



# 2008 Audited Annual Results

For the year ended 31 August 2008

Redefine Income Fund Limited (“Redefine” or “the company”)  
Registration No: 1999/018591/06 • Share code: RDF • ISIN Code: ZAE000023503

• ANNUAL DISTRIBUTIONS UP 10.5% TO 56.63 CENTS PER LINKED UNIT • NAV R7.58 PER LINKED UNIT  
• TOTAL ASSETS R10.7 BILLION • MARKET CAPITALISATION R6.2 BILLION • GEARING 35.2%

CONSOLIDATED INCOME STATEMENT		
	Audited 31 Aug 2008 R000	Audited 31 Aug 2007 R000
<b>Revenue</b>		
Property portfolio	566 856	488 799
Contractual rental income	539 303	429 948
Straight-line rental income accrual	27 553	58 851
Listed securities portfolio	332 396	300 285
Property trading income	23 638	40 486
<b>Total revenue</b>	<b>922 890</b>	<b>829 570</b>
Operating costs	(106 324)	(86 655)
Administration costs	(60 283)	(56 401)
BEE transaction costs	(44 000)	-
<b>Net operating profit</b>	<b>712 283</b>	<b>686 514</b>
Changes in fair values of properties, listed securities and intangibles	(176 538)	1 105 548
Interest in associates	(7 407)	24 107
<b>Profit from operations</b>	<b>528 338</b>	<b>1 816 169</b>
Net finance charges	(228 722)	(251 161)
<b>Profit before debenture interest</b>	<b>299 616</b>	<b>1 565 008</b>
Debenture interest	(495 157)	(415 784)
<b>(Loss)/profit before taxation</b>	<b>(195 541)</b>	<b>1 149 224</b>
Taxation	43 282	(364 090)
<b>(Loss)/profit for the year</b>	<b>(152 259)</b>	<b>785 134</b>
Attributable to:		
Equity holders of the parent	(157 864)	785 134
Minority interest	5 605	-
	(152 259)	785 134

RECONCILIATION OF HEADLINE EARNINGS & DISTRIBUTABLE EARNINGS		
(Loss)/profit for the year attributable to equity holders	(157 864)	785 134
Changes in fair values of properties and intangibles (net of deferred taxation)	(175 776)	(180 090)
Changes in fair values of properties and intangibles	(228 143)	(391 531)
Deferred taxation on properties	52 367	211 441
Taxation - CGT	1 197	47 564
<b>Headline (loss)/earnings to shareholders</b>	<b>(332 443)</b>	<b>652 608</b>
Debenture interest	495 157	415 784
<b>Headline earnings attributable to linked unitholders</b>	<b>162 714</b>	<b>1 068 392</b>
Changes in fair values of listed securities and financial instruments (net of deferred taxation)	335 261	(608 931)
Changes in fair values of listed securities and financial instruments	404 681	(714 017)
Deferred taxation	(69 420)	105 086
Deferred taxation rate change	(27 426)	-
Straight line rental income accrual	(27 553)	(58 851)
Foreign exchange gain	(1 681)	-
Spearhead pre-acquisition income	-	31 517
Fair value adjustment in associate	4 237	(18 237)
VAT and interest disallowed	-	1 894
Minority interest	5 605	-
BEE transaction costs	44 000	-
<b>Distributions</b>	<b>495 157</b>	<b>415 784</b>
First quarter	108 150	95 027
Second quarter	123 256	99 206
Third quarter	125 043	102 458
Fourth quarter	138 708	119 093

Actual number of linked units in issue (000)	893 161*	813 161*
Weighted number of linked units in issue (000)	856 002*	746 186*
Earnings per linked unit (cents)	39.40	160.94
Headline earnings per linked unit (cents)	19.01	143.18
Distribution per linked unit (cents)	56.63	51.25

\* Excludes 5 876 770 treasury units

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		
	Audited 31 Aug 2008 R000	Audited 31 Aug 2007 R000
Balance at beginning of year	4 107 996	2 151 170
Issue of shares	448 000	1 181 169
Issue expenses written-off	(1 272)	(382)
(Loss)/profit for the year	(157 864)	785 134
Revaluation of property, plant and equipment (net of deferred taxation)	1 831	-
Minority interest	5 706	-
Other movements	-	(9 095)
<b>Total share capital and reserves</b>	<b>4 404 397</b>	<b>4 107 996</b>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT		
	Audited 31 Aug 2008 R000	Audited 31 Aug 2007 R000
<b>Cash effects from operating activities</b>	<b>(78 070)</b>	<b>34 700</b>
Cash generated from operations	680 727	644 975
Net financing costs	(234 494)	(251 161)
Linked unit distributions paid	(475 542)	(359 114)
Taxation paid	(48 761)	-
<b>Cash effects of investing activities</b>	<b>(856 072)</b>	<b>(44 621)</b>
Net property acquisitions	(558 205)	(118 278)
Net listed security (acquisitions)/disposals	(228 307)	243 886
Acquisition of property, plant and equipment	(29 766)	-
Acquisition of subsidiary	(105)	(21 138)
Loans to associate companies	(23 542)	(99 990)
Loans to related parties	(16 147)	(49 101)
<b>Cash effects from financing activities</b>	<b>969 708</b>	<b>141 023</b>
Linked units issued	546 731	217 855
Net movement in borrowings	422 977	(76 832)
<b>Net movement in cash and cash equivalents</b>	<b>35 566</b>	<b>131 102</b>
Opening cash and cash equivalents	122 629	(8 473)
<b>Closing cash and cash equivalents</b>	<b>158 195</b>	<b>122 629</b>

## REDEFINE INCOME FUND LIMITED

2 Arnold Road, Rosebank, Johannesburg. P O Box 1731, Parklands, 2121, South Africa. Telephone +27 11 283 0110 E-mail: mail@redefine.co.za Website: www.redefine.co.za

**Directors:** D Gihwala\*<sup>#</sup> (Chairman), B Azizollahoff<sup>†</sup> (CEO), L Barnard\*<sup>#</sup>, W Cesman\*, E Ellerner\*<sup>#</sup>, D Perton\*<sup>†#</sup>, S Shaw-Taylor\*, N Venter\*, M Wainer\*<sup>#</sup> \*non-executive <sup>†</sup>British <sup>\*</sup>independent

**Company secretary:** Probity Business Services (Proprietary) Limited.

**Sponsor:** Java Capital (Proprietary) Limited.

CONSOLIDATED BALANCE SHEET		
	Audited 31 Aug 2008 R000	Audited 31 Aug 2007 R000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>10 143 277</b>	<b>9 306 257</b>
Investment property	5 974 522	5 049 733
Fair value of property portfolio for accounting purposes	5 538 362	4 503 606
Straight-line rental income accrual	226 166	198 613
Property under development	209 994	347 514
Listed securities portfolio	3 906 307	4 075 285
Interest in associates	140 227	124 097
Loans receivable	65 248	49 101
Interest rate swaps	6 514	6 262
Guarantee fee receivable	19 865	-
Property, plant and equipment	30 594	1 779
<b>Current assets</b>	<b>574 134</b>	<b>528 231</b>
Properties held for trading	137 016	173 927
Listed securities held for trading	105 385	112 401
Trade and other receivables	64 637	54 071
Listed securities income receivable	108 899	58 908
Cash and cash equivalents	158 197	128 924
<b>Total assets</b>	<b>10 717 411</b>	<b>9 834 488</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>	<b>4 404 397</b>	<b>4 107 996</b>
Share capital and premium	2 088 943	1 642 215
Accumulated loss	(31 517)	(31 517)
Non-distributable reserves	2 341 265	2 497 298
Minority interest	5 706	-
<b>Non-current liabilities</b>	<b>5 972 087</b>	<b>5 440 207</b>
Debenture capital	1 607 689	1 463 689
Interest-bearing liabilities	3 572 250	3 172 489
Interest rate swaps	16 823	-
Financial guarantee contract	15 774	-
Deferred taxation	759 551	804 029
<b>Current liabilities</b>	<b>340 927</b>	<b>286 285</b>
Trade and other payables	95 773	95 485
Interest-bearing liabilities	106 444	17 848
Taxation	-	47 564
Bank overdraft	2	6 295
Linked unitholders for distribution	138 708	119 093
<b>Total equity and liabilities</b>	<b>10 717 411</b>	<b>9 834 488</b>
Net asset value per linked unit excluding deferred taxation (cents)	7.58	7.84
Share in associate's post acquisition reserves (R000)	16 695	24 107

**Audit opinion** – The independent auditors, PKF (Jhb) Inc., have audited these results. Their unqualified report is available for inspection at the company's registered office.

**Basis of preparation** – The financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 "Interim Financial Reporting", JSE listing requirements and the Companies Act. All accounting policies are consistent with those applied for the year ended 31 August 2007.

**Business combinations**  
On 26 March 2008, the group acquired a 51% interest in Freedom Square (Pty) Ltd ("Freedom Square") which is developing its property. The fair value of assets and liabilities on acquisition was the same as those carried in Freedom Square's books. The purchase price of R104 550 was paid in cash.  
Since acquisition, Freedom Square's investment property was revalued by R5.4 million which has been included in Redefine's profit for the year.  
Freedom Square did not trade prior to acquisition and accordingly earned no revenue or profit for the period.

<b>Fair value of assets and liabilities acquired :</b>	<b>R000</b>
Investment property	83 561
Interest bearing debt	(83 252)
Trade and other receivables	7
Trade and other payables	(110)
Fair value of assets and liabilities acquired	206
Attributable to non-controlling interest	(101)
<b>Cash outflow on acquisition and purchase consideration</b>	<b>105</b>

## COMMENTS

### Financial results

Distributable earnings have increased by 19.1%. Net income from properties held for the full 12 month period has grown by 13.0% due to firmer rentals, positive rental reversions and new developments completed during the year. Property expenses have been contained at 19.6% of contractual rental income. The contribution of R23.6 million from trading represents 3.3% (2007: 5.9%) of net operating income. Income from the listed securities portfolio grew by 10.7%.

Trading developments, particularly Oasis Luxury Retirement Estate, have been affected by higher interest rates resulting in a slow down in sales and increased holding costs arising from which the increase in distributions per linked unit for the year did not meet the forecast.

### Distribution

The Board has approved an interest distribution of 15.53 cents per linked unit for the quarter ended 31 August 2008. This, together with the distributions of 41.10 cents per linked unit for the nine months ended 31 May 2008, results in interest distributions for the year of 56.63 cents per linked unit, an increase of 10.5% on the distributions of 51.25 cents for the comparable period.

### Borrowings

Redefine's borrowings increased by R488.3 million from August 2007. Total debt of R3.7 billion represents gearing of 35.2%, an increase from 33.9% at August 2007. Proactive interest rate management protected against the increases in the prime interest rate of 2% during the year. The current average all inclusive interest rate is 10.5% (Aug 2007: 10.0%) and the interest rate is fixed on 71.6% (2007: 76.5%) of borrowings for an average period of 5 years.  
Post year end a fixed rate term loan was entered into at 12.35% NACM and an interest rate swap was concluded for R230 million at a rate of 11.58% NACM resulting in 86.3% of the total debt fixed for an average of 7 years.

### Liquidity

33.1% of the weighted average number of linked units in issue traded during the year under review.

### Capital commitments and contingencies

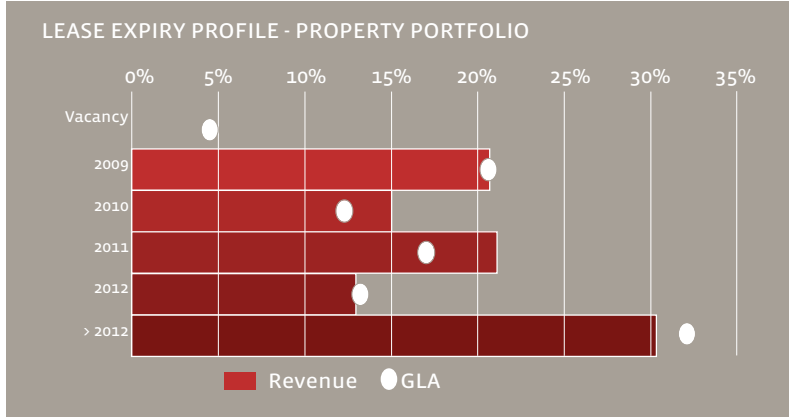
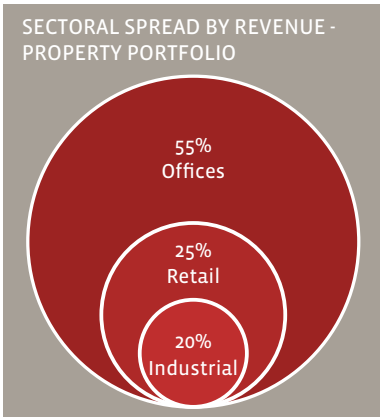
Capital expenditure of R172.1 million has been authorised.  
Guarantees issued amount to R104.0 million.  
Suretyships, limited to R119.1 million, have been provided relating to BEE initiatives.  
Liabilities of JV's up to an amount of R30.8 million have been guaranteed.

## Segmental information

	Contractual revenue 2008 (R000)	%	Contractual revenue 2007 (R000)	%	Net income 2008 (R000)	%	Net income 2007 (R000)	%
<b>Property portfolio</b>								
Commercial	288 818	54	274 108	64	233 499	30	209 400	31
Retail	161 590	30	107 245	25	120 310	15	98 588	14
Industrial	88 895	16	48 595	11	79 170	10	35 305	5
	539 303	100	429 948	100	432 979	55	343 293	50
<b>Listed securities portfolio</b>	-		-		332 396	42	300 285	44
<b>Property trading</b>	-		-		23 638	3	40 486	6
<b>Total</b>	<b>539 303</b>	<b>100</b>	<b>429 948</b>	<b>100</b>	<b>789 013</b>	<b>100</b>	<b>684 064</b>	<b>100</b>

### Property portfolio

At 31 August 2008 Redefine's property portfolio comprised 101 properties with a total gross lettable area ("GLA") of 858 357m<sup>2</sup>, valued at R5.8 billion. The property portfolio has been valued by independent external valuers in terms of Redefine's policy. The property portfolio constitutes 56.8% (Aug 2007: 50.5%) of Redefine's total non-current assets.  
During the year under review, 93 940m<sup>2</sup> of vacant space was leased and leases in respect of 51 036m<sup>2</sup> were renewed. Vacancies at 31 August 2008 were 4.8% (Aug 2007: 2.2%) of GLA. The increased GLA of the portfolio, which includes completed new developments, has resulted in additional vacant space. Post 31 August 2008, 11 425m<sup>2</sup> has been leased reducing vacancies to 3.4%.  
45% of leases by GLA, expire in 2012 and beyond.



### Developments

The development of Festival Town Square, a retail centre with an estimated cost to be incurred to completion of R157.1 million at an anticipated forward yield of 9.7%, has commenced.

During the year under review Redefine acquired:

Property	Location	Type	GLA (m <sup>2</sup> )	Purchase price (R000)	Initial yield (%)	Price per m <sup>2</sup> (R)
Paarden Eiland <sup>1</sup>	Western Cape	Commercial	16 203	70 000	7.8	4 184
Dock Road <sup>2</sup>	Western Cape			51 700	N/A	N/A
City Deep	Gauteng	Industrial	13 400	47 000	8.9	3 507

- Three contiguous buildings with re-development opportunities.
- Purchased 50/50 with SA Reit for re-development.

During the year under review Redefine disposed of:

Property	Location	Type	GLA (m <sup>2</sup> )	Selling price (R000)	Yield (%)	Price per m <sup>2</sup> (R)	Original cost (R000)
Standard Bank Rosebank	Gauteng	Retail	4 191	50 000	4.2	1 193	8 335
Shoprite Strand & Vredenburg	Western Cape	Retail	5 958	20 000	8.4	3 357	11 500
Old Oak Shopping Centre	Western Cape	Retail	2 328	17 000	8.7	7 302	11 600

During the year under review the following developments were completed:

Property	Location	Type	GLA (m <sup>2</sup> )	Cost (R000)	Cost per m <sup>2</sup> (R)
Convention Tower	Western Cape	Commercial	17 223	245 600	14 260
Sable Square Phase 2	Western Cape	Retail	8 900	110 400	12 404
Pepkor, Isando	Gauteng	Industrial	40 000	100 800	2 520
Berg River Park	Western Cape	Industrial	36 518	76 400	2 092
Heron Place	Western Cape	Commercial	4 958	60 600	12 223
China City	Western Cape	Retail	8 276	52 000	6 283
Knowledge Park 3	Western Cape	Commercial	3 757	49 700	13 229
CTX Business Park, Phase 1	Western Cape	Industrial	9 041	45 000	4 977
Platinum Park 3	Western Cape	Industrial	2 215	10 100	4 560
Spearhead Business Park 4	Western Cape	Industrial	495	3 232	6 529
			<b>131 388</b>	<b>753 832</b>	

### Trading

A joint venture ("JV"), has been established between Redefine and Madison Property Fund Managers Limited in order to redevelop Buchanan Square and Newmarket Junction into sectional title office units for sale of which 15% have been sold. Oasis Luxury Retirement Estate, of which the first phase, including 2 apartment blocks, a community centre and a frail care centre have been developed, is 67% sold. The frail care centre is fully functional and is expected to be cash positive during the 2009 financial year.

The development of Upper East Side Phase II has commenced and is 92% pre-sold. Redefine is a 25% shareholder.

### Listed securities portfolio

Redefine acquired an additional 10.6 million units in CIREF Limited for R236.9 million (£16.0 million). This was financed by a LIBOR (London Inter Bank Offered Rate) based loan.

Redefine exchanged 18.0 million units in Sycam Property Fund for 7.2 million units in Hyprop Investments Limited.

### Black Economic Empowerment

On 18 February 2008, Redefine issued 80 million linked units to strategic and broad-based BEE partners at R6.85 per linked unit, representing a discount of 7% to the market value. The proceeds from the issue of these units have been applied to floating debt. A fee is payable by the beneficiaries of the linked units in respect of the guarantee that Redefine has provided for the loan to finance a portion of the transaction.

### Prospects

The Board anticipates that, subject to no further deterioration in market conditions, Redefine's distributions per linked unit for the year ending 31 August 2009 will increase by between 9% and 11% compared to 2008. This forecast has not been audited or reported on by the company's auditors.

### Payment of debenture interest

Unitholders are advised that interest distribution no. 34 in respect of the period 1 June 2008 to 31 August 2008 of 15.53 cents per linked unit has been declared.

		<b>November 2008</b>
• The last date to trade cum interest		Friday 14
• Linked units will trade ex interest		Monday 17
• Record date		Friday 21
• Payment of interest distribution no. 34		Monday 24
Unitholders may not dematerialise or re-materialise their linked units between Monday 17 November 2008 and Friday 21 November 2008, both days inclusive.		
Dines Gihwala Chairman	Brian Azizollahoff Chief Executive Officer	
Johannesburg 30 October 2008		

