



# REDEFINE INCOME FUND

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

## REVIEWED INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2007

### CONSOLIDATED INCOME STATEMENT

	Reviewed Feb 2007 R000	Reviewed Feb 2006 R000	Audited Aug 2006 R000
<b>Revenue</b>			
Property portfolio	206 414	155 203	320 753
Contractual rental income	190 247	141 480	292 863
Straight-line rental income accrual	16 167	13 723	27 890
Listed security portfolio	143 405	88 324	207 225
Property trading income	15 316	–	–
<b>Total revenue</b>	<b>365 135</b>	<b>243 527</b>	<b>527 978</b>
Operating costs – property portfolio	(39 156)	(26 554)	(56 063)
Administration costs	(27 247)	(16 064)	(36 116)
<b>Net operating income</b>	<b>298 732</b>	<b>200 909</b>	<b>435 799</b>
Changes in fair values of properties and listed securities	428 525	525 380	474 193
Net surplus on disposal of properties and listed securities	275 519	306 059	324 890
Income from associate	783	–	–
<b>Income from operations</b>	<b>1 003 559</b>	<b>1 032 348</b>	<b>1 234 882</b>
Interest received	5 893	3 428	8 659
Finance charges	(128 419)	(85 964)	(190 483)
<b>Income before debenture interest</b>	<b>881 033</b>	<b>949 812</b>	<b>1 053 058</b>
Debenture interest	(194 234)	(104 650)	(226 085)
<b>Income before taxation</b>	<b>686 799</b>	<b>845 162</b>	<b>826 973</b>
Taxation	(217 376)	(135 903)	(161 832)
<b>Net income</b>	<b>469 423</b>	<b>709 259</b>	<b>665 141</b>

### RECONCILIATION OF HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS

Income attributable to shareholders	469 423	709 259	665 141
Straight-line rental income accrual	(16 167)	(13 723)	(27 890)
Changes in fair values of properties and listed securities	(428 525)	(525 380)	(474 193)
Net surplus on disposal of properties and listed securities	(275 519)	(306 059)	(324 890)
Deferred taxation	217 376	135 903	161 832
<b>Headline loss attributable to shareholders</b>	<b>(33 412)</b>	<b>–</b>	<b>–</b>
Debenture interest	194 234	104 650	226 085
<b>Headline earnings attributable to linked unitholders</b>	<b>160 822</b>	<b>104 650</b>	<b>226 085</b>
Spearhead pre-acquisition income	31 516	–	–
VAT and interest disallowed	1 896	–	–
<b>Distributions</b>	<b>194 234</b>	<b>104 650</b>	<b>226 085</b>
• First quarter	95 028	51 574	51 574
• Second quarter	99 206	53 076	53 076
• Third quarter	N/A	N/A	59 013
• Fourth quarter	N/A	N/A	62 422

Actual number of linked units in issue (’000)	813 161 *	500 719 *	556 726 *
Weighted number of linked units in issue (’000)	678 101 *	500 719 *	516 186 *
Earnings per linked unit (cents)	97.87	162.55	172.66
Headline earnings per linked unit (cents)	23.72	20.90	43.80
Distribution per linked unit (cents)	24.00	20.90	42.70

\* Excludes 5 876 770 (Feb 2006: 5 866 500) treasury units

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Reviewed Feb 2007 R000	Reviewed Feb 2006 R000	Audited Aug 2006 R000
<b>Cash effects of operating activities</b>	<b>(58 713)</b>	<b>16 722</b>	<b>(61 942)</b>
Cash generated from operations	221 263	202 381	335 094
Net financing costs	(122 526)	(82 536)	(181 824)
Linked unit distributions paid	(157 450)	(103 123)	(215 212)
<b>Cash effects of investing activities</b>	<b>176 929</b>	<b>(366 723)</b>	<b>(1 234 636)</b>
Net property disposals (acquisitions)	46 320	1 100	(33 009)
Net listed security disposals (acquisitions)	208 162	(367 823)	(1 201 627)
Acquisition of business	(7 190)	–	–
Investment in associate	(70 363)	–	–
<b>Cash effects of financing activities</b>	<b>189 185</b>	<b>321 452</b>	<b>1 253 009</b>
Linked units issued	217 855	–	349 545
Net movement in borrowings	(28 670)	321 452	903 464
<b>Net movement in cash and cash equivalents</b>	<b>307 401</b>	<b>(28 549)</b>	<b>(43 569)</b>
Opening cash and cash equivalents	(8 473)	35 096	35 096
<b>Closing cash and cash equivalents</b>	<b>298 928</b>	<b>6 547</b>	<b>(8 473)</b>

### CONSOLIDATED BALANCE SHEET

	Reviewed Feb 2007 R000	Reviewed Feb 2006 R000	Audited Aug 2006 R000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>8 838 646</b>	<b>5 089 902</b>	<b>5 961 167</b>
Property portfolio at valuation	4 524 747	2 391 488	2 513 337
Fair value of property portfolio for accounting purposes	4 213 947	2 335 028	2 413 913
Property under development at cost	154 872	–	–
Straight-line rental income accrual	155 928	56 460	99 424
Listed security portfolio	4 243 536	2 698 414	3 447 830
Interest in associate	70 363	–	–
<b>Current assets</b>	<b>444 100</b>	<b>87 556</b>	<b>141 584</b>
Trading securities	–	492	–
Trade receivables	55 952	13 326	7 908
Listed security income	72 580	67 191	50 666
Properties for sale	16 640	–	83 000
Cash and cash equivalents	298 928	6 547	10
<b>Total assets</b>	<b>9 282 746</b>	<b>5 177 458</b>	<b>6 102 751</b>

### EQUITY AND LIABILITIES

<b>Share capital and reserves</b>	<b>3 752 260</b>	<b>1 946 624</b>	<b>2 151 170</b>
Share capital and premium	1 642 216	212 762	461 428
Non-distributable reserves	2 112 049	1 733 862	1 689 742
Deferred interest rate hedging loss	(2 005)	–	–
<b>Non-current liabilities</b>	<b>5 316 807</b>	<b>3 097 618</b>	<b>3 814 338</b>
Debenture capital	1 463 689	901 294	1 002 108
Interest-bearing liabilities	3 152 043	1 876 327	2 458 339
Interest rate swaps	2 005	–	–
Deferred taxation	699 070	319 997	353 891
<b>Current liabilities</b>	<b>213 679</b>	<b>133 216</b>	<b>137 243</b>
Payables	114 473	80 140	66 338
Bank overdraft	–	–	8 483
Linked unitholders for distribution	99 206	53 076	62 422
<b>Total equity and liabilities</b>	<b>9 282 746</b>	<b>5 177 458</b>	<b>6 102 751</b>

Net asset value per linked unit (cents)	641.44	568.77	566.40
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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed Feb 2007 R000	Reviewed Feb 2006 R000	Audited Aug 2006 R000
Balance at beginning of period	2 151 170	1 237 365	1 237 364
Issue of shares	1 132 050	–	249 449
Issue expenses written-off	(383)	–	(784)
Income attributable to shareholders	469 423	709 259	665 141
<b>Total share capital and reserves</b>	<b>3 752 260</b>	<b>1 946 624</b>	<b>2 151 170</b>

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

**Basis of preparation** – The interim financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) and IAS34 - Interim Financial Reporting. All accounting policies are consistent with those applied for the year ended 31 August 2006.

### COMMENTS

#### Financial results

Revenue and net operating income, before accounting for the straight-line rental income accrual, increased by 51.9% and 51.0% respectively. This is mainly as a result of the acquisition of Spearhead Property Holdings Limited (“Spearhead”), including sustainable income from property trading, contractual rental escalations and continued control of expenses.

In terms of the agreement for the acquisition of Spearhead, Redefine received payment in lieu of income of R31.5 million in respect of 1 July to 30 November 2006 which was not included in income. Of this amount, R13.9 million is non-recurring. The total amount received has been included in distributions for the period under review.

The higher administration costs were largely due to an increase in the asset management fees, a function of the market capitalisation of Redefine which grew as a result of the acquisition of Spearhead. SARS has disallowed the input VAT on transaction costs relating to acquisitions and corporate activities amounting to R1.9 million, inclusive of interest, which has been expensed.

The carrying values of the property and listed security portfolios increased by R2.13 billion and R1.55 billion respectively, resulting in an increased net asset value of R6.41 (Feb 2006: R5.69) per linked unit. Net asset value excluding deferred taxation is R7.27 (Feb 2006: R6.33).

• **Distributions up 14.8% to 24.0 cents per linked unit**

• **NAV per linked unit up 12.8% to R6.41**

• **Total assets up 79.3% to R9.3 billion**

• **Gearing 35.9%**

• **Market capitalisation R6.0 billion**

### COMMENTS (continued)

#### Distribution

The Board has approved an interest distribution of 12.2 cents per linked unit for the quarter ended 28 February 2007. This together with an interim distribution of 11.8 cents per linked unit for the quarter ended 30 November 2006 amounts to a total interest distribution for the six months ended 28 February 2007 of 24.0 cents per linked unit, an increase of 14.8% on the distribution of 20.9 cents for the comparable period.

#### Property Portfolio

In addition to the Spearhead portfolio, during the period under review, Redefine acquired the 13 500 m<sup>2</sup> Makhado shopping centre for R94.5 million at an initial forward yield of 10%. Redefine disposed of 12 properties to Dipula Property Fund (Pty) Ltd (“Dipula”), a joint venture enterprise development initiative with Dijalo Property Services (Pty) Ltd, and 2 other properties with an aggregate GLA of 59 220 m<sup>2</sup> for R224.3 million (valuation: R220.2 million) at an average yield of 9.8%.

At 28 February 2007 Redefine’s property portfolio comprised 96 investment properties with a carrying value of R4.52 billion. The Directors have valued the property portfolio by applying market related yields which are substantiated by independent external valuers. The property portfolio is revalued by independent external valuers at the end of each financial year.

The property portfolio constitutes 51.2% of Redefine’s total non-current assets (Feb 2006: 47.0%).

After the acquisition of 303 329m<sup>2</sup> from Spearhead, the property portfolio has a gross lettable area of 783 994m<sup>2</sup>. Sectoral spread by revenue is 56.8% commercial, 27.3% retail and 15.9% industrial.

During the period under review 7 162m<sup>2</sup> of vacant space was leased and leases in respect of 15 546m<sup>2</sup> were renewed. 53.6% of leases, by GLA, expire in 2010 and beyond.

Vacancies increased from 14 590m<sup>2</sup> at 28 February 2006 to 43 605m<sup>2</sup> at 28 February 2007. This increase in vacancies, which account for 5.6% of lettable area, has arisen from the substantial increase in the size of the property portfolio and presents an opportunity for Redefine.

Redefine currently has 13 projects with an estimated cost of R1.2 billion in various stages of development at an average initial forward yield of 10.07%. A further five developments estimated to cost approximately R1.3 billion are planned.

#### Listed securities portfolio

Redefine’s listed securities portfolio increased by R1.55 billion after acquisitions of R417.95 million and disposals of R417.50 million.

In terms of a scheme of arrangement between ApexHi Properties Limited (“ApexHi”) and its unitholders, Redefine received 31 708 340 ApexHi C units. Redefine disposed of 22 430 074 ApexHi C units resulting in a holding of 9 278 266 ApexHi C units at 28 February 2007.

#### Borrowings

Arising from the acquisition of Spearhead, Redefine’s borrowings increased by R787 million. Total debt of R3.2 billion represents gearing of 35.9% a reduction from 41.0% at August 2006.

The current average all-in interest rate is 10.29% and the interest rate on 67.8% of borrowings is fixed for an average of five years.

#### BEE

Redefine is committed to the Property Transformation Charter and the DTI’s BBBEE Codes of good practice. Negotiations are ongoing with a view to introducing BEE at linked unit level.

#### Post balance sheet events

Agreement, subject to certain conditions, has been reached for the disposal of Rosebank Arena, a commercial property, to The Standard Bank of South Africa Limited for R100 million. The proceeds will be utilised to finance new developments.

Redefine exercised its right to acquire an additional 3 182 500 units in Coronation International Real Estate Fund (“CIREF”) at a cost of £1.50 per unit.

Redefine acquired 2 863 714 A, B and C units in ApexHi in terms of a vendor placement at an aggregate cost of R35 per unit.

#### Liquidity

19.5% of the weighted average number of linked units in issue have traded during the six months ended February 2007.

#### Directorate

Colin Clarke resigned as a Director on 23 February 2007 in order to pursue his own interests.

Dines Gihwala has been appointed as non-executive Chairman with immediate effect.

#### Prospects

The Board anticipates that Redefine’s distribution per linked unit for the year ending 31 August 2007 will be at least 50.62 cents. This forecast was included in the circular to Redefine linked unitholders dated 12 October 2006.

#### Payment of debenture interest

Unitholders are advised that interest distribution no. 28 in respect of the period 1 December 2006 to 28 February 2007 of 12.2 cents per linked unit has been declared.

- The last date to trade cum interest Friday 4 May 2007
- Linked units will trade ex interest Monday 7 May 2007
- Record date Friday 11 May 2007
- Payment of interest distribution no. 28 Monday 14 May 2007

Unitholders may not dematerialise or re-materialise their linked units between Monday 7 May 2007 and Friday 11 May 2007, both days inclusive.

Wolf Cesman Brian Azizollahoff  
Director Chief Executive Officer

Johannesburg

18 April 2007

### REDEFINE INCOME FUND LIMITED

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**Directors:** D Gihwala\*\* (Chairman), B Azizollahoff\* (CEO), L Barnard\*\*, W Cesman\*, E Ellerin\*\*, D Perton\*\*\*, S Shaw-Taylor\*, M Wainer\*

\*non-executive \*British \*\*independent

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

