



RESILIENT
Property Income Fund



Reviewed Interim Financial Report
for the six months ended
30 June 2009

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

Directors' commentary

Resilient's distribution of 91,51 cents per linked unit for the six months ended 30 June 2009 represents a 15,12% increase over the 79,49 cents per linked unit distributed for the comparable prior period. This strong performance is the result of strategies implemented over past years rather than actions taken during the period under review. The dominance of Resilient's retail centres in their markets and the high percentage of national retailers have largely insulated Resilient from the impact of the economic downturn.

The first six months of the year were characterised by a deteriorating macroeconomic environment which has negatively impacted on retail sales. Retail trading conditions are expected to remain difficult for at least the remainder of 2009. National retailers have confirmed that non-metropolitan centres have outperformed the metropolitan markets. The board believes that this is the result of significantly lower personal debt levels in the non-metropolitan areas and increases in social spending. The downturn in the resources sector has had limited affect on retail sales to date but the impact may simply be delayed.

Resilient's vacancies declined from 3,2% at 31 December 2008 to 2,9% at 30 June 2009 mainly due to the Chemsolve Spartan industrial unit being let to Consol Glass. Vacancies and arrears are budgeted to increase for the remainder of the financial year; however, no significant deterioration is anticipated.

PROPERTY ACQUISITIONS AND DEVELOPMENTS

Arbour Town

Resilient owns 10% of the Arbour Town precinct with the remaining 90% held by Keystone Investments. The value centre, Arbour Crossing, opened in November 2008 with the regional mall, The Galleria, scheduled to open in November 2009. Resilient intends either to sell its 10% interest or to increase its holding to a meaningful percentage.

The Grove

Resilient is developing this 39 000 m² GLA mall in a 50/50 partnership with Keystone Investments. The mall is anchored by Edgars, Pick 'n Pay and Woolworths. All major tenants have taken occupation of their stores for shop fitting and the mall will open in September 2009. Application has been made for a further 10 000 m² of retail rights on the adjacent property and approval is expected by the end of the year. Despite the difficult economic climate, tenant demand by national retailers remains strong and it is anticipated that the 10 000 m² GLA extension will commence after approval of the rights.

P'langa Mall

Resilient has a 25% interest in this 40 000 m² GLA development. The mall will be anchored by Edgars, Game, Pick 'n Pay and Woolworths and will include all major national clothing retailers. Heavy rains initially resulted in delays in construction, however, this backlog has largely been caught up and the board is confident that the development will open on schedule in August 2010.

Mafikeng Mall

This 22 500 m² GLA mall in which Resilient has a 64% interest opened in April 2009. The mall is anchored by Spar, Game and Edgars and tenants include the Truworths, Foschini and Pepkor groups.

Mall of the North

Construction of the 75 000m² GLA mall commenced in March 2009 with completion scheduled for April 2011. Resilient has a 57% interest in this development 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 will be the largest retail development in the Limpopo Province.

PROPERTIES SOLD

Resilient has agreed to sell Isando Business Park, City Deep Industrial Park, Chemsolve Spartan and its 25% interest in Montague Business Park to Capital Property Fund ("Capital") for R611,5 million with effect from 1 August 2009. The sale price is payable in Capital units to be issued at R6,20, excluding the distribution for the period ending June 2009. The rationale for the sale is to improve Resilient's focus as a retail fund and to enhance Capital's portfolio with the addition of quality industrial assets. The sale is now unconditional following Competition Commission and Capital unitholder approval.

Checkers Queenstown, Jet Stores Queenstown, Bester Street Nelspruit and Ellerines Mthatha which were sold during 2008 and disclosed as held for sale in December 2008, have been transferred.

FORTRESS INCOME FUND LIMITED

Resilient has in principle agreed to the sale of 14 properties valued at R556 million to a new property fund, Fortress Income Fund Limited ("Fortress"), scheduled for listing on the JSE in October 2009. Resilient's projected exit yield is 10,5%. Fortress will list A and B linked units with the A units entitled to a predetermined initial yield, escalating at a fixed annual percentage. The A units will have preference over the B units. Similar structures have in the past been well received by the market.

Should the sale to Fortress proceed, the Resilient property portfolio will consist of 18 retail centres with a further four under development.

INVESTMENTS

Resilient held 82 931 701 units in Capital, 47 500 215 linked units in Pangbourne Properties Limited ("Pangbourne") and 7 392 500 shares in New Europe Property Investments plc ("Nepi") at 30 June 2009. The units in Capital and Pangbourne were valued at R5,85 and R13,70 respectively. Nepi is accounted for as an associate.

PROSPECTS

Resilient's property portfolio and equity investments continue to perform well despite the difficult macroeconomic environment. The group is well positioned to achieve growth in distributions for the full financial year similar to that achieved for this interim period.

By order of the board

Des de Beer
Managing director

Johannesburg
12 August 2009

Andries de Lange
Financial director

Directors

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

Company secretary
Nick Hanekom

Registered address

4th Floor Rivonia Village
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Rivonia 2191

Transfer office

Link Market Services South Africa (Proprietary) Limited
11 Diagonal Street Johannesburg 2001

Sponsor

Java Capital (Proprietary) Limited

Consolidated balance sheet

	Reviewed Jun 2009 R'000	Audited Dec 2008 R'000	Reviewed Jun 2008 R'000
ASSETS			
Non-current assets	5 841 841	6 701 358	5 790 555
Investment property	3 269 640	3 889 584	3 572 542
Straight-lining of rental income adjustment	64 006	57 702	64 727
Investment property under development	779 688	1 041 163	764 795
Investment in associate company	193 835	192 847	198 800
Investments	1 138 983	1 178 970	784 289
Intangible asset	26 422	26 422	26 422
Loans	367 529	312 800	376 540
Property, plant and equipment	1 738	1 870	1 940
Current assets	1 391 415	184 506	149 607
Investment property held for sale	1 154 720	38 007	23 144
Straight-lining of rental income adjustment	12 882	96	356
Loans to development partners	155 638	81 949	44 887
Trade and other receivables	63 361	59 348	77 083
Cash and cash equivalents	4 814	5 106	4 137
Total assets	7 233 256	6 885 864	5 939 662
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	3 616 440	3 367 783	2 885 647
Share capital	2 415	2 303	2 232
Share premium	1 798 163	1 608 632	1 498 675
Treasury shares	-	-	(251)
Non-distributable reserves	1 815 852	1 756 838	1 384 981
Retained earnings	10	10	10
Total liabilities	3 616 816	3 518 081	3 054 015
Non-current liabilities	3 187 553	2 904 324	2 775 472
Linked debentures	1 158 993	1 105 407	1 071 409
Treasury debentures	-	-	(101)
Interest-bearing borrowings	1 584 042	1 335 375	1 255 038
BEE instrument	34 493	28 310	16 186
Deferred tax	410 025	435 232	432 940
Current liabilities	429 263	613 757	278 543
Trade and other payables	106 693	117 360	99 850
Linked debenture interest payable	220 957	208 392	177 429
Income tax payable	873	1 817	1 264
Interest-bearing borrowings	100 740	286 188	-
Total equity and liabilities	7 233 256	6 885 864	5 939 662

Consolidated income statement

	Reviewed for the six months ended Jun 2009 R'000	Audited for the year ended Dec 2008 R'000	Restated reviewed for the six months ended Jun 2008 R'000
Net rental and related income	201 579	290 539	111 553
Recoveries and contractual rental income	264 641	388 918	143 169
Straight-lining of rental income adjustment	19 092	18 399	8 233
Rental income	283 733	407 317	151 402
Property operating expenses	(82 154)	(116 778)	(39 849)
Distributable income from investments	53 374	76 500	29 342
Profit/(loss) on disposal of investment property and bond shorts	26 136	(20 525)	(6 293)
(Loss)/profit on disposal of investment property	(17)	1 860	1 299
Profit/(loss) on disposal of investments	4 146	(4 117)	(7 592)
Profit/(loss) on realisation of bond shorts	22 007	(18 268)	-
Fair value (loss)/gain on investments and investment property	(31 437)	237 994	(388 553)
Fair value gain/(loss) on investment property	25 598	314 711	(60 530)
Adjustment resulting from straight-lining of rental income	(19 092)	(18 399)	(8 233)
Fair value loss on investments	(37 943)	(58 318)	(319 790)
Fair value (loss)/gain on BEE instrument	(6 183)	28 657	40 781
Other income	12 591	14 088	5 831
Administrative expenses	(17 822)	(24 386)	(14 316)
Income from associate	6 947	7 359	-
Profit/(loss) before net finance costs	245 185	610 226	(221 655)
Net finance costs	(211 323)	(479 520)	(112 816)
Finance income	42 833	93 420	89 403
Interest from loans	11 162	24 800	10 629
Fair value adjustment on interest rate derivatives	27 089	-	14 797
Interest on linked units issued cum distribution	4 582	68 620	63 977
Finance costs	(254 156)	(572 940)	(202 219)
Interest on borrowings	(33 199)	(59 648)	(24 790)
Fair value adjustment on interest rate derivatives	-	(53 681)	-
Fair value adjustment on bond shorts	-	(73 789)	-
Interest to linked debenture holders	(220 957)	(177 429)	(177 429)
- interim	-	(208 393)	-
- final	-	-	-
Profit/(loss) before income tax expense	33 862	130 706	(334 471)
Income tax expense	25 152	10 463	103 721
Profit/(loss) for the period attributable to equity holders	59 014	141 169	(230 750)
Basic earnings per share (cents)	24,44	62,26	(103,38)
Basic earnings per linked unit (cents)	115,95	232,41	(23,89)
Diluted earnings per share (cents)	23,39	59,42	(98,60)
Diluted earnings per linked unit (cents)	110,98	221,83	(22,78)

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 2007	1 607	584 235	(251)	1 615 731	10	2 201 332
Issue of units	625	914 440	-	-	-	915 065
Loss for the period	-	-	-	-	(230 750)	(230 750)
Transfer to non-distributable reserves	-	-	-	(230 750)	230 750	-
Balance at 30 June 2008	2 232	1 498 675	(251)	1 384 981	10	2 885 647
Issue of units	71	109 957	-	-	-	110 028
Units acquired by The Resilient Unit Purchase Trust	-	-	251	-	-	251
Loss on units issued by The Resilient Unit Purchase Trust to employees	-	-	-	(62)	-	(62)
Profit for the period	-	-	-	-	371 919	371 919
Transfer to non-distributable reserves	-	-	-	371 919	(371 919)	-
Balance at 31 December 2008	2 303	1 608 632	-	1 756 838	10	3 367 783
Issue of units	112	189 531	-	-	-	189 643
- 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
Profit for the period	-	-	-	59 014	59 014	59 014
Transfer to non-distributable reserves	-	-	-	(59 014)	(59 014)	-
Balance at 30 June 2009	2 415	1 798 163	-	1 815 852	10	3 616 440

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 and investments, profits or losses on the disposal of investment property and investments, the share of post-acquisition reserves of associates, straight-lining of rental income adjustments and other non-distributable balances.

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

	Reviewed for the six months ended Jun 2009 R'000	Audited for the year ended Dec 2008 R'000	Restated reviewed for the six months ended Jun 2008 R'000
Basic earnings (shares) – profit/(loss) for the period attributable to equity holders	59 014	141 169	(230 750)
- interest to linked debenture holders	220 957	385 822	177 429
Basic earnings (linked units)	279 971	526 991	(53 321)
Adjusted for:	(19 851)	(227 932)	291 125
- fair value (gain)/loss on investment property	(6 506)	(296 312)	68 763
- fair value loss on investments	37 943	58 318	319 790
- loss/(profit) on disposal of investment property	17	(1 860)	(1 299)
- (profit)/loss on disposal of investments	(4 146)	4 117	7 592
- (profit)/loss on realisation of bond shorts	(22 007)	18 268	-
- income tax expense	(25 152)	(10 463)	(103 721)
Headline earnings	260 120	299 059	237 804
Adjustment resulting from straight-lining of rental income	(19 092)	(18 399)	(8 233)
Fair value loss/(gain) on BEE instrument	6 183	(28 657)	(40 781)
Fair value adjustment on interest rate derivatives	(27 089)	53 681	(14 797)
Fair value adjustment on bond shorts	-	73 789	-
Interest paid by BEE SPV (refer to note 2.2)	11 456	24 824	12 104
Income received by BEE SPV (refer to note 2.2)	(9 893)	(18 376)	(8 594)
Post-acquisition reserves from associate	(773)	-	-
Other	45	(99)	(74)
Distributable income	220 957	385 822	177 429
Less: distribution declared	(220 957)	(385 822)	(177 429)
Income not distributed	-	-	-
Headline earnings per linked unit (cents)	107,73	131,89	106,54
Diluted headline earnings per linked unit (cents)	103,11	125,89	101,62
Basic earnings per share, basic earnings per linked unit and headline earnings per linked unit are based on the weighted average of 241 457 001 (Dec 2008: 226 751 719; Jun 2008: 223 210 200) 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 252 267 812 (Dec 2008: 237 562 530; Jun 2008: 234 021 011) shares/linked units in issue during the period.			

Abridged consolidated cash flow statement

	Reviewed for the six months ended Jun 2009 R'000	Audited for the year ended Dec 2008 R'000	Reviewed for the six months ended Jun 2008 R'000
Cash outflow from operating activities	(81 647)	(90 144)	(19 397)
Cash outflow from investing activities	(247 100)	(507 592)	(1 375 698)
Cash inflow from financing activities	328 455	599 702	1 396 092
(Decrease)/increase in cash and cash equivalents	(292)	1 966	997
Cash and cash equivalents at beginning of period	5 106	3 140	3 140
Cash and cash equivalents at end of period	4 814	5 106	4 137
Cash and cash equivalents consist of:			
Current accounts	4 814	5 106	4 137

Notes

1 PREPARATION AND REVIEW OPINION

The condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS34 and the requirements of the Companies Act (Act 61 of 1973). The accounting policies adopted are consistent with those of the prior period. KPMG Inc. has reviewed the financial information set out in this report. Their unmodified review report is available for inspection at the group's registered address.

2 SUMMARY OF FINANCIAL PERFORMANCE

	Jun 2009	Dec 2008	Jun 2008	Dec 2007
Distribution per linked unit (cents)	91,51	90,49	79,49	75,74
Units in issue	252 267 812	241 104 048	234 021 011	171 544 211
<i>Property operations</i>				
Net asset value*	R19,92	R19,55	R17,87	R18,46
Gearing ratio**	23,7%	24,3%	21,7%	14,9%
Units in issue	252 267 812	241 104 048	234 021 011	171 544 211
<i>Consolidated</i>				
Net asset value*	R19,78	R19,42	R17,73	R18,50
Units in issue	241 457 001	230 293 237	223 210 200	160 712 400

* Net asset value includes total equity attributable to equity holders and linked debentures.

** The gearing ratio is calculated by dividing the total gearing by the investment in non-current assets excluding loans and property, plant and equipment. For calculating the gearing ratio in June 2009, the investment property held for sale was classified as a non-current asset (refer to note 3 for the gearing calculation).

2.1 To comply with financial reporting requirements the group will account for entities that do not form part of its operations, do not operate under its operating policies and whose businesses, risk profiles and debt levels are not comparable with its own. Disclosure under "Property operations" excludes Eagle's Eye Investments (Proprietary) Limited ("BEE SPV").

2.2 On 27 June 2006 10 810 811 linked units were issued to BEE SPV and Resilient is standing surety for the funding obligations of BEE SPV in acquiring these units. In terms of IFRS the issue did not take place and the essence of the transaction was that the BEE shareholders received a right/option to acquire linked units in Resilient at a future date at a predetermined price. As a consequence the issue of linked units has been eliminated in the preparation of these financial statements. The right/option the BEE shareholders have acquired has a value of R34 493 000 (Dec 2008: R28 310 000; Jun 2008: R16 186 000). The value of this right/option will be considered on an ongoing basis and changes in its fair value are accounted for through profit and loss.

The following table indicates the effect of the BEE transaction on the group financial statements (the column "Property operations" indicates Resilient's results had the BEE transaction been accounted for as an issue for value):

June 2009	Consolidated R'000	BEE SPV R'000	Property operations R'000
Income statement			
Fair value loss on BEE instrument	(6 183)	6 183	-
Finance costs			
- Interest on borrowings	(33 199)	11 456	(21 743)
- Interest to linked debenture holders	(220 957)	(9 893)	(230 850)
Balance sheet			
Current assets			
- Trade and other receivables	63 361	(933)	62 428
Share capital	2 415	108	2 523
Share premium	1 798 163	142 270	1 940 433
Non-distributable reserves	1 815 852	54 237	1 870 089
Non-current liabilities			
- Linked debentures	1 158 993	51 892	1 210 885
- Interest-bearing borrowings (non-current and current)	1 684 782	(224 756)	1 460 026
BEE instrument	34 493	(34 493)	-
Current liabilities			
- Trade and other payables	106 693	(84)	106 609
- Linked debenture interest payable	220 957	9 893	230 850

2.3 It is the group's policy to revalue investment property at year end. The fair value gain on investment property of R25 598 000 for the six months to June 2009 relates to the revaluation of investment property held for sale. The fair value loss on investment property of R60 530 000 for the six months to June 2008 relates to the acquisition of Diversified Property Fund Limited. The June 2008 period was restated to be in line with that of December 2008 and to account for the acquisition as an acquisition of investment property, related assets and liabilities and not as a business combination.

3 GEARING

Expiry	Amount R'million	Interest rate	% of borrowings
Interest rate swaps			
July 2009	50,0	7,87%	3,17%
August 2009	50,0	9,70%	3,17%
August 2009	50,0	8,59%	3,17%
October 2010	50,0	8,06%	3,17%
November 2010	65,0	10,70%	4,13%
December 2010	100,0	8,64%	6,35%
July 2011	50,0	10,65%	3,17%
August 2011	50,0	9,16%	3,17%
December 2011	50,0	8,55%	3,17%
December 2011	50,0	8,55%	3,17%
September 2012	50,0	8,86%	3,17%
November 2012	50,0	8,53%	3,17%
November 2012	100,0	8,99%	6,35%
April 2013	50,0	8,12%	3,17%
June 2013	100,0	9,51%	6,35%
October 2013	50,0	9,70%	3,17%
February 2014	100,0	8,19%	6,35%
April 2014	50,0	8,26%	3,17%
November 2014	50,0	8,94%	3,17%
November 2015	50,0	8,86%	3,17%
November 2015	100,0	8,20%	6,35%
November 2016	100,0	8,18%	6,35%
Hedged borrowings	1 415,0		89,78%
Variable rate borrowings	160,4		10,22%
Total gearing*	1 575,4	9,57%	100,00%

* Total gearing comprises the level of external interest-bearing borrowings, excluding those of BEE SPV, should current liabilities be liquidated and current assets be realised.

Gearing is calculated as follows:	Jun 2009 R'million	Dec 2008 R'million	Jun 2008 R'million
Interest-bearing borrowings	1 684,8	1 621,6	1 255,0
Interest-bearing borrowings of BEE SPV	(224,8)	(223,8)	(219,4)
Current liabilities	328,5	327,6	278,5
Current liabilities of BEE SPV	9,8	9,8	8,6
Current assets	(223,8)*	(184,5)	(149,6)
Current assets of BEE SPV	0,9	1,6	1,3
Total gearing	1 575,4	1 552,3	1 174,4

* The consideration for the investment property held for sale will be included in non-current assets as it will not result in a cash inflow and the investment property held for sale was thus excluded from the current assets in June 2009.

4 LEASE EXPIRY PROFILE

Lease expiry	Based on rentable area	Based on contractual rental income
Vacant	2,9%	-
December 2009	11,9%	10,5%
December 2010	12,1%	11,8%
December 2011	24,3%	26,7%
December 2012	14,3%	20,1%
December 2013	13,0%	13,6%
>December 2013	21,5%	17,3%
Total	100,0%	100,0%

5 SEGMENTAL ANALYSIS

Rental income	Jun 2009 R'000	Dec 2008 R'000	Jun 2008 R'000
Retail	248 396	374 618	151 402
Industrial	33 335	30 219	-
Commercial	2 002	2 480	-
Total	283 733	407 317	151 402

Profit/(loss) before net finance costs	Jun 2009 R'000	Dec 2008 R'000	Jun 2008 R'000
Retail	169 277	471 801	111 553
Industrial	37 526	114 471	-
Commercial	1 259	2 439	-
Corporate	37 123	21 515	(333 208)
Total	245 185	610 226	(221 655)

6 PAYMENT OF INTERIM DISTRIBUTION

The board has approved and notice is hereby given of an interim interest distribution (distribution no 13) of 91,51 cents per linked unit for the six months ended 30 June 2009.

The last date to trade linked units cum distribution will be Friday, 28 August 2009 and trading will commence ex distribution on Monday, 31 August 2009. The record date to participate in the distribution will be Friday, 4 September 2009.

Linked unit certificates may not be dematerialised or rematerialised between Monday, 31 August 2009 and Friday, 4 September 2009, both days inclusive.

Payment of the distribution will be made to linked unitholders on Monday, 7 September 2009. In respect of dematerialised linked unitholders, the distribution will be transferred to the Central Securities Depository Participant accounts/broker accounts on Monday, 7 September 2009. Certificated linked unitholders' distribution payments will be posted on or about Monday, 7 September 2009.