

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")



Reviewed Interim Financial Report for the six months ended 30 June 2008

Directors' commentary

The distribution of 79,49 cents per linked unit for the six months ended 30 June 2008 represents a 16,95% increase over the distribution for the comparable prior period.

The highlight of this reporting period was the acquisition of the linked units not already owned in Diversified Property Fund Limited ("Diversified"). Diversified unitholders received 0,4375 linked units in Resilient for each linked unit held in Diversified. Resilient intends to dispose of Diversified's smaller retail assets as well as the four industrial properties acquired as part of the merger. The industrial properties, in particular City Deep Industrial Park, are under-rented and will only be sold once the full value can be realised.

Retail spending has come under pressure due to increased interest rates and rising fuel costs. The negative macro-economic environment was countered by the rapid development and growth in resource mining which is the economic focus of most of the areas in which Resilient's developments are situated. Resilient was also protected from the deterioration in the retail trading environment by the overwhelming dominance of national retailers in its shopping centres.

1 PROPERTY ACQUISITIONS AND DEVELOPMENTS

Arbour Town

Resilient owns a 10% interest in this 96,9 ha site situated along the N2 highway in Amanzimtoti. The housing estate and land zoned for residential development have been sold for a total of R40 million with transfer expected in August 2008. The 36 000 m² GLA value centre (Arbour Crossing), anchored by Pick 'n Pay Hypermarket, is scheduled to open in November 2008 and is fully let. The Galleria, a regional mall with a GLA of 76 600 m², is 90% pre-let and is scheduled to open in November 2009.

An offer to purchase The Galleria, Arbour Crossing and the remaining land which is zoned for commercial development, has been accepted. The offer remains subject to numerous suspensive conditions and finality on the sale is only anticipated in October 2008.

Burgersfort Mall

Resilient has entered into an agreement with the original vendors to cancel their option to buy back 50% of the proposed regional mall planned for this property. Tenant demand for the mall is strong and the Edcon group has agreed to anchor the proposed regional mall with an Edgars store. Construction of a 38 000 m² GLA mall is scheduled to commence in 2009.

Chemserve Spartan

Construction of a sub-divisible 9 690 m² warehouse and office development on previously unutilised land is scheduled for completion in September 2008. Tenant demand for industrial space is strong and the expected yield on the development is in excess of 11%.

Game Centre Polokwane

Resilient acquired a 40% interest in this value centre for R40 million at a forward yield of 10%. The remaining interest is held by the Moolman and Flanagan & Gerard groups, Resilient's partners in the Mall of the North development.

The Grove

Resilient has a 50% interest in this 39 000 m² GLA mall anchored by Edgars, Pick 'n Pay and Woolworths. The mall is scheduled to open in August 2009. A further 2,28 ha of land has been acquired adjacent to the site at a total cost of R13 million. Application has been made for retail rights with the intention to extend the mall by between 8 000 m² and 10 000 m² of GLA.

Ilanga Lifestyle Centre

Resilient has a 25% interest in this 8,9 ha site. The proposed 40 000 m² GLA development is 90% pre-let and will be anchored by Game, Pick 'n Pay and Woolworths. Commencement of construction of the development has been delayed due to an environmental issue. The issue has been resolved and construction is anticipated to commence in November 2008.

Mafikeng Mall

This 22 500 m² GLA mall anchored by Spar, Game and Edgars is scheduled to open in April 2009. Tenant demand is strong and application has been made for rights to develop a further 15 000 m² of GLA.

Mall of the North

The 75 000 m² of retail rights approved for the site remains subject to review by the Provincial Appeal Tribunal. The review hearing dates have been set for August and September 2008 and, subject to a favourable outcome, Resilient will increase its stake in the development from 48% to 55%. A service agreement for electricity has been entered into with the local authority and sufficient supply has been set aside for the development.

Northam Plaza

Resilient has obtained additional retail rights and construction of a 7 500 m² GLA extension is planned to commence in December 2008 and is anticipated to be completed in November 2009.

Village Mall, Kathu

This 19 000 m² GLA closed mall in Kathu is scheduled to open in November 2008. Kathu is based on the fourth largest iron ore deposit in the world and the area is currently undergoing strong growth and development. The mall is fully let and tenants include inter alia Edgars, Spar and the Truworths, Foschini, Mr Price and Clicks groups.

2 PROPERTIES SOLD

Shoprite Rustenburg was sold for R27 million against a book value of R25,7 million and transfer has been effected. Shoprite Vryheid has been sold for R23,5 million against a book value of R20,5 million and transfer is expected in August 2008. All Diversified's properties sold but not yet transferred at December 2007 were subsequently transferred.

3 INVESTMENTS

Following the merger of Resilient and Diversified, Resilient's holdings in Pangbourne Properties Limited and Capital Property Fund increased to 36 868 803 and 85 346 310 units valued at R11,55 and R4,20 per unit respectively. In addition, Resilient now owns 7 392 500 shares in associate New Europe Property Investments Plc ("NEPI"), an AIM listed property company, focused on Romania.

4 PROSPECTS

All Resilient's properties are new or have been substantially refurbished over the last few years. A reduction of major refurbishment costs will provide an underpin for earnings growth over the next few years. The projected yield on new developments is anticipated to exceed the yield of the assets to be disposed of to fund these developments. Resilient's record of strong growth in distributions is anticipated to continue for the foreseeable future.

By order of the board

Des de Beer
Managing director

Andries de Lange
Financial director

Johannesburg
6 August 2008

Directors
JJ Njike (chairman); Jorge da Costa; Des de Beer*; Andries de Lange*; Martin Greyling; Johann Kriek*; David Lewis*; Sydney Malabie; Phumelele Msweli; Rory Turner; Barry van Wyk; Jeff Zidel* (*Executive directors)

Company secretary
Nick Hanekom

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11 Diagonal Street Johannesburg 2001

Sponsor
Java Capital (Proprietary) Limited

Consolidated balance sheet

	Reviewed 30 Jun 2008 R'000	Audited 31 Dec 2007 R'000	Reviewed 30 Jun 2007 R'000
ASSETS			
Non-current assets	5 790 055	4 303 235	3 348 868
Investment property	3 572 542	2 546 618	2 152 914
Straight-lining of rental income adjustment	64 727	39 399	52 359
Investment property under development	764 795	362 619	196 916
Investment in associate company	198 800	–	–
Investments	784 289	1 164 128	797 251
Intangible asset	26 422	–	–
Loans	376 540	188 574	147 540
Property, plant and equipment	1 940	1 897	1 888
Current assets	149 607	65 698	89 447
Investment property held for sale	23 144	–	50 565
Straight-lining of rental income adjustment	356	–	1 435
Trade and other receivables	121 970	62 558	35 980
Cash and cash equivalents	4 137	3 140	1 467
Total assets	5 939 662	4 368 933	3 438 315
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	2 885 647	2 201 332	1 651 748
Share capital	2 232	1 607	1 503
Share premium	1 498 675	584 235	401 051
Treasury shares	(251)	(251)	–
Non-distributable reserves	1 384 981	1 615 731	1 249 185
Retained earnings	10	10	9
Total liabilities	3 054 015	2 167 601	1 786 567
Non-current liabilities	2 775 472	1 955 820	1 619 821
Linked debentures	1 071 409	771 520	721 580
Treasury debentures	(101)	(101)	–
Interest-bearing borrowings	1 255 038	680 784	456 923
BEE instrument	16 186	56 967	54 162
Deferred tax	432 940	446 650	387 156
Current liabilities	278 543	211 781	166 746
Trade and other payables	99 850	63 905	35 288
Linked debenture interest payable	177 429	121 740	102 179
Income tax payable	1 264	26 136	12 927
Interest-bearing borrowings	–	–	16 352
Total equity and liabilities	5 939 662	4 368 933	3 438 315

Consolidated income statement

	Reviewed for the 6 months ended 30 Jun 2008 R'000	Audited for the 12 months ended 31 Dec 2007 R'000	Reviewed for the 6 months ended 30 Jun 2007 R'000
Net rental and related income	1 111 553	186 535	105 930
Recoveries and contractual rental income	143 169	265 779	121 866
Straight-lining of rental income adjustment	8 233	12 804	27 199
Rental income	151 402	278 583	149 065
Property operating expenses	(39 849)	(92 048)	(43 135)
Distributable income from investments	29 342	67 919	29 206
(Loss)/profit on disposal of investments and investment property	(6 293)	57 726	53 032
Profit on disposal of investment property	1 299	197	–
(Loss)/profit on disposal of investments	(7 592)	57 529	53 032
Fair value (loss)/gain on investments and investment property	(328 023)	674 883	218 885
Fair value gain on investment property	–	491 411	101 607
Adjustment resulting from straight-lining of rental income	(8 233)	(12 804)	(27 199)
Fair value (loss)/gain on investments	(319 790)	196 276	144 477
Fair value gain/(loss) on BEE instrument	40 781	(56 967)	(54 162)
Other income	5 831	16 026	10 130
Administrative expenses	(14 316)	(25 412)	(13 672)
Impairment of goodwill	(60 530)	(2 795)	–
Other expenses	–	(59)	–
(Loss)/profit before net finance costs	(221 655)	917 856	349 349
Net finance costs	(112 816)	(227 343)	(98 188)
Finance income	89 403	34 061	19 121
Interest from loans	10 629	15 528	6 275
Fair value adjustment on interest rate swaps	14 797	11 703	9 417
Interest on linked units issued cum distribution	63 977	6 830	3 429
Finance costs	(202 219)	(261 404)	(117 309)
Interest on borrowings	(24 790)	(37 485)	(15 130)
Interest to linked debenture holders	(177 429)	(102 179)	(102 179)
– interim	–	(121 740)	–
– final	–	–	–
(Loss)/profit before income tax	(334 471)	690 513	251 161
Income tax	103 721	(145 859)	(73 053)
(Loss)/profit for the period attributable to equity holders	(230 750)	544 654	178 108
Basic earnings per share (cents)	(103,38)	350,19	118,48
Basic earnings per linked unit (cents)	(23,89)	494,16	186,45
Diluted earnings per share (cents)	(98,60)	327,43	110,53
Diluted earnings per linked unit (cents)	(22,78)	462,04	173,94

Consolidated statement of changes in equity

Reviewed	Share capital R'000	Share premium R'000	Treasury shares R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000
Balance at 31 December 2006	1 419	259 972	–	1 070 939	10	1 332 340
Issue of units						
– Issue of 6 818 181 units on 16 April 2007	68	114 398				114 466
– Issue of 1 632 000 units on 20 April 2007	16	26 681				26 697
Profit on units issued by The Resilient Unit Purchase				137		137
Trust to employees					178 108	178 108
Profit for the period				178 109	(178 109)	–
Transfer to reserves						–
Balance at 30 June 2007	1 503	401 051	–	1 249 185	9	1 651 748
Issue of units						
– Issue of 4 555 808 units on 13 September 2007	46	76 620				76 666
– Issue of 5 848 421 units on 21 September 2007	58	106 564				106 622
Profit on units issued by The Resilient Unit Purchase				1		1
Trust to employees					(251)	(251)
Units acquired by The Resilient Unit Purchase Trust					366 546	366 546
Profit for the period				366 545	(366 545)	–
Transfer to reserves						–
Balance at 31 December 2007	1 607	584 235	(251)	1 615 731	10	2 201 332
Issue of units						
– Issue of 62 476 800 units on 30 June 2008	625	914 440				915 065
Loss for the period					(230 750)	(230 750)
Transfer to reserves				(230 750)	230 750	–
Balance at 30 June 2008	2 232	1 498 675	(251)	1 384 981	10	2 885 647

Non-distributable reserves comprise those profits and losses that are not distributable to unitholders and are made up of mainly revaluation adjustments on investment property, investment property held for sale and investments, profits or losses on the disposal of investment property and investments, the share of post-acquisition reserves of associates, straight-lining adjustments and other non-distributable balances.

Reconciliation of (loss)/profit for the period to headline earnings and distributable income

	Reviewed for the 6 months ended 30 Jun 2008 R'000	Audited for the 12 months ended 31 Dec 2007 R'000	Reviewed for the 6 months ended 30 Jun 2007 R'000
Basic earnings (shares) – (loss)/profit for the period attributable to equity holders	(230 750)	544 654	178 108
– interest to linked debenture holders	177 429	223 919	102 179
Basic earnings (linked units)	(53 321)	768 573	280 287
Adjusted for:	291 125	(583 955)	(226 063)
– fair value loss/(gain) on investment property	8 233	(478 607)	(101 607)
– fair value loss/(gain) on investments	319 790	(196 276)	(144 477)
– profit on disposal of investment property	(1 299)	(197)	–
– loss/(profit) on disposal of investments	7 592	(57 529)	(53 032)
– impairment of goodwill	60 530	2 795	–
– income tax effect	(103 721)	145 859	73 053
Headline earnings	237 804	184 618	54 224
Adjustment resulting from straight-lining of rental income	(8 233)	(12 804)	–
Fair value (gain)/loss on BEE instrument	(40 781)	56 967	54 162
Fair value adjustment on interest rate swaps	(14 797)	(11 703)	(9 417)
Interest paid by BEE SPV (refer to note 2.2)	12 104	22 534	10 820
Income received by BEE SPV (refer to note 2.2)	(8 594)	(15 536)	(7 348)
Other	(74)	(157)	(262)
Distributable income	177 429	223 919	102 179
Less: Distribution declared	(177 429)	(223 919)	(102 179)
Income not distributed	–	–	–
Headline earnings per linked unit (cents)	106,54	118,70	36,07
Diluted headline earnings per linked unit (cents)	101,62	110,99	33,65

Basic earnings per share, basic earnings per linked unit and headline earnings per linked unit are based on the weighted average of 223 210 200 (31 Dec 07: 155 531 286; 30 Jun 07: 150 329 171) shares/linked units in issue during the period.

Diluted earnings per share, diluted earnings per linked unit and diluted headline earnings per linked unit are based on the weighted average of 234 021 011 (31 Dec 07: 166 342 097; 30 Jun 07: 161 139 982) shares/linked units in issue during the period.

Abridged consolidated cash flow statement

	Reviewed for the 6 months ended 30 Jun 2008 R'000	Audited for the 12 months ended 31 Dec 2007 R'000	Reviewed for the 6 months ended 30 Jun 2007 R'000
Cash (outflow)/inflow from operating activities	(19 397)	(2 160)	10 122
Cash outflow from investing activities	(1 375 698)	(565 751)	(139 183)
Cash inflow from financing activities	1 396 092	561 991	121 468
Increase/(decrease) in cash and cash equivalents	997	(5 920)	(7 593)
Cash and cash equivalents at beginning of period	3 140	9 060	9 060
Cash and cash equivalents at end of period	4 137	3 140	1 467
Cash and cash equivalents consist of:			
Current accounts	4 137	3 140	1 467

Notes

1 PRE