



# REDEFINE INCOME FUND

Redefine Income Fund Limited  
(\*Redefine\* or \*the Company\*)  
Registration No: 1999/018591/06 • Share code: RDF • ISIN Code: ZAE000023503

## AUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2006

### CONSOLIDATED INCOME STATEMENT

	31 Aug 2006 R000	Restated 31 Aug 2005 R000
<b>Revenue</b>		
Property portfolio	320 753	290 616
Contractual rental income	292 863	262 757
Straight-line rental income accrual	27 890	27 859
Listed security portfolio	207 225	147 983
<b>Total revenue</b>	<b>527 978</b>	<b>438 599</b>
Operating costs – property portfolio	(56 063)	(61 320)
Administration costs	(36 116)	(22 827)
<b>Net operating income</b>	<b>435 799</b>	<b>354 452</b>
Changes in fair value of properties and listed securities	474 193	873 181
Net surplus on disposal of properties and listed securities	324 890	55 172
Interest rate swap termination costs	–	(97 784)
<b>Income from operations</b>	<b>1 234 882</b>	<b>1 185 021</b>
Interest received	8 659	4 693
Finance charges	(190 483)	(150 197)
<b>Income before debenture interest</b>	<b>1 053 058</b>	<b>1 039 517</b>
Debenture interest	(226 085)	(181 089)
<b>Income before taxation</b>	<b>826 973</b>	<b>858 428</b>
Taxation	(161 832)	(157 616)
<b>Income attributable to shareholders</b>	<b>665 141</b>	<b>700 812</b>

<b>RECONCILIATION OF HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS</b>		
Income attributable to shareholders	665 141	700 812
Changes in fair value of properties and listed securities	(474 193)	(873 181)
Net surplus on disposal of properties and listed securities	(324 890)	(55 172)
Deferred taxation	161 832	185 973
Straight-line rental income accrual	(27 890)	(27 859)
<b>Headline earnings (loss) attributable to shareholders</b>	<b>–</b>	<b>(69 427)</b>
Debenture interest	226 085	181 089
<b>Headline earnings attributable to linked unitholders</b>	<b>226 085</b>	<b>111 662</b>
Interest rate swap termination costs (net of taxation)	–	69 427
<b>Distributable earnings attributable to linked unitholders</b>	<b>226 085</b>	<b>181 089</b>
<b>Distributions</b>	<b>226 085</b>	<b>181 089</b>
• First quarter	51 574	39 173
• Second quarter	53 076	44 050
• Third quarter	59 013	46 317
• Fourth quarter	62 422	51 549
Actual number of linked units in issue (000)	556 726 *	500 719 *
Weighted number of linked units in issue (000)	516 186 *	489 274 *
Earnings per linked unit (cents)	172.66	180.25
Headline earnings per linked unit (cents)	43.80	22.82
Distribution per linked unit (cents)	42.70	36.80

\* Excludes 5 876 770 (2005: 5 866 500) treasury units

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	31 Aug 2006 R000	Restated 31 Aug 2005 R000
<b>Cash effects from operating activities</b>	<b>(61 942)</b>	<b>62 401</b>
Cash generated from operations	335 094	376 364
Net financing costs	(181 824)	(145 504)
Linked unit distributions paid	(215 212)	(168 459)
<b>Cash effects of investing activities</b>	<b>(1 234 636)</b>	<b>(211 726)</b>
Net property acquisitions	(33 009)	(425 289)
Net listed security (acquisitions) disposals	(1 201 627)	213 563
<b>Cash effects from financing activities</b>	<b>1 253 009</b>	<b>116 447</b>
Linked units issued	349 545	75 420
Net movement in borrowings	903 464	41 027
<b>Net movement in cash and cash equivalents</b>	<b>(43 569)</b>	<b>(32 878)</b>
Opening cash and cash equivalents	35 096	67 974
<b>Closing cash and cash equivalents</b>	<b>(8 473)</b>	<b>35 096</b>

### CONSOLIDATED BALANCE SHEET

	31 Aug 2006 R000	Restated 31 Aug 2005 R000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>5 961 167</b>	<b>3 884 745</b>
Property portfolio at valuation	2 513 337	2 036 009
Fair value of property portfolio for accounting purposes	2 413 913	1 910 603
Property under development at cost	–	53 872
Straight-line rental income accrual	99 424	71 534
Listed security portfolio	3 447 830	1 848 736
<b>Current assets</b>	<b>141 584</b>	<b>103 293</b>
Trading securities	–	492
Trade receivables	7 908	13 881
Listed security income	50 666	–
Properties held for sale	83 000	53 824
Cash and cash equivalents	10	35 096
<b>Total assets</b>	<b>6 102 751</b>	<b>3 988 038</b>

<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>	<b>2 151 170</b>	<b>1 237 365</b>
Share capital and premium	461 428	212 762
Non-distributable reserves	1 689 742	1 024 603
<b>Non-current liabilities</b>	<b>3 814 338</b>	<b>2 648 228</b>
Debenture capital	1 002 108	901 294
Interest-bearing liabilities	2 458 339	1 554 875
Deferred taxation	353 891	192 059
<b>Current liabilities</b>	<b>137 243</b>	<b>102 445</b>
Payables	66 338	50 896
Bank overdraft	8 483	–
Linked unitholders for distribution	62 422	51 549
<b>Total equity and liabilities</b>	<b>6 102 751</b>	<b>3 988 038</b>
Net asset value per linked unit (cents)	566.40	427.12

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31 Aug 2006 R000	Restated 31 Aug 2005 R000
Balance at beginning of year	1 237 364	444 794
Issue of linked units	249 449	29 720
Issue expenses written-off	(784)	(1 125)
Revaluation of interest rate swap	–	(34 620)
Deferred interest rates hedging loss removed from equity and reported in net profit	–	97 784
Income attributable to shareholders	665 141	700 812
<b>Total share capital and reserves</b>	<b>2 151 170</b>	<b>1 237 365</b>

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

**Basis of preparation** – The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa, 1973. IFRS 1, First time adoption of International Financial Reporting Standards has been applied.

Deferred taxation on the fair value adjustment of the property portfolio was previously provided at the capital gains tax rate of 14.5%. In terms of IAS 12 and Circular 1/2006 issued by the South African Institute of Chartered Accountants, the income tax rate of 29% has been applied to the fair value adjustment of properties.

Comparative figures in respect of the above changes have been restated. The changes will have no effect on current or future distributions.

In addition, certain items on the income statement and balance sheet have been reclassified in order to comply with IFRS. The comparative information has accordingly been adjusted.

Other than the above, there have been no material changes to the accounting policies.

<b>The effect of the above changes on prior year earnings and net asset value per linked unit is as follows:</b>	Year ended 31 Aug 2005 (cents)
Earnings – as previously reported	193.27
IFRS adjustments	(13.02)
Earnings – restated	180.25
Net asset value – as previously reported	442.96
IFRS adjustments	(15.84)
Net asset value – restated	427.12

- **Distributions up 16% to 42.70 cents per linked unit**
- **NAV per linked unit up 33% to R5,66**
- **Total assets up 53% to R6,1 billion**
- **Total return of 35% per linked unit**

### COMMENTS

**Financial results**  
Redefine increased its total distributions for the year ended 31 August 2006 to 42.7 cents per linked unit. This represents an increase of 16.0% over the previous year. Total income and capital growth for the year was 41.0%.

The Board has approved an interest distribution of 11.2 cents per linked unit for the quarter ended 31 August 2006.

Non-current assets at 31 August 2006 have increased by 53.4% to R6,0 billion.

The net asset value (NAV) per linked unit increased by 32.6% to R5.66 (2005: R4.27). Assuming no deferred taxation the NAV is R6.30 (2005: R4.66).

Operating costs as a percentage of contractual rental income have decreased to 19.1% in 2006 from 23.3% in 2005.

**Valuation of property portfolio**  
The entire property portfolio is revalued annually by independent external valuers. The valuation of the portfolio increased by R448 million during the year increasing NAV (before accounting for deferred taxation) by 18.8% or 80 cents per linked unit.

Deferred taxation at a rate of 29% amounting to R138 million (2005: R113 million) has been provided in respect of the revaluation surplus.

**Property acquisitions and disposals**  
During the year under review the company acquired Stand 502, Isando, an industrial property in Gauteng for R16,1 million and disposed of 8 commercial properties in Gauteng for R53,8 million.

**Property portfolio**  
The property portfolio represents 42.2% (2005: 52.4%) of Redefine's total non-current assets.

The net effect of the acquisition and disposals during the year reduced the number of properties from 73 to 66.

Sectoral spread by revenue comprises 61% offices, 23% retail and 16% industrial. 30 151m<sup>2</sup> of vacant space was leased and leases in respect of 37 486m<sup>2</sup> were renewed during the year.

The lease expiry profile has continued to outperform the sector average with 54.6% of leases expiring in 2010 and beyond.

At 31 August 2006 97.3% (2005: 97.2%) of the property portfolio was leased.

**Listed security portfolio**  
Redefine's listed security portfolio increased by R1,60 billion (86.5%) after acquisitions of R1,24 billion and disposals of R33,76 million.

In addition Hyprop units valued at R413,7 million were acquired in exchange for SA Retail units (cost: R294,62 million) and ApexHi units valued at R370,4 million were acquired in exchange for Prima units (cost: R188,43 million).

Redefine invested R111 million for 18.1% of Coronation International Real Estate Fund, a property investment company listed on the London Stock Exchange's AIM.

**Borrowings**  
In accordance with the strategy to maintain gearing below 45% Redefine's borrowings of R2,46 billion represents a gearing ratio of 41.0%.

R871 million of debt was refinanced through a debt capital market finance arrangement achieving an interest saving of 0.55% per annum.

Redefine's effective cost of financing is 9.99% (2005: 10.05%). 71.2% of borrowings are fixed for periods of three, five, seven and ten years.

**Share and debenture capital**  
Redefine issued 28,3 million units in terms of a rights issue undertaken on 22 May 2006 and a further 27,8 million units in exchange for 22,7 million units in Paramount Property Fund Limited.

**Black Economic Empowerment**  
Redefine is committed to the Property Transformation Charter and Department of Trade and Industry's BBBEE Codes of Good Practice. An enterprise development initiative, Dipula Property Fund (Pty) Ltd ("Dipula"), has been established with Dijalo Property Services (Pty) Ltd ("Dijalo"). Dipula is owned 51% by Dijalo and 49% by Redefine. The asset management of Dipula is conducted by Dipula Asset Management Trust, a 50/50 joint venture between Dijalo and Madison Property Fund Managers Limited.

Redefine will, on fulfillment of all conditions precedent, dispose of 12 properties to Dipula for R153 million at an initial yield of 10.5%. Dijalo will seek to introduce a portfolio of similar value to establish an initial portfolio of R300 million. The intention is to focus on skills transfer and to assist Dipula to reach critical mass and a possible listing in due course.

**Post balance sheet events**  
Mafown Central, a motor showroom with mini industrial units, has been sold for R65 million and Fontainebleau Village, a retail centre, has been sold for R18 million. Transfer of both properties has been registered.

A 13 500m<sup>2</sup> retail centre in Makhado (formerly Louis Trichardt) to open in November 2006 anchored by Pick 'n Pay has been purchased for R95 million at an initial yield of 10%.

A 1,7 hectare tract of vacant industrial land in Isando has been acquired for R5,7 million. Development will commence in early 2007.

**Spearhead**  
Redefine has made an offer to all unitholders of Spearhead Property Group Limited to acquire 100% of Spearhead linked units to be settled by the issue of 6.18 Redefine linked units or R31.00 in cash for each 1 Spearhead linked unit held provided that in aggregate the cash consideration will be limited to 50% of the total consideration payable. The effective date is expected to be 1 November 2006 subject to Redefine and Spearhead unitholder and regulatory approvals.

**Liquidity**  
Redefine is one of the most liquid counters in the listed property sector with 66% of its weighted average number of linked units having traded during the year under review.

**Prospects**  
A forecast of Redefine's distributable income has been reviewed by Redefine's auditors as part of the Spearhead transaction. Based on the reviewed forecast the Board anticipates that distributions per linked unit for 2007 (before taking into account the Spearhead transaction) will exceed the distributions for 2006 by at least 10%. Should the Spearhead transaction be concluded, it is anticipated that this will further enhance earnings.

**Interest distribution**  
Unitholders are advised that interest distribution No. 26 in respect of the period 1 June 2006 to 31 August 2006 of 11.2 cents per linked unit has been declared.

- The last date to trade cum interest Friday 20 October 2006
- Linked units will trade ex interest Monday 23 October 2006
- Record Date Friday 27 October 2006
- Payment of interest distribution No. 26 Monday 30 October 2006

Unitholders may not dematerialise or re-materialise their linked units between Monday 23 October 2006 and Friday 27 October 2006, both days inclusive.

Wolf Cesman Chairman Brian Azizollahoff Chief Executive Officer

Johannesburg  
6 October 2006.

#### REDEFINE INCOME FUND LIMITED

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**Directors:** W Cesman\* (Chairman), B Azizollahoff† (CEO), L Barnard\*\*, C Clarke\*\*, E Ellerrine\*\*, D Perton\*\*†, S Shaw-Taylor\*, M Wainer\*  
\*non-executive †British \*\*independent

**Company secretary:** Probit Business Services (Proprietary) Limited

