

# PANGBOURNE

## Unaudited Consolidated Interim Financial Report for the six months ended 31 December 2008

Pangbourne Properties Limited

Incorporated in the Republic of South Africa  
Registration no. 1987/002352/06 Share code: PAP ISIN: ZAE000005252  
("Pangbourne" or "the company" or "the group")

## DIRECTORS' COMMENTARY

### DISTRIBUTABLE INCOME

Pangbourne's interim distribution for the six months to 31 December 2008 amounted to 63,50 cents per unit. This represents an increase of 10,43% over the 57,50 cents per unit distribution for the six months to 31 December 2007.

The distribution for this interim period includes R11,4 million development profits and fees, being 4,2% of the distribution. It is the board's stated objective only to distribute recurring property income. This will be achieved in the June 2010 financial year.

### CORPORATE ACTION

The group sold its interest in bridging finance and bond origination business, Aspire Financial Services, for R95 million in November 2008. This business was inappropriate for a listed property company. The sale was fortuitous given the credit crisis and continued deterioration of the economy. Proceeds from the sale were applied against borrowings.

The holding in Monyetla Property Fund Limited was sold to Capital Property Fund ("Capital"). Pangbourne received 65 426 558 units in Capital as consideration. Capital is a larger and more liquid fund and gives Pangbourne the flexibility to reduce its holding over time.

Pangbourne has had discussions with its partners in the unlisted Enigma Property Fund with a view to either acquire the interest of its partners, alternatively to dispose of its entire investment. No agreement could be reached on price.

### OPERATIONAL EFFICIENCIES

The outsourcing of the property management function to JHI has been successful. The anticipated operating efficiencies and benefits from the reduction in the overhead structure have been better than expected. The management team has been strengthened and focus on skills development is a high priority. Pangbourne is benefiting from the intense focus on the property portfolio. Pangbourne adopted the accounting and management systems utilised by the Resilient and Capital groups, resulting in significantly improved functionality and reliability.

### CAPITAL STRUCTURE

In a difficult macroeconomic environment, Pangbourne successfully arranged a new loan facility totalling R1,44 billion with Absa Bank. This facility enabled the group to consolidate various loans with different structures and terms to Pangbourne, Siyathenga and iFour. The additional R635 million cash raised has placed Pangbourne in a position to fully repay the R470 million securitised loan tranche due in October 2009.

The Culemborg motor dealership development in Cape Town was sold for R249,5 million and transferred in December 2008. The property has additional commercial rights and Pangbourne is entitled to a further consideration should these rights be utilised. The sale enabled Pangbourne to unwind the convertible loan structure in which this property was held. Pangbourne has no further exposure to any similar "tax structures".

### THE PROPERTY PORTFOLIO

#### Developments

Pangbourne developments include the following:

- Hobart Square, a 6 450 m<sup>2</sup> office development in Bryanston is being developed at a cost of R83 million. This development is due for completion in April 2009.
- Maple Road Industrial Park is a 20 000 m<sup>2</sup> industrial development in Pomona near O.R. Tambo International Airport. This development costing R84 million will be completed at the end of February 2009.
- Midi-units at Raceway. Pangbourne owns 50% of this 6 000 m<sup>2</sup> industrial development situated on the former Gosforth Park race track. The development was completed in December 2008 at a cost of R32,5 million.
- Prospection Phase II. This 7 000 m<sup>2</sup> redevelopment and refurbishment in Durban was completed in October 2008 at a cost of R41 million. The property is fully let.
- Greenbushes, Port Elizabeth. The basic infrastructure and gate house have been completed on this large industrial site at a cost of R7,5 million. A R28 million midi-unit development has commenced and will be completed during April 2009. The vacant land has recently been released for sale.
- Equinox Mall, Jeffreys Bay. This 15 604 m<sup>2</sup> retail development in the centre of the town was funded by iFour at a cost of R150 million. The anchor tenant, Shoprite Checkers, is trading ahead of their budget. The Jeffreys Bay market has been oversupplied with retail developments and management anticipate high vacancies for the foreseeable future.
- Nongoma Shopping Centre in Kwa-Zulu Natal was developed with R80 million finance from iFour. The project ran into considerable difficulties as a result of the involvement of an inexperienced developer. It is anticipated that Pangbourne will be compelled to take ownership of the centre in due course, which may result in a capital loss.

#### The existing portfolio

The entire property portfolio has been subject to an aggressive programme of refurbishment and maintenance to address the historical backlog. This will assist Pangbourne to attract new tenants and to retain existing tenants. Whilst the securitisation structure is limiting, industrial minis and smaller industrial properties that do not fit the current portfolio strategy will be sold when market conditions permit. In line with Pangbourne's focus on industrial and commercial properties, retail properties will be sold over time.

Current vacancies have reduced to 3,8% from the June 2008 level of 4,4%. General market conditions have deteriorated due to the supply of new developments and a decline in the economy. Management is nonetheless confident that the improved condition of the properties and aggressive marketing campaigns will limit any increases in vacancies.

#### Disposals

The following properties were transferred during the period under review:

Building	Book value (R'000)	Sales price (R'000)
Culemborg, Cape Town	209 965	249 457
25 Wellington Road, Parktown	34 000	34 000
16 Pressburg Road, Founders Hill	11 500	11 500
659 Electron Avenue, Isando	7 293	7 738

#### Acquisitions

The board has set a target gearing level of 40% or below. Acquisition opportunities will not be actively pursued until this target is reached.

#### OUTLOOK

After a difficult period of corporate activity and restructuring, Pangbourne is now in a position to produce superior results.

## CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 Dec 2008 R'000	Audited year ended 30 Jun 2008 R'000	Restated 6 months ended 31 Dec 2007 R'000
<b>Net rental and related income</b>	<b>413 908</b>	<b>455 374</b>	<b>235 434</b>
Recoveries and contractual rental income	661 010	624 477	305 471
Straight-lining of rental income adjustment	(44 626)	14 688	13 353
Rental income	616 384	639 165	318 824
Property operating expenses	(202 476)	(183 791)	(83 390)
Minority share of distributable earnings	-	(19 695)	-
Distributable income from investments	16 757	-	-
<b>Profit on disposal of investments and investment property</b>	<b>39 746</b>	<b>11 467</b>	<b>864</b>
Profit on disposal of investment property	39 746	7 527	864
Profit on disposal of investments	-	3 940	-
<b>Fair value gains on investments and investment property</b>	<b>19 646</b>	<b>1 094 321</b>	<b>102 728</b>
Fair value gain on investment property	-	1 109 009	116 081
Adjustment resulting from straight-lining of rental income	44 626	(14 688)	(13 353)
Fair value loss on investments	(24 980)	-	-
Other income	7 702	68 460	72 068
Administrative expenses	(31 277)	(90 332)	(74 816)
Net recognition/(impairment) of goodwill	-	137 652	(45 693)
Impairment of intangible asset	-	(23 924)	(23 924)
Loss on sale of subsidiary	(35 030)	-	-
Deconsolidation of Monyetla Property Fund Limited	(30 232)	-	-
Income/(loss) from associate companies	11 682	223 984	(19 172)
<b>Profit before net finance costs</b>	<b>412 902</b>	<b>1 857 307</b>	<b>247 489</b>
<b>Net finance costs</b>	<b>(967 314)</b>	<b>(327 342)</b>	<b>(129 967)</b>
Finance income	53 483	324 782	74 598
Interest from loans	51 257	22 692	74 598
Fair value adjustment on interest rate swaps	-	152 226	-
Interest on linked units issued cum distribution	2 226	149 864	-
Finance costs	(1 020 797)	(652 124)	(204 565)
Interest on borrowings	(270 877)	(233 126)	(137 011)
Fair value adjustment on interest rate swaps	(500 465)	-	(1 777)
Fair value adjustment on bond option	-	(17 256)	(4 202)
Interest to linked debenture holders	(249 455)	(401 742)	(61 575)
<b>(Loss)/profit before income tax</b>	<b>(554 412)</b>	<b>1 529 965</b>	<b>117 522</b>
Income tax	97 332	(267 092)	(53 336)
<b>(Loss)/profit for the period</b>	<b>(457 080)</b>	<b>1 262 873</b>	<b>64 186</b>
<b>Attributable to:</b>			
Equity holders of the company	(457 080)	1 222 838	64 037
Minority interest	-	40 035	149
	(457 080)	1 262 873	64 186
Basic earnings per share (cents)	(116,35)	371,14	23,39
Basic earnings per linked unit (cents)	(52,85)	493,07	45,88
Diluted earnings per share (cents)	(106,53)	340,17	21,52
Diluted earnings per linked unit (cents)	(48,39)	451,93	42,21

## ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 31 Dec 2008 R'000	Audited year ended 30 Jun 2008 R'000	Restated 6 months ended 31 Dec 2007 R'000
Cash inflow/(outflow) from operating activities	221 323	(174 660)	(41 188)
Cash outflow from investing activities	(135 254)	(2 997 073)	(1 188 266)
Cash (outflow)/inflow from financing activities	(249 032)	3 373 114	1 217 039
(Decrease)/increase in cash and cash equivalents	(162 963)	201 381	(12 415)
Cash and cash equivalents at beginning of period	226 996	25 615	25 615
Cash and cash equivalents at end of period	64 033	226 996	13 200
Cash and cash equivalents consist of:			
Current accounts	64 033	226 996	13 200

## CONSOLIDATED BALANCE SHEET

	Unaudited 31 Dec 2008 R'000	Audited 30 Jun 2008 R'000	Restated 31 Dec 2007 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	11 725 804	12 159 323	6 867 785
Investment property	9 373 617	10 713 398	4 826 696
Straight-lining of rental income adjustment	110 958	179 569	68 075
Investment property under development	818 986	475 577	308 852
Investment in and loans to associates	349 957	356 958	1 352 937
Investments	390 921	-	-
Loans	681 365	426 606	298 837
Property, plant and equipment	-	7 215	12 388
<b>Current assets</b>	640 719	1 634 015	359 829
Loans	-	62 118	-
Investment property held for sale	405 819	520 188	-
Trade and other receivables	170 867	824 713	346 629
Cash and cash equivalents	64 033	226 996	13 200
<b>Total assets</b>	12 366 523	13 793 338	7 227 614
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity attributable to equity holders</b>	4 007 521	4 400 985	2 354 279
Share capital	3 929	3 852	2 737
Share premium	2 083 919	2 020 264	1 133 474
Non-distributable reserves	1 919 673	2 376 869	1 218 068
Retained earnings	-	-	-
<b>Minority interest</b>	-	255 039	225 247
<b>Total liabilities</b>	8 359 002	9 137 314	4 648 088
<b>Non-current liabilities</b>	6 527 847	7 041 327	4 410 719
Linked debentures	1 767 784	1 733 246	1 201 892
Interest-bearing borrowings	4 018 510	4 450 674	3 006 546
Deferred tax	741 553	857 407	202 281
<b>Current liabilities</b>	1 831 155	2 095 987	237 369
Trade and other payables	485 533	356 907	70 706
Linked debenture interest payable	249 455	244 786	63 623
Income tax payable	1 184	14 600	1 522
Interest-bearing borrowings	1 094 983	1 479 694	101 518
<b>Total equity and liabilities</b>	12 366 523	13 793 338	7 227 614

## RECONCILIATION OF (LOSS)/PROFIT FOR THE PERIOD TO HEADLINE EARNINGS AND DISTRIBUTABLE INCOME

	Unaudited 6 months ended 31 Dec 2008 R'000	Audited year ended 30 Jun 2008 R'000	Restated 6 months ended 31 Dec 2007 R'000
<b>Basic earnings (shares) – (loss)/profit for the period attributable to equity holders</b>	(457 080)	1 222 838	64 037
– interest to linked debenture holders	249 455	401 742	61 575
<b>Basic earnings (linked units)</b>	(207 625)	1 624 580	125 612
Adjusted for:	(156 724)	(952 424)	19 361
– fair value gain on investment property	(44 626)	(1 094 321)	(102 728)
– fair value loss on investments	24 980	-	-
– profit on disposal of investment property	(39 746)	(7 527)	(864)
– profit on disposal of investments	-	(3 940)	-
– (net recognition)/impairment of goodwill	-	(137 652)	45 693
– impairment of intangible asset	-	23 924	23 924
– income tax effect	(97 332)	267 092	53 336
<b>Headline earnings</b>	(364 349)	672 156	144 973
Profit for the period attributable to minorities	-	40 035	149
Adjustment resulting from straight-lining of rental income	44 626	(14 688)	(13 353)
Fair value adjustment on interest rate swaps	500 465	(152 226)	1 777
Fair value adjustment on bond option	-	17 256	4 202
Consolidation adjustment for BEE partners	15 142	2 009	15 144
Restructuring costs	-	17 168	-
Loss on sale of subsidiary	35 030	-	-
Deconsolidation of Monyetla Property Fund Limited	30 232	-	-
Post-acquisition reserves from associate companies	(11 682)	(177 263)	19 172
Consolidation adjustment for Monyetla Property Fund Limited	-	-	(4 011)
Net loss of a subsidiary	-	(2 646)	-
Other	(9)	(59)	-
<b>Distributable income</b>	249 455	401 742	168 053
Less: Distribution declared	(249 455)	(401 742)	(168 053)
<b>Income not distributed</b>	-	-	-
Headline earnings per share (cents)	(156,25)	82,07	30,46
Headline earnings per linked unit (cents)	(92,75)	204,01	52,95
Diluted headline earnings per share (cents)	(143,05)	75,22	28,03
Diluted headline earnings per linked unit (cents)	(84,92)	186,98	48,72

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 392 841 028 (30 Jun '08: 329 479 609; 31 Dec '07: 273 793 190) 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 429 070 837 (30 Jun '08: 359 478 798; 31 Dec '07: 297 561 759) shares/linked units in issue during the period.

## NOTES

### 1 PREPARATION

The consolidated interim financial report has 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. The 31 December 2007 information has been restated to reflect the change in accounting policy relating to revenue (revenue includes only property related income and utility recoveries whereas all fees are included in other income) and the transfer of retained earnings to non-distributable reserves. This report was not audited or reviewed by the company's auditors.

### 2 GEARING

Expiry	Amount R'million	Amount R'million	Fixed rate	% of borrowings
<i>Interest rate swaps</i>				
January 2009	100,0		11,24%	2,12%
October 2009	10,0		9,05%	0,21%
January 2010	200,0		10,73%	4,23%
October 2010	200,0		10,45%	4,23%
January 2011	100,0		10,33%	2,12%
September 2011	100,0		10,33%	2,12%
October 2011	130,0		10,26%	2,75%
December 2011	200,0		8,55%	4,23%
September 2013	400,0		9,85%	8,47%
October 2014	460,0		9,36%	9,74%
September 2015	200,0		9,61%	4,23%
<i>Pangbourne pays the fixed rate and receives the 3-month Jibar floating rate on the swaps.</i>				
<i>Interest rate cap</i>				
October 2012		140,0	10,75%	2,96%
<i>Interest rate floor</i>				
October 2012		140,0	9,40%	
<i>Securitized loan</i>				
July 2012	1 190,0		8,85%	25,20%
The securitised loan is shown as nominal annual compounded quarterly and is inclusive of lending margin, amortised upfront costs and ongoing management fees payable to the securitisation administrators, trustees, rating agency and other external costs. The interest rate applicable to the securitisation loan is of a stepped nature and will increase from 8,85% to 10,36% in July 2010.				
Hedged borrowings	3 290,0	140,0		72,61%
Variable rate borrowings	1 293,7			27,39%
<b>Total gearing*</b>		<b>4 723,7</b>		<b>100,00%</b>

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

	31 Dec 2008 R'million	30 Jun 2008 R'million	31 Dec 2007 R'million
<b>Gearing is calculated as follows:</b>			
Interest-bearing borrowings	5 113,5	5 930,4	3 108,1
Interest-bearing borrowings of BEE partners	(365,8)	(463,4)	(291,6)
Current liabilities	736,2	616,3	135,9
Current liabilities of BEE partners	16,3	(14,5)	(9,6)
Current assets	(640,7)	(1 634,0)	(359,8)
Current assets of BEE partners	(135,8)	22,8	16,8
<b>Total gearing</b>	<b>4 723,7</b>	<b>4 457,6</b>	<b>2 599,8</b>

### 3 SUMMARY OF FINANCIAL PERFORMANCE

3.1 To comply with financial reporting requirements, the group will consolidate 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 to that of its own.

Disclosure under "Property operations" excludes Panya Investments (Pty) Ltd, Meago Siyam Investments (Pty) Ltd and Tokoloho Investments (Pty) Ltd ("BEE partners").

3.2 Pangbourne signed sureties in favour of banks with regards to the funding of BEE partners. The BEE partners collectively hold 36 229 809 linked units in Pangbourne.

The following table indicates the effect of consolidating BEE partners into the group financial statements (the column "Property operations" indicates Pangbourne's results had the BEE partners not been consolidated):

31 December 2008	Consolidated R'000	BEE partners R'000	Property operations R'000
<b>Income statement</b>			
Financing costs			
– Interest on borrowings	(270 877)	38 147	(232 730)
– Fair value adjustment on interest rate swaps	(500 465)	15 005	(485 460)
– Interest to linked debenture holders	(249 455)	(23 005)	(272 460)
Income tax expense	97 332	4 044	101 376
<b>Balance sheet</b>			
Current assets			
– Trade and other receivables	170 867	135 767	306 634
Share capital	3 929	362	4 291
Share premium	2 083 919	309 379	2 393 298
Non-distributable reserves	1 919 673	19 192	1 938 865
Non-current liabilities			
– Linked debentures	1 767 784	163 035	1 930 819
– Interest-bearing borrowings (non-current and current)	5 113 493	(365 839)	4 747 654
– Deferred tax	741 553	(6 629)	734 924
Current liabilities			
– Trade and other payables	485 533	(6 738)	478 795
– Linked debenture interest payable	249 455	23 005	272 460

## NOTES continue

### 3 SUMMARY OF FINANCIAL PERFORMANCE continue

Historical performance	31 Dec 2008	30 Jun 2008	31 Dec 2007
Distribution per linked unit (cents)	63,50	63,43	57,50
Units in issue	429 070 837	421 395 837	297 561 759
<i>Property operations</i>			
Net asset value*	R14,61	R15,64	R12,91
Gearing ratio**	40,3%	36,7%	37,9%
Units in issue	429 070 837	421 395 837	297 561 759
<i>Consolidated</i>			
Net asset value*	R14,70	R15,93	R12,99
Units in issue	392 841 028	385 166 028	273 793 190

\*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.

The 31 December 2007 net asset value and gearing calculation assumes that the investments in iFour and Siyathenga were carried at cost.

### 4 LEASE EXPIRY PROFILE AND SEGMENTAL ANALYSIS

Lease expiry	Based on rentable area	Based on contractual rental income
Vacant	3,8%	-
June 2009	13,8%	12,2%
June 2010	15,5%	17,0%
June 2011	16,7%	20,5%
June 2012	17,1%	15,5%
June 2013	15,5%	17,4%
June 2014	5,7%	6,2%
>June 2014	11,9%	11,2%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>

### 5 SEGMENTAL ANALYSIS

	31 Dec 2008	30 Jun 2008	31 Dec 2007
Rental income	R'000	R'000	R'000
Commercial	119 696	116 244	58 990
Industrial	271 364	457 163	222 064
Retail	201 596	62 197	37 770
Other	23 728	3 561	-
<b>Total</b>	<b>616 384</b>	<b>639 165</b>	<b>318 824</b>

	31 Dec 2008	30 Jun 2008	31 Dec 2007
Profit before net finance costs	R'000	R'000	R'000
Commercial	78 154	160 472	42 829
Industrial	223 435	1 262 173	254 875
Retail	136 869	132 272	37 823
Other	59 822	2 305	3 500
Corporate	(85 378)	300 085	(91 538)
<b>Total</b>	<b>412 902</b>	<b>1 857 307</b>	<b>247 489</b>

### 6 PAYMENT OF INTERIM DISTRIBUTION

The board has approved and notice is hereby given of an interim interest distribution (distribution no. 45) of 63,50 cents per linked unit for the six months ended 31 December 2008.

The last date to trade linked units cum distribution will be Friday, 13 March 2009 and trading will commence ex distribution on Monday, 16 March 2009. The record date to participate in the distribution will be Friday, 20 March 2009.

Linked unit certificates may not be dematerialised or rematerialised between Monday, 16 March 2009 and Friday, 20 March 2009, both days inclusive.

Payment of the distribution will be made to linked unitholders on Monday, 23 March 2009.

In respect of dematerialised linked unitholders, the distribution will be transferred to the Central Securities Depository Participant accounts/broker accounts on Monday, 23 March 2009. Certificated linked unitholders' distribution payments will be posted on or about Monday, 23 March 2009.

By order of the board

Barry Stuhler  
Managing director

Jacques van Wyk  
Financial director

Johannesburg  
24 February 2009

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the group

Unaudited	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000	Minority interest R'000	Total equity R'000
<b>Balance at 30 June 2007</b>	2 392	812 750	-	1 154 031	1 969 173	222 471	2 191 644
Issue of units	264	218 424			218 688		218 688
Units issued to the Pangbourne Unit Purchase Trust	81	102 300			102 381		102 381
Change in ownership in subsidiary					-	2 627	2 627
Profit for the period				64 037	64 037	149	64 186
Transfer to non-distributable reserves			1 218 068	(1 218 068)	-		-
<b>Balance at 31 December 2007</b>	2 737	1 133 474	1 218 068	-	2 354 279	225 247	2 579 526
Issue of units	1 239	1 076 118			1 077 357		1 077 357
Units issued to BEE partners eliminated	(124)	(189 328)			(189 452)		(189 452)
Change in ownership in subsidiary					-	(10 094)	(10 094)
Profit for the period				1 158 801	1 158 801	39 886	1 198 687
Transfer to non-distributable reserves			1 158 801	(1 158 801)	-		-
<b>Balance at 30 June 2008</b>	3 852	2 020 264	2 376 869	-	4 400 985	255 039	4 656 024
Units issued to the Pangbourne Unit Purchase Trust	77	63 655			63 732		63 732
Loss on units issued by the Pangbourne Unit Purchase Trust to employees			(116)		(116)		(116)
Deconsolidation/disposal of subsidiaries					-	(255 039)	(255 039)
Loss for the period				(457 080)	(457 080)	-	(457 080)
Transfer to non-distributable reserves			(457 080)	457 080	-		-
<b>Balance at 31 December 2008</b>	3 929	2 083 919	1 919 673	-	4 007 521	-	4 007 521

### Directors

Dr Iraj Abedian (chairman) Barry Stuhler\* (managing director) Des de Beer (alternate: Vuso Majjja) Ryan Falkenberg Craig Hallowes\* Bryan Hopkins Annalese Manickum Marius Muller\* Dave Savage Ndhlabole Shongwe Thando Sishuba Jacques van Wyk\* Trurman Zuma (\*Executive)

### Company secretary

Abraham Bornman

### Registered address

3rd Floor Rivonia Village Rivonia Boulevard Rivonia 2191

### Transfer secretaries

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### Sponsor

Java Capital (Pty) Ltd