



RESILIENT
Property Income Fund

Resilient Property Income Fund Limited

Incorporated in the Republic of South Africa Reg no 2002/016851/06 Share code RES ISIN ZAE000043642 ("Resilient" or "the group")

Condensed reviewed consolidated interim financial statements for the six months ended 30 June 2011

Directors' commentary

Resilient's distribution of 109,36 cents for the six months to June 2011 is an 8,71% increase on the 100,60 cents distribution for the prior comparable period. These results were achieved despite Resilient undertaking a number of transactions which will enhance growth in distributions in the long-term but which are earnings dilutionary in the short-term. These included the disposal of Resilient's entire Fortress Income Fund Limited-A holding and increasing its interests in partially owned properties at yields below its cost of funding.

Resilient's focus remains to invest in dominant retail centres situated in non-metropolitan areas with strong anchor tenants and a high percentage of national retailers. Retail sales in non-metropolitan centres were supported by the 14% increase in Government's social spending. Increased mining investment, particularly in coal, platinum and manganese, had a positive economic impact in a number of areas in which Resilient owns centres.

The highlight of the period was the successful opening of the 75 000m² GLA Mall of the North in which Resilient now has a 60% interest.

PROPERTY ACQUISITIONS

Resilient acquired the remaining 50% interest in The Grove for R356,4 million based on a forward yield of 8,25% with effect from June 2011. An additional 3% interest in the Mall of the North was acquired at cost. The interest in Brits Mall was increased from 80% to 93% at a cost of R48,5 million based on a forward yield of 8,5%, effective August 2011. Resilient has entered into an agreement to acquire an additional 20% interest in I'langa Mall at a cost of R135,2 million based on a forward yield of 8%. This acquisition remains subject to Competition Commission approval.

Resilient has agreed to acquire a 40% interest in a 14,13 ha property in Secunda from Sasol Pension Fund. The property has approved retail rights and the board has approved the development of a 40 000m² GLA regional mall. The anticipated yield on this development is 9%. Sasol Pension Fund has retained a 40% interest in the property and the remaining 20% has been acquired by a BEE consortium.

PROPERTY DEVELOPMENTS AND EXTENSIONS

Checkers Burgersfort
Construction of this 7 000m² GLA convenience centre, anchored by Checkers, has been approved. The development is scheduled to commence in October 2011 with completion in November 2012 at a forecast yield of 9%.

Highveld Mall

A third extension to Highveld Mall to accommodate Game and Wetherleys has been approved at a forecast yield of 9%. Construction of this 12 000m² development in which Resilient has a 60% interest is scheduled to commence in September 2011, with completion in November 2012.

Mall of the North

The Mall of the North was completed within budget and opened ahead of schedule on 14 April 2011 at a forward yield of 10,2%. The mall is the largest retail development in the Limpopo Province. Initial feedback from tenants is positive and a 500m² extension to the Woolworths store to accommodate its full range is currently in progress.

Northam Plaza

The 5 031m² extension to Northam Plaza was completed within budget at a cost of R42 million and a yield of 13,1%. Tenants include Truworths, John Craig, Mr Price, Standard Bank and TotalSport. The Shoprite store was also extended.

Sterkspruit Plaza

The first phase of this retail development with a GLA of 9 000m² and anchored by Shoprite is scheduled to commence in August 2011. As only 30% of the site is being developed, the forecast yield is 8,5%. As subsequent phases will have no land cost, higher returns will be achieved. Resilient has increased its interest in this property from 68% to 82%.

Tzaneen Lifestyle Centre

Construction of the first phase of this retail development commenced in January 2011. Despite record rainfall in the area, management remains confident that the centre will open on schedule in December 2011. This first phase has a GLA of 8 000m² and is anchored by Checkers and a Food Lovers Market. This development in which Resilient has a 70% interest, is expected to achieve a yield of 9%.

PROPERTY PIPELINE

Burgersfort Mall
Resilient has secured the required electricity for this development and construction of a 40 000m² GLA regional mall is scheduled to commence before the end of the year.

INVESTMENTS

Investment	Number of units/shares	% of units/shares in issue	Carrying value (R'000)
Capital Property Fund ("Capital")	221 800 000	13,80%	1 820 978
Fortress Income Fund Limited - B	63 000 000	27,27%	205 380
New Europe Property Investments plc ("Nepi")	16 100 000	18,19%	515 200
			2 541 558

Resilient's holding in Nepi is no longer equity accounted and all investments were accordingly fair valued.

VACANCIES

Vacancies decreased from 3,1% at 31 December 2010 to 2,8% at 30 June 2011. Vacancies were reduced at Brits Mall, Rivonia Village, The Galleria and Central Park, Bloemfontein.

BORROWINGS

Facilities of R665 million and R268 million were accepted from Standard Bank and RMB respectively. Three-year unsecured funding of R225 million was raised through Resilient's DMTN programme at a margin of 1,45% over 3-month Jibar. Funding through the commercial paper programme was increased to R250 million at a current margin of 42 basis points over 3-month Jibar.

PROSPECTS

The board is confident that growth in distributions of between 8% and 9% will be achieved for the 2011 financial year. The growth is based on the assumptions that a stable macro-economic environment will prevail, no major corporate failures will occur and that tenants will be able to absorb the recovery of rising utility costs. Budgeted rental income was based on contractual escalations and market related renewals. This forecast has not been audited or reviewed by Resilient's auditors.

By order of the board

Des de Beer
Managing director
Nick Hanekom
Financial director

Johannesburg
10 August 2011

Consolidated statement of financial position

	Reviewed Jun 2011 R'000	Audited Dec 2010 R'000	Reviewed/ restated Jun 2010 R'000
ASSETS			
Non-current assets	10 730 091	9 758 917	7 950 595
Investment property	6 888 688	5 764 050	4 175 683
Straight-lining of rental revenue adjustment	107 145	89 598	84 792
Investment property under development	287 213	792 810	751 661
Investment in associate companies	-	425 728	734 189
Investments	2 541 558	2 216 200	1 686 378
Intangible asset	26 422	26 422	26 422
Resilient Unit Purchase Trust loans	316 669	255 889	286 433
Loans to employees to acquire Capital units	297 126	9 608	9 544
Loans to BEE partners	192 729	119 963	194 330
Loans to development partners	72 541	58 649	-
Property, plant and equipment	-	-	1 163
Current assets	126 525	186 817	540 051
Loans to development partners	63 603	95 783	448 133
Trade and other receivables	51 785	86 602	82 858
Cash and cash equivalents	11 137	4 432	9 060
Total assets	10 856 616	9 945 734	8 490 646
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	5 460 207	5 216 765	4 305 013
Share capital	2 496	2 471	2 471
Share premium	1 964 168	1 904 106	1 904 106
Non-distributable reserves	3 493 543	3 310 188	2 398 426
Retained earnings	-	-	10
Total liabilities	5 396 409	4 728 969	4 185 633
Non-current liabilities	3 987 141	3 319 527	3 188 502
Linked debentures	1 198 243	1 186 003	1 186 003
Interest-bearing borrowings	2 256 337	1 603 304	1 650 753
BEE instrument	112 306	118 900	83 017
Deferred tax	420 255	411 320	268 729
Current liabilities	1 409 268	1 409 442	997 131
Trade and other payables	165 073	169 413	142 306
Linked debenture interest payable	272 999	274 831	248 566
Income tax payable	818	1 663	12 221
Interest-bearing borrowings	970 378	963 535	594 038
Total equity and liabilities	10 856 616	9 945 734	8 490 646

Consolidated statement of comprehensive income

	Reviewed for the six months ended Jun 2011 R'000	Audited for the year ended Dec 2010 R'000	Reviewed for the six months ended Jun 2010 R'000
Net rental and related revenue	271 208	403 948	190 025
Recoveries and contractual rental revenue	375 495	572 097	257 436
Straight-lining of rental revenue adjustment	17 547	15 628	10 822
Rental revenue	393 042	587 725	268 258
Property operating expenses	(121 834)	(183 777)	(78 233)
Distributable income from investments	80 328	161 502	73 835
Fair value gain on investment property and investments	132 276	1 196 075	96 597
Fair value gain on investment property	-	744 611	-
Adjustment resulting from straight-lining of rental revenue	(17 547)	(15 628)	(10 822)
Fair value gain on investments	149 823	467 092	107 419
Fair value gain/(loss) on BEE instrument	6 594	(53 116)	(17 233)
Management fees received from PFM	28 145	32 267	15 139
Administrative expenses	(30 813)	(29 475)	(16 083)
Profit on sale of subsidiaries and joint ventures	-	36 868	36 868
Income from associates	13 959	56 493	44 653
- distributable	13 959	48 204	36 997
- non-distributable	-	8 289	7 656
Profit before net finance costs	501 697	1 804 562	423 801
Net finance costs	(309 399)	(661 116)	(329 042)
Finance income	64 992	70 233	36 004
Interest from loans	29 116	69 489	35 260
Fair value adjustment on interest rate derivatives	34 830	-	-
Interest on linked units issued cum distribution	1 046	744	744
Finance costs	(374 391)	(731 349)	(365 046)
Interest on borrowings	(126 499)	(211 883)	(104 644)
Capitalised interest	25 107	65 779	28 245
Fair value adjustment on interest rate derivatives	-	(61 847)	(40 081)
Interest to linked debenture holders - interim	(272 999)	(248 566)	(248 566)
- final	-	(274 832)	-
Profit before income tax expense	192 298	1 143 446	94 759
Income tax expense	(8 943)	(149 587)	(12 652)
Profit for the period attributable to equity holders	183 355	993 859	82 107
Total comprehensive income for the period	183 355	993 859	82 107
Basic earnings per share (cents)	73,45	402,24	33,23
Basic earnings per linked unit (cents)	182,81	614,07	133,83
Diluted earnings per share (cents)	70,40	385,37	31,84
Diluted earnings per linked unit (cents)	175,22	588,32	128,22

Consolidated statement of changes in equity

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000
Restated					
Balance at 31 December 2009 previously reported	2 451	1 863 969	2 207 414	10	4 073 844
Change in accounting policy	-	-	108 905	-	108 905
Balance at 31 December 2009 restated	2 451	1 863 969	2 316 319	10	4 182 749
Issue of units	20	40 137	-	-	40 157
Total comprehensive income for the period	-	-	82 107	82 107	164 214
Transfer to non-distributable reserves	-	-	(82 107)	-	-
Balance at 30 June 2010	2 471	1 904 106	2 398 426	10	4 305 013
Total comprehensive income for the period	-	-	911 762	911 752	1 823 514
Transfer to non-distributable reserves	-	-	(911 762)	-	-
Balance at 31 December 2010	2 471	1 904 106	3 310 188	-	5 216 765
Issue of 2 550 000 units on 9 March 2011	25	60 062	-	-	60 087
Total comprehensive income for the period	-	-	183 355	183 355	366 710
Transfer to non-distributable reserves	-	-	(183 355)	-	-
Balance at 30 June 2011	2 496	1 964 168	3 493 543	-	5 460 207
Non-distributable reserves comprise those profits and losses that are not distributable to unitholders and are made up of revaluation adjustments on investment property, investment property held for sale and investments, the share of post-acquisition reserves of associates, straight-lining adjustments and other non-distributable balances.					

Reconciliation of profit for the period to headline earnings and distributable income

	Reviewed for the six months ended Jun 2011 R'000	Audited for the year ended Dec 2010 R'000	Reviewed for the six months ended Jun 2010 R'000
Basic earnings (shares) - profit for the period attributable to equity holders	183 355	993 859	82 107
- interest to linked debenture holders	272 999	523 398	248 566
Basic earnings (linked units)	456 354	1 517 257	330 673
Adjusted for:	29 440	(661 326)	(28 211)
- fair value loss/(gain) on investment property	17 547	(728 983)	10 822
- profit on sale of subsidiaries and joint ventures	-	(36 868)	(36 868)
- fair value adjustments on investment property of associates	-	(6 437)	(7 305)
- income tax effect	11 893	110 962	5 140
Headline earnings (linked units)	485 794	855 931	302 462
Adjustment resulting from straight-lining of rental revenue	(17 547)	(15 628)	(10 822)
Fair value gain on investments	(149 823)	(467 092)	(107 419)
Fair value (gain)/loss on BEE instrument	(6 594)	53 116	17 233
Fair value adjustment on interest rate derivatives	(34 830)	61 847	40 081
Interest paid by BEE SPV	10 772	21 352	10 746
Income received by BEE SPV	(11 823)	(22 901)	(10 876)
Fair value adjustments on investments of associates	-	(1 852)	(351)
Income tax effect	(2 950)	38 625	7 512
Distributable income	272 999	523 398	248 566
Less: distribution declared	(272 999)	(523 398)	(248 566)
Income not distributed	-	-	-
Headline earnings per share (cents)	85,24	134,58	21,81
Headline earnings per linked unit (cents)	194,60	346,41	122,41
Diluted headline earnings per share (cents)	81,70	128,94	20,90
Diluted headline earnings per linked unit (cents)	186,52	331,89	117,28

Basic earnings per share, basic earnings per linked unit, headline earnings per share and headline earnings per linked unit are based on the weighted average of 249 634 021 (Dec 2010: 247 084 021; Jun 2010: 247 084 021) shares/linked units in issue during the period.

Diluted earnings per share, diluted earnings per linked unit, diluted headline earnings per share and diluted headline earnings per linked unit are based on the weighted average of 260 444 832 (Dec 2010: 257 894 832; Jun 2010: 257 894 832) shares/linked units in issue during the period.

Abridged consolidated statement of cash flows

	Reviewed for the six months ended Jun 2011 R'000	Audited for the year ended Dec 2010 R'000	Reviewed for the six months ended Jun 2010 R'000
Cash inflow/(outflow) from operating activities	26 023	(54 739)	(178 574)
Cash (outflow)/inflow from investing activities	(751 521)	(394 581)	55 930
Cash inflow from financing activities	732 203	443 112	121 064
Increase/(decrease) in cash and cash equivalents	6 705	(6 208)	(1 580)
Cash and cash equivalents at beginning of period	4 432	10 640	10 640
Cash and cash equivalents at end of period	11 137	4 432	9 060
Cash and cash equivalents consist of:			
Current accounts	11 137	4 432	9 060

Notes

1 PREPARATION AND REVIEW OPINION

The condensed reviewed consolidated interim financial statements have been prepared in accordance with the measurement and recognition requirements of IFRS, the AC500 standards, the principles of IAS 34: Interim Financial Reporting and the JSE Listings Requirements.

The accounting policies adopted are consistent with those applied in the prior periods except for the recognition of deferred tax. In December 2010 the IASB released amendments to IAS 12 effective from 1 January 2012. These amendments impact on the rate at which deferred tax is recognised specifically on the fair value movement of the building component of investment property as it establishes a presumption that it will be recovered through disposal and hence will attract deferred tax at the capital gains tax rate. Resilient has elected the early adoption of these amendments and applied them retrospectively as required by IAS 8. It is the view of the board that the adoption of this policy results in more accurate and meaningful information. The early adoption had the following effect on the June 2010 results: deferred tax balance R108 905 000 decrease.

The directors are not aware of any matters or circumstances arising subsequent to 30 June 2011 that require any additional disclosure or adjustment to the interim financial statements.

Deloitte & Touche has reviewed the financial information set out in this report. The review was conducted in accordance with ISRE 2410: Review of Interim Financial Information performed by the Independent Auditor of the Entity