



# CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited 28 February 2011 R'000	Unaudited 28 February 2010 <sup>^</sup> R'000	Audited 31 August 2010 <sup>^</sup> R'000
<b>REVENUE</b>			
Property portfolio	1 443 862	1 223 277	2 657 976
Contractual rental income	1 395 238	1 184 996	2 502 135
Straight-line rental income accrual	48 624	38 281	155 841
Listed security portfolio	148 232	122 178	266 098
Fee income	83 394	116 999	193 364
Trading income	2 803	18 340	19 963
<b>Total revenue</b>	<b>1 678 291</b>	<b>1 480 794</b>	<b>3 137 401</b>
Operating costs	(318 662)	(277 368)	(537 639)
Administration costs	(137 208)	(58 004)	(135 904)
<b>Net operating income</b>	<b>1 222 421</b>	<b>1 145 422</b>	<b>2 463 858</b>
Changes in fair values of properties, listed securities and financial instruments	146 415	1 108 711	1 359 269
Amortisation of intangibles	(48 271)	(48 884)	(108 142)
Impairment of financial assets	–	–	(64 143)
Interest in associates	(76 860)	(25 024)	(62 931)
<b>Income from operations</b>	<b>1 243 705</b>	<b>2 180 225</b>	<b>3 587 911</b>
Net interest	(356 032)	(234 581)	(559 306)
Foreign exchange gain	79 238	49 600	28 967
<b>Income before debenture interest</b>	<b>966 911</b>	<b>1 995 244</b>	<b>3 057 572</b>
Debenture interest	(832 131)	(891 595)	(1 777 412)
<b>Profit before taxation</b>	<b>134 780</b>	<b>1 103 649</b>	<b>1 280 160</b>
Taxation	37 012	(157 854)	(161 478)
<b>Profit for the period</b>	<b>171 792</b>	<b>945 795</b>	<b>1 118 682</b>
<b>Other comprehensive income/(expenses)</b>			
Exchange differences on translating foreign operations	42 157	(49 486)	(133 364)
Deferred profit on residential property realised	–	(9 488)	(9 488)
Revaluation of property, plant and equipment (net of deferred taxation)	–	–	345
<b>Other comprehensive income for the period, net of taxation</b>	<b>42 157</b>	<b>(58 974)</b>	<b>(142 507)</b>
<b>Total comprehensive income for the period</b>	<b>213 949</b>	<b>886 821</b>	<b>976 175</b>
Profit/(losses) for period attributable to:			
Redefine shareholders	141 866	936 762	1 135 752
Non-controlling interests	29 926	9 033	(17 070)
	171 792	945 795	1 118 682
Total comprehensive income/(losses) attributable to:			
Redefine shareholders	180 534	877 788	996 788
Non-controlling interests	33 415	9 033	(20 613)
	213 949	886 821	976 175
<b>Reconciliation of earnings, headline earnings and distributable earnings</b>			
Profit for the period attributable to Redefine shareholders	141 866	936 762	1 135 752
Changes in fair values of properties (net of deferred taxation)	(10 108)	(133 049)	(216 503)
Changes in fair value of properties	46 885	(194 593)	(295 909)
Deferred taxation	(56 993)	61 544	79 406
<b>Headline profit to shareholder</b>	<b>131 758</b>	<b>803 713</b>	<b>919 249</b>
Debenture interest	832 131	891 595	1 777 412
<b>Headline earnings attributable to linked unitholders</b>	<b>963 889</b>	<b>1 695 308</b>	<b>2 696 661</b>
Changes in fair values of listed securities and financial instruments (net of deferred taxation)	(174 851)	(817 822)	(981 191)
Changes in fair values of listed securities and financial instruments	(193 300)	(914 118)	(1 063 360)
Deferred taxation	18 449	96 296	82 169

Continued . . .

	Unaudited 28 February 2011 R'000	Unaudited 28 February 2010 <sup>^</sup> R'000	Audited 31 August 2010 <sup>^</sup> R'000
Amortisation of intangibles	48 271	48 884	108 142
Impairment of financial assets	–	–	64 143
Align consolidated foreign profits with anticipated dividends	19 991	5 532	17 505
Straight-line rental income accrual	(48 624)	(38 281)	(155 841)
Foreign exchange gain	(79 238)	(49 520)	(28 967)
Fair value adjustment of associates and minorities	60 439	35 705	34 534
Fee income from foreign subsidiary	–	–	7 533
Capital write offs included in administration costs	6 387	2 593	5 697
Pre-acquisition income on Hyprop units acquired in prior year	35 867	9 196	9 196
<b>Distributable earnings</b>	<b>832 131</b>	<b>891 595</b>	<b>1 777 412</b>
Quarter ended 30 November	402 644	443 651	443 651
Quarter ended 28 February	429 487	447 944	447 944
Quarter ended 31 May			429 487
Quarter ended 31 August			456 330
<b>Total distributions</b>	<b>832 131</b>	<b>891 595</b>	<b>1 777 412</b>
Actual number of linked units in issue ('000)	2 684 295 *	2 674 295 *	2 684 295 *
Weighted number of linked units in issue ('000)	2 684 295 *	2 648 662 *	2 661 915 *
Earnings per linked unit (cents)	36.29	69.03	109.44
Headline earnings per linked unit (cents)	35.91	64.01	101.31
<b>Distribution per linked unit (cents)</b>	<b>31.00</b>	<b>33.50</b>	<b>66.50</b>

\*Excludes 5 876 766 treasury units.

<sup>^</sup> Includes results of RI from the effective date of acquisition being 1 February 2010.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited 28 February 2011 R'000	Unaudited 28 February 2010 R'000	Audited 31 August 2010 R'000
Balance at beginning of the period	15 111 062	13 200 268	13 200 268
Issue of shares	–	–	185 466
Issue expenses written off	–	(239)	–
Total comprehensive income for the period	213 949	886 821	976 175
Changes in ownership interests in subsidiaries	–	–	70 204
Transactions with non-controlling interests	83 222	–	(76 017)
Effective portion of cashflow hedge	27 029	–	–
Non-controlling interests on acquisition of subsidiaries	826 499	676 567	754 966
<b>Total share capital and reserves</b>	<b>16 261 761</b>	<b>14 763 417</b>	<b>15 111 062</b>

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Unaudited 28 February 2011 R'000	Unaudited 28 February 2010 R'000	Audited 31 August 2010 R'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1 272 974	1 102 949	2 180 214
Net financing costs	(356 032)	(234 581)	(559 306)
Linked unit distributions paid	(858 974)	(311 218)	(1 632 300)
Payments to non-controlling interests	(8 432)	(899)	(14 522)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>49 536</b>	<b>556 251</b>	<b>(25 914)</b>
<b>Net cash outflow from investing activities</b>	<b>(1 037 534)</b>	<b>(763 277)</b>	<b>(3 115 670)</b>
<b>Net cash inflow from financing activities</b>	<b>656 566</b>	<b>435 942</b>	<b>3 678 382</b>
<b>Net movement in cash and cash equivalents</b>	<b>(331 432)</b>	<b>228 916</b>	<b>536 798</b>
Cash and cash equivalents at beginning of the period	606 980	111 154	111 154
Translation effects on cash and cash equivalents of foreign operations	(64 768)	–	(40 972)
<b>Cash and cash equivalents at end of the period</b>	<b>210 780</b>	<b>340 070</b>	<b>606 980</b>

## SEGMENTAL ANALYSIS – PROPERTY PORTFOLIO

	Office R'000	Retail R'000	Industrial R'000	Foreign R'000	Total R'000
<b>Six months ended 28 February 2011</b>					
Revenue (excluding straight-line rental income accrual)	644 577	431 437	173 815	145 409	1 395 238
Operating costs	(160 192)	(101 417)	(39 483)	(17 570)	(318 662)
Net property income	484 385	330 020	134 332	127 839	1 076 576
Investment property portfolio	8 384 578	6 941 530	3 043 856	3 907 621	22 277 585
<b>Six months ended 28 February 2010 ^</b>					
Revenue (excluding straight-line rental income accrual)	531 231	474 357	166 382	13 026	1 184 996
Operating costs	(130 595)	(112 432)	(31 935)	(2 406)	(277 368)
Net property income	400 636	361 925	134 447	10 620	907 628
Investment property portfolio	7 861 492	7 982 115	2 964 075	2 225 789	21 033 471
<b>Year ended 31 August 2010 ^</b>					
Revenue (excluding straight-line rental income accrual)	1 182 781	898 132	321 043	100 179	2 502 135
Operating costs	(275 691)	(192 631)	(57 793)	(11 524)	(537 639)
Net property income	907 090	705 501	263 250	88 655	1 964 496
Investment property portfolio	8 427 703	7 374 696	3 194 705	2 258 348	21 255 452

^ Includes results of RI from the effective date of acquisition being 1 February 2010.

## DISTRIBUTABLE INCOME ANALYSIS

	South African R'000	Foreign R'000	Total R'000
Net property income (excluding straight-line rental accrual)	948 737	127 839	1 076 576
Listed security portfolio	105 639	42 593	148 232
Trading income	2 803	–	2 803
Fee income	11 044	72 350	83 394
Total revenue	1 068 223	242 782	1 311 005
Administration costs	(49 604)	(87 604)	(137 208)
Interest in associates (excluding fair value adjustments)	(2 301)	13 418	11 117
Net finance costs	(288 096)	(67 936)	(356 032)
Net distributable profit before taxation	728 222	100 660	828 882
Taxation	–	(1 532)	(1 532)
Net profit before distributable adjustments	728 222	99 128	827 350
Non-controlling interest (excluding fair value adjustments)	376	(57 840)	(57 464)
Distribution adjustments:	728 598	41 288	769 886
Align consolidated foreign profits with anticipated dividends	42 254	19 991	62 245
Capital write offs included in administration costs	–	19 991	19 991
Pre-acquisition income on Hyprop units acquired in 2010	6 387	–	6 387
	35 867	–	35 867
Distributable income	770 852	61 279	832 131

# CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 28 February 2011 R'000	Unaudited 28 February 2010 R'000	Audited 31 August 2010 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>34 247 728</b>	<b>31 018 683</b>	<b>33 122 788</b>
Investment property	22 531 809	21 033 471	21 650 529
Fair value of property portfolio for accounting purposes	21 526 646	20 448 715	20 553 136
Straight-line rental income accrual	750 939	584 756	702 316
Properties under development	254 224	–	395 077
Listed securities portfolio	5 086 701	3 547 159	5 099 485
Goodwill and intangibles	4 547 565	4 754 428	4 682 809
Interest in associates and joint ventures	326 950	428 849	346 227
Loans receivable	1 505 900	1 182 222	1 107 016
Other financial assets	4 058	–	4 115
Guarantee fees receivable	21 563	40 408	21 349
Property, plant and equipment	223 182	32 146	211 258
<b>Current assets</b>	<b>1 100 111</b>	<b>978 919</b>	<b>1 497 974</b>
Properties held for trading	120 763	163 207	128 317
Trade and other receivables	638 440	353 238	572 277
Guarantee fees receivable	20 669	20 127	37 037
Listed security income	109 459	102 277	153 363
Cash and cash equivalents	210 780	340 070	606 980
<b>Non-current assets held for sale</b>	<b>788 323</b>	<b>96 700</b>	<b>351 359</b>
<b>Total assets</b>	<b>36 136 162</b>	<b>32 094 302</b>	<b>34 972 121</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>	<b>16 261 761</b>	<b>14 763 417</b>	<b>15 111 062</b>
Share capital and premium	11 788 301	11 602 596	11 788 301
Reserves	2 727 418	2 472 072	2 669 922
Non-controlling interest	1 746 042	688 749	652 839
<b>Non-current liabilities</b>	<b>17 927 563</b>	<b>15 869 033</b>	<b>16 781 037</b>
Debenture capital	4 831 731	4 767 591	4 831 731
Interest-bearing liabilities	10 894 911	8 824 894	9 562 035
Interest rate swaps	48 222	95 219	199 933
Financial guarantee contract	12 439	6 323	8 596
Deferred taxation	2 140 260	2 175 006	2 178 742
<b>Current liabilities</b>	<b>1 946 838</b>	<b>1 461 852</b>	<b>3 080 022</b>
Trade and other payables	685 222	541 107	636 386
Interest-bearing liabilities	832 129	17 319	1 987 306
Bank overdraft	–	11 831	–
Linked unitholders for distribution	429 487	891 595	456 330
<b>Total equity and liabilities</b>	<b>36 136 162</b>	<b>32 094 302</b>	<b>34 972 121</b>
<b>Net asset value per linked unit (excluding deferred taxation and non-controlling interest) (cents)</b>	<b>800.50</b>	<b>785.90</b>	<b>799.79</b>

# COMMENTARY

## Profile

Redefine is the second largest South African property loan stock company by market capitalisation listed on the Johannesburg Stock Exchange ("JSE") with a diverse range of property assets under management exceeding R29 billion. The company's property portfolio consists of 382 properties located in South Africa valued at R19 billion, a R4 billion portfolio of strategic listed securities, and investments in associates and joint ventures of R1 billion. The Redefine portfolio is further geographically diversified by 99 offshore properties and listed securities valued at R5 billion held through Redefine Properties International Limited ("RIN") and its 81.5% owned subsidiary Redefine International plc ("RI"), listed on the JSE and United Kingdom AIM stock exchange respectively.

Redefine is committed to being the landlord of choice and is focused on achieving sustainable growth in distributions and long-term capital appreciation for its unitholders. The company seeks to meet its objectives through continuous improvement in the quality of the core property portfolio, prudent management of debt, superior property management, effective management of strategic listed investments and exploiting its ability to identify and execute value-adding trading and corporate opportunities.

## Financial results

Redefine has declared a distribution of 16 cents per linked unit for the quarter ended 28 February 2011, which combined with the distribution of 15 cents for the quarter ended 30 November 2010, results in a total distribution of 31 cents per linked unit for the six months ended 28 February 2011. On a comparable recurring income basis, the distribution of 31 cents per linked unit is marginally ahead of the distribution for the same period last year, after excluding non-recurring fee income of 3.19 cents per linked unit from the prior period's distribution.

On a geographic basis, South Africa generated 93% of distributable income. Contractual rental income comprises 86% of total revenue, income from listed securities 9% and trading and fee income 5%. Operating costs represents 22.8% (31 August 2010: 21.5%) of contractual rental income. The bulk of the cost creep relates to the once-off duplication of property management costs that arose from the internalisation of property management. RIN along with Redefine International Fund Managers Limited ("RIFM"), the fund manager of RI, contributed 2.3 cents per linked unit to the distribution for the half-year.

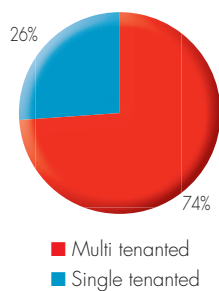
## Changes in fair values

The property portfolio was internally valued at 28 February 2011 resulting in a net decrease in value of R46.9 million. The South African portfolio increased by R27.9 million while the offshore portfolio decreased by R74.8 million. The investment in South African listed securities increased in value by R20.7 million during the period under review, while RI's 19.8% interest in the Cromwell Group ("Cromwell"), a listed Australian property trust, increased in value by R48.2 million. The balance mainly relates to the mark to market of the group's interest rate swaps.

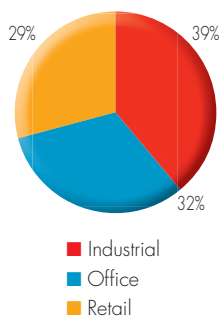
## South African property portfolio

At 28 February 2011, the property portfolio comprised 382 properties with a total gross lettable area ("GLA") of 3.59 million m<sup>2</sup> valued at R19 billion.

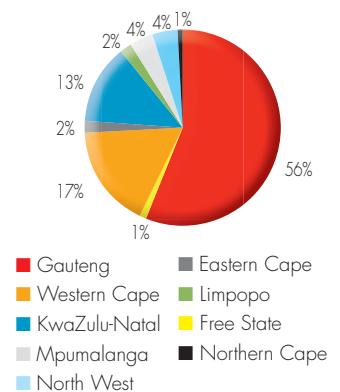
### PORTFOLIO SPLIT BY TENANT TYPE



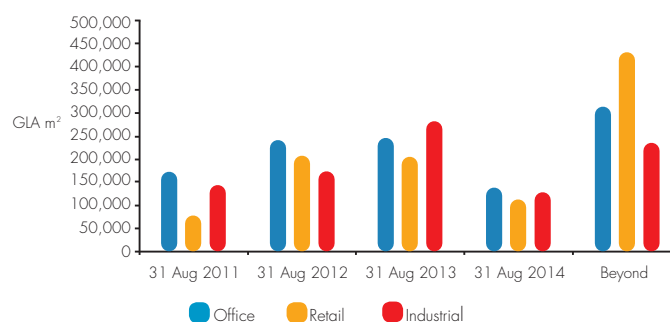
### SECTORAL SPREAD BY GLA



### GEOGRAPHICAL SPREAD BY GLA



## LEASE EXPIRY PROFILE



During the period under review leases totalling 246 412 m<sup>2</sup> were renewed at an average rental increase of 4.6%. A further 139 059 m<sup>2</sup> was let across the portfolio and together with vacancies from properties disposed of, the total vacancy levels reduced to 8.5%, set out below as a percentage of GLA:

	28 February 2011	31 August 2010
Office	11.9%	13.4%
Retail	6.5%	7.4%
Industrial	6.2%	10.1%
<b>Total</b>	<b>8.5%</b>	<b>10.4%</b>

Arrears amounted to R34.3 million (31 August 2010: R39.7 million) against which a provision for possible bad debts of R8.1 million (31 August 2010: R9.7 million) is held.

#### Property acquisitions and disposals

During the period under review, Redefine disposed of 12 properties with a GLA of 39 705 m<sup>2</sup> for an aggregate price of R190 million at an average yield of 9.1%. In line with Redefine's strategy to refocus the core property portfolio, negotiations and feasibilities are underway to dispose of lower grade properties, of approximately R2.9 billion, to be replaced by the acquisition of higher quality properties for a similar amount. Should these transactions be successfully concluded, the overall value of the core property portfolio will remain unchanged at R19 billion with the number of properties declining to approximately 240 resulting in the average value per property increasing from R50 million to R76 million. In executing this strategy, Redefine announced today that, subject to individual agreements, a framework agreement has been reached with Zenprop Property Holdings to acquire a portfolio of seven high quality properties for an aggregate purchase price in excess of R1.1 billion.

#### Listed securities portfolio

The listed securities portfolio comprises:

Fund	28 February 2011		31 August 2010	
	Value R'000	Interest held %	Value R'000	Interest held %
<b>Local listed securities</b>				
Hyprop Investments Limited	3 976 827	45.7	3 959 361	45.7
Oryx Properties Limited	154 494	26.4	144 851	26.4
Sycom Property Fund	–	–	144 067	3.1
	4 131 321		4 248 279	
<b>Foreign listed securities</b>				
Cromwell	955 380	19.8	851 206	19.8
<b>Total</b>	<b>5 086 701</b>		<b>5 099 485</b>	

#### Hyprop Investments Limited ("Hyprop")

Hyprop is in the process of acquiring the Attfund retail portfolio for R9 billion payable through the issue of 92 million Hyprop units and the balance in cash. The transaction which will see the merger of two high quality retail portfolios and will entrench Hyprop' specialist retail focus, was approved by the Competition Tribunal on 6 April 2011 and is now subject to unitholder approval. Although Redefine's shareholding in Hyprop declines from 45.7% to 29.4% as a consequence, the value of its investment remains unchanged.

#### Sycom Property Fund ("Sycom")

The investment in Sycom was sold for R140.8 million during the period under review.

#### Cromwell

In line with RI's objective of increasing its presence in the Australian property market, a further 2.4% in Cromwell was acquired on 2 March 2011.

#### Distribution adjustment

It is Redefine's policy to distribute its share of income from foreign subsidiaries to the extent of dividends received. Accordingly, an adjustment has been made to Redefine's distributable earnings for the period to equate the consolidated results from its foreign subsidiaries for the period to the anticipated dividends.

#### Interest in associates and joint ventures

This includes RI's 21.7% interest in Wichford P.L.C. ("Wichford"), valued at R187.7 million, together with its interest in joint venture property investments of R29.7 million. It also includes Redefine's 49% interest in two enterprise development initiatives, Dipula Property Investment Trust ("Dipula") and Mergence Africa Property Investment Trust ("Mergence") valued at R105.3 million. Dipula and Mergence have announced their intention to merge to create a R1.4 billion property portfolio spanning a GLA of 320 000 m<sup>2</sup> serving in excess of 500 tenants throughout South Africa. It is planned to rename the merged entity the Dipula Income Fund Limited and list on the JSE.

## Borrowings

Excluding RI, as at 28 February 2011 Redefine's borrowings of R7.9 billion represent 32.8% of the value of its property and listed securities portfolio. Redefine's average cost of borrowing is 9.64% and the interest rates are fixed on 70% of borrowings for an average period of six years. RI's borrowings of R3.8 billion (GBP327.3 million) are all negotiated directly by RI and have no recourse to Redefine's South African balance sheet.

## Contingencies

At 28 February 2011, Redefine had guarantees and suretyships in respect of its BEE initiatives and joint ventures amounting to R547.4 million and R30.8 million respectively.

## Redefine International/Wichford potential merger

On 23 March 2011 RI and Wichford announced that agreement in principle had been reached to merge the two UK-based companies to create a more liquid, enlarged, income-focused investment property company listed on the main market of the London Stock Exchange. It is proposed that Wichford will acquire all RI's shares on a swap ratio of 7.2 Wichford shares for every 1 RI share. The potential merger is subject to various regulatory, unitholder and shareholder approvals being obtained.

It is envisaged that following the potential merger, RIN's interest in the enlarged company will be 64%, value neutral and Redefine's investment in RIN will remain at 57.2%.

## Property management

The property management function, which was previously outsourced, was brought in-house during the period under review. Redefine believes that this will enhance its tenant offering and result in increased efficiencies and economies. The benefit of this initiative will begin to be realised in the second half of the 2011 financial year.

## Changes to the board

Janys Finn resigned as financial director effective 16 November 2010 and was replaced by Andrew Konig who was appointed effective 12 January 2011.

Executive director David Rice was appointed as Chief Operating Officer on 2 February 2011.

Brian Azizollahoff and Mike Flax resigned as executive directors effective 28 February 2011. Mike Flax remains on the board as a non-executive director.

## Prospects

Moderate growth is expected from the core property portfolio. Fee and trading income are largely unpredictable and difficult to forecast, however the transaction fee of 3.8 cents per linked unit from the Hyprop Attfund transaction is anticipated to be received in the second half of the 2011 financial year. Based on this, the company is anticipating a modest increase in distributions for the year ending 31 August 2011. This forecast has not been reviewed or reported on by the group's independent external auditors.

## Debenture interest distribution

Unitholders are advised that interest distribution number 44 of 16.0 cents per linked unit has been declared for the three months ended 28 February 2011. The distribution will be payable to Redefine linked unitholders in accordance with the abbreviated timetable set out below:

	2011
Last day to trade "cum" interest distribution	Friday, 20 May
Linked units "ex" interest distribution	Monday, 23 May
Record date	Friday, 27 May
Payment date	Monday, 30 May

There may be no dematerialisation or rematerialisation of linked units between Monday, 23 May 2011 and Friday, 27 May 2011, both days inclusive. The next interest distribution will be for the six months ending 31 August 2011.

## Basis of preparation

The results for the six months ended 28 February 2011 have not been reviewed or audited by the group's independent external auditors PKF (Jhb) Inc. These results have been prepared in accordance with International Financial Reporting Standards, JSE Listings Requirements and the requirements of the South African Companies Act. This report has been prepared in terms of IAS 34 — "Interim Financial Reporting". The accounting policies used are consistent with those applied in the annual financial statements for the year ended 31 August 2010.

By order of the board

**Redefine Properties Limited**

4 May 2011

[www.redefine.co.za](http://www.redefine.co.za)

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## REDEFINE PROPERTIES LIMITED

("Redefine" or "the company" or "the group")

Registration number 1999/018591/06

- JSE share code: RDF • ISIN: ZAE000143178
- ("Redefine" or "the company" or "the group")

### Directors

D Gihwala *[Chairman]*, M Wainer\* *[CEO]*, MN Flax\*,  
GJ Heron, MK Khumalo, AJ Konig\*, GGL Leissner,  
HK Mehta, B Nackan, D Pertont, DH Rice\*\*

\*Executive †British

### Registered office

3rd Floor, Redefine Place, 2 Arnold Road, Rosebank, 2196  
(PO Box 1731, Parklands, 2121)

### Transfer secretaries

Computershare Investor Services (Proprietary) Limited

### Sponsor

Java Capital

### Company secretary

Probity Business Services (Proprietary) Limited