



Resilient Property Income Fund Limited

Incorporated in the Republic of South Africa Reg no 2002/016851/06 Share code RES ISIN ZAE00043642 ("Resilient" or "the group")

Condensed Audited Consolidated Financial Statements for the year ended 31 December 2009

RESILIENT
Property Income Fund

Directors' commentary

Resilient's distribution of 194,13 cents per linked unit for the financial year ended 31 December 2009 is a 14,21% increase on the 169,98 cents distribution for the 2008 financial year. These results were achieved in a difficult macroeconomic environment with continued fallout from the global credit crisis and the South African economy in recession for most of the period.

Resilient's strategy is to invest in dominant retail centres in non-metropolitan areas tenanted predominantly by national retailers. These centres outperformed similar centres in metropolitan areas due to customers having lower levels of personal debt and the underpin provided by increases in social spending.

Vacancies in the portfolio remained static at 3,2%. Most of the current vacancies are at The Grove and The Galleria which opened during September and November respectively. Vacancies are expected to decline during 2010. Arrears and bad debts were lower than budgeted and no significant deterioration is anticipated.

Resilient sold four industrial properties (Isando Business Park, City Deep Industrial Park, Chemserv Spartan and its 25% interest in Montague Business Park) to Capital Property Fund for R611,5 million and 18 properties to Fortress Income Fund Limited for R665,4 million. Resilient now has a focused portfolio of 20 retail centres, three further centres under development and a substantial listed property portfolio. The listed property investments will be reduced to fund the development pipeline and property acquisitions.

Resilient is taking advantage of the downturn in the construction cycle to enter into contracts to develop new malls with the most reputable and competent construction companies at attractive rates. Construction of the 75 000m² GLA Mall of the North and the 33 000m² GLA Brits Mall commenced in 2009. The board intends to commence construction of Pick 'n Pay Tzaneen and Burgersfort Mall before the cycle turns, but this is dependent on delivery of services.

1 PROPERTY DEVELOPMENTS

Arbour Town

Resilient owns 10% of the Arbour Town precinct which comprises of Arbour Crossing (a value centre), The Galleria (a 85 286m² GLA regional mall) and 102 hectares of additional zoned land for future development. The development faces a number of challenges including traffic congestion which will only be rectified in 2011. The Galleria is larger than warranted by current market demand and this will result in higher vacancies in the short term. The Galleria, however, traded well over the Christmas period.

We are confident that the Arbour Town developments possess critical mass and are attractive long term investments. Resilient's holding is, however, relatively insignificant and the strategy remains to increase its interest to at least 25% or to dispose of these investments.

Brits Mall

This 33 000m² GLA mall will be anchored by Checkers, Edgars, Pick 'n Pay and Woolworths and other tenants include the Foschini, Truworths and Pepkor groups. Construction of the mall commenced in October 2009 and the mall is scheduled to open in November 2010. The projected yield of this development is 9,5%. Resilient has an 80% interest in this development.

The Grove

This 40 000m² GLA mall is 50% owned with Keystone Investments as Resilient's partner. The mall is anchored by Edgars, Pick 'n Pay and Woolworths. Letting of the smaller shops was more difficult than anticipated resulting in vacancies of 6% based on GLA at year end. The majority of the vacant space has since been let and a number of national tenants (seeking larger units) have requested space in the future extension.

l'langa Mall

Resilient has a 25% interest in this 45 000m² GLA development which is on schedule to open in April 2010. The mall will be anchored by Edgars, Game, Pick 'n Pay and Woolworths and includes all major clothing retailers. Tenant demand for this centre has been strong and the centre is 95% let with a projected initial yield of 8,5%.

Mafikeng Mall

Resilient has a 66% interest in this 22 778m² GLA mall which opened in April 2009. Tenants include Spar, Game, Edgars and the Truworths, Foschini and Pepkor groups. The mall is already the dominant retail centre in Mafikeng, however, additional land has been acquired adjacent to the mall with the intention of increasing the GLA to 30 000m² once all regulatory approvals have been obtained.

Mall of the North

Construction of this 75 000m² GLA mall commenced in March 2009 with completion scheduled for April 2011. Resilient has a 57% interest with Flanagan & Gerard and the Moolman Group as partners. The mall will be anchored by Checkers, Edgars, Game, Pick 'n Pay and Woolworths and will include all national clothing retailers. This is the largest retail development in the Limpopo Province, is currently 92% let and is expected to achieve a yield of 9,5%.

2 EXTENSIONS TO EXISTING PROPERTIES

The 5 000m² GLA extension to The Crossing, Mokopane to accommodate Game, Foschini and Maxi's and the 1 000m² GLA extension to Murchison Mall to accommodate Foschini and Pep were completed on schedule and within budget.

A 2 400m² GLA extension to Nelspruit Plaza to accommodate Markham, Totalsport, DFX and Ackermans has commenced and is expected to be completed in May 2010 at a yield of 10%.

The board has approved a 6 400m² GLA extension to Highveld Mall to accommodate Dischem, @Home, Capitec and an extension to Pick 'n Pay at a forecast yield of 10%.

In response to strong tenant demand, a 6 000m² GLA extension to Northam Plaza is being planned. Construction is anticipated to commence in May 2010 with completion in March 2011.

3 INVESTMENTS

Investment	Number of units/shares	% of units/shares in issue	Carrying value (R'000)	Market value (R'000)
Capital Property Fund	176 500 000	24,60%	1 153 897	1 253 150
Pangbourne Properties Limited	41 500 000	9,44%	707 576	707 576
Fortress Income Fund Limited - A	53 650 000	28,78%	545 650	624 190
Fortress Income Fund Limited - B	62 900 000	33,75%		
New Europe Property Investments plc ("Nepi")	11 500 000	28,28%	284 317	323 150
			2 691 440	2 908 066

Capital, Fortress and Nepi were treated as associates (equity accounted) and were thus not fair valued at year end.

4 GEARING

Resilient's gearing at year end increased to 26,4% from 23,5% the previous year. The gearing remains below the board's target range of 35% to 40%. Although lower gearing has benefited the group through the "credit crisis", this may restrict growth in distributions in the long term. Resilient is in the fortunate position of having a solid development pipeline and drawdowns for these developments (together with limited disposals of listed holdings) will result in gearing increasing during the 2010 financial year.

5 PROSPECTS

Retail trading conditions are anticipated to gradually improve during 2010 which should be positive for growth in rentals. The board remains concerned about the substantial increase in the cost of services, particularly electricity, which has a direct impact on tenants' cost of occupancy.

The distribution per linked unit is forecast to increase by approximately 10% compared with the 2009 financial year. This forecast has not been audited or reviewed by Resilient's auditors.

By order of the board

Des de Beer
Managing director

Andries de Lange
Financial director

Johannesburg
3 February 2010

Consolidated statement of financial position

	Audited Dec 2009 R'000	Audited Dec 2008 R'000
ASSETS		
Non-current assets	7 790 624	6 701 358
Investment property	4 112 446	3 889 584
Straight-lining of rental revenue adjustment	73 970	57 702
Investment property under development	516 416	1 041 163
Investment in associate companies	1 983 864	192 847
Investments	707 576	1 178 970
Intangible asset	26 422	26 422
Loans	368 459	312 800
Property, plant and equipment	1 471	1 870
Current assets	439 521	184 506
Investment property held for sale	-	38 007
Straight-lining of rental revenue adjustment	-	96
Loans to development partners	302 216	81 949
Trade and other receivables	126 665	59 348
Cash and cash equivalents	10 640	5 106
Total assets	8 230 145	6 885 864
EQUITY AND LIABILITIES		
Total equity attributable to equity holders	4 073 844	3 367 783
Share capital	2 451	2 303
Share premium	1 863 969	1 608 632
Non-distributable reserves	2 207 414	1 756 838
Retained earnings	10	10
Total liabilities	4 156 301	3 518 081
Non-current liabilities	2 924 409	2 904 324
Linked debentures	1 176 355	1 105 407
Interest-bearing borrowings	1 305 900	1 335 375
BEE instrument	65 784	28 310
Deferred tax	376 370	435 232
Current liabilities	1 231 892	613 757
Trade and other payables	104 684	117 360
Linked debenture interest payable	251 495	208 392
Income tax payable	8 081	1 817
Interest-bearing borrowings	867 632	286 188
Total equity and liabilities	8 230 145	6 885 864

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

	Audited for the year ended Dec 2009 R'000	Restated for the year ended Dec 2008 R'000
Basic earnings (shares) – profit for the year attributable to equity holders	450 576	141 169
- Interest to linked debenture holders	472 452	385 822
Basic earnings (linked units)	923 028	526 991
Adjusted for:	(236 231)	(214 812)
- fair value gain on investment property	(206 371)	(298 172)
- profit on sale of subsidiaries	(15 550)	-
- fair value adjustments on investment property of associates	(27 322)	-
- income tax effect	13 012	83 360
Headline earnings (linked units)	686 797	312 179
Adjustment resulting from straight-lining of rental revenue	(18 043)	(18 399)
Fair value (gain)/loss on investments	(171 127)	62 435
Fair value loss/(gain) on BEE instrument	37 474	(28 657)
Fair value adjustment on interest rate derivatives	(14 621)	53 681
Fair value adjustment on bond shorts	(22 007)	92 057
Interest paid by BEE SPV	21 485	24 824
Income received by BEE SPV	(20 987)	(18 376)
Fair value adjustments on investments of associates	(33 937)	-
Other	219	(99)
Income tax effect	7 199	(93 823)
Distributable income	472 452	385 822
Less: distribution declared	(472 452)	(385 822)
Income not distributed	-	-
Headline earnings per linked unit (cents)	282,32	137,67
Diluted headline earnings per linked unit (cents)	270,31	131,41

	Audited for the year ended Dec 2009 R'000	Restated for the year ended Dec 2008 R'000
Basic earnings per share, basic earnings per linked unit and headline earnings per linked unit are based on the weighted average of 243 265 511 (2008: 226 751 719) shares/linked units in issue during the year.		
Diluted earnings per share, diluted earnings per linked unit and diluted headline earnings per linked unit are based on the weighted average of 254 076 322 (2008: 237 562 530) shares/linked units in issue during the year.		

	Audited for the year ended Dec 2009 R'000	Restated for the year ended Dec 2008 R'000
Total comprehensive income for the year	450 576	141 169
Basic earnings per share (cents)	185,22	62,26
Basic earnings per linked unit (cents)	379,43	232,41
Diluted earnings per share (cents)	177,34	59,42
Diluted earnings per linked unit (cents)	363,29	221,83

	Audited for the year ended Dec 2009 R'000	Restated for the year ended Dec 2008 R'000
Total comprehensive income for the year	450 576	141 169
Basic earnings per share (cents)	185,22	62,26
Basic earnings per linked unit (cents)	379,43	232,41
Diluted earnings per share (cents)	177,34	59,42
Diluted earnings per linked unit (cents)	363,29	221,83

Consolidated statement of changes in equity

	Share capital R'000	Share premium R'000	Treasury shares R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000
Audited						
Balance at 31 December 2007	1 607	584 235	(251)	1 615 731	10	2 201 332
Issue of units	696	1 024 397				1 025 093
Units acquired by The Resilient Unit Purchase Trust			251			251
Loss on units issued by The Resilient Unit Purchase Trust to employees				(62)		(62)
Total comprehensive income for the year					141 169	141 169
Transfer to non-distributable reserves				141 169	(141 169)	-
Balance at 31 December 2008	2 303	1 608 632	-	1 756 838	10	3 367 783
Issue of units	148	255 337				255 485
- Issue of 8 988 764 units on 10 March 2009	90	153 531				153 621
- Issue of 2 175 000 units on 11 May 2009	22	36 000				36 022
- Issue of 3 617 020 units on 23 September 2009	36	65 806				65 842
Total comprehensive income for the year					450 576	450 576
Transfer to non-distributable reserves				450 576	(450 576)	-
Balance at 31 December 2009	2 451	1 863 969	-	2 207 414	10	4 073 844

Directors	JJ Njike (chairman)	Thembi Chagonda	Jorge da Costa	Des de Beer*	Andries de Lange*	Marthin Greyling	Johann Kriek*	David Lewis*
	Sydney Malabie	Phumelele Msweli	Daniel Rodrigues (Alt)	Rory Turner	Barry van Wyk	Jeff Zidel*	(*Executive director)	(#Non-independent)
Company secretary	Nick Hanekom							
Business address	4th Floor Rivonia Village	Rivonia Boulevard	Rivonia 2191					
Transfer office	Link Market Services South Africa (Proprietary) Limited	11 Diagonal Street	Johannesburg 2001					
Sponsor	Java Capital (Proprietary) Limited							

Consolidated statement of comprehensive income

	Audited for the year ended Dec 2009 R'000	Restated for the year ended Dec 2008 R'000
Net rental and related revenue	390 049	290 539
Recoveries and contractual rental revenue	530 417	388 918
Straight-lining of rental revenue adjustment	18 043	18 399
Rental revenue	548 460	407 317
Property operating expenses	(158 411)	(116 778)
Distributable income from investments	88 656	76 500
Fair value gain on investment property and investments	377 498	235 737
Fair value gain on investment property	224 414	316 571
Adjustment resulting from straight-lining of rental revenue	(18 043)	(18 399)
Fair value gain/(loss) on investments	171 127	(62 435)
Fair value (loss)/gain on BEE instrument	(37 474)	28 657
Other income	25 617	14 088
Administrative expenses	(32 846)	(24 386)
Profit on sale of subsidiaries	15 550	-
Income from associates	133 174	7 359
Profit before net finance costs	960 224	628 494
Net finance costs	(489 437)	(497 788)
Finance income	94 879	93 420
Interest from loans	51 933	24 800
Fair value adjustment on interest rate derivatives	14 621	-
Fair value adjustment on bond shorts	22 007	-
Interest on linked units issued cum distribution	6 318	68 620
Finance costs	(584 316)	(591 208)
Interest on borrowings	(172 150)	(107 829)
Capitalised interest	60 286	48 181
Fair value adjustment on interest rate derivatives	-	(53 681)
Fair value adjustment on bond shorts	-	(92 057)
Interest to linked debenture holders - interim	(220 957)	(177 429)
- final	(251 495)	(208 393)
Profit before income tax expense	470 787	130 706
Income tax expense	(20 211)	10 463
Profit for the year attributable to equity holders	450 576	141 169
Total comprehensive income for the year	450 576	141 169
Basic earnings per share (cents)	185,22	62,26
Basic earnings per linked unit (cents)	379,43	232,41
Diluted earnings per share (cents)	177,34	59,42
Diluted earnings per linked unit (cents)	363,29	221,83

Abridged consolidated statement of cash flows

	Audited for the year ended Dec 2009 R'000	Audited for the year ended Dec 2008 R'000
Cash outflow from operating activities	(417 798)	(90 144)
Cash outflow from investing activities	(508 930)	(507 592)
Cash inflow from financing activities	932 262	599 702
Increase in cash and cash equivalents	5 534	1 966
Cash and cash equivalents at beginning of the year	5 106	3 140
Cash and cash equivalents at end of the year	10 640	5 106
Cash and cash equivalents consist of:		
Current accounts	10 640	5 106

Notes

1 PREPARATION AND AUDIT OPINION

The condensed audited consolidated financial statements have been prepared in accordance with IAS34, the JSE Listings Requirements and the requirements of the South African Companies Act. The accounting policies adopted are consistent with those of the prior year and in accordance with IFRS. Headline earnings for 2008 has been restated to include the fair value adjustments on investments and bond shorts. The group previously disclosed profit or loss on disposal of investment property and investments separately from the fair value adjustments on these items. To better reflect the nature of these transactions, these amounts are now combined into the respective fair value adjustment lines in the statement of comprehensive income.