



ORION REAL ESTATE LIMITED  
 formerly Alpha Investment Holdings Limited "Alpha"  
 (Incorporated in the Republic of South Africa)  
 (Registration number: 1997/021085/06)  
 Share Code: ORX ISIN: ZAE000075651  
 ("Orion Real Estate" or "the company")

(all amounts given in Rands unless stated otherwise)

#### CONSOLIDATED INCOME STATEMENT

	Year ended 30 June 2006	Year ended 30 June 2005
Revenue	17 091 333	22 401 404
Recoveries	1 543 996	5 819 179
Operating costs	(14 293 103)	(15 892 897)
Operating profit	4 342 226	12 327 686
Interest Income	209 490	115 476
Profit on disposal of subsidiary		2 172 364
Reversal of unsubstantiated liability entry that has prescribed		4 379 807
Loans receivable written off		(3 469 783)
Straight line operating lease adjustment	1 346 605	733 060
Revaluation of properties	34 202 191	9 071 822
Profit on sale of investment property		1 873 210
Finance charges	(11 649 804)	(15 752 313)
Profit/(loss) before taxation	28 450 708	11 451 329
Taxation	(7 600 399)	(5 529 295)
Profit/(loss) for year	20 850 309	5 922 034
Earnings per linked unit (cents)	14.01	32.65
Diluted earnings per linked unit (cents)	14.01	33.35
Headline loss per linked unit (cents)	(2.31)	(13.88)
Diluted headline loss per linked unit (cents)	(2.31)	(14.18)
Net asset value per linked unit at year-end (cents)	33.66	72.14
Number of linked units at year-end	188 286 200	18 139 125
Weighted number of linked units	148 859 622	18 139 125
Diluted number of linked units	148 859 622	17 758 125

#### Reconciliation between net earnings and headline earnings

Net profit/(loss) per Income Statement	20 850 309	5 922 034
- Loans written off		3 469 783
- Reversal of unsubstantiated liability entry that has prescribed		(4 379 807)
- Profit on disposal of subsidiary		(2 172 364)
- Profit on sale of investment property		(1 873 210)
- Fair value adjustment to investment property	(34 202 191)	(9 071 822)
- Tax effect as a result of the above	9 918 635	5 587 825
Headline earnings/(loss)	(3 433 247)	(2 517 560)

#### CONSOLIDATED BALANCE SHEET

	30 June 2006	30 June 2005
Investment properties	175 691 056	90 700 001
Tangible assets	377 213	136 317
Deferred tax	544 327	1 138 291
Loans receivable and rental smoothing	5 450 578	7 378 016
Current assets	45 416 909	1 747 812
Total assets	227 480 083	101 100 437
Shareholders' equity	17 591 803	(4 959 977)
Deferred tax	14 413 609	3 851 738
Subordinated debentures	45 779 575	18 045 345
Long term borrowings	126 819 686	74 799 770
Current liabilities	22 875 411	9 363 561
Total equity and liabilities	227 480 083	101 100 437

#### CONSOLIDATED CASH FLOW STATEMENT

	Year ended 30 June 2006	Year ended 30 June 2005
Net cash flow from operating activities	(33 817 742)	(6 292 411)
- Cash generated from operations	16 789 450	9 304 517
- Purchase and development of flats for resale	(39 166 878)	
- Interest received	209 490	115 476
- Interest paid	(11 649 804)	(15 752 313)
- Taxation paid	-	39 909
Net cash outflow from investing activities	(48 861 426)	12 768 040
Net cash inflow from new share capital and debentures	29 111 000	3 920 959
Net cash inflow from financing activities	52 019 916	(9 632 487)
Net increase/(decrease) in cash and cash equivalents	(1 548 252)	764 101
Cash and cash equivalents at the beginning of the year	776 210	12 109
Cash and cash equivalents at the end of the year	(772 042)	776 210

## REVIEWED CONSOLIDATED RESULTS OF THE GROUP for the year ended 30 June 2006

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Vendors share subscription commitment	Distributable reserve	Total
Balance at 30 June 2004	161 786	3 516 635	3 158 964	(17 639 418)	(10 802 033)
Straight line operating lease adjustment				3 059 381	3 059 381
Restated balance at 30 June 2004	161 786	3 516 635	3 158 964	(14 580 037)	(7 742 652)
Issue of linked units	19 605	3 881 750	(3 158 964)	-	742 391
Attributable loss for 6 months	-	-	-	(1 324 508)	(1 324 508)
Balance at 31 December 2004	181 391	7 398 385	-	(15 904 545)	(8 324 769)
Issue of debentures incorrectly classified as share premium		(3 881 750)			(3 881 750)
Attributable profit for 6 months	-	-	-	8 300 164	8 300 164
Balance at 30 June 2005	181 391	3 516 635	-	(7 604 381)	(3 906 355)
Further losses on disposal of subsidiary				(1 053 622)	(1 053 622)
Restated balance at 30 June 2005	181 391	3 516 635	-	(8 658 003)	(4 959 977)
Issue of linked units	30 000				30 000
Attributable loss for 6 months				(1 187 576)	(1 187 576)
Balance at 31 December 2005	211 391	3 516 635	-	(9 845 579)	(6 117 553)
Issue of linked units	1 671 471				1 671 471
Attributable profit for 6 months				22 037 885	22 037 885
Balance at 30 June 2006	1 882 862	3 516 635	-	12 192 306	17 591 803

## Commentary on the June 2006 Financial Statements

### Basis of Preparation

The reviewed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The company adopted IFRS for the first time on 1 July 2005, effective from 1 July 2004.

### IFRS

IFRS 1: First Time Adoption of IFRS has been applied. The requirements of the South African Companies Act of 1973 and the disclosure requirements of the JSE Limited have been adopted. This report has been prepared on the fair value and going concern basis.

Significant changes to the Group's accounting policies as a result of the adoption of IFRS

The principal accounting policies are consistent with those applied in the previous year:

#### Investment properties

Items of property have consistently been stated on an annual basis at valuation and accordingly no adjustments in this regard were necessary.

#### Tangible assets

The company's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. As the company's property, plant and equipment have all been recently acquired and impaired in its June 2005 results, no adjustments in terms of IFRS were required.

#### Smoothing of operating rentals received

The operating rentals have been smoothed for the year ended 30 June 2006 in accordance with AC105 - GAAP requirements. The previous year was restated as required by AC105. The smoothing of the operating lease rentals received is also an IFRS requirement and the results for 30 June 2006 have been adjusted to conform therewith.

#### Impact of the transition to IFRS

The requirements for the First Time Adoption of IFRS as required by IFRS1 are clearly reflected in the company's statement of changes in equity. In comparing its comparative information for the year ended 30 June 2005, the group has adjusted the amounts previously reported in the financial statements prepared in accordance with previous GAAP. The net effect of the transition to IFRS is not material.

### Operating Performance

2005/6 was a year of rising commercial property prices and the portfolio has gained value over the year under review.

As regards headline earnings, management has several reasons to expect improvement going forward:

1. Reduced operating costs (note that the company has been under new management for just the last three months of the financial year and reductions to the group cost structure have had limited time to take effect).
2. Rent escalations in excess of the expected inflation rate, and the improvement of market demand for commercial and retail space.
3. Lower interest charges resulting from more efficient debt funding, expected interest rate increases notwithstanding.

4. The injection of further, profitable properties as laid out in the linked unit holders circular of 23 January 2006, together with the unrealised capital gains on this portfolio.

5. Anticipated property sales that will yield further capital and revenue gains, including the development for resale of the flats at Elma Park.

Completion of the transactions referred to in the Linked Unit Holders Circular of 23 January 2006

The purchase of the Orion Centre has taken place as set out in the circular and the flats, including the construction of 5 new penthouse suites, are currently being redeveloped for resale. As of year-end, 89 of a total of 95 units were sold.

The balance of the properties referred to in the circular are in the process of being transferred; and on transfer will have the effect of increasing both the share capital and the value of the property portfolio.

### Post balance sheet events

A number of property disposals have occurred post year-end, as follows:

R11 455 000 has been received from Gauteng Provincial Government: Dept of Public Transport, Roads and Works as an expropriation payout on the Spoonet property, erf 4899 Johannesburg pursuant to the construction of the Gautrain. This price will result in a gain of R1,86m. However, management is contesting this settlement and is seeking compensation based on the directors' valuation of R21,0m. Should these efforts prove successful, a further gain of R8,54m will be realised for the group.

The sale of SS Manchester Park was registered in July 2006 for gross proceeds of R5,5m payable in shares and cash. A loss of R0,2m will be reported on this sale.

The sale of VLC House, ptn 9 of erf 19 Edenburg, has been lodged. The gross proceeds of this transaction is R4,0m in shares and cash and a gain of R0,6m will be realised on this sale.

Lepus Road situate at erven 253 and 256 Crown extension 8 has been sold for gross cash proceeds of R4 017 000. This sale will realise a gain of R0,617m.

### Corporate actions

No dividends or debenture distributions have been declared for the year under review.

### Directorate

Directors: PD Alexander\*; F Gmeiner (Chief Executive), AC Gmeiner, RS Wilkinson\* (Chairman)  
 \*Non-executive

Company Secretary: Corporate Governance Facilitators CC

Registered Office: 16th Floor, Orion House, 49 Jorissen Street, Braamfontein

Transfer Secretaries: Computershare Limited

Sponsor: Imara Corporate Finance South Africa (Pty) Limited

Auditors: Horwath Leveton Boner

28 September 2006