. repurchases may not take place within 40 days prior to the publication by the company of its annual or interim results or while the company is under cautionary announcement; and
5. prior to effecting any repurchase, the company will submit to the JSE the financial information and auditors' reports required in terms of section 5.136 to section 5.140 of the JSE Listing Requirements.

## Notice of AGM and proxy

In accordance with the requirements of section 5.94 of the JSE Listing Requirements, the directors record that:

- although there is no immediate intention to effect a repurchase of securities of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves which opportunities may require expeditious and immediate action;
- the directors, after considering the maximum number of securities which may be purchased and the price at which the repurchases may take place pursuant to the buyback general authority, are of the opinion that for a period of 12 months after the date of notice of the Annual General Meeting;
- the company will be able to pay its debts in the ordinary course of business; and the consolidated assets of the company fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of the company after the buyback;
- the linked unit capital of the company will be adequate for the purposes of the business of the company and its subsidiaries; the working capital available to the company and its subsidiaries will be adequate for the purpose of the business of the company and its subsidiaries.

### Reasons and effects of Special Resolution 1

The reason for Special Resolution 1 is to afford directors of the company a general authority to effect a buyback of the company's linked units on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the company's linked units on the JSE.

**Ordinary Resolution Number 1.** Resolved that the directors be authorised pursuant inter alia to the company's Articles of Association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company provided that it shall not extend beyond 15 months, to allot and issue any linked units for cash subject to the rules and requirements of the JSE Securities Exchange South Africa ("JSE") on the following basis:

1. the allotment and issue of the linked units must be made to persons qualifying as public unitholders as defined in the Listing Requirements of the JSE;
2. the number of linked units issued for cash shall not in the aggregate in any one financial year exceed 15% of the number of linked units of the company's issued capital, provided that such issues shall not in the aggregate in any 36-month period (each of which commences on the first day of the financial year of the company) exceed 15% of the company's issued capital. The number of linked units which may be issued shall be based on the number of linked units in issue at the date of such application less any linked units issued during the

## Notice of AGM and proxy

current financial year or current and preceding two financial years (as applicable), provided that any linked units to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were units in issue at the date of application;

3. the maximum discount at which linked units may be issued is 10% of the weighted average traded price on the JSE of those linked units over 30 days prior to the date that the price of the issue is determined or agreed by the directors of the company;

4. after the company has issued linked units for cash which represent, on a cumulative basis within a financial year, 5% or more of the number of units in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the effect of the issue on net asset value and earnings per linked unit.

In terms of the Listing Requirements of the JSE a 75% majority of the votes cast by unitholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution number 1 for it to be approved.

**Ordinary Resolution Number 2.** Resolved that E Ellerin be and is hereby re-elected as a director of the company.

**Ordinary Resolution Number 3.** Resolved that WE Cesman be and is hereby re-elected as a director of the company.

**Ordinary Resolution Number 4.** Resolved that PD Penhall be and is hereby re-elected as a director of the company.

**Ordinary Resolution Number 5.** Resolved that the authorised and unissued linked units of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the rules and regulations of the JSE and the provisions of section 221 and section 222 of the Companies Act (Act 61 of 1973) as amended, authorised to allot and issue any such linked units at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next annual general meeting of the company.

**Ordinary Resolution Number 6.** Resolved that any director of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of special resolution number 1, ordinary resolution number 1, ordinary resolution number 2, ordinary resolution number 3 and ordinary resolution number 4, which are passed by the members in accordance with and subject to the terms thereof.

## Notice of AGM and proxy

**Voting and Proxies.** A unitholder of the company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be unitholders of the company) to attend, vote and speak in his/her stead.

On a show of hands, every unitholder of the company present in person or represented by proxy shall have one vote only. On a poll, every unitholder of the company present in person or represented by proxy shall have one vote for every linked unit held in the company by such unitholder.

A form of proxy is attached for use by unitholders who are unable to attend the general meeting. Duly completed forms of proxy may be returned to the company's transfer secretaries at the address below, to reach them by not later than 09h00 on 15 January 2002.  
By order of the board

Corpgro Management Services (Proprietary) Limited  
*Company Secretary*

3 October 2001

Registered Office  
2 Arnold Road  
Rosebank

Transfer Secretaries  
Mercantile Registrars  
8th Floor, 11 Diagonal Street  
Johannesburg

## Analysis of Shareholders

### For the year ended 31 August 2001

	Unitholders		Linked Units	
	Quantity	%	Quantity	%
Major Holder - (Corpcapital Bank)	1	0.93	68 870 210	29.05
Directors	4	3.70	2 921 200	1.23
Other Individuals	81	75.00	5 162 082	2.18
Institutions and other corporates	22	20.37	160 160 655	67.54
Total	108	100.00	237 114 147	100.00
1 - 999	4	3.70	801	0.00
1 000 - 9 999	23	21.30	109 130	0.05
10 000 - 99 999	76	70.37	8 439 181	3.56
100 000 units and over	5	4.63	228 565 035	96.39
Total	108	100.00	237 114 147	100.00
Holders in excess of 5% of the total linked units in issue at 31 August 2001				
	Number of units		% of Total in issue	
Corpcapital Bank Ltd	68 870 210		29.05	
FHP Managers (Pty) Ltd	31 802 500		13.41	
Marriott Controlled Funds	29 876 944		12.60	
Millennium Property Holdings Ltd	17 615 000		7.43	
BoE Private Bank Ltd	17 388 876		7.33	

## Unitholders diary

<b>Financial year-end</b>	<i>31 August 2002</i>
<b>Announcement of interim results</b>	<i>April 2002</i>
<b>Announcement of annual results and income distribution</b>	<i>October 2002</i>
<b>Annual report posted</b>	<i>November 2002</i>
<b>Quarterly income distributions</b> <i>Payable 2 months after the end of the quarter.</i>	<i>September - November</i> <i>December - February</i> <i>March - May</i> <i>June - August</i>
<b>Annual general meeting</b>	<i>17 January 2002</i>

\*Period represents 23 February 2000 (date of listing) to 31 August 2000 (financial year end).

## Form of Proxy

Redefine Income Fund Limited (Registration number 1999/018591/06) (the company)

For use at the annual general meeting of the company to be held at 09h00 on 17 January 2002 at 2 Arnold Road, Rosebank.

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of the company, and holding  
linked units, hereby appoint

1. \_\_\_\_\_ of \_\_\_\_\_

or failing him/her

2. \_\_\_\_\_ of \_\_\_\_\_

or failing him/her

3. the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 17 January 2002 at 09h00 and at any adjournment thereof as follows:

	In favour of	Against	Abstain
Adoption of 2001 Annual Financial Statements			
Reappointment and Remuneration of Auditors			
Special Resolution Number 1			
Ordinary Resolution Number 1			
Ordinary Resolution Number 2			
Ordinary Resolution Number 3			
Ordinary Resolution Number 4			
Ordinary Resolution Number 5			
Ordinary Resolution Number 6			

(Indicate instructions to proxy by way of a cross in the spaces provided above.)

Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

Signature \_\_\_\_\_

### Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more persons as his/her proxy to attend, speak and vote in his/her stead. A proxy need not also be a member of the company.
  2. If this proxy is signed under power of attorney, such power of attorney, unless previously registered by the company, must accompany it.
  3. When there are joint registered holders of any linked units, any one of such persons may vote at any meeting in respect of such units as if he/she were solely entitled thereto, but if more than one such joint holders be present at any meeting, the one of the said persons whose name stands first in the register of such linked units or his proxy, as the case may be, shall alone be entitled to vote in respect thereof.
  4. Several executors or administrators of a deceased member, in whose name any linked units stand, shall be deemed joint holders thereof.
4. This form of proxy must be completed and delivered to the transfer secretaries, Mercantile Registrars Limited, 11 Diagonal Street, Johannesburg 2001 (PO Box 1053, Johannesburg 2000) not less than 48 hours before the time of the meeting.

		<b>Administration</b>
	<b>Company Registration number</b>  <b>Registered office and business address</b>  <b>Telephone</b> <b>Fax</b> <b>E-mail</b> <b>Internet address</b>	<i>1999/018591/06</i>  <i>2 Arnold Road, Rosebank Johannesburg, 2196 P O Box 471917, Parklands, 2121</i> <i>+27 11 283 0110</i> <i>+27 11 283 0055</i> <i>redefine@corpbank.co.za</i> <i>http://www.redefine.co.za</i>
	<b>Commercial Bankers</b>	<i>Standard Bank of South Africa Limited</i>
	<b>Independent Auditors</b>	<i>Fisher Hoffman PKF (Jhb) Inc</i> <i>(Registration number 1994/001166/21)</i> <i>Registered Accountants and Auditors</i> <i>Chartered Accountants (SA)</i> <i>FHS House, 15 Girton Road</i> <i>Parktown, Johannesburg</i> <i>Telephone +27 11 480 2300</i>
	<b>Company Secretary</b>	<i>Corpgro Management Services (Pty) Ltd</i> <i>(Registration Number 1996/003991/07)</i> <i>2 Arnold Road, Rosebank</i> <i>Johannesburg, 2196</i> <i>Telephone +27 11 283 0000</i>
	<b>Transfer Secretaries</b>	<i>Mercantile Registrars Ltd</i> <i>(Registration number 1996/003991/07)</i> <i>10th Floor, 11 Diagonal Street</i> <i>Johannesburg, 2001</i> <i>Telephone +27 11 370 5000</i>
	<b>Corporate Advisors and Sponsors</b>	<i>Corpcapital - Corporate Finance</i> <i>(a division of Corpcapital</i> <i>Investments (Pty) Ltd)</i> <i>(Registration Number 1998/000100/07)</i> <i>2 Arnold Road, Rosebank</i> <i>Johannesburg, 2196</i> <i>Telephone +27 11 283 0190</i>
	<b>Property Managers</b>	<i>Broll Property Managers</i> <i>(a division of Broll</i> <i>Property Group (Pty) Ltd)</i> <i>5th Floor, 15 Baker Street, Rosebank</i> <i>Telephone +27 11 441 4000</i>
	<b>Trustee for Debenture Holders</b>	<i>Jowell Glyn &amp; Marais Inc.</i> <i>Jowell Glyn &amp; Marais House,</i> <i>72 Grayston Drive, Sandown, Sandton</i> <i>Telephone +27 11 784 4200</i>